UNIVERSITY OF MAINE SYSTEM
Board of Trustees Meeting

at the University of Maine System
May 19 & 20, 2013

Board of Trustees Meeting

Present: Michelle Hood, Chair; Samuel Collins, Vice Chair; Kurt Adams, Eleanor Baker, James Erwin, Norman Fournier, Mark Gardner, Tyler Hadyniak, Gregory Johnson, Marjorie Medd, Paul Mitchell, Victoria Murphy, Bonnie Newsom, and Karl Turner.


Absent: Stephen Bowen and Kevin McCarthy.

Trustee Hood, Chair, called the meeting to order and welcomed everyone.

ACCEPTANCE OF MINUTES

On a motion by Trustee Baker, which was seconded by Trustee Fournier, the minutes from the following meetings were unanimously approved as presented:

- March 11, 2013 – Technology Committee Meeting
- March 18, 2013 – Board of Trustees Meeting and Committee Meetings
- April 2, 2013 – Executive Committee Meeting

COMMITTEE REPORTS/ACTION

Audit Committee – Trustee Kurt Adams reported that the Committee met on May 17, 2013 and reported the Committee reviewed the OMB Circulate A-133 Audit for fiscal year 2012. Representatives from Berry Dunn McNeil and Parker, the external auditors, reviewed the 2013 Audit Plan and the Committee received an update on the University of Maine Department of Athletics reports.

Executive Committee Meeting – Trustee Hood reported that the Committee met on April 2, 2013 to discuss and approve a change in the effective date for an Honorary Degree Nomination.

Finance/Facilities Committee - Trustee Norman Fournier reported that the Committee met on May 16, 2013 and reviewed the draft final report for the Human Resources Administrative Review and received updates on the Implementation Plans for Information Technology and the Strategic Procurement Administrative Reviews. The Committee agreed to forward to the Consent Agenda for the May 19-20, 2013 Board of Trustees meeting the approval on the International Study Center Conversions at UM and USM. The Committee agreed for forward to the Board for approval the FY2014 Operating Budget and Recommended Student Charges.

Human Resources & Labor Relations - Trustee Marjorie Medd reported that the Committee met on May 13, 2013 to review and discuss the draft final report for the Human Resources Administrative Review and conceptual recommendations.
PRESENTATION AND DISCUSSION ON STRATEGIC HUMAN RESOURCE MANAGEMENT. Chancellor Page introduced the discussion on Strategic Human Resource Management. One of the Administrative Review conducted pursuant to the Board’s Goals and Actions is a review of the Human Resources function. The overarching recommendations of the Review Team are that UMS transition to a paradigm of Strategic Human Resource Management, employee engagement and optimal service delivery. This would represent a significant change in how the UMS operates and in its organizational culture.

The following presenters spoke about different aspects of Strategic Human Resource Management:

- **Mr. David Stevens, Executive Director of Organizational Effectiveness**
  - Discussed the need to create a perception of a differentiated experience through our employees, while becoming more efficient.
- **Ms. Tracy Bigney, Chief Human Resources and Organization Development Officer**
  - Explained the current state of Human Resources at the UMS and the proposed solution for a paradigm shift.
- **Ms. Tamara Mitchell, Director of Organizational Effectiveness**
  - Defined Strategic Human Resource Management, the difference between Traditional HR and Strategic HR, and the benefits Strategic HR will have to the organization.
- **Mr. Mark Schmelz, Director of Labor Relations**
  - Talked about how employee engagement drives business outcomes.
- **Ms. Megan Sanders, Assistant Director, Human Resources at UMaine**
  - Shared UMaine's HR pilot project through the “HR in a Backpack” and the LEAN process improvement. The core idea of the LEAN Process is to maximize customer value while minimizing waste - creating more value for customers with fewer resources.

The Board had an opportunity to explore the potential impacts of this paradigm change through a discussion lead by Mr. Stevens.

CONSENT AGENDA

The Board had a discussion on the International Study Center Conversion at UM & USM and the financial support for the project as well as the return on investment.

The Board of Trustees reviewed the following agenda item as forwarded by the Finance/Facilities Committee to the Consent Agenda from its meeting on May 16, 2013. On a motion by Trustee Collins, which was seconded by Trustee Medd, the following recommendation was unanimously approved by the Board of Trustees:

**International Study Center Conversions, UM & USM.** The Board of Trustees authorized the University of Southern Maine to expend $800,000 in E&G funds in Upton-Hastings Hall and the University of Maine to expend up to $1 million in E&G funds in Estabrooke Hall to renovate each space respectively to improve the capital infrastructure and to serve the International Study Center project.
EXECUTIVE SESSION
On a motion by Trustee Medd, which was seconded by Trustee Johnson, the Board of Trustees meeting went into Executive Session under the following provisions:

- 1 MRSA Section 405 6-A to discuss Boards of Visitors membership; Award of Tenure for UM; and the evaluation of personnel and the consideration and discussion of appointments, employment, and duties and
- 1 MRSA Section 405 6-D to discuss continuing negotiations and arbitration with AFUM; unfair labor practices, and preparation for upcoming labor contracts and proposals with AFUM, UMPSA, COLT, Police, PATFA, and Service and Maintenance Units.

On a motion by Trustee Fournier, which was seconded by Trustee Johnson, the Board of Trustees concluded the Executive Session.

AWARDING OF TENURE. On a motion by Trustee Fournier, which was seconded by Trustee Erwin, the Board of Trustees approved the Awarding of Tenure at the University of Maine to Dr. Nigel Pitt, as presented.

CITIZEN COMMENT
Citizen Comment is a time regularly set aside for comments from the public. The following individuals spoke during the Citizen Comment period:

Ron Mosley
Christy Hammer
John Broida
Assunda Kert
Thomas Enerva
Roger Roy
Karen Barrett
Ming Hardy
Mariella Passarelli
Michael Knopp
Ken Elliott
Jim McClymer
Sylvie Charron
Lisa Leduc
Matt McCourt
Alan Cobo-Lewis
Liam Riordan
Judy Kuhns-Hastings
Jane Conroy
Matt Killmeier
Paul Christiansen
John Messier
Penn Whiteside
Maha Pogorzelski

CHAIR’S REPORT
Trustee Hood stated that several Trustees took advantage of professional development opportunities by attending national and regional conferences and thanked Chancellor Page for making the opportunities available.

Because this was her last meeting as Chair of the Board, Trustee Hood thanked the Board for the experience. She stated is has been the most challenging and the most rewarding of all of the boards she has served on and she has enjoyed working with the Board, the Presidents and the Faculty and Student Representatives. She looks forward to continuing to serve as a Trustee, if reappointed by the Governor.

Trustee Collins presented a resolution to Trustee Hood on behalf of the Board to thank her for her leadership and dedication as the Chair of the Board of Trustees:
Whereas, M. Michelle Hood has served in senior leadership roles in the University of Maine System with distinction;

Whereas the positions held are Trustee of the University of Maine System and Chair of the Board of Trustees and as Chair has served on all of the Committees;

Whereas under her leadership, the Board of Trustees worked to keep tuition affordable for students, align the System’s academic and certificate program development with workforce needs, and strengthen adult degree completion opportunities;

Whereas she has announced that she will not continue as Chair of the Board of Trustees;

Be it known to all that we, the University of Maine System Board of Trustees, offer our most sincere gratitude, thanks, and best wishes to Michelle Hood for her outstanding contributions to the quality of higher education in Maine.

Approved on the 20th day of May, 2013, by a grateful University of Maine System Board of Trustees, acting as stewards of Maine’s public universities and their 39,000 students, 5,000 employees and more than 185,000 living alumni.

CHANCELLOR’S REPORT
Chancellor Page provided an update on the following topics:

Vice Chancellor for Academic Affairs Position
Chancellor Page distributed the UMS Academics Governance analysis and recommendations from the campus Chief Academic Officers (CAOs). Because of the academic affairs transformative strategic imperatives and the examination of academic structure at comparable systems of higher education, it is the recommendation of the CAOs that an individual at the Vice Chancellor level be charged with primary responsibility for the academic leadership. In addition, they feel that transformative success is best assured with a single individual focusing on the central academic mission of the UMS and leading fulfillment of the Board and the Chancellor’s vision of a reconceptualization of UMS Academics. The CAOs suggest the previous Vice Chancellor for Academic Affairs job description may partially serve as a template, however, does not reflect the full scope of the current challenges and opportunities for UMS Academics.

ABCDE Committee Update
Chancellor Page stated that the ABCDE Committee has submitted an excellent draft report and the recommendations will set a very clear direction. He thanked the Committee for its work and the final report will be presented to the Trustees at the July Board meeting.

Legislative Activities
Mr. Ryan Low, Executive Director of Governmental & External Affairs, provided an update on Legislative activities. The current focus in Augusta is on the budget including revenue sharing changes and tax changes. The FY2013 supplemental budget will be available next week and there are no items that will impact the UMS. Mr. Low thanked the Trustees who participated in a series of very successful meetings in April with the Governor, Legislative leadership and the Education Committee. He has been tracking over 150 bills that could impact or indirectly impact the UMS.
USM is a Confucius Institute
USM President Theodora Kalikow announced that USM is a Confucius Institute, the first in Maine. Confucius Institutes are non-profit public institutions aligned with the Government of the People's Republic of China that aim to promote Chinese language and culture, support Chinese teaching internationally, and facilitate cultural exchanges. USM will partner with Dongbei University of Finance and Economics in Dalian, China for this endeavor.

Strategic Investment Fund (SIF)
Trustee Karl Turner, as Chair of the SIF Steering Committee, with Trustees Newsom, Fournier and Medd, met to evaluate the SIF intent and process. At the recommendation of the Presidents, the Steering Committee recommends to continue to embed some opportunity at the campus level for SIF opportunities.

DISCUSSION ITEMS

Credit Transfer Steering Committee Update. UMFK President Wilson Hess provided an update on the Credit Transfer System-wide Conference held on April 19 at the Buchanan Alumni House at UMaine. Sixty-eight individuals participated in the conference which included faculty, academic affairs administrators, transfer officers, student success officers, and enrollment management officers. John Gardner, President of the Institute for Excellence in Undergraduate Education, and Dr. Paul Gaston, Trustee Professor of Kent State University, were the guest presenters for the conference.

Participants rated the conference as very satisfied or somewhat satisfied and found the following items the most useful about the conference:

- Ability to come together from across the System to talk about the issue of credit transfer
- The work that John Gardner presented provided new ways to think about transfer students
- The Degree Qualifications Profile was an interesting tool
- Develop a standardized system whereby all core courses and general education courses are equivalent from campus to campus and synchronize all of the courses in MaineStreet under the same name and number.

Participants felt the following individuals or groups need to be included:

- Faculty
- The full spectrum from Chief Academic Officers through transfer officers
- All groups
- Maine Community College System

Participants were asked to provide feedback on what additional resources would be the most useful as their campuses consider its own approach to enhancing the transfer experience. The comments are as follows:

- Data is always useful and we don’t have a full-time Institutional Research person.
- We need a user-friendly transfer portal.
- Time for the different groups to communicate together and decide “what is possible”.
- Funding.
- The system is easy to fix, just do it.
Financial Update. Dr. Rebecca Wyke, Vice Chancellor for Finance and Administration and Treasurer, provided a Financial Update.

Managed Investment Pool (including Endowment Fund)
In March the fund grew 1.6% and fiscal year-to-date the fund has grown by 14.2%. The market value on March 31, 2013 of the Managed Investment Pool is $232.6 million. Changes in market value besides market fluctuation include: contributions and distributions, the UMS contributions to the OPEB Trust, the Maine Maritime Academy’s participation in the Fund since January 2009, and the UM School of Law Foundation’s participation in the MIP since July 2012.

Pension Fund
In March the fund grew 1.8% and fiscal year-to-date the fund has grown by 12.5%. The market value on March 31, 2013 of the Pension Fund is $40.1 million.

Operating Fund
In March the Operating Fund grew 0.3% and fiscal year-to-date the fund has grown 4.6%.

FY2013 Forecast versus Budget as of April 30, 2013
The April Forecast is the third and final of three forecasts analyzing the status of the FY2013 Budget (Oct, Feb and April). The University of Maine System currently has a forecasted operating increase of $10.6 million for FY2013, or the equivalent of 2% of the unrestricted operating budget.

The major components of the forecast are:
- Temporary investment income is currently performing above budget. UMS has budgeted $2.5 million in temporary investment income and has experienced a year-to-date return of $10.6 million, resulting in a total budget-to-actual variance of $8.1 million.
- Budgets performing above projections by a total of $3.5 million at UMaine, UMA, UMF and USM. Campus budgets and projections include the transfer of $1 million in System Reserves to offset the FY2013 in-state, undergraduate tuition and unified fee freeze.
- A $2.5 million curtailment of State appropriation in FY2013.
- A projected $1 million deficit in the employee benefit pool due to under recovery.
- FY2013 Enrollment is below budget by 47 FTE or 0.2%.
- FY2013 Residence Hall occupancy is below budget by 77 headcount or 1.3%.

FY2013 Bond Refunding
Dr. Wyke stated that the System’s Bond rating was recently reaffirmed with both S&P and Fitch at AA-. On April 25, 2013 the System competitively sold $65.2 million in 2013 refunding bonds. As a result of the refunding the System realized a total net present value savings of $7.5 million which equates to a reduction in debt service costs of over $600,000 on average annually from fiscal year 2014 to 2035. The bonds were scheduled for closing on May 23, 2013.

FY2014 Operating Budget and Recommended Student Charges.
Dr. Wyke presented the proposed FY2014 Operating Budget and Recommended Student Charges.
FY2014 Budget Highlights
Dr. Wyke explained that the FY2014 budget for the UMS is balanced despite flat State appropriation; however, the current operating model is not financially sustainable over time. The in-state undergraduate tuition and the mandatory unified fee are frozen at FY2012 levels. This is the first time since 1985-1987 that there has been no in-state, undergraduate tuition increase in two consecutive years. In-state graduate and law tuition and the mandatory unified fee will remain at FY2013 levels. UMaine has the lowest in-state tuition and mandatory fees and the second lowest out-of-state tuition and mandatory fees for New England land grant institutions.

FY2014 Budget Drivers
The FY2014 budgets are based on flat Appropriation and reflect allocating 5% of the E&G appropriation through the Outcomes Based Funding Model. The projected enrollment for UMS is 0.3% above the FY2013 budget and 0.8% above the FY2013 actual. The UMS in-state, undergraduate tuition increase is 0.0%. The total weighted average increase for in-state, undergraduate tuition, mandatory fees and room and board is 1.3%. The FY2014 benefit rate is 52.4% and is based on a 7% health plan trend rate which is higher than the Employee Health Plan Task Force goal of 4%. E&G funding for depreciation is 80% with a budgeted funding of 63%. Auxiliary funding target is 100% in FY2014 and the budget exceeds this target.

FY2014 Budget Challenges
State Appropriation to the UMS has been declining as a percentage of the State budget and as a percentage of the UMS budget for the past twenty years. The State Appropriation for FY2014 is $6.2 million below the FY2008 level. While Maine’s General Fund revenues will grow over the next few years, revenue is not currently projected to return to the FY2008 level during the next biennium. Maine’s 15-24 year old population is projected to decline 19.5% between 2010 and 2020. Maintaining current enrollments will be challenging and will require our universities to work differently in order to retain and attract more students, including adults and the nearly 50% of high school graduates who currently do not enroll in college. The UMS’ ability to raise revenue will continue to be restrained by what Maine people can afford. Maine’s three-year moving average of median family income for 2009-2011 is $49,648.Absent the application of financial aid, the weighted average of tuition and fees as a percentage of Maine per capita personal income is 18%.

Compensation and benefits constitute 74% of the E&G operating budget and represent the single largest cost driver in the budget. This represents an increase of 1% over FY2013. Particularly challenging is that benefit costs have been increasing at a rate that exceeds the growth in revenue sources. The UMS has approximately 4½ months’ worth of operating expense held in reserve. The benchmark for public higher education institutions is 5 months.

The UMS owns more than 650 buildings providing more than 9 million square feet of space located across the State. Thirty-five percent of System space is more than 50 years old in terms of renovation age, which has increased from 29% in 2006. Critical building needs and investments can be expected in facilities with an estimated renovation age of more than 25 years - and even more so in the older 50+ category. The age of facilities, limited capital renewal funding, code changes, and functional obsolescence have resulted in a critical deferred maintenance estimate of $420 million and a total asset reinvestment backlog of $770 million.
The UMS is committed to continuing the in-state, undergraduate tuition and mandatory unified fee freeze during the FY2014-FY2015 biennium if the State appropriation is not reduced. The FY2014 budget reflects the changes necessary at each university to absorb the impact of the tuition freeze and flat appropriation.

**FY2014 Operating Budget**

The FY2014 Operating Budget shows revenues of $522 million and expenses, including depreciation, of $528.5 million for a projected net operating decrease of $6.5 million. However, when depreciation of $30.7 million is excluded and budgeted capital expenditures and debt service principal are included, the FY2014 result is a net increase of $37 thousand.

**ACTION ITEMS**

**FY2014 Operating Budget and Recommended Student Charges.**

On a motion by Trustee Fournier, which was seconded by Trustee Collins, the Board of Trustees approved the FY2014 Operating Budget, including the total annual budget for travel, meals, entertainment, and for contribution expenses (membership dues and fees, gifts, donations, and sponsorships) and the Recommended Student Charges as presented, contingent on flat funding for FY2014 by the Legislature.

**Wellness Payments for Non-represented Employees.** Chancellor Page explained that the Board approved compensation changes for non-represented hourly and salaried employees for FY2012 and FY2013 in March 2012. Subsequently the university concluded bargaining agreements with several bargaining units that included one-time, non-base payments to employees intended to offset costs of wellness, such as co-pays, gym fees, and wellness equipment. Employees were not required to document the expenses. Hourly employees in clerical, office, laboratory and technical positions received payments of $95, and salaried professional and administrative staff received payments of $300. In both cases eligible employees were those hired in a regular status prior to July 1, 2012 and still employed at the time the payment was made.

In order to provide parity for non-represented employees with similarly situated represented employees, the Chancellor proposed making wellness payments of $95 to non-represented hourly employees hired prior to July 1, 2012 and wellness payments of $300 to non-represented salaried employees, including Law Faculty, and excluding Management group, Presidents, Chancellor and other non-represented faculty. The payments will be one-time, non-base flat amount payments. There are approximately 600 eligible employees.

On a motion by Trustee Collins, which was seconded by Trustee Baker, the Board of Trustees approved the payment of one-time, non-base wellness payments to eligible non-represented employees: $95 for non-represented hourly employees hired prior to July 1, 2012 and $300 for non-represented salaried employees, including Law faculty and excluding Management Group, Presidents, Chancellor and other non-represented faculty.

**Election of Board Officers.** Trustee Baker reported that the Trustee Nominating Committee membership included Trustees Erwin, Murphy and herself as Chair. The Nominating Committee is recommending Trustee Samuel W. Collins as Chair and Trustee Gregory G. Johnson as Vice Chair of the Board of Trustees for 2013-2014.
On a motion by Trustee Baker, which was seconded by Trustee Fournier, the Board of Trustees approved the Board of Trustees slate of officers for 2013-2014 as follows:

Trustee Samuel W. Collins as Chair and Trustee Gregory G. Johnson as Vice Chair

**Confirm Faculty and Student Representatives to the Board of Trustees.** On a motion by Trustee Turner, which was seconded by Trustee Baker, the Board Trustees approved the appointments of the following Faculty and Student Representatives to the Board of Trustees:

**Faculty Representative:**
- Robert Rice, UM (reappointed for a one year term – June 2013 – June 2014)
- Valerie Hart, USM (reappointed for a two year term – May 2013 to May 2015)
- Terry Colby, UMA (two year term – June 2013 – June 2015)

**Student Representative:**
- Shawn Staples, UMA (reappointment for a one year term – May 2013 to May 2014)
- Irene Levesque-Rowe, UMFK (two year term – May 2013 to May 2015)

Trustee Collins presented Professor Christopher Bates a certificate of appreciate on behalf of the Board of Trustees for his dedication and leadership as the Faculty Representative from the University of Maine at Augusta.

**Lease for University College, UMA.** Trustee Fournier explained that the University College is negotiating the lease for space to support the operation of the University College Center in York County. Action likely will be required prior to the next Board meeting; therefore, the Finance/Facilities Committee requested authorization to act on behalf of the Board to approve required action prior to July 15, 2013.

On a motion by Trustee Baker, which was seconded by Trustee Murphy, the Board of Trustees authorized the Finance/Facilities Committee until July 15, 2013, to act on behalf of and with the full authority of the Trustees with regard to any University College lease that would otherwise require consideration by the full Board of Trustees. The Finance/Facilities Committee may exercise this authority using technology to meet or take action.

**PRESENTATION AND DISCUSSION ON UNIVERSITY OF MAINE SYSTEM RESERVES.**

Dr. Wyke; Mr. Dick Campbell, Chief Financial Officer at USM; Ms. Janet Waldron, Vice President of Finance and Administration at UM and Ms. Tracy Elliott, System Director of Finance and Controller conducted a presentation on the System-wide reserves.

Dr. Wyke explained the composition of the UMS Unrestricted Net Assets as of June 30, 2012 and 2011. The funds managed at the System level constitutes slightly under ¼ of the total or 24.8%.

**Benefit Pool Carryover**
- For the System the largest dollar amount is the Benefit Pool Carryover at $17.6 million, which is the System’s reserve for its self-insured health plan.

**Budget Stabilization**
- The second largest item is the Budget Stabilization at $10 million. This is the true
“rainy day fund”. The Investment Committee has developed language which in times of economic downturn allows the System access to the funds. This is the only reserve System-wide that has been set aside for those circumstances.

Information Technology (IT) Initiatives
- IT initiatives total $3.5 million. This is project monies that have been set aside for UMS State wide applications such as the Advancement Application and ERP system; however, most of the funds are for the Regional Optical Network. The Regional Optical Network builds capacity which all seven of the universities are now connected to and continues to Boston. The System has applied for grants that would build the Network to Canada. Several Maine K-12 schools, Colby, Bates, and Bowden Colleges and University of New England are also connected to this network.

Collateral for Internal Loans
- This totals $3 million which is the collateral to allow campuses to borrow internal loans.

Risk Management Reserve
- The Risk Management Reserve totals $2.9 million. In order to get more favorable rates on insurance for the seven campuses, the System took higher deductibles and built up this fund so that in the event of a claim a campus would not be charged with a rather significant deductible.

Funds Functioning as Endowments
- Approximately $800 thousand has been set aside for scholarship funds.

Educational & General Reserve
- This totals $5.5 million and is used for strategic purposes within the System or other emergencies.

Mr. Campbell explained the composition of the Unrestricted Net Assets for the USM and Ms. Waldron spoke about the Unrestricted Net Assets for UM.

DISCUSSION ON BOARD MEETING STRUCTURE. Chancellor Page asked for feedback on the current changes to the Board meeting structure based on the agenda for the May Board of Trustees meeting and asked the Trustees if the format was appropriate. The May Board meeting agenda did not include Committee meetings. Committee meetings, if needed, were held off-cycle prior to the Board meeting. Some Trustees stated they likely the new format. If other Trustees have additional suggestions, they were asked to contact the Chancellor.

EXECUTIVE SESSION
On a motion by Trustee Turner, which was seconded by Trustee Medd, the Board of Trustees meeting went into Executive Session under the following provisions:
- 1 MRSA Section 405 6-A to discuss Boards of Visitors membership and the evaluation of personnel and the consideration and discussion of appointments, employment, and duties.

On a motion by Trustee Fournier, which was seconded by Trustee Johnson, the Board of Trustees concluded the Executive Session.

ACTION ITEM

Confirmation of Boards of Visitors Membership. On a motion by Trustee Fournier, which was seconded by Trustee Johnson, the Board of Trustees confirmed the Boards of Visitors
appointments, as presented.

**INFORMATION ITEMS**
The following items were included in the Agenda for information only:
- Capital Projects Status Report
- Workforce Profile
- Turnover Report
- Dashboard Indicators
- Agenda Calendar

**DATE OF NEXT MEETING**
The next meeting of the Board of Trustees will be held on July 15, 2013 at the University of Maine System.

Adjournment

Ellen Doughty for
J. Kelley Wiltbank, Clerk