Finance/Facilities Committee


Present by Polycom:
Committee Members: Samuel Collins (@ UMPI), Tyler Hadyaniak (@ UMF), Victoria Murphy (@ USM), Karl Turner (@ USM). Faculty Representatives: Cathleen McAnenny (@ UMF) and Raymond Albert (@ UMFK). Other Attendees: President Kate Foster (@ UMF), Laurie Gardner (@ UMF), President Wilson Hess (@ UMFK), John Murphy (@ UMFK), President Cindy Huggins (@ UMM), Tom Potter (@ UMM), President Linda Schott (@ UMPI), Charlie Bonin (@ UMPI), Jennie Savage (@ UMPI), President Theodora Kalikow (@ USM), and Dick Campbell (@ USM).

Present by Phone: Committee Members: Gregory Johnson. Other Attendees: Dick Thompson.

Committee Members Absent: Marjorie Medd and Paul Mitchell.

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

Human Resources Administrative Review Discussion. Ms. Tracy Bigney, Chief Human Resources and Organizational Development Officer, reviewed the recommendations made by the Human Resources (HR) Administrative Review Team. Ms. Bigney explained that the HR function includes 83 FTE employees in the HR and Equal Opportunity (EO) departments for a total annual cost of the HR function of $7 million. The UMS total human resource asset is 5,700 faculty and staff and the total cost for compensation and benefits is $350 million or 73% of the E&G budget. The expanded scope of the Review is to make the HR function more efficient while investing in Strategic HR Management to affect the overall effectiveness and productivity of UMS Human Resources.

The overarching recommendation is for a new paradigm to a transition to Strategic Human Resource Management (SHR) to leverage the total human resource asset, employee engagement and optimal service delivery. The new paradigm requires the following: a long-term culture change; engagement means leaders delegating more decisions and managing through employee accountability and audit mechanisms; service orientation; up-front investment in staff and technology; and education of Human Resources staff and administrative leadership.

The three major components of the Plan are:

1. A collaborative HR governance structure that improves the investigation, problem solving, and resourcing of the unique needs of large and small campuses and the System Office.
2. HR leadership delivering strategic and grand tactical consultation and partnership that maximize the effectiveness of our faculty and staff (a move to strategic HR). As an operating paradigm it recommends HR leading, modeling, and suggesting systems that enhance the engagement and empowerment of the workforce, and drive decision making authority to the lowest competent level.
3. HR modeling of the "optimal service delivery" of strategic, tactical, and transactional HR services. The optimal service delivery will define the critical role of HR at each campus; encourage shared expertise and shared services for transactional work; employ process improvements; invest in technology and information technology support; and use 360° feedback. Pilot projects will be initiated to demonstrate the value of the new paradigm and service delivery models. FTE savings will be accomplished as technology and business process redesign is fully deployed. The projected FTE reduction is from 83 to 74. The full implementation plan is scheduled to be approved by the Trustees at the July Board meeting.

The Committee had a discussion regarding the funding requirements for the Administrative Review. Ms. Bigney stated that a significant amount of the investment is in technology and in order to reach the reduction in FTE, the technology will need to be implemented. Trustee Murphy asked if the Review Team looked at opportunities for outsourcing some of the various HR functions. Ms. Bigney replied that the Review Team is pursuing many different opportunities. Trustee Fournier encouraged the Committee members to review the Sibson Report which is included in the report at Attachment H. The Sibson Report references the benchmarking and best practice recommendations. Trustee Turner inquired about the return on the investment payback time.

**Information Technology Administrative Review Implementations Plan.** Ms. Cindy Mitchell, Associate Chief Information Officer, and Mr. Richard Thompson, Chief Information Office presented the Information Technology (IT) Administrative Review Implementation Plan. Implementation of the recommendations related to information technology hinge on establishing strong and effective leadership to execute the changes designed to achieve efficiencies and cost savings. This high level summary of activity and outcomes represents the initial steps to meet those goals (Phase 1). The implementation strategy breaks the nine review recommendations into two phases; the first phase is governance and management. This will align IT in a single unit, which would include 207 positions. This structure will reduce senior managers from 13 to 9 and keeps an IT leader at each campus. One of the goals of this structure is to create an organization that is more flexible and fewer supervisor/manager level staff. For FY2014 the Information Technology Administrative Review will meet or exceed the target savings.

The second phase strategy will be designed and presented in the Fall of 2013 for consideration and will include implementation of the funding model; transformation of services to a common services model; continued consolidation of management and delivery of campus and System support and help desk services; consolidation of data center locations, management and operations; unification of communications under a single management structure; restructuring the delivery of end user technology; and pursuit of cloud or Software as a Service sourcing for enterprise systems.

Trustee Hood asked about national benchmarks. Mr. Thompson stated that national benchmarks and surveys are being compiled and will be ready by the fall. Professor Albert commented that during cost savings measures and changes in structure there should be some level on confirmation that the quality of service will not be diminished and asked if there were a reference for quality of service as well as a measurement mechanism referenced in the report. Mr. Thompson commented that one tool being used is a quality of service survey and will be in place in the near future. He will report back to the Committee when more details are available.

**Strategic Procurement Administrative Review Implementation Plan.** Mr. Chip Gavin, Director of Facilities Management and General Services, provided an update regarding the implementation of the
Strategic Procurement Administrative Review recommendations. Strategic Procurement is one of the shared services targeted by the Administrative Review process for analysis. Currently, procurement functions are fragmented across the various campuses. The plan builds on higher education organizational best practices for unified procurement functions, improved customer service, increased process efficiencies, and cost savings. Transforming Strategic Procurement will require an inspired and focused leadership team to create a unified and innovative procurement organization able to meet or exceed cost savings and customer satisfaction goals.

Mr. Gavin stated that the Review Team is moving forward with implementation of the Plan. There are three primary areas of recommendation in the report which include a series of structural recommendations, a series of recommendations for procurement of goods and services and recommendations for the procurement card administration. The accomplishments and savings that were estimated are on track. The planning process remains in progress and included a large group of stakeholders. The timeline for implementation corresponds with the implementation plan for the IT Review so the efforts are coordinated. Some of the key activities that have been accomplished so far include preliminary staff are in place and a second round of campus visits have been scheduled to work with the campus procurement staff to obtain feedback on the updated version of the Plan.

International Study Center Conversions, UM and USM. Ms. Janet Waldron, Senior Vice President for Administration & Finance at UM, and Mr. Dick Campbell, Chief Finance Officer at USM, presented the International Study Center Conversions at UM and USM. Board approval is requested to expend $1.8 million to renovate portions of facilities at the USM and at the UMaine to improve the capital infrastructure and to serve as space for the International Study Centers. The proposal for the International Study Centers was presented to the Trustees in January, 2013. The goal of this facility request is to provide instructional and office space for the project. The contract with Study Group requires the University to provide programmatic space. To meet minimum needs this will include:

At USM:
- Three (3) single person office spaces
- A shared work space for International Study Center staff
- A reception/waiting/circulation area
- A conference room
- Two classrooms able to accommodate 20-25 students each.

At UM:
- Three (3) single person office spaces
- Two shared work spaces for International Study Center staff and ESL Faculty
- A reception/waiting/circulation area
- A conference room
- Two classrooms able to accommodate 20 to 25 students each
- Multi-purpose swing space.

For USM, the request is to expend $800,000 in E&G funds to renovate 5,300 square feet on the first floor of Upton-Hastings Hall in Gorham to meet these needs. The USM portion of the renovation will focus on space currently known as Hastings Formal Lounge. It is an open area used for large functions. The space includes a small food preparation area with serving line, men's and women's bathroom facilities and one accessible bathroom facility. Mechanical ventilation and heating is provided via a dedicated air handler. There is an automatic sprinkler and fire alarm system. The wing of Upton-Hastings Hall where the renovation will occur is approximately 37,000 square feet in size. It was built in 1968 and is primarily used for student housing. This portion of the facility is rated by Sightlines as
having a renovation age of 44 years while other portions of Upton-Hastings Hall are rated at more than 50 years old in renovation age, which is the age category of facilities Sightlines advises are likely to present the greatest needs and challenges and a category which Sightlines encourages be addressed.

For UM, the request is to expend up to $1 million in E&G funds to repurpose and renovate up to 6,500 square feet in Estabrooke Hall to meet these needs. Estabrooke Hall is a 65,000 square foot facility built in 1940 and used until now for student housing. The building is rated by Sightlines as having a renovation age of more than 50 years, which is the age category of facilities Sightlines advises are likely to present the greatest needs and challenges. The additional classroom and office space while increasing the net asset value of this building continues to move forward the planned repurposing of the building while meeting a programmatic need. With the renovation project the occupants of the building will include Study Group, The Honors College, the RiSE Center and a Collaborative/Active Learning Classroom.

The UM portion will be administered as an increase in scope and cost to the existing Estabrooke renovation project. The increase would be approximately 31 percent and would bring that existing total project budget to $4.2 million. The potential of such additional work at Estabrooke was identified when the project was presented for initial consideration in January 2013. The agenda sheet at that time stated that future projects to renovate the remaining floors of the building would come forward as funding is identified. Unfinished floors remain in this building and future renovation projects in this building should be expected. These spaces are expected to be completed for use by the International Study Center project during calendar year 2013.

Ms. Waldron stated that the return on the investment will be within 24 months. Trustee Hood asked for a Profit and Loss statement for the project.

On a motion by Trustee Turner, which was seconded by Trustee Murphy, the Finance/Facilities Committee agreed to forward to the Consent Agenda for the May 19-20, 2013 the authorization for 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.

Discussion of Leases for University College, UMA. UMA President Allyson Handley, Ms. Ellen Schneiter, Vice President for Administration and Finance at UMA, and Ms. Bonnie Sparks, Director of Distance Education/University College, updated the Finance/Facilities Committee regarding the lease at the Saco Center. Negotiations have been on going with the current landlord for the Center; however, there are concerns that the landlord will not be able to meet the needs for the Center. The current lease expires in Augusta 2013. Therefore, another option is being pursued for a facility in Biddeford. The costs to move the Center to the new facility would increase approximately $10,000 more per annum. Chancellor Page commented that he feels there are challenges for both locations.

Trustee Fournier suggested that the Committee receive additional information on this situation and schedule a Committee meeting prior to the Board meeting on May 19-20, 2013 and forward a recommendation to the full Board for action.

Proposed FY2014 Operating Budget and Recommended Student Charges. Dr. Rebecca Wyke, Vice Chancellor for Finance and Administration and Treasurer, 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 a New England land grant institution.

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 target 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 funding 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. 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% since 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.

Public Law 2011, Chapter 616
The new Public Law 2011, Chapter 616 is effective for FY2014 for quasi-independent State entities and mandated that the Board of Trustees approval is required for the annual budget for the following items:

- travel, meals, and entertainment costs;
- contribution expenses – defined by this Public Law as membership dues and fees, gifts, donations, and sponsorships;
- periodic reporting of the actual travel and contribution costs by the UMS to the Board; and
- annual reporting to the Legislature by the UMS of contributions made to persons in the preceding year that were greater than $1,000 and the total amount contributed to each.

The UMS “Use of University Funds” Policy generally prohibits charitable contributions; sponsorships which advance the University’s mission are allowed. UMS “Travel and Expense” Policy defines what constitutes allowable travel, meals and entertainment expenses.

UMS Enrollments, Residence Hall Occupancy & Workforce Management
The FY2014 enrollment is 0.3% above FY2013 budget and 0.8% above FY2013 actual. The FY2014 residence hall occupancy is 92.8%; however, the total number of beds has been reduced by 50 from the last fiscal year. The FY2014 FTE budgeted Workforce Management changes are a total of 103 reductions and 25 additions for a net FTE reduction of 78 System-wide.

Campus Budget Presentations.

System-wide Services
The FY2014 System-wide Services budget is balanced; E&G depreciation is funded at the required 80% level. An additional $300,000 in temporary investment income is budgeted in FY2014 to support the System-wide Information Technology infrastructure. The Budget Stabilization Fund currently equals $10 million. This fund, created from excess temporary investment income, is intended to stabilize university budgets in future economic downturns. The Office of Organizational Effectiveness was established to facilitate the UMS change effort to achieve mission excellence.

University of Maine
Ms. Janet Waldron, Vice President for Administration and Finance, presented the FY2014 budget for UMaine. In-state undergraduate and graduate tuition will increase by 0.0%, unified fee by 0.0% and room and board by 2.9%. The FY2014 budgeted enrollment is 1.2% above the FY13 budgeted enrollment and 0.5% above the FY2013 actual enrollment.

University of Maine at Augusta
President Allyson Handley and Ms. Ellen Schneiter, Vice President for Finance and Administration, presented the FY2014 budget for UMA. There was no tuition and mandatory fee increase. The FY2014 budgeted credit hours are 0.7% below the FY2013 budget and 2.5% below the FY2013 actual. The FY2014 budgeted enrollment was 0.7% below the FY2013 budgeted enrollment and 2.5% below the FY2013 actual enrollment.
University of Maine at Farmington
President Kate Foster and Ms. Laurie Gardner, Executive Director for Finance and Administration, presented the FY2014 budget for UMF. There was no tuition and mandatory fee increase and room and board increased by 2.6%. The FY2014 budgeted enrollment was 4.6% below the FY2013 budgeted enrollment and 0.1% below the FY2013 actual enrollment.

University of Maine at Fort Kent
President Wilson Hess and Mr. John Murphy, Vice President for Administration, presented the FY2014 budget for UMFK. There was no tuition and mandatory fee increase and room and board increased by 2.3%. The FY2014 budgeted enrollment was 1.6% above the FY2013 budgeted enrollment and 1.6% below the FY2013 actual enrollment.

University of Maine at Machias
President Cynthia Huggins and Mr. Tom Potter, Vice President for Administration and Finance, presented the FY2014 budget for UMM. There was no tuition and mandatory fee increase and room and board increased by 3.5%. The FY2014 budgeted enrollment was 4.0% above the FY2013 budgeted enrollment and 5.0% above the FY2013 actual enrollment.

University of Maine at Presque Isle
President Linda Schott and Mr. Charles Bonin, Vice President for Administration and Finance, presented the FY2014 budget for UMPI. There was no tuition and mandatory fee increase and room and board increased by 2.1%. The FY2014 budgeted enrollment was 1.8% above the FY2013 budgeted enrollment and 0.3% above the FY2013 actual enrollment.

University of Southern Maine
President Theo Kalikow and Mr. Dick Campbell, Chief Financial Officer, presented the FY2014 budget for USM. There was no tuition and mandatory fee increase and room and board increased by 2.2%. The FY2014 budgeted enrollment was 0.7% above the FY2013 budgeted enrollment and 3.0% above the FY2013 actual enrollment.

Professor Rice suggested adding a matrix to track retention efforts to the budget presentation.

On a motion Trustee Turner, which was seconded by Trustee Hood, the Finance/Facilities Committee agreed to forward to the Consent Agenda for the May 19-20, 2013 Board meeting 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.

Adjournment.

Ellen Doughty for
J. Kelley Wiltbank, Clerk