

UNIVERSITY OF MAINE SYSTEM
Board of Trustees
Zoom Meeting

March 23, 2022

Finance/Facilities/Technology Committee

Present: Committee Members: Trish Riley, Chair; Mark Gardner, David MacMahon, James Donnelly, Emily Cain, James Erwin, Peggy Rotundo Roger Katz, and Kelly Martin. **Chancellor:** Dannel Malloy. **Presidents & Law School Dean:** Leigh Saufley, Joan Ferrini-Mundy, Ray Rice, Edward Serna, Joseph Szakas, Deb Hedeem, and Glenn Cummings. **Faculty Representative:** Clyde Mitchell and Michael Scott. **System Staff:** Ryan Low, Ellen Doughty, James Thelen, Miriam White, Robert Placido, Chip Gavin, and Jeff St. John. **Other Participants:** Carolyn McDonough, Nate Harris, Nicole Vinal-Harvie, Betsey Sawhill, Nancy Pierce, Pam Ashby, Laurie Gardner, Christine Wilson, Eric Brown, Joanne Yestramski, John Volin, Kody Varahramyan, Robert Dana, Meredith Whitfield, Dan Qualls, Alec Porteous, Jeannine Uzzi, Ian Swanberg, Nancy Griffin, Buster Neel, Jon Henry, and Aili Robinson.

Committee Members Absent: None.

Trustee Riley, Chair, called the meeting to order and welcomed everyone. The Clerk performed a roll call of the Committee members present.

EXECUTIVE SESSION

On a motion by Trustee Erwin, which was seconded by Trustee Rotundo, and approved by a roll call vote of all Trustees present, the Finance, Facilities and Technology Committee agreed to go into Executive Session under the provision of:

- 1 MRSA Section 405 6-A to discuss the evaluation of personnel and the consideration and discussion of appointments, evaluations, employment and duties.
- 1 MRSA Section 405 6-C to discuss the condition, acquisition or disposition of real property or economic development if premature disclosure of the information would prejudice the competitive or bargaining position of the UMS

On a motion by Trustee Rotundo, which was seconded by Trustee Gardner, and approved by a roll call vote of all Trustees present, the Committee concluded Executive Session.

FY2023 Proposed Operating Budget – First Reading - Governance & University Services Budgets.

Vice Chancellor for Finance and Administration and Treasurer Ryan Low presented the FY2023 proposed unified operating budget and the Governance and University Services budgets. This is the first reading of the FY2023 proposed operating budget and the second reading and vote of the Committee is currently scheduled for the next Committee meeting on May 4, 2022 prior to request for approval by the Board of Trustees at the May 23, 2022 meeting. Although increased above FY2022 levels, residence hall occupancy rates remain below full capacity, contributing to auxiliary budget challenges. The majority of federal & state COVID budget relief funds were exhausted during FY2021 & FY2022. There has been no indication of any further assistance in FY2023. Gordian (Sightlines) data continues to show declines in campus NAV and increases in renovation age across UMS facilities. The significant increase in CPI combined with possible decreases in investment earnings will put further strain on FY2023 budgets.

FY2023 Budget Overview

Vice Chancellor Low provided an overview of the FY2023 budget. The enrollment budgeting process focused on returning students and realistic enrollment goals adjusted for potential Covid-19 impact. FY2023 budgeted credit hours are 1.1% below FY2022 budget and 0.3% above FY2022 actuals. Low student housing occupancy rates continues to be an issue at some of the smaller campuses. FY2023 ongoing appropriation increase of \$6.1 million. The Governor's FY2023 supplemental budget includes onetime additional appropriation of \$7.9 million based on flat FY2023 UMS in-state tuition rates. Unrestricted capital investments are increasing by \$2.2 million or 8% over FY2022 budget. UMA & USM operating budgets are balanced. UM is utilizing \$12.1 million in campus reserves. UMF, UMFK UMPI & Maine Law are requesting \$7.2 million in Budget Stabilization Funds. For FY22 - UMF is also requesting an additional \$1.45 million and UMPI is requesting \$1.66 million.

UMS Residence Hall Occupancy is projected at 91% for normal occupancy and 93% for Covid occupancy. Normal occupancy rates range from 61% at UMFK to 98% at UMF. Based on Covid Capacity, UMF & USM occupancy is at 100%. The FY2023 in-state and Canadian undergraduate tuition rates will not change from FY2022 rates across all seven campuses. The FY2023 out-of-state undergraduate tuition will increase at five of the seven campuses as follows: UMA at 3%, UMF at 2.9%, UMFK & UMPI at 3.1%, and USM at 2.8%. In-state and Canadian graduate tuition rates will remain unchanged from FY2022 at UMA, USM, and the Maine Law School. UMF is proposing a 2.8% increase for FY2023 in-state undergraduate tuition. Out-of-state graduate tuition increases are being proposed at four of the UMS campus as follows: UMA at 2.9%, UMF at 2.8%, USM at 2.8%, and Maine Law School at 3.8%. UM and UMM tuition rates will remain unchanged from FY2022, including in-state, Canadian, and out-of-state, undergraduate and graduate students.

FY2023 required a 5% minimum increase in capital funding sources. The total investment increase is 2.2 million or 8%. Depreciation expense increased by \$0.3 million or from \$39.8 million in FY2022 to \$40.1 million in FY2023. E&G and Auxiliary budgeted capital investment is \$19.9 million, which is an increase of \$3.6 million. Funding through Debt Service is decreasing by \$1.4 million. 74% of the total depreciation expense is funded in the FY2023 budget, which is up 5% from the FY2022 budget.

The UMS Governance budget is \$6.7 million and is funded directly by State appropriation. The University Services allocated FY2023 budget is \$50 million and is funded through cost allocation of services provided to the universities and governance. The University Services allocated budget supports the administrative oversight and direct support for System and Campus operations including Information Technology, Human Resources, Finance, Facilities Management, Risk Management, Procurement, General Counsel, Shared Processing, Student Academic & Institutional Support, and Organizational Effectiveness. The FY2023 University Services unallocated budget is \$11.2 million, of which \$8.6 million are activities funded by appropriation and \$2.6 million is funded by investment income.

Campus Budget Presentations:

UMF

President Edward Serna, Vice President for Academic Affairs and Provost Eric Brown, Vice President for Student Affairs Christine Wilson and Chief Business Officer Laurie Gardner presented the proposed budget for FY2023 for UMF. After a \$2.52 million transfer from Budget Stabilization funds, UMF's proposed FY2023 budget is still projecting a just over \$2.4 million deficit. The FY2023 E&G and Auxiliary budget reflects an increase in total revenue of 0.3% and increase of total

operating expenses of 42.4% from FY2022. FY2023 enrollment is projecting a decrease of 13.4% below FY2022 budgeted and 5.5% below FY2022 actuals, excluding Early College. The residence hall occupancy rate is projected at 98% of normal occupancy and 100% of covid occupancy. FY2023 total funded depreciation will increase 6.5% over FY2022. The E&G reserve balance is in a deficit of just over \$6 million and the Auxiliary reserve balance is in a deficit of just over \$304 thousand. UMF will change from a 4 credit to a 3 credit academic model during FY2023. This change will improve curricular efficiency and increase retention and graduation rates. UMF is continuing to work on rightsizing the budget in conjunction with strategic priorities and will implement several enrollment and needs-based budget initiatives to help to mitigate the FY2023 budget deficit.

USM

President Glenn Cummings, Chief Business Officer Alec Porteous, Provost and Vice President for Academic Affairs Jeannine Uzzi and Associate Vice President of Finance Ian Swanberg presented the proposed budget for USM FY2023. USM is projecting a balanced budget for FY2023 without the use of any one-time funds. The FY2023 E&G and Auxiliary budget reflects an increase in total revenue of 3.1% and increase of total operating expenses of 1.3% from FY2022. FY2023 enrollment is projecting a decrease of 9.3% below FY2022 budgeted and a decrease of 0.6% below FY2022 actuals, excluding Early College. The residence hall occupancy rate is projected at 95% of normal occupancy and 100% of covid capacity. FY2023 total funded depreciation will increase 2.9% over FY2022. The E&G reserve balance is \$5.8 million, and the Auxiliary reserve balance is \$545 thousand. The FY2023 budget proposal continues steps to drive capital investment across all USM campuses. USM's FY2023 budget proposal is balanced through disciplined decision-making including conservative revenue assumptions, continued cost management, and addressing capital needs. The addition of the new residence hall and Student Success Center in FY2023 will increase enrollment and retention. Additionally, there is opportunity to boost revenue with differential tuition with increased room/board.

Trustees raised concern that the undergraduate enrollment is declining and the commuter student population is increasing, while at the same time USM is investing in improvements and expansion of residence hall space. USM explained that their studies show that interest in a residential education remains strong and that helps with retention, which has a long term positive financial impact. Additionally, the data concerning the increase in commuter students has been majorly impacted by the fact that USM had closed some of their residence space due to the pandemic, which caused an uptick in commuter students. USM is confident that with notification that more residence space is available, more students will choose to live on campus instead of commute, now that the effect of the pandemic has started to decline.

Law School

Dean of the School of Law Leigh Saufley and Assistant Dean for Finance & Administration Nicole Vinal Harvie presented the proposed budget for FY2023 for the Maine School of Law. With the utilization of \$1,255,512 in budget stabilization funds, the Law School is projecting a balanced budget for FY2023. The FY2023 E&G and Auxiliary budget reflects an increase in total revenue of 25.5% and increase of total operating expenses of 13.9% from FY2022. FY2023 enrollment is projecting a decrease of 0.7% below FY2022 budgeted and an increase of 2.9% above FY2022 actuals. The Law School is scheduled to occupy their new 300 Fore Street, Portland, Maine location in the fall. Governor Mills and the Legislature allocated \$1.5 million of specific funding to support new facility costs. The Law School plans to implement a 3.8% tuition increase in FY2023 for out of state students. Additionally, the acceleration of tuition discounting has stabilized nationally. Strategic Planning is underway to support under-supported signature programs for the Law School.

The Committee members asked questions surrounding the longevity of the specific funding from the Governor and the timeline it will take for the Law School to not be dependent on the System Budget Stabilization funds to balance the budget. Dean Saufley explained that the funding from the Governor will continue annually. Vice Chancellor Low explained that with the increased revenue expected from increased enrollment and the introduction of non-JD programs at the Law School, along with anticipated 3% state appropriations increases, the Law School is on a good path to level out their budget and stop being reliant on System Budget Stabilization funds.

UMA

President Joseph Szakas, Chief Business Officer Buster Neel, Executive Director of Finance and Administration Aili Robinson, and Vice President of Enrollment Management and Marketing Jonathan Henry presented the proposed budget for FY2023 for UMA. UMA is projecting a balanced budget for FY2023, without the use of any one-time funds. The FY2023 E&G and Auxiliary budget reflects an increase in total revenue of 7.7% and increase of total operating expenses of 7.8% from FY2022. FY2023 enrollment is projecting an increase of 0.9% above FY2022 budgeted and an increase of 2.3% above FY2022 actuals, excluding Early College. The residence hall occupancy rate is projected at 96% of normal occupancy and 97% of covid capacity. FY2023 total funded depreciation will increase 3.8% over FY2022. The E&G reserve balance is \$11.4 million, and the Auxiliary reserve is in a deficit of nearly \$604 thousand. UMA is putting emphasis on new and continuing growth through increased capital investments and leveraging reserves and borrowing capacity for strategic investments. Strategic areas of focus include workforce focused academic programs, facilities upgrades, and technology and services enabling teaching and learning.

A question was raised about how UMA is predicting a savings in utilities with the known increases in utility costs throughout the State and nationally. CBO Neel stated that those cost savings are due to the benefits of UMA offering many of their courses online, causing less utilities being used on campus, along with several measures UMA has implemented to control the heating and cooling of facilities. Vice Chancellor Low stated that he would be happy to provide additional information on System-wide utility costs at the April 19th committee meeting.

The Trustees asked UMA to provide additional financial information on the UMA regional centers that are located throughout the state, along with information about their proximity to community college centers and other educational institutions at the April 19th committee meeting.

UMPI

President Ray Rice, Chief Business Officer Betsey Sawhill, and Budget Manager and Senior Financial Analyst Nancy Pierce presented the proposed budget for FY2023 for UMPI. After a nearly \$2.46 million transfer from Budget Stabilization funds, UMPI's proposed FY2023 budget is still projecting a nearly \$364 thousand deficit. The FY2023 E&G and Auxiliary budget reflects an increase in total revenue of 4.7% and increase of total operating expenses of 9.5% from FY2022. FY2023 enrollment is projecting an increase of 27.6% above FY2022 budgeted and an increase of 10.9% above FY2022 actuals, excluding Early College. The residence hall occupancy rate is projected at 64% of normal occupancy and 69% of covid capacity. FY2023 total funded depreciation will increase 14.5% over FY2022. The E&G reserve balance is just over \$237 thousand and the Auxiliary reserve balance is just over \$525 thousand. UMPI plans to roll the remainder of the FY2022 capital budget forward into reserves to meet FY2023 large equipment demands. UMPI plans to mitigate the FY2023 budget deficit through financial stability initiatives including lowering class size to directed study, general education class changes, stacked 7 week course offerings, robust grant writing, and the addition of offerings to the Your Pace Competency Based Education (CBE) program.

Trustees asked if a comparison between the CBE program credit hour revenue and regular credit hour revenue has been completed to see if the CBE program, while growing, is causing the campus to lose revenue. President Rice explained that the campus is in the midst of this revenue analysis currently and that he would be happy to report back to the Board on the findings. Additionally, questions concerning the decline in residential students were raised. CBO Sawhill explained that the reason for the decline is not only because more students are attending classes online, but that the residential halls need substantial upgrades to meet the needs of the students. CBO Sawhill stated that many students would continue to live on campus even if they were enrolled in online classes, if the residence halls were more attractive and functional.

UM & UMM

Vice Chancellor for Research and Innovation/UM President Joan Ferrini-Mundy, Vice President for Finance and Chief Business Officer Joanne Yestramski, UMM Vice President of Academic Affairs & Head of Campus Dan Qualls, Executive Vice President for Academic Affairs & Provost John Volin, Chief of Staff Meredith Whitfield, Vice President of Student Life and Inclusive Excellence Robert Dana, and Vice President for Research and Dean of the Graduate School Kody Varahramyan presented the proposed budget for FY2023 for UM and UMM. After the use of just over \$12 million in campus reserves UM is projecting a balanced budget for FY2023. The FY2023 E&G and Auxiliary budget reflects an increase in total revenue of 5.7% and increase of total operating expenses of 7.1% from FY2022. UM enrollment is projecting an increase of 0.9% above FY2022 budgeted and a decrease of 0.1% below FY2022 actuals, excluding Early College. UMM enrollment is projecting an increase of 19.3% above FY2022 budgeted and an increase of 2.2% above FY2022 actuals, excluding Early College. UM residence hall occupancy rate is projected at 93% of normal occupancy and 93% of covid capacity. UMM residence hall occupancy rate is projected at 69% of normal occupancy and 75% of covid capacity. FY2023 total funded depreciation will increase 1.1% over FY2022. The E&G reserve balance is \$39 million and the reserve for other designated operations has a balance of \$63.7 million.

With UM reaching R1 status, they are in an excellent position for strategic growth that will benefit the System and the entire State of Maine. There are still many fiscal challenges that will require bold solutions. The estimated financial need for FY2023 is \$22 million with a net \$4.5 million increase in appropriation. UM will be implementing several solutions to meet the \$22 million need such as tuition increases, other revenue enhancements and fees, strategic reallocations, and procurement measures. UM will attempt to find an additional \$5 million pocket of revenue savings from performing administrative reviews in several areas. UM will leverage their new R1 status, along with the UM TRANSFORMS and Harold Alfond grant to bolster strategic vision and value by fostering learner success, creating and innovating for Maine and beyond, and growing and stewarding partnerships throughout the business community and State.

The Trustees asked that as unified accreditation develops and is implemented, they would like to see a System-wide annual report on the cost savings and revenue generated from moving to a unified accreditation model.

UMFK

President Deb Hedeem and Chief Business Officer Pamela Ashby presented the proposed budget for FY2023 for UMFK. After a \$938 thousand transfer from Budget Stabilization funds, UMFK's proposed FY2023 budget is balanced. The FY2023 E&G and Auxiliary budget reflects an increase in total revenue of 1.1% and increase of total operating expenses of 1.4% from FY2022. FY2023 enrollment is projecting a decrease of 13.9% below FY2022 budgeted and an increase of 1.2% above FY2022 actuals, excluding Early College. The residence hall occupancy rate is projected at 61% of

normal occupancy and 67% of covid capacity. FY2023 total funded depreciation will increase 4.9% over FY2022. The E&G and Auxiliary combined reserve balance is \$280 thousand without HEERF funds and just over \$1.2 million with HEERF funds. UMFK is planning to strengthen strategic initiatives and implement new initiatives to increase headcount and credit hour production and address gaps to create effective and efficient procedures. Some of these initiative include enhancing course equipment and materials, finishing the Business Online Accelerated program and implementation of Research Learning Experience (RLE) courses.

EXECUTIVE SESSION

On a motion by Trustee Rotundo, which was seconded by Trustee Katz, and approved by a roll call vote of all Trustees present, the Finance, Facilities and Technology Committee agreed to go into Executive Session under the provision of:

- 1 MRSA Section 405 6-A to discuss the evaluation of personnel and the consideration and discussion of appointments, evaluations, employment and duties.
- 1 MRSA Section 405 6-C to discuss the condition, acquisition or disposition of real property or economic development if premature disclosure of the information would prejudice the competitive or bargaining position of the UMS

On a motion by Trustee MacMahon, which was seconded by Trustee Gardner, and approved by a roll call vote of all Trustees present, the Committee concluded Executive Session.

Additional information about the meeting can be found on the Board of Trustees website:

<https://www.maine.edu/board-of-trustees/meeting-agendas-materials/finance-facilities-technology/>

Adjournment.

Heather A. Massey for
Ellen N. Doughty, Clerk