

UNIVERSITY OF MAINE SYSTEM
Board of Trustees Meeting

October 26, 2022
Zoom Meeting

Special Board of Trustees Meeting

Present: Trish Riley, Chair, Barbara Alexander, Sven Bartholomew, Beth Dobson, Pat Flood, Roger Katz, Donna Loring, Pender Makin, Kelly Martin, David MacMahon, Michael Michaud and Dhivya Singaram. **Chancellor:** Dannel Malloy. **University Presidents:** Joan Ferrini-Mundy, Deb Hedeem, Joseph McDonnell and Leigh Saufley. **Faculty Representatives:** Clyde Mitchell and William Otto. **System Staff:** Ryan Low, Robert Placido, Ellen Doughty, Carolyn Dorsey, Jeff St. John, Tracy Elliott and Darla Reynolds.

Absent: Emily Cain. Lisa Eames and James Donnelly.

Wednesday, October 26, 2022

Trustee Riley, Chair, welcomed everyone and called the meeting to order. She stated that the Board meeting was being held virtually, in accordance with the Board of Trustee Policy 215 – Remote Public Meetings. The Trustees participating by technology will be counted towards a quorum. To confirm Trustee attendance and to ensure the Trustees are able to clearly hear and understand the proceedings and each other, the Clerk performed a roll call of the Board of Trustees members present.

CITIZEN COMMENT

Citizen Comment is a time regularly set aside for comments from the public. No one signed up to speak during Citizen Comment.

ACTION ITEMS

Annual Financial Report FY2022

UMS Director of Accounting Darla Reynolds provided an overview of the Annual Financial Report for the year ended June 30, 2022. The report is presented for Board approval. There are three sets of financial statements: System-Wide, Discretely Presented Component Unit (the UMaine Foundation) and UMS Fiduciary Activities (monies that UMS holds on behalf of other parties). The external auditor has provided an opinion of each of these sets. The external auditor offered an unmodified or clear opinion. The UM Foundation financial statements covered only a six-month period ending Dec. 31, 2021 due to a change in the fiscal year.

There was a new accounting standard on leases that took effect in FY2022. Therefore, the financial statements reflect the impact of this accounting standard for FY2021 and FY2022 because UMS is now required to state all of its leases in the statement of net position. Previously only the leases that met criteria for capitalization were included in the statement of net position and all other leases are part of the statement of revenues, expenses and changes in net position. The impact of stating the leases is reflected in a reduction in the net investment in capital assets of just under \$1.2 million.

The FY2022 statement of revenues, expenses and changes in net position reflects a total in operating revenues of just under \$467 million (which is an increase of \$61 million from the prior year but less than per pandemic levels) less operating expenses of \$811 million (which is an increase of 19% from the prior year) for a resulting operating loss of \$344 million. UMS operating expenses will always exceed operating revenues as the Governmental Accounting Standard Board (GASB) requires certain revenues that the System relies on to fund operations be recognized as non-operating. The total net position for

FY2022 is \$970 thousand, a 3% increase from the prior year. For FY2022 there were substantial increases from the prior year in the nonoperating revenues as a result of the increase in State appropriations and the coronavirus relief funds. Also, for FY2022 there were changes in other changes in net position as a result of the increase in capital grants and gifts (primarily due to the donations for the UM Ferland Engineering Education and Design Center) and a loss of \$26 million in the endowment return. UMS has good and improved liquidity for a total of \$314 million, a \$25 million increase from the prior year in cash, cash equivalents and operating investments, which is 81% of total current assets. Total noncurrent assets increased 2% from the prior year to \$975 million. Total liabilities increased 15% from the prior year to \$387 million due to increased construction activity, OPEB liabilities and new leases.

Responding to a question from a Trustee, Ms. Reynolds explained the \$49 million impact on the Other Postemployment Benefits (OPEB) trust and UMS would not expect that going forward. UMS had a \$37 million return from the OPEB assets that are invested in the Managed Investment Pool and a \$49 million one-time savings, which is the present value of all of the future years of savings. UMS did not have that same experience this year with a loss of \$23 million. Vice President of Finance and Controller Tracy Elliott stated that the retirees have two options and to the extent the selection between the two plans changes significantly which could drive future results. If more retiree navigate to the Medicare exchange, which is proven to be a high quality option at a more efficient price, UMS will continue to see favorable results.

A Trustee asked if the data in the financial statements were anticipated and how do they compare to our peers. Ms. Reynolds stated that the E&G and axillary operating budgets shared with the Board throughout the year provide the fiscal state for the year but there are many other pieces that are rolled into the financial statements i.e., restricted funds. She commented that she was very happy to see a positive change because of the decline in the investment markets. Vice Chancellor for Finance and Administration and Treasurer Ryan Low stated there were no surprises in the financial statements and UMS has known for some time that there were challenging investment returns, particularly compared to last year. He is very pleased with the change in net position. He also commented that the results of the work and decisions from the Finance, Facilities and Technology Committee and the Board are not prevalent for several years. He is encouraged because UMS is now starting to see some of those positive impacts, which are starting to be reflected in the financial statements with diversification of funding for capital requests. The efforts to educate our appropriators about the System needs are reflected in the increase in appropriations as well as the increase in state capital investments.

Chancellor Malloy explained that by the beginning of March it was known that the UMS was going to have a difficult year. That is one of the reasons a two-phase retirement incentive for faculty was coordinated with AFUM. Although, it was anticipated the impact would not affect this budget but rather FY2023.

The FY2022 Annual Financial Report was presented earlier today to the Audit Committee. The Audit Committee approval the FY2022 Annual Financial Report with a recommendation to forward it to the full Board for the October 26, 2022 Special Board of Trustees Meeting.

On a motion by Trustee Michaud, which was seconded by Trustee Martin, and approved by a roll call vote of all Trustees present, the Board of Trustees accepted the recommendation of the Audit Committee and approved the FY2022 Annual Financial Report as presented.

DATE OF NEXT MEETING

The next meeting of the Board of Trustees will be held on November 13-14, 2022 at the University of

Board of Trustees Meeting
October 26, 2022

Maine at Farmington.

Additional information about the meeting can be found on the Board of Trustees website:
<https://www.maine.edu/board-of-trustees/meeting-agendas-materials/board-of-trustees/>

Adjournment
Ellen N. Doughty, Clerk