

**UNIVERSITY OF MASSACHUSETTS**

**AMHERST•BOSTON•DARMOOUTH•LOWELL•WORCESTER**

**MINUTES OF THE MEETING OF THE  
COMMITTEE ON ADMINISTRATION, FINANCE AND AUDIT**

**Thursday, July 22, 2004; 8:00 a.m.**

**Board Room**

**One Beacon Street – 26<sup>th</sup> Floor**

**Boston, Massachusetts**

**Committee Members Present:** Chair Dubilo; Vice Chair Karam; Trustees Giblin, Labrecque, Mahoney, McCarthy, Murphy, O’Shea, Pham and Rainey (via conference call)

**Committee Members Absent:** Trustees King, Moes and Moseley

**University Administration:** President Wilson; General Counsel O’Malley; Vice Presidents Chmura, Gray, Julian and Lenhardt; Chancellors Lombardi, Gora, MacCormack, Hogan and Lazare; Interim Chancellor Motley; Vice Chancellors for Administration and Finance Hatch, O’Connor, Zekan and Griffin; Deputy Chancellor Stanton; Mr. Harrison, Director of Auditing; Ms. Harrington, Associate Vice President

**Faculty Representatives:** Professor O’Connor, UMASS Amherst; Professor Schwartz, UMASS Boston

**PricewaterhouseCoopers:** Mr. Hanley; Ms. Gregory

Chair Dubilo convened the meeting at 8:05 a.m. and introduced the first item on the agenda for action, **Consideration of Minutes of the Prior Meeting of the Committee.**

It was moved, seconded and

**VOTED:** To approve the minutes of the April 29, 2004 meeting of the Committee.

Chair Dubilo then welcomed the newest members of the Committee: Matthew Murphy, UMASS Amherst, Tuan Pham, UMASS Boston, Matthew Moseley (not in attendance), UMASS Dartmouth, Michael Labrecque, UMASS Lowell and Jeffrey King, UMASS Worcester (not in attendance).

Chair Dubilo then asked for a motion to go into **Executive Session** to consider **Real Estate** issues.

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It was moved, seconded and

**VOTED:** To enter into **Executive Session** for the purpose of considering **Real Estate Issues.**

Chair Dubilo announced that the Committee would reconvene in open session.

Chair Dubilo voted for the motion as did Vice Chair Karam and Trustees Giblin, Labrecque, Robert Mahoney, McCarthy and O'Shea. The time was 8:06 a.m.

At 8:35 a.m. the Committee reconvened in Open Session.

The next item on the agenda was the **Chair's Report.** Chair Dubilo reviewed today's agenda; with regards to the preliminary operating budget for FY05, things have improved from last year due to the improving State economic picture and the efforts of the campuses to generate more revenue.

The next item was the **President's Report.** President Wilson first thanked Chancellor Gora for her service to the University as she leaves for Ball State University. He then introduced Keith Motley as Interim Chancellor who has already established himself as a great leader as Vice Chancellor for Student Affairs.

President Wilson described the past week at which he was a participant at Harvard's New President Orientation which he found very useful. President Wilson believes the University is in a position for growth. We are currently experiencing strong support from the Legislature with a based appropriation increased from \$327 million last year to \$392 million this year.

The bill for Nantucket has been submitted and we are optimistic it will be approved; this action could provide a \$20 million increase in our endowment. The reviews for Chancellors Hogan and Lazare will begin shortly followed by Chancellor Lombardi's review sometime next year. The search for a Chancellor at the Boston campus will begin in the Fall following the appointment of a search committee.

President Wilson announced that John Hoey in the President's Office will begin working at UMASS Dartmouth while continuing to help out in the President's Office. He congratulated Chancellor Lazare for the 26<sup>th</sup> endowed Chair at the Medical School, the 45<sup>th</sup> in the system.

The next item was the **Vice President's Report.** Vice President Lenhardt reported on recent cost saving measures including energy conservation and conversion. He thanked the campus staff for the work they've done with the Capital Planning Program. All 30 of our

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collective bargaining agreements have expired as of June 30; the negotiation process will continue over the next six months.

The next item for **Discussion** was **FY2005 Preliminary Operating Budget**. Vice President Lenhardt reported that the full report will be presented to the Board during the October/November Board cycle. Some of the preliminary figures include:

- The combined budget shows expenditures and transfers in excess of revenues by \$14.3 million. The budgeted deficit represents less than 1% of the total projected University spending for FY05;
- Total FY05 revenues are estimated at \$1.716 billion, an increase of \$141 million (9%) compared to revenues budgeted for FY04. The largest increases are in student fee revenues;
- Total spending is currently budgeted at \$1.731 billion, an increase of 5.7% over the FY04 budgeted amount.

Vice President Lenhardt provided a brief summary of revenue and expenditures projected for 2005 including campus projections. Chair Karam requested a comparison of figures from one year to the next regarding budget figures.

The next item was **FY2005-FY2009 University Capital Plan**. The Committee heard from the Chancellors and the Vice Chancellors about their new capital projects and their plans for FY2005-FY2009.

Vice President Lenhardt reported that the Board is being asked to approve the new projects not on previously approved capital plans and the revised project cost that exceeded 20% of previously approved amounts. The University is going to try to press for a new higher education capital bond bill by the end of the calendar year; we are currently in discussion with the Governor's Office and the Higher Education Commission and plan to ask the state for \$592 million.

Some of the highlights of the plan included:

- an assessment of capital needs exceeds \$2 billion;
- total estimated spending for FY05-FY09: \$1.7 billion;
- deferred maintenance, compliance, repair and replacement of existing infrastructure will use \$956 million which is 53% of the plan;
- other expenses include steam lines, electrical systems, roofs, life safety requirements, information technology improvement, student housing, recreation and campus center, parking and academic and research facilities;
- University debt is at \$745 million, debt service costs 4.2% of operations.

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It was moved, seconded and

**VOTED:** To recommend that the Board take the following action:

To approve the University of Massachusetts FY2005 to FY2009 Five Year Capital Plan as contained in Doc. T04-058.

The next item was **FY2005 Allocation of State Funds.** This is a routine item authorizing the President to develop an allocation plan for the FY05 State Budget.

It was moved, seconded and

**VOTED:** To recommend that the Board take the following action:

To direct the President to develop an allocation plan for the amount appropriated for the University in Line Item 7100-0200 of the state appropriation act for Fiscal Year 2005, and to notify the Board of Trustees and the House and Senate Committees on Ways and Means of said plan. (Doc. T04-059)

The next item was **Establishment of Endowed Chair, UMASS Worcester.** Chancellor Lazare reported that this Chair is a result of the tragic death of Ali Pierce, the 14 year old daughter of Anna and John Pierce who succumbed to cancer in 1996. The family has worked tirelessly to raise funds for pediatric cancer. In order to preserve the memory of Ali and John Pierce who passed away, the funds will provide support for the Endowed Chair at the Medical School.

It was moved, seconded and

**VOTED:** To recommend that the Board take the following action:

In accordance with sections 1A(e) and 11 of Chapter 75 of the General Laws, to establish an endowed chair in pediatric hematology oncology at the University of Massachusetts Worcester to be known as the Ali and John Pierce Chair in Pediatric Hematology Oncology. (Doc. T04-055)

The next item was **Authorization of a Non-Resident Tuition Retention Program and the Establishment of the Non-Resident Tuition Retention Trust Fund, UMASS Amherst.** The FY2005 state budget included a section authorizing a two-year pilot tuition retention program for non-resident students at the Amherst campus. A trust fund account is required to manage the funds in accordance with the University's fiscal policies.

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It was moved, seconded and

**VOTED:** To recommend that the Board take the following action:

To authorize, in accordance with the provisions of section 242 of Chapter 149 of the Acts of 2004, a pilot program for out of state tuition retention allowing the Amherst campus to retain, in fiscal years 2004 and 2005, all tuition paid by students who are not residents of Massachusetts. Provided that no resident of Massachusetts is denied admission to the Amherst campus as a result of the tuition retention pilot project. The President shall issue guidelines and the Chancellor of the Amherst campus shall develop operating procedures for the administration of the program including the funding of fringe benefits for those employees who are paid from tuition retained funds. The President shall develop a report on the progress of this initiative no later than January 15, 2005 to include the number of out of state students attending the school, the amount of tuition revenue retained under the program, and any programs or initiatives funded with the retained revenue.

And further,

To establish, in accordance with the provisions of Chapter 75 of the General Laws and section 242 of Chapter 149 of the Acts of 2004, the Non-Resident Tuition Retention Trust Fund for the Amherst campus. All tuition revenues received from non-resident students at the Amherst campus shall be deposited into this fund. Expenses (both direct and indirect) for the support of campus activities and programs shall be paid from this fund. (Doc. T04-060)

The next item was **Establishment of the Marine Operations Revenue Trust Fund, UMASS Boston.** Chancellor Gora reported that marine activities on the Boston campus have grown significantly over the years. Because of its increasing revenue generating potential the Boston campus is requesting approval for a new auxiliary enterprise trust fund account.

It was moved, seconded and

**VOTED:** To recommend that the Board take the following action:

To establish, in accordance with the provisions of Chapter 75 of the General Laws, the Marine Operations Revenue Based Trust Fund for the Boston campus. Revenues generated from marine activities will be deposited into this fund. Expenses (both direct and indirect) will be paid from this fund. Fees and charges for various marine services may be established by the Chancellor, and will be reported to the President annually. (Doc. T04-061)

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The next item was **Amendments to Statement of Trust, President's Office**. The I-195 Center for Professional Education has been reorganized and incorporated into UMASS OnLine and a new facility has been opened in Shrewsbury. This presents the need to amend the Statement of Trust and rename it the Collaborative Services Center Revenue Based Trust Fund.

It was moved, seconded and

**VOTED:** To recommend that the Board take the following action:

To amend the statement of trust established by Trustee Vote T00-017 by renaming the fund the University Collaborative Services Center Revenue Based Trust Fund for the President's Office; and further to amend the statement of trust by striking everything after the words "General Laws" and inserting thereafter the following:

“The University Collaborative Services Center Revenue Based Trust Fund for the President's Office. Expenditures from the Fund shall be used for the costs of operations, management and other activities of the Center and related support provided by the President's Office.” (Doc. T00-017)

Vice President Lenhardt reported on the item for **Information: FY2003/2004 Financial Aid Report**. The report highlights a view of the financial aid recipient and overall spending activity for FY2003 and FY2004. Financial aid is essential to the University and its students. The FY04 total aid distributed is estimated to be over \$292 million.

The next item was **Audit Reports**. Mr. Hanley; Ms. Gregory from PricewaterhouseCoopers reported on the **Annual Audit Plan Report**. The Report included information regarding the levels of communication between PWC and the University and its ongoing assessment of service approach, risk and control, financial reporting and governance.

The Report included important developments affecting the University and Public Higher Education such as:

- the issuance of additional debt through the UMASS Building Authority;
- investments in capital assets;
- maintaining an appropriate operating budget;
- focus on federal regulatory compliance for research institutions;
- the benefits of the PeopleSoft financial reporting system
- the governance practices in the Sarbanes-Oxley Act.

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Ms. Gregory reported on the “Audit Approach” employed by PWC which includes thorough discussions with management and reviews of management reports. Key financial risks are evaluated; accounting areas are tested including: cash and investments, depreciation for property, plant and equipment, bonds payable, grants and pledges receivable, etc.

The report also included a reporting timetable, fee schedules, and breakdowns of the detailed financial statements and developments in accounting standards. Mr. Hanley concluded the discussion by reiterating the goal to provide the highest level of quality service.

The next item was the **Audit Activity Report**. Mr. Harrison reported on the recent briefing with Trustees, Management and General Counsel to discuss the current state of the Sarbanes-Oxley Act. The University has adopted many of the Act’s provisions to improve the University’s business practices.

Some of the other recommendations included a separately operating Audit Committee of the Board and the possibility of hiring outside financial expertise to advise the Committee. There was also interest in placing an anonymous, confidential complaint hotline.

Mr. Harrison stated his belief that the University is in a good position with regards to business practices and audit reporting.

It was moved, seconded and

**VOTED:** To recommend that the Board accept the following Audit Report:

1. PricewaterhouseCoopers Scope of Services and Annual Audit Plan (Doc. T04-056)
2. University Auditing Activity Report (Doc. T04-027)

There being no further business, the meeting was adjourned at 10:45 a.m.

Barbara F. DeVico  
Secretary to the Board of Trustees