

UNIVERSITY OF MASSACHUSETTS

AMHERST•BOSTON•DARTMOUTH•LOWELL•WORCESTER

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

**Wednesday, August 17, 2005; 8:00 a.m.
Knapp Room
225 Franklin Street – 12th Floor
Boston, Massachusetts**

Committee Members Present: Chair Dubilo; Chair Karam

Other Trustees: Trustees McCarthy and White

Committee Members Absent: Vice Chair Rainey; Trustees Fey, Hyppolite, Louis, Mahoney and O'Shea

University Administration: President Wilson; General Counsel O'Malley; Vice Presidents Julian, Lenhardt, Motley and Williams; Associate Vice President Harrington; Chancellors Lombardi, Collins, MacCormack, Hogan and Lazare; Mr. O'Riordan, Budget Director; Ms. Wilda, University Controller; Vice Chancellors for Administration and Finance Hatch, O'Connor, Zekan and Griffin; Mr. Harrison, Director of Auditing; Mr. MacKenzie, Executive Director, Building Authority

Faculty Representatives: Professor May, UMASS Amherst

Chair Dubilo convened the meeting at 8:03 a.m. The first item on the agenda was **Consideration of Minutes of the Prior Meeting of the Committee.**

It was moved, seconded and

VOTED: To approve the minutes of the May 18, 2005 meeting of the Committee.

The next item on the agenda was the **Chair's Report.** Chair Dubilo reported that the state appropriation has increased by 4%. The Chancellors will be asked to comment on the expenditures they plan to make this year. The Investment Advisory Committee has been meeting and moved over \$300 million dollars to outside money managers expecting performance to improve this year.

Chair Dubilo thanked the Investment Advisory Committee members, the Treasurer and Associate Treasurer for making this a very productive experience. The firm of Simpson, Gumpertz and Herger, Inc. will begin design work on the Boston campus structure in the coming months, a project the Board is looking forward to.

Committee on Administration and Finance
August 17, 2005

The next item was the **President's Report**. President Wilson reported that the University is in good financial shape. Two years ago the state funding was \$326 million, \$392 million last year and up to \$408 million this year, one of the largest public university increases in the country over this time period.

The University has spent a lot of time working on capital needs; over the last five years, nearly \$1 billion dollars has been spent on capital needs. Seventy-eight percent of the financing came from University sources. A \$2.26 billion capital spending plan for FY2006-2010 is before the Committee for consideration.

President Wilson reported that Commercial Ventures and Intellectual Property initiatives (CVIP) continues to be a factor of our success. The University has produced \$28.7 million in gross revenue which puts us ahead of Harvard and just behind MIT. He thanked the Medical School for their help in this area, particularly Deputy Chancellor Stanton.

The University is in the process of rebuilding the faculty and increasing the amount of endowed chairs. The operating budget will show our increases in hiring faculty. We have kept fee increases under the cost of living two years in a row.

The next item was the **Vice President's Report**. Vice President Lenhardt reported that the University has successfully completed over 20 collective bargaining agreements over the last six weeks; they will then be submitted to the Governor and the Legislature for funding. Roy Milbury, Director of Human Resources and his team are to be commended for their success with negotiating these contracts across the University.

The upgrade to the financial systems is going very smoothly due to collaboration throughout the entire system.

The next item was **Establishment of the Rudd Family Foundation Endowed Chair in Psychology, UMASS Amherst**. Chancellor Lombardi reported that this Fund is to be established with a cash gift of \$2,500,000. The intention is to hire a scholar who will lead the development of a comprehensive program studying the impact of gene environment interactions on child development, particularly in adoptive children.

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 Psychology at the University of Massachusetts Amherst to be known as the Rudd Family Foundation Endowed Chair in Psychology. (Doc. T05-052)

Committee on Administration and Finance
August 17, 2005

The next item was **Establishment of the Roy J. Zuckerberg Endowed Chair in Leadership, UMASS Lowell**. President Wilson reported on the uniqueness of this Chair that will reward people of courage, conviction and selflessness.

Chancellor Hogan reported that the recipients may come from faculty, staff or coaching ranks on any University campus.

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 Leadership at the University of Massachusetts Lowell to be known as the Roy J. Zuckerberg Endowed Chair in Leadership. (Doc. T05-053)

The next item was **Amendment to Policy for the Management of University Funds**. Vice President Lenhardt reported that the Policy is being amended to make it consistent with the Investment Policy approved at the May, 2005 meeting.

It was moved, seconded and

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

To approve the changes to the Policy for the Management of University Funds outlined in Doc. T92-031, as amended.

The next item was the **FY2006 University Operating Budget**. Vice President Lenhardt reported that the format has changed from the long-standing cash based format to a modified accrual based budget report.

Chair Karam requested a five year comparison of University spending.

The University continues to use operating funds for renovations, capital improvements, labs and classrooms and increasing our operating expenses to service our debt.

Mr. O'Riordan provided a breakdown of the projected FY06 spending of a \$1.948 billion dollar budget:

•Total FY2006 revenues are budgeted at \$1.93 billion, a -2.0% decrease from FY2005 of \$39.1 million. Other decreases in revenue projected for FY06 include a \$2.3

Committee on Administration and Finance
August 17, 2005

million reduction in investment income and estimated \$4.1 million decrease in state capital appropriations.

- The state appropriation represents 26% of all University revenues and is expected to increase \$1.9 million over FY05 levels.

- Tuition and fee revenues represent 21% of revenues and are projected to increase 3.0% over last year.

- The educational and general budget including instructional and research activities of the University and related support services represents 76% of all spending.

- Auxiliary expenditures are projected to increase by nearly \$11 million or 7% over last year.

- Projections for FY06 show 633.4 fewer state funded full-time employees at the University; early retirements, layoffs and vacancies required by cuts in state support caused this change.

Mr. O’Riordan thanked the campus budget and control staff members for their help with the revised format.

Chair Dubilo asked the Chancellors to provide a brief description of their spending priorities. Campus spending projects included: refurbishing space, faculty research, deferred and preventative maintenance, replacement of retired faculty, adding staff to critical areas, debt service, non-unit salary increases, bio labs, Commonwealth medicine and enhancing student services.

Chancellor Lombardi reported that a large part of the budget will go to renovating space for students to gather as well as maintenance costs; he noted the tremendous support that has been provided by the Building Authority on the capital plan.

Chair Dubilo had a question about the status of the steam plant on the Amherst campus. Chancellor Lombardi reported that the plan is on track and on schedule. He also reported that the campus is trying to maintain traffic control as the renovations to the Amherst campus involve dirt and holes everywhere. He also reiterated the need for a recreation center to attract out of state students.

Chair Dubilo requested an update of this information in the middle of this fiscal year.

It was moved, seconded and

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

To approve the FY2006 University Operating Budget as contained in Doc. T05-049.

Committee on Administration and Finance
August 17, 2005

The next item was **FY2006-2010 University Capital Plan Update**. Vice President Lenhardt reported that the biggest challenge facing the University is the need to maintain and upgrade its capital assets that includes infrastructure and buildings and grounds over the next 5-10 years.

In an effort to improve capital planning, the University is going to work with an outside firm that will evaluate a series of structure and investment issues. President Wilson has asked for a specific policy that deals with the maintenance of buildings.

The Board is being asked to approve the University's capital funding needs for FY006 to FY2010 which includes any new projects over \$500,000 and any update in total project cost for projects that have increased by 20% or more over amounts previously approved by the Board.

Other highlights included:

- The capital plan proposes using \$648 million in funds borrowed through the Building Authority.
- The University is responsible for servicing the debt on the bonds which is an additional cost to operations beyond the \$312 million that is projected to be spent from local funds on capital improvements.
- The University's current debt is an estimated \$964 million with an annual debt service commitment of approximately \$72 million.

Mr. O'Riordan provided a summary of the sources of funds for the capital plan including a break down of the campuses by project type.

Chair Dubilo indicated his support for the plan and would be interested in an update of the status of the projects in six months time.

Chair Karam stated the need to strive for support from our leaders; we need to keep in mind the competition for funds.

It was moved, seconded and

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

Pursuant to Trustee policy T93-122, to approve the following new capital projects:

Committee on Administration and Finance
August 17, 2005

	<u>Proj.</u>	<u>Total Proj. Cost Est.</u>
	<u>Type</u>	<u>as of 7/1/2005</u>
Amherst		
PVTA Transit Garage	NC	\$4,000,000
Thatcher & Infirmary Way Road Improvements	RV	\$3,525,000
Garber Field Turf Replacement	DM	\$2,000,000
Hazardous Chemical Storage and Distribution	CO	\$900,000
Electric Infrastructure Repairs	DM	\$3,000,000
University Drive Pedestrian Safety Improvements	RV	\$3,650,000
Campus Center Steam Tunnel Repairs	DM	\$3,525,000
Science Facilities Improvements	RV	\$3,000,000
Campus Space Reallocation	RV	\$3,150,000
Boyden Intramural Fields Light Replacement	DM	\$700,000
Polymer Chiller Replacement	DM	\$675,000
Morrill Fume Hood Exhaust	DM	\$600,000
Goessmann Addition Roof Replacement	DM	\$500,000
Central Campus Steamline Replacement	DM	\$4,700,000
Utility Upgrades/Steamline Lot 62	DM	\$2,500,000
Garber Field Turf Replacement	DM	\$2,000,000
Utility Upgrades/Steamline Lot 62	DM	\$2,500,000
Morrill Science Chilled Water	NC	\$1,000,000
Campus Landscape Improvement Study	CO	\$500,000
Hazardous Chemical Storage and Distribution	CO	\$900,000
Morrill Science Renovations Phase II	RV	\$24,000,000
Morrill Science Renovations Phase III	RV	\$27,000,000
Boyden Gym Renovations	RV	\$20,000,000
Graduate Research Center Renovations	RV	\$22,000,000
Goessmann Science Renovations	RV	\$18,000,000
CNRE Lab Building	NC	\$65,000,000
Road Repairs/Pedestrian Safety	DM	\$8,000,000
Dubois Library Replace Plumbing Risers	DM	\$2,500,000
Campus Utility Upgrades - Replace Electric Transformers	DM	\$3,000,000
Campus Utility Upgrades - Replace Electric Feeders	DM	\$1,500,000
Campus Utility Upgrades - Sewer Line Replacement	DM	\$1,000,000
Campus Utility Upgrades - Water Line Replacement	DM	\$750,000
Boston		
Clark Pool Upgrade	DM	\$2,000,000
New Academic Classroom Building	NC	\$40,000,000
Campus Security	NC	\$2,000,000
Dartmouth		
ATMC Acquisition	NC	11,500,000
Charlton College Phase II	BR	2,500,000
Health Services Modular	NC	750,000
Worcester		
Parking/Roadway Mitigation - Master Plan Ph. - I	NC	\$13,000,000
School Window Removal	RV	\$1,000,000
A.Q. - Aquatics II	RV	\$635,000

Committee on Administration and Finance
August 17, 2005

And further,

To approve the following revised project cost estimates for previously approved capital projects:

	Initial Total Proj. Cost	Revised Total Proj. Cost Est. as of July 2005
Amherst		
Berkshire Dining Common Renovations	\$7,428,400	\$10,000,000
HTM Culinary Arts Renovations	\$3,500,000	\$5,400,000
Turf Research Facility	\$700,000	\$1,051,000
Student Union Elevator	\$855,200	\$1,206,000
Boston		
Elevator Upgrades	Initially a single \$5.5 M	\$5,500,000
ADA Upgrades	Elevator & ADA project.	\$5,000,000
Repair UMass Boston Foundation	\$52,200,000	\$73,000,000
Replace Lift Stations	\$1,500,000	\$2,000,000
HVAC Campus Wide	\$9,000,000	\$35,000,000
Electrical System Replacement	\$1,350,000	\$10,000,000
Building waterproofing	\$5,625,000	\$8,000,000
Scientific and IT Equipment	\$12,000,000	\$61,500,000
New Marine Operations Vessel	\$900,000	\$1,100,000
Dartmouth		
SMAST/DMF	\$1,500,000	\$2,500,000
Naval Reserve Center (NRC)	\$1,600,000	\$2,800,000
Laboratory Upgrades	\$1,800,000	\$2,800,000
Library Addition/Upgrade	\$4,140,000	\$10,000,000
Residence Hall Annual Repair	\$10,000,000	\$20,000,000
Cedar Dell Replacement	\$59,500,000	\$72,236,000
Lowell		
Allen House Renovation	\$1,525,000	\$1,833,000
UML Nanomanufacturing Center	\$32,000,000	\$80,000,000
Worcester		
JP Bio Labs	\$80,000,000	\$90,000,000
JP Main Sw. Gear	\$1,000,000	\$2,100,000

And further,

To approve the FY2006 to FY2010 University Capital Plan as described in Doc. T05-050.

Committee on Administration and Finance
August 17, 2005

The meeting adjourned at 9:35 a.m.

Barbara F. DeVico
Secretary to the Board of Trustees