

UNIVERSITY OF MASSACHUSETTS

AMHERST•BOSTON•DARTMOUTH•LOWELL•WORCESTER

MINUTES OF THE MEETING OF THE  
COMMITTEE ON ADMINISTRATION AND FINANCE

Wednesday, November 9, 2005; 8:00 a.m.

Amherst Room  
225 Franklin Street – 33rd Floor  
Boston, Massachusetts

**Committee Members Present:** Chair Dubilo; Vice Chair O’Shea; Trustees Karam, King-Shaw and Mahoney

**Committee Members Absent:** Trustees Hyppolite, Louis, Rainey and Silver

**University Administration:** President Wilson; General Counsel O’Malley; Vice Presidents Chmura and Lenhardt; 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; Deputy Chancellor Stanton; Mr. Harrison, Director of Auditing; Mr. MacKenzie, Executive Director, Building Authority

**Faculty Representatives:** Professors O’Connor and May, UMASS Amherst; Professor Tirrell, UMASS Boston; Professor Carter, UMASS Lowell

Chair Dubilo convened the meeting at 8:05 a.m. and welcomed new Trustee Ruben King-Shaw to the Committee.

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 August 17, 2005 meeting of the Committee.

The next item on the agenda was the **Chair’s Report.** Chair Dubilo reported on today’s agenda items including the University’s annual audited financial report; this report serves an important purpose confirming the University’s fiscal health.

The next item was the **President’s Report.** President Wilson reported that the University has made important progress in FY2005 achieving some of its long term financial objectives. The endowment per student average has increased; we are still under-endowed compared to our peers with more work to do in this area.

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The Chancellors have brought us through the tough times; our financial stability has improved. Our appropriation for the current fiscal year is good; the Legislature passed a supplemental budget that includes more than \$30 million in retro active pay increases to our faculty and staff. We are working on the next set of contracts and remain optimistic that progress will be made.

The House and Senate have both approved economic stimulus bills that contain roles and funding for the University; the bills have to be reconciled in conference Committee. The opening of the University of Massachusetts Club was a success preceded by an event for former Trustee and Chair Grace Fey.

The President continued his report by noting the positive feedback from the television ad "Something to be Proud Of". We are now in the process of evaluating integrated marketing bid proposals. President Wilson thanked Chair Karam and Trustee Mahoney for the work they've put into this project. We are beginning an outside consultant search to fill the UMASS Foundation Director position and will be working with Trustee O'Shea, Chair of the Development Committee on that appointment.

Finally, the Committee today will be asked to approve the authority to prepare the FY2007 budget request; we are optimistic our state leadership seems ready to help.

The next item was the **Vice President's Report**. Vice President Lenhardt reported on several items including the retro active payments from FY03 being awarded and the success of this year's University's audit process; the FY06 Capital appropriation process continues.

At our next meeting we will bring the peer comparisons for the University as a whole and for each of the campuses.

Trustee Mahoney had a question about funds for repairing the parking garage at UMASS Boston. Vice President Lenhardt responded that funds will be made available; whatever the state provides, the University will make up the rest. Chancellor Collins indicated that the study of the garage should be completed by the first of the year which will provide us with a range of options.

The next item was **Establishment of the Walter Raleigh Amesbury, Jr. and Cecile Dudley Amesbury Professorship for Teaching and Research of the Polish Language, Literature and Culture, UMASS Amherst**. Chancellor Lombardi reported that the estate of Walter Amesbury, Jr. has made a cash gift of \$900,000 to the Amherst campus for the establishment of the professorship in Policy Language, Literature and Culture. The holder of the Amesbury Chair will conduct research and provide instruction in the designated area and serve as a central area of support for Polish related activities.

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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 professorship in Polish Language, Literature and Culture at the University of Massachusetts Amherst to be known as the Walter Raleigh Amesbury, Jr. and Cecile Dudley Amesbury Professorship for Teaching and Research of the Polish Language, Literature and Culture. (Doc. T05-063)

The next item was the **Fiscal Year 2005 University Financial Report**. Vice President Lenhardt reported that \$116 million of salary and wage dollars was spent by the University; \$78 million of those funds were state funds and came to us through appropriation in the annualization of collective bargaining agreements; we are trying to balance the financial cushion with capital capacity; our net debt decreased by \$50 million because we retired some old bonds.

Chair Karam had a question about leftover bonds from the early 90's; why haven't they been refinanced? Mr. MacKenzie responded that these bonds do not have an early call date but will try to include them the next time we refinance.

Ms. Wilda, University Controller then gave an extended presentation on the Financial Report. Some of the highlights included:

- The University's net assets increased \$122.9 million from \$1.17 billion in FY04 to \$1.29 billion in FY05;
- In 2005 the University met or exceeded its targets for its indicators (operating margin, financial cushion, current ratio, debt service to operations and endowment per student);
- Tuition and Fee Revenue increased by \$27.5 million in FY05;
- Grant and Contract Revenue increased by \$22 million;
- The University has capitalized interest on borrowings, net of interest earned on related debt reserve funds, during the construction period of major capital projects.

Chair Karam had a question about the University's deferred maintenance and low debt; interest rates are going up, can we lock into the current rates while taking care of our deferred maintenance? Vice President Lenhardt responded that the campuses have been encouraged to incur more debt; we are borrowing money in terms of our ability to spend the money. The plan is to borrow another hundred million dollars as soon as it is needed.

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Ms. Wilda continued her report by noting significant growth in revenue over the last four years in tuition and fees, grants and contracts, auxiliary enterprises and other operating revenues.

Trustee Mahoney commented on the positive growth within the University; now is a good time to step up the University's investments. We are entering a competitive environment for students and faculty and we should create a better product immediately.

Trustee King-Shaw inquired about a central list of priority projects. Vice President Lenhardt responded that the campuses each have their own list which is then reviewed by the Administration. President Wilson agreed that we should institute a more formal approach to prioritizing projects on one list. Chair Dubilo commented that the Committee reviews each list of projects.

It was moved, seconded and

**VOTED:** To recommend that the Board accept the following report:

The FY 2005 University Financial Report, as contained in Doc. T05-064.  
(Doc. T05-064)

The next item was **Resolution of the Board of Trustees of the University of Massachusetts Authorizing Requests for Initiation by University of Massachusetts Building Authority of Projects in FY2006 – 2010 Capital Plan Update and Other Projects.**

Vice President Lenhardt reported that this vote authorizes the Building Authority to move the University's Capital Program forward.

It was moved, seconded and

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

WHEREAS, the University of Massachusetts Building Authority (the "Building Authority") was created by Chapter 773 of the Acts of 1960 of The Commonwealth of Massachusetts (the "Commonwealth") (said Chapter 773, as amended, being hereinafter called the "Enabling Act") as a body politic and corporate and a public instrumentality of the Commonwealth;

WHEREAS, the Building Authority was created by the Enabling Act for the general purposes of aiding and contributing to the performance of the education and other purposes of the University of Massachusetts (the "University") by providing dormitories, dining commons and other buildings

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and structures for the use of the University, its students, staff and their dependents and for lease to or use by an organization or association, in any form, of students or others the activities of which are a part of the activities at the University and subject to regulation by the Board of Trustees of the University (the "Trustees"), a research, foundation or other research organization the operation of which in conjunction with the University is approved by the Trustees or any other entity the activities of which are approved by the Trustees as furthering the purposes of the University;

WHEREAS, in the judgment of the Trustees it is in the best interests of the University, its students, staff and their dependents and said organizations that the Building Authority initiate the projects described below;

NOW, THEREFORE,

1. Each of the President and the Vice President for Management and Fiscal Affairs and Treasurer of the University, acting alone, be and each, acting alone, hereby is authorized in the name and on behalf of the Trustees to make a written request of the Building Authority that the Building Authority initiate:

(a) Any or all of the projects set forth in the University of Massachusetts Fiscal Year 2006 to 2010 Five Year Capital Plan Update Doc. T05-050 dated August 2005; and

(b) Any other construction of or respecting or renovation, repair, remodeling or other work in or upon or respecting any building or structure owned or used by the University or the Building Authority, or the provision, installation, renovation, repair or remodeling of or other work upon or respecting any furnishings, furniture, machinery, equipment or facilities with respect to any such building or structure, all as may be requested of the Building Authority in writing from time to time by either, acting alone, of the President or the Vice President for Management and Fiscal Affairs and Treasurer of the University, the making of any such request being hereby authorized.

2. The projects to be initiated by the Building Authority in accordance with any request authorized to be made in Section 1 of this resolution may in the discretion of the Building Authority be undertaken separately or together for financing purposes.

3. The President of the University, the Vice President for Management and Fiscal Affairs and Treasurer of the University and all other officers of the

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University, each of the foregoing acting alone, be and each, acting alone, is hereby authorized to request the Commissioner of Administration to approve in writing the undertaking by the Building Authority of the projects a request for which is hereby authorized and to do such other things and to take such other action as to the officer or officers so acting shall, as conclusively evidenced by their taking the action hereby authorized, deem necessary or desirable to be done or taken to carry into effect the matters hereby authorized.

4. This vote is intended as the expression of the University's "official intent" under Section 1.150-2(d)(1) and (e) of the regulations promulgated by the United States Treasury Department under the Internal Revenue Code of 1986, as amended, toward the issuance of revenue bonds under the Enabling Act or other applicable legislation for financing and refinancing the cost of any or all of the projects described in paragraph 1(a) or paragraph 1(b) above. (Doc. T05-065)

The next item was **Resolution of the Board of Trustees of the University of Massachusetts Authorizing Requests for Initiation of Projects by University of Massachusetts Building Authority.**

Vice President Lenhardt reported that this vote clarifies the projects that were listed on the Capital Plan at the last meeting; there was a lack of clarity for the Lowell campus; a list of projects has been included with the vote.

Chancellor Hogan reported that this vote includes improvements that we would like to move as quickly as possible.

It was moved, seconded and

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

WHEREAS, the University of Massachusetts Building Authority (the "Building Authority") was created by Chapter 773 of the Acts of 1960 of The Commonwealth of Massachusetts (the "Commonwealth") (said Chapter 773, as amended, being hereinafter called the "Enabling Act") as a body politic and corporate and a public instrumentality of the Commonwealth;

WHEREAS, the Building Authority was created by the Enabling Act for the general purposes of aiding and contributing to the performance of the education and other purposes of the University of Massachusetts (the "University") by providing dormitories, dining commons and other buildings and structures for the use of the University, its students, staff and their dependents and for lease

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to or use by an organization or association, in any form, of students or others the activities of which are a part of the activities at the University and subject to regulation by the Board of Trustees of the University (the "Trustees"), a research, foundation or other research organization the operation of which in conjunction with the University is approved by the Trustees or any other entity the activities of which are approved by the Trustees as furthering the purposes of the University;

WHEREAS, in the judgment of the Trustees it is in the best interests of the University, its students, staff and their dependents and said organizations that the Building Authority initiate the projects described below;

NOW, THEREFORE,

1. Each of the President and the Vice President for Management and Fiscal Affairs and Treasurer of the University, acting alone, be and each, acting alone, hereby is authorized in the name and on behalf of the Trustees to make a written request of the Building Authority that the Building Authority initiate:
  - (a) Any or all of the projects listed on Exhibit A attached hereto; and
  - (b) Any other construction of or respecting or renovation, repair, remodeling or other work in or upon or respecting any building or structure owned or used by the University or the Building Authority, or the provision, installation, renovation, repair or remodeling of or other work upon or respecting any furnishings, furniture, machinery, equipment or facilities with respect to any such building or structure, all as may be requested of the Building Authority in writing from time to time by either, acting alone, of the President or the Vice President for Management and Fiscal Affairs and Treasurer of the University, the making of any such request being hereby authorized.
2. The projects to be initiated by the Building Authority in accordance with any request authorized to be made in Section 1 of this resolution may in the discretion of the Building Authority be undertaken separately or together for financing purposes.
3. The President of the University, the Vice President for Management and Fiscal Affairs and Treasurer of the University and all other officers of the University, each of the foregoing acting alone, be and each, acting alone, is hereby authorized to request the Commissioner of Administration to approve in writing the undertaking by the Building Authority of the projects a request

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for which is hereby authorized and to do such other things and to take such other action as to the officer or officers so acting shall, as conclusively evidenced by their taking the action hereby authorized, deem necessary or desirable to be done or taken to carry into effect the matters hereby authorized.

4. This vote is intended as the expression of the University's "official intent" under Section 1.150-2(d)(1) and (e) of the regulations promulgated by the United States Treasury Department under the Internal Revenue Code of 1986, as amended, toward the issuance of revenue bonds under the Enabling Act or other applicable legislation for financing and refinancing the cost of any or all of the projects described in paragraph 1(a) or paragraph 1(b) above. (Doc. T05-066)

The next item was **Amendments to the Land and Facilities Use Planning Policy**. Vice President Lenhardt reported that the amendments to the policy would include: 1) a requirement that land and facilities master plans be prepared by each campus and submitted for review and approval to the President; 2) a change in the threshold for Board approval of new construction and renovation projects from \$500,000 to \$1,000,000; and 3) a requirement that for every new construction project a 1.5% of total construction costs be placed in a reserve for general renewal, replacement and renovation of campus facilities and 3.5% of the total construction cost of all new construction projects shall be expended annually for the operational and maintenance expenses of new facilities.

Chair Karam asked the Chancellors at next week's Committee of the Whole meeting, to prioritize their top five capital items on each campus; Vice President Lenhardt pointed out that this is done at the regular Capital Plan presentation.

Chancellor Karam also had a question about the 3.5% of the total construction cost of all new construction projects shall be expended annually for the operation and maintenance expenses of the campus facilities. It was explained that this did not include utilities.

After a brief discussion it was decided that the Policy would be amended further by adding "excluding utilities" after the operational and maintenance expenses line in the revised policy.

It was moved, seconded and

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

To approve the changes to the Land and Facilities Use Planning Policy as outlined in Doc. T93-122, as amended.



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The next item was **Fiscal Year 2007 State Budget Request and Funding Formula Authorization**. Vice President Lenhardt reported that the University is required to submit an annual State Budget request to the Governor and the Legislature; Board approval is required to authorize the President to prepare and submit the FY07 state appropriation request in early December.

Included in the mailing, was a FY06 budget request funding formula summary; students and faculty ratios are the key drivers of the formula.

It was moved, seconded and

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

To authorize the President to prepare and submit the Fiscal Year 2007 State Appropriation request consistent with the University's funding formula pursuant to Section 7 of Chapter 75 and Section 15B of Chapter 15A of the General Laws. (Doc. T05-067)

The meeting adjourned at 9:30 a.m.

Barbara F. DeVico  
Secretary to the Board of Trustees