

UNIVERSITY OF MASSACHUSETTS
AMHERST•BOSTON•DARTMOUTH•LOWELL•WORCESTER

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

Wednesday, November 1, 2006; 8:00 a.m.
Amherst Room
225 Franklin Street – 33rd Floor
Boston, Massachusetts

Committee Members Present: Chair O’Shea; Vice Chair White; Trustees Albano (arrived late), Kulenovic, Leiblum, Manning and Rego Weathers

Committee Members Absent: Trustees Lawton and MacAfee

University Administration: Interim General Counsel Bench; Vice Presidents Gray, Julian, Lenhardt and Williams; Associate Vice President Harrington; Chancellors Lombardi, Collins, MacCormack, MacKenzie 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

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

Chair O’Shea convened the meeting at 8:05 a.m. and noted the absence of President Wilson due to a death in his family.

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 16, 2006 meeting of the Committee.

The next item on the agenda was the **Chair’s Report.** Chair O’Shea first welcomed the newest members to the Committee: Richard Lawton, Kenneth MacAfee, Robert Manning and Alda Rego Weathers as well as newly elected Vice Chair of the Committee, Karl White.

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Chair O'Shea indicated that there will be a major discussion and review of financial results for FY06, a comprehensive report showing activity and changes from FY05-FY06 and some 5 year trends. The annual financial report provides the most accurate view of the financial condition of the University.

Chair O'Shea reported that the Committee will consider items related to capital activity; new space and buildings that will enhance the overall assets and capacity of the University.

Chair O'Shea also noted that Trustee Leiblum has requested time to discuss student fees and University quality and access.

The next item was the **Vice President's Report**. Vice President Lenhardt reported that all the staff members in Information Technology and Administration and Finance are working towards upgrading the University's financial systems.

The FY06 Financial Indicators are doing well but declining trends for liquidity beyond FY07 attributable to the capital program will be closely monitored. The Board of Higher Education has approved a new bond offering: \$140 million at Worcester and the refinancing of old bonds for Worcester and Lowell saving \$5 million.

The first item for action was **FY2006 Financial Report**. The Committee heard an extensive presentation from Vice President Lenhardt and University Controller Wilda, on trend lines for expenses and revenues and five important indicators of financial condition and health.

Some of the highlights included:

- a fluctuation analysis that included a statement of net assets;
- a statement of revenues, expenses and changes in net assets (a Statement of Cash Flows was distributed)
- FTE Enrollment and Employees; enrollment increased by 600 students and employment increased by 400 staff members;

There was a lengthy discussion about the reasons for various changes in both expenses and revenues. Capital investment is growing, state support is increasing, grants and contract revenue is increasing as is investment income. There has been a sixty percent increase in revenue and a forty-five percent increase in expenditures from FY02 to FY06. The debt capacity is strong.

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It was moved, seconded and

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

The FY 2006 University Financial Report, as contained in Doc. T06-069, as amended.

The next item was **Line of Credit, UMASS Building Authority**. There was a lengthy discussion concerning the line of credit program for the Building Authority. The line of credit would allow the University to use short term loans for programs and design studies and to borrow the larger share of the cost of the project after the studies are completed.

Vice Chair Manning had some questions about the costs and the terms of the loans and the possibility of a fixed rate. Vice President Lenhardt explained that the line of credit would be paid off using bond proceeds and because we borrow funds at tax exempt rates, this process was a net positive in financial terms.

The Committee was assured of the program's viability.

It was moved, seconded and

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

RESOLUTION OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF MASSACHUSETTS APPROVING A CONTRACT WITH RESPECT TO A LINE OF CREDIT TO BE OBTAINED BY UNIVERSITY OF MASSACHUSETTS BUILDING AUTHORITY

WHEREAS, the University of Massachusetts Building Authority (the "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 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 to or use by an organization or association, in any form, of students or others the activities of which are a part of the

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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, the Authority is authorized by the Enabling Act to issue its bonds and notes to finance projects (a) that fulfill one or more of the purposes set forth in the preceding paragraph, (b) that the Authority has been requested in writing by the authority of the Trustees to initiate and (c) the initiation of which by the Authority has been approved in writing by the Commissioner of Administration of the Commonwealth if at the applicable time such approval is required by law (projects meeting the foregoing criteria being called "Requested Projects");

WHEREAS, the Authority plans to obtain a line of credit (the "Line of Credit") from Bank of America, N.A. (the "Bank"), pursuant to which the Authority will issue its notes to obtain funds prior to the issuance by the Authority of its bonds therefore to be applied to the payment of any costs of one or more Requested Projects constituting "cost of a project" as such term is defined in the Enabling Act;

WHEREAS, the Bank requires as a condition of providing the Line of Credit to the Authority that all amounts payable by the Authority under the Line of Credit not paid from other sources be payable from all funds of the University permitted by law to be applied thereto;

WHEREAS, in the judgment of the Trustees it is in the best interests of the University, its students, staff and their dependents that the Authority obtain the Line of Credit;

NOW, THEREFORE,

The making of a contract (the "Contract") among the Commonwealth, acting by and through the Trustees, the Trustees and the Authority (to or of which the Bank may be a party or a third party beneficiary) pursuant to the Enabling Act and all other applicable law and pertaining to the Line of Credit be and the same hereby is authorized, the Contract to contain such provisions relating to the Line of Credit and the Requested Projects as are permitted by the Enabling Act and other applicable law and approved by the signer of the Contract on behalf of the Commonwealth and the Trustees pursuant to the authority granted such signer below in this

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resolution and all applicable provisions of law, including without limitation provisions to the effect that all amounts payable by the Authority under the Contract not paid from other sources shall be payable from all funds of the University permitted by law to be applied thereto and that amounts so payable from such funds of the University, as certified by the Authority to the Trustees, shall be held in the unrestricted net assets of the University and applied to payments on the Line of Credit on a parity with certain other obligations payable from the unrestricted net assets of the University.

The President of the University and the Vice President for Management and Fiscal Affairs and Treasurer of the University, each acting alone, be and hereby are authorized, in the name and on behalf of the Commonwealth and the Trustees, to approve the provisions of the Contract (including the title thereof) and to sign, seal with the common seal of the University and the Trustees, acknowledge if deemed advisable and deliver the Contract, the execution of the Contract by the signer of the Contract on behalf of the Commonwealth and the Trustees to be conclusive evidence a) of the approval of such signer of the provisions of the Contract (including the title thereof) and b) that the Contract so executed is as authorized and approved by this resolution.

The President of the University and the Vice President for Management and Fiscal Affairs and Treasurer of the University, each acting alone, and each other officer of the University, acting alone, are hereby authorized to do such other things and to take such other actions as the officer or officers so acting shall, as conclusively evidenced by their doing any of the things or taking any of the actions hereby authorized, deem necessary or desirable to be done or taken to carry out the Contract or any Requested Project, including without limitation the execution, sealing and delivery of contracts (which are hereby authorized) on behalf of the Commonwealth or the Trustees (including without limitation contracts entered into by the Commonwealth, acting by and through the Trustees, with the Authority (to which the Trustees may but need not be a party) for state financial assistance in the form of a guaranty by the Commonwealth of bonds (in one or more series) or notes (in one or more series) of the Authority, all as provided in and subject to the Enabling Act), the execution of any such contract by the signer thereof on behalf of the Commonwealth and the Trustees conclusively to evidence that such contract is authorized by this resolution.

In addition to the authorizations granted by this resolution to the President of the University, the Vice President for Management and Fiscal Affairs

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and Treasurer of the University and each other officer of the University, and without limiting any such authorizations, the Trustees, pursuant to Chapter 75, Section 3A of the Massachusetts General Laws and every other authority thereunto the Trustees enabling, hereby delegate to the President of the University and the Vice President for Management and Fiscal Affairs and Treasurer of the University, each acting alone, and each other officer of the University, acting alone, the power to do all acts and things and exercise all powers each officer of the University is authorized by this resolution to do or exercise, such delegation being intended to be commensurate with the authorizations granted to each such officer by this resolution, and such delegation being in the judgment of the Trustees necessary or desirable. (Doc. T06-070)

The next item was **Bellegarde Boathouse Facility and Land Transfer, UMASS Lowell**. The Lowell campus uses the Boathouse for its Club Crew Team, the “River as a Classroom” program and the National Youth Sports Program. The transfer of care to the Lowell campus will allow for renovations to proceed and the rehabilitation of the facility.

It was moved, seconded and

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

To accept the proposal of the Commissioner of Capital Asset Management for the transfer of care, custody, management and control of so much of the property known as the Pawtucket Boulevard Node as contains the Bellegarde Boathouse, together with the land and appurtenances associated therewith, located on a certain portion of state-owned public park land in the city of Lowell pursuant to Chapter 238 of the Acts of 2006 and to delegate to the President and Chancellor of the Lowell campus the authority to take all actions necessary to effectuate the transfer of said property from the commissioner of capital asset management. (Doc. T06-071)

The next item was **Fiscal Year 2008 State Budget Request Authorization**. The University is required to submit an annual State Budget request to the Governor and the Legislature. Committee and Board approval are needed to authorize the President to prepare and submit the FY2008 State Budget.

Responding to a question from Trustee Leiblum, Mr. O’Riordan spoke about the elements involved in disbursing financial aid which is based on a formula of operational costs.

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It was moved, seconded and

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

To authorize the President to prepare and submit the University's Fiscal Year 2008 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. T06-072)

The next Information Item was **WCCC Purchase of Shrewsbury Facility**. The Committee was briefed on the acquisition of an office building in Shrewsbury for the President's Office and the Medical School operations. Right now the University rents space in the building. If approved, the Worcester City Campus Corporation would buy the property on good terms.

The next Discussion Item was **Student Fees and University Quality and Access**. Trustee Leiblum presented information on undergraduate charges and financial aid and graduate student costs and fees. Some of the highlights from the report included:

- the reductions in state support resulting in program cuts, layoffs, reduction in staff and increases in student charges;
- annual increases in student charges since the Fall of 2001;
- current rates and rates for next fall reflect recent practice at limiting increases in total mandatory student charges to no more than inflation for resident undergraduate students;
- proposed increases in total mandatory student charges;
- room and board rates are proposed to cover contracts, utility and wage cost increases;
- all private universities and most private colleges in Massachusetts cost twice as much as the University.

Graduate student Jeremy Wolf, then addressed the Committee. He reported on the graduate student fees and the effect they are having on the students. The fees have been climbing faster than the wages. We are not competitive with our peer institutions and we are losing people every year which affects our quality and our ability to remain competitive.

Following the presentation, it was agreed that the staff would review certain questions about the data presented prior to the next meeting.

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Chancellor Lombardi reported that this is a national issue and that the increased burden of student fees has put a burden on people in the middle income group - research funding for graduate students is also a challenge and some institutions are able to offer better packages; the Amherst campus is not in this position because of the difficult financial structure of the University.

The meeting adjourned at 9:59 a.m.

Barbara F. DeVico
Secretary to the Board of Trustees