

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

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

Wednesday, May 30, 2007; 8:00 a.m.
Amherst Room
225 Franklin Street – 33rd Floor
Boston, Massachusetts

Committee Members Present: Chair O’Shea; Vice Chair White (via conference call); Trustees Kulenovic, Lawton, Leiblum, MacAfee, Manning and Rego Weathers; Chairman Tocco

Committee Members Absent: Trustee Albano

University Administration: Interim General Counsel Bench; Vice Presidents Gray, Julian, Lenhardt and Williams; Associate Vice President Harrington; Chancellors Lombardi, Collins, MacCormack and MacKenzie; Mr. O’Riordan, Budget Director; Ms. Wilda, University Controller; Vice Chancellors for Administration and Finance Hatch, O’Connor, Zekan and Griffin; Deputy Chancellor Stanton; Executive Deputy Chancellor Flotte; Mr. Harrison, Director of Auditing

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

Chair O’Shea convened the meeting at 8:04 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 February 14, 2007 meeting of the Committee.

The next item on the agenda was the **Chair’s Report.** Chair O’Shea reviewed the agenda stating the Committee will hear a report on the UMASS Medical School Business Plan and the 2007 Financial Indicators Report. The action items include the FY2008 Operating Budget, the FY2007 Allocation of State Funds and the Establishment of Two Endowed Professorships.

The Committee will also hear the regular report from the UMASS Building Authority. Chair O’Shea asked the Committee members to bring up any capital related issues to the President before the next meeting in the fall.

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The next item was the **President's Report**. President Wilson reported that he will be recommending to the Board of Trustees for the June 21st meeting the appointment of Keith Motley as Chancellor of the Boston campus and Michael Collins as Interim Chancellor at the Medical School. The appointment of Michael Collins is considered necessary due to the Governor's announcement of the \$1 billion life science initiative.

President Wilson acknowledged the appointment of Executive Deputy Chancellor Flotte.

A lot of important work is going on at the university to fund our operating budget and key programs at our campuses and there is good news to report. We are working with the Governor and all of State government – Life Sciences with private institutions and collaboration across the board – good state appropriation for operating budget – open communications on capital and collective bargaining

For FY2008 we estimate the state's general appropriation combined with out of state tuition retention funds will reach about \$497 million dollars. That is an increase over last year and just for comparison's sake, in FY2004 the comparable number was \$355 million dollars.

The next item was the **Vice President's Report**. Vice President Lenhardt reported on the following:

- the University has submitted capital budget request which included \$840 million and a \$150 million placeholder for RNai and stem cell research;
- quasi-endowment is moving forward aggressively, with \$40 million already moved into the endowment;
- the quasi-endowment includes funds that contribute to the financial cushion and can be used as rainy day funds;
- \$54 million has already been moved from the state to the Building Authority;
- there has been an implementation of emergency procedures in light of the Virginia Tech tragedy: improved communication, counseling and incident management training on campuses I September;
- the coordination of efforts in energy sustainability due to President Wilson's signing of the Climate Commitment letter.

The first item for discussion was **UMASS Medical School Business Plan Update**. Deputy Chancellor Stanton discussed the history of the Medical School and its beginning as a research facility. In 1999, the first ten year business plan was presented; currently there is an additional \$100 million in the business plan for research investments.

Chair O'Shea asked if research was sustainable without increasing faculty and Deputy Chancellor Stanton responded that there was no need to increase faculty. There was an overhead presentation that showed conservative planning in future years.

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Chair Tocco requested an aspiration plan for Worcester at the September Committee meeting. Other factors included:

- indirect cost rate: the UMass rate is higher than any other public institutions;
- the tenure track faculty number has grown to 206;
- the “Mello Moment” has had a positive impact;
- assets have grown even though there have been changes in accounting procedures.

Chair O’Shea inquired about the patent coverage being broad or specific; Deputy Chancellor Stanton responded that he believed it to be broad. Chairman Tocco asked if Worcester had budgeted enough money for patents which Deputy Chancellor Stanton responded affirmatively.

Other highlights included:

- endowed professorships have increased over the years;
- fringe benefits expenses have been controlled;
- the Worcester workforce is largely non-union;
- since 1992, Worcester has eliminated steps and has implemented merit pay;
- Commonwealth Medicine has spread across the state;
- Worcester has acquired many buildings, which can be liquidated in a fiscal emergency.

The next item was the **2007 Financial Indicators Report**. Vice President Lenhardt reported that the Financial Indicator analysis began in 1995 and has been refined over the years.

Ms. Wilda, University Controller discussed the operating margin, return on Net Assets, the Financial Cushion, Debt Service to Operation and Endowment per student.

Mr. O’Riordan, Budget Director discussed the private funds raised annually, introduced three new capital indicators: deferred maintenance per GSF, total deferred maintenance and equivalent debt burden. The CFI (Composite Financial Index) was 2.0 in FY06; this CFI indicates that the University is stable.

Chair O’Shea commented that while we are constrained by some of our investments and we still have work to do, the organization is doing a great job.

The first item for action was **FY2008 University Operating Budget**. Mr. O’Riordan reported on the preparations that go into the operating budget. He reported on the University’s revenues, the spending and the operating margin for FY08. Some of the highlights included:

- the budgeted revenues as a percent of total revenues and the trend from FY2004 to FY2008;
- FY08 total project spending and the spending trend from FY2004 to FY2008;
- showed the change in FTE employees between FY2002 to FY 2008 with and without the Medical School;

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- the trend in the state appropriation between FY96 and FY2008 as well as the percent of new funds between FY2002 and FY2008;
- key priorities for FY08 on the campuses.

It was then moved, seconded and

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

To approve the FY 2008 University Operating Budget as contained in Doc. T06-039 and to approve the statements of trust contained in Appendix A of said Doc. T07-039.

The next item was **FY2008 Allocation of State Funds.** Vice President Lenhardt reported that this is a routine item authorizing the President to allocate the state appropriation.

It was moved, seconded and

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

To direct the President to allocate the amount appropriated for the University in Line Item 7100-0200 of the state appropriation act for fiscal year 2008 to the campuses and the central administration of the University, and to notify the Board of Trustees and the House and Senate Committees on Ways and Means of said allocations. (Doc. T07-044)

The next item was **Establishment of Endowed Professorships, UMASS Amherst.** Chancellor Lombardi reported the establishment of the Alpha Tau Gamma Fred P. Jeffrey professorship is being established through the Stockbridge Forever campaign; the Seedworks Nursing program is being funded by a pledge made by Dr Susan Hagedorn to recruit a qualified person to become a leader in addressing social justice issues in health care.

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 at the University of Massachusetts Amherst to be known as the Alpha Tau Gamma Fred P. Jeffrey Professorship and Directorship of the Stockbridge School of Agriculture; and further, to establish an endowed professorship for social justice issues in nursing at the University of Massachusetts Amherst to be known as the Seedworks Nursing Professorship for Social Justice. (Doc. T07-045)

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The next item was **UMASS Building Authority Update**. Chancellor MacKenzie as Executive Director of the Building Authority reported on several issues. He first introduced his staff: Stephan Chait, Director of Capital Projects, Steve Dansby, Chief Financial Officer and newly hired General Counsel, Arthur Bernard. Some of the highlights from his report include:

- there are 14 major projects underway;
- have been using alternative methods for procurement which requires approval from the Governor;
- the largest project is the central heating plant in Amherst;
- Amherst is also developing a Studio Arts building and an Integrated Science Building;
- Lowell is renovating buildings as well as developing a Nano-bio Manufacturing Center;
- Dartmouth is building two dorms and a new lab;
- Boston is in the middle of renovations;
- the University has received \$50 million from the supplemental appropriation for renovations and \$4 million from the economic stimulus bill for nano-bio building.

Chair O'Shea inquired about any potential problems; Chancellor MacKenzie responded that the central heating plant at the Amherst campus has presented the most challenge but will be a state of the art building. Chancellor MacKenzie also reported that there had been a death of a worker on the site last year.

Vice Chair Manning thanked Deputy Chancellor Stanton for his Report.

The meeting adjourned at 10:03 a.m.

Barbara F. DeVico
Secretary to the Board of Trustees