

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

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

Wednesday, September 22, 2010; 8:00 a.m.

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

Committee Members Present: Chair Karam; Vice Chair Wooldridge; Trustees Braceras, Collins, Dinan, Furman, Lampert, MacAfee, Peters and Reid, and Tocco; Ms. Lee, Designee for Trustee Reville; Chairman Manning

Committee Members Absent: Trustees Boyle, Fox, Johnston, King-Shaw, Lawton, Reville and Tocco

University Administration: President Wilson; General Counsel Heatwole; Executive Vice President Julian; Senior Vice Presidents Gray and Williams; Vice Presidents Chmura and Connolly; Chancellors Holub, Motley, MacCormack, Meehan and Collins; Mr. MacKenzie, Executive Director, Building Authority; Mr. Douglas, Associate Vice President, University Budget Director; Ms. Wilda, University Controller; Dr. Udas, CEO, UMassOnline; Vice Chancellors for Administration and Finance Hatch, McLaughlin, O'Connor, Yestramski and Jenal; Mr. Harrison, Associate Vice President for Auditing; Mr. O'Riordan, Associate Vice Chancellor for Financial Services, UMass Lowell

Faculty Representatives: Professor Adrion, UMass Amherst; Professor Gibbs, UMass Dartmouth; Professor Carter, UMass Lowell

Chair Karam convened the meeting at 8:06 a.m.

The first item on the agenda was the **Chair's Report**. Chair Karam first introduced the newest members on the Committee: Michael Fox from the Amherst campus (not in attendance), Stasha Lampert from Boston, Christopher Dinan from Dartmouth and Michael Reid from Lowell.

Chair Karam reported on news from the economic front both good and not-so-good. Massachusetts has received the recent report that state unemployment levels dropped below 9% in August to a level of 8.8%. Since December, 2009 the Massachusetts economy has generated 64,300 new jobs. However, while state revenues in July and August did improve, August collections were \$70 million beneath the state's benchmark.

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The University will continue to face uncertainty with respect to its FY11 revenue forecast and the allocation of residual Federal Stimulus funds. Over the summer President Wilson and Senior Vice President Gray have had conversations with the Chancellors and Campus Chief Finance Officers about multi-year financial planning and the strategic options that will need to be considered.

The Trustees will consider how best to preserve and nurture a University of the first rank as reported by last week's *Times of London* rating of top tier global universities in the face of persistent and severe funding uncertainty. The University will be working from a position of strength but fiduciary challenges will continue.

Under the **President's Report**, President Wilson then gave a presentation on the Economic Challenges and the Essential Mission of the University:

- Approximately 20+% increase in undergraduate applications since downturn turn;
- UMass conducts 90% of University research outside of Route 128;
- Public Service;
- Well-educated workforce that stays in Massachusetts;
- New industries and jobs stemming from research;
- Improved quality of life;
- Construction Jobs;
- UMass ranked 56th Best University in the World in the 2010 *Times of London* Rankings;
- 4th in Massachusetts;
- 14th best American Public University and 33rd best of all American Universities;

There was a round of applause at the news of the University being considered the only New England Public University in the Top 200.

President Wilson encouraged today's participants to go to the NECN web site and click on "This Week in Business". The University was featured in a very positive light and shows that the business community in Massachusetts understands our importance to the state's economy.

President Wilson continued his report:

FY10-FY11 Funding Recap

- FY10 Post 9C Appropriation = \$379.9 million;
- Stimulus funds = \$150.6 million;
- Potential FY11 Funding Gap = \$150.6 million.

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Choices to Close Gap:

- Restore appropriation to initial FY09 level (\$492 million);
- Find additional Stimulus money;
- Increase other revenue;
- Cut expenses.

In FY11 there was a dramatic reduction in State Support. Some of the next steps:

- Passage of Federal FMAP/EdJobs Legislation may enable supplemental appropriation;
- Reversal of \$14.3 million gubernatorial veto;
- Pending collective bargaining contracts;
- Advocating for stimulus funds;
- Raise additional revenues;
- Expense Reductions.

There was a discussion about increasing the amount of out-of-state students. Chancellor Holub stated the need to consider all revenue-increasing options.

President Wilson then listed some of the expense reductions including the elimination of over 550 positions through layoffs, retirement, attrition, furloughs, reduced overtime, office relocation and energy savings.

There was also a discussion about the importance of Employee Compensation; collective bargaining agreements have been stalled. It is important for the University to remain competitive to attract top faculty.

Some of the long-term strategies for Financial Stability include:

- Five-Year Financial Planning;
- Reform efforts: construction, possible reforms from the Efficiency Task Force, new revenue generating avenues, greater alumni engagement to increase fundraising;
- Investing in the infrastructure to sustain enrollment and research growth;
- Five-year capital plan.

President Wilson reported on the recent, tragic death of Mr. George Parks, long time Director of the UMass Minuteman Marching Band. George received many awards for his devotion to the Band and to the University and was a tireless fundraiser. The new band facility that he had advocated for so long will be named in his honor.

Chancellor Holub seconded President's comments regarding Mr. Parks noting the national recognition George brought to the Marching Band.

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Chair Karam then asked for a motion to **Consider the Minutes of the Prior Meeting of the Committee.**

It was moved, seconded and

VOTED: To approve the minutes of the June 2, 2010 meeting of the Committee.

During his report, Senior Vice President Gray explained that next month, the University will be embarking on the largest bond issue in University history. He also talked about the multi-year financial plan that was developed this summer by the Chancellors and Vice Chancellors of Administration and Finance. The plan assesses the next five years, which looks beyond the current year. Senior Vice President Gray talked about the \$2.5 billion structural deficit in Massachusetts, according to the Mass Taxpayers Association. State spending on healthcare has increased, while higher education as a percent of total state revenue has decreased. In the multi-year financial plan, the campuses developed strategies looking at revenue enhancements and cost reductions.

The University is analyzing campus-based and university-wide strategies, construction, legislative and statute reform. The campuses provided data on multiple fee revenue scenarios. Chairman Manning requested the data on the 7-8% increase. More information will be provided at the December meeting. The University has a \$2.8 billion budget; 40% is restricted funds, which is used on residence halls and Commonwealth Medicine. The unrestricted funds are for core operations.

Chairman Manning stated that the University must work on a new revenue model that would generate revenue to fund our faculty and address the needs of the University's infrastructure.

The Chairman reported that this Committee will work on a plan to solve these issues over the next twelve months. We cannot continue to do business as in the past. Trustee Collins cautioned against a financial model that could squeeze out the students.

It was agreed that there was no need for a vote at this time – Senior Vice President Gray will continue to address the issue.

The Committee then discussed **Multi-Year Budget Planning**. Senior Vice President Gray reported that the planning process launched by University leadership over the summer discussed strategies to assure the University's long-term financial stability. The structural budget gap through FY15 cannot be addressed only through additional budget cuts and normal inflationary fee increases.

Chair Karam inquired about consolidating new technology on each of the campuses that would reduce costs and would like to have that information provided at the next meeting.

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The next item was a **Status Report of the Efficiency Task Force** led by Trustee Furman. Considerable progress has been made in working with the University's Purchasing Council and several areas have been identified where collaborative purchasing could yield substantial savings. A similar review of the University's IT services will be launched in October of this year.

Trustee Furman stressed that nothing will be changed without review by the Chancellors; we will continue to identify costs savings opportunities and improve operating efficiencies.

Chair Karam reported on the need to carefully review elevator contracts and suggested we engage outside consultants to review the contracts that could save thousands of dollars.

The next item was the **Report of the Building Authority**.

Mr. MacKenzie, Executive Director of the Building Authority, provided some updates on current project highlights including:

UMass Amherst: New Police Station, demolition of the old power plant, the new Bowditch greenhouse, new student residences and the construction of the second building of the Integrated Science Building.

UMass Boston: the Edward M. Kennedy Institute is under design, a design team for the roadway realignment has been selected, design of the general academic building, acquisition of the Bayside property, construction of 12 ADA compliant bathrooms, RFP for roof repair and the Science complex has been started.

UMass Dartmouth: the Bio-Processing Facility design has been put on hold.

UMass Lowell: ETIC laboratory project in construction, Phase II renovations to the Inn and Conference Center, renovation of space at Wannalancit Mills, real estate nearing purchase and sale agreements.

UMass Medical School: The Albert Sherman Center site preparation, equipment for the expansion of the current power plant into a co-generation facility has been purchased.

Mr. MacKenzie then outlined the current interest rate environment which is at historic lows and favorable for the Building Authority's October's planned debt issue, the largest in the University's history.

Mr. MacKenzie also made note of The University Club's Five Year Anniversary and encouraged everyone to attend the celebration on October 21st.

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The first item for action was **FY2011-2015 Capital Plan**. Mr. Douglas, University Budget Director reported that the University has spent an estimated \$2.2 billion on capital improvements, 84% has been self-funded from campus operating funds, 16% supported by the State.

The Capital Plan presentation included a breakdown of the source of funds and the spending plans campus by campus.

Following a discussion about capital spending and the capital planning effort, Mr. Douglas explained the action the Committee was being asked to take. Trustees are required to approve the University's capital plan including any new construction project over \$1,000,000 and any update in total project cost for projects that have increased by 20% or more.

At this time the Committee is also being asked to authorize the Dartmouth campus to exceed 8% in its debt service to operations ratio.

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:

	<u>Cost Estimate Aug-10</u>
Amherst Campus	
ISOM renovations & addition	\$40,000,000
Recreation Center Phase II	\$32,000,000
Stockbridge Hall complete fire suppression	\$12,500,000
Football support facility	\$12,000,000
Rudd Field Support Building	\$10,000,000
ISOM deferred maintenance	\$6,500,000
Franklin Dining Commons structural and MEP	\$5,000,000
Conte Polymer windows	\$5,000,000
Hills relocations	\$4,000,000
E-Lab II renovations	\$4,000,000
French, Fernald and Clark renovations	\$3,000,000
Morrill I Auditorium	\$2,000,000
Team Learning Classrooms	\$1,500,000
Research Affairs heat pumps, MEP	\$1,400,000
Softball Facility Lighting	\$1,100,000

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Wilder deferred maintenance	\$1,000,000
<i>subtotal Amherst</i>	\$141,000,000

Boston Campus

Master Plan Phase I: Relocate Campus Utility Systems from Substructure (Phase II)	\$26,250,000
Master Plan Phase I: Construct new Trigeration Facility to accommodate increased campus needs	\$25,000,000
Master Plan Phase I: Construct new pool facility	\$10,000,000
Master Plan Phase I: Construct new campus Greenhouse as required with demolition of the Science Center	\$5,000,000
Construct New Structure for Primary Electrical Switchgear (1)	\$3,000,000
Master Plan Phase I: Utility Plant System Expansion and Upgrades to Accommodate initial campus expansion	\$3,000,000
Master Plan Phase I: Relocate University Data Center due to the demolition of the Science Center	\$3,000,000
Master Plan Phase I: Study Substructure and Science Center Demolition and post demolition construction	\$2,500,000
Master Plan Phase I: Purchase or Lease Additional Swing Space prior to completion of GAB1	\$2,500,000
Saltwater Pump House: Mechanical System Upgrades and Savin Hill Cove Dredging	\$2,000,000
Relocation (Partial) of College of Nursing and Health Sciences	\$1,500,000
Quinn Administration Building: Install Fire Suppression System and Upgrade Fire Alarm System	\$1,200,000
Master Plan Phase I: New public art for Campus Green	\$1,000,000
Healey Library: Renovate space to create 3 new classrooms on the 4th Floor	\$1,000,000
<i>subtotal Boston</i>	\$86,950,000

Dartmouth Campus

New Academic Building	\$55,000,000
<i>subtotal Dartmouth</i>	\$55,000,000

Lowell Campus

North Campus Science & Engineering Facilities	\$90,000,000
Capital renewal/deferred maintenance	\$86,000,000
Residential Hall Comprehensive Renewal Program (priority 13 last FY)	\$40,000,000
Campus Student Service, Academic & Admin. Center	\$20,000,000
Bookstore & dining replacements (priority 13 last FY)	\$20,000,000
<i>subtotal Lowell</i>	\$256,000,000

Medical School

School 4th fl Lab Renovations - Phase 1	\$10,000,000
Land Acquisition per Master Plan	\$75,000,000
UMMS Residence Deferred Maintenance	\$550,000
Renovations	\$6,791,000
Demolition of Tower	\$1,000,000

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Modular Research Buildings		\$6,000,000
South St. Bldg 2 Demo/ Renovation		\$5,000,000
	<i>subtotal Medical School</i>	\$104,341,000
	<i>Total all new projects</i>	\$643,291,000

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

Project Name	Initial TPC	Revised TPC
Amherst Campus		
Stockbridge Hall Fire Suppression and Fire Alarms	\$1,355,000	\$2,120,000
Boston Campus		
Master Plan Phase I: Relocate Campus Utility Systems from Substructure (Phase I)	\$43,000,000	\$62,125,000
Master Plan Phase I: Relocation and Reconfiguration of University Drive	\$7,000,000	\$16,000,000
Dartmouth Campus		
Biomanufacturing Building	\$10,000,000	\$26,000,000
SMAST	\$20,000,000	\$48,000,000
Classroom and Laboratory Upgrades	\$7,400,000	\$11,400,000
Medical School		
New NW Parking Garage	\$28,000,000	\$40,000,000
Renovate and Expand BL3 Suite - 7th Fl	\$3,000,000	\$5,500,000
West Parking Garage Repairs	\$900,000	\$10,000,000
BNRI Upgrades	\$1,000,000	\$1,500,000
Jamaica Plain: HVAC & Power Plant Upgrades	\$3,450,000	\$18,000,000

And further, To approve the FY2011 to FY2015 University Capital Plan as described in Doc. T10-055.

And further, Pursuant to Trustee Policy T09-052, to authorize the Dartmouth campus to exceed 8% in its debt service to operations ratio,

And further, With respect to any or all of the projects identified in the said University Capital Plan as described in Doc. T10-055, to authorize the President of the University and such other officers of the University as he may designate (the President and

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each such other officer referred to herein as an “Authorized Officer”), each acting singly, in the name and on behalf of the trustees, the University or the Commonwealth, as appropriate, (a) to effectuate the financing of one or more or all of such projects by such means as such Authorized Officer shall deem advisable, including without limitation by requesting in writing the University of Massachusetts Building Authority, the Massachusetts Health and Educational Facilities Authority, the Massachusetts Development Finance Agency or any other statutorily qualified issuer in the Commonwealth to issue debt therefor, or to request the Worcester City Campus Corporation to effectuate the financing thereof through any such issuer of debt, so long as the estimated total project cost does not exceed the estimated total project cost listed in Doc. T10-055 by more than 20% (exclusive of capitalized interest, debt service reserve funds, cost of issuance of the obligations, costs of bond insurance or other credit enhancement and other cost of the financing), and, (b) in connection with any such financing, to take such actions (including without limitation the execution of the guaranty of the Commonwealth on any obligation guaranteed by the Commonwealth), secure such governmental approvals, execute such agreements (including without limitation contracts for financial assistance, management and services, contracts for management and services or leases or subleases) containing such provisions and provide for such terms and sources of repayment, all as such Authorized Officer shall deem advisable and as may be required or permitted by law, including without limitation St. 1960, c. 773, §_19A, as amended, and St. 1992, c. 138, §_15A, as inserted by St. 2000, c. 159, §_303. (Doc. T10-055)

The Committee will also need to **Authorize Requests by the Building Authority to Proceed with the Projects set forth in the Capital Plan.**

It was moved, seconded and

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

WHEREAS, the University of Massachusetts Building Authority is a body politic and corporate and a public instrumentality of The Commonwealth of Massachusetts (the “Commonwealth”) created to aid and contribute 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 activities at the University and subject to regulation by the Board of Trustees of the University (the “Trustees”);

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WHEREAS, pursuant to the Building Authority's enabling act, the Building Authority may issue bonds to finance projects undertaken by the Building Authority at the request of the Trustees, or, with the approval of the Trustees, issue refunding bonds, all of which bonds are secured, in part, by revenues from the Building Authority, the University and the Commonwealth, as authorized by the Trustees on behalf of the University and the Commonwealth;

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 undertake projects and finance such projects as described below;

WHEREAS, in the judgment of the Trustees it is in the best interest of the University for the Building Authority to refund bonds when market conditions are favorable; and

WHEREAS, the Building Authority's enabling act authorizes the Trustees, on behalf of the Commonwealth, to provide a Commonwealth guaranty of not to exceed \$200,000,000 outstanding principal amount of Building Authority Bonds;

NOW, THEREFORE,

1. Each of the President and the Senior Vice President for Administration, Finance and Technology and Treasurer of the University, acting alone, be and each, acting alone, (each, an "Authorized Officer") 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 and undertake:

(a) Any or all of the projects set forth in the University of Massachusetts FY2011 to 2015 University Capital Plan (Trustee Document T10-055); 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 an Authorized Officer, the making of any such request being hereby authorized.

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

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of the Building Authority be undertaken separately or together for financing purposes.

2. The issuance of refunding bonds by the Building Authority is hereby approved, in such amount and on such terms as shall be approved in writing by an Authorized Officer.

3. Each Authorized Officer hereby is authorized to execute and deliver on behalf of the University and the Commonwealth one or more contracts for financial assistance, management and services with respect to the projects financed or refinanced by the Building Authority and the Building Authority bonds issued in connection therewith, including any refunding bonds. Each such contract may include the Commonwealth guaranty of all or a portion of such bonds, as determined by an Authorized Officer and within the limits prescribed by the Building Authority's enabling act.

Each Authorized Officer is hereby authorized to take such other action as deemed necessary or desirable to be done or taken to effectuate the matters hereby authorized, as conclusively evidenced by their doing the things or taking the action hereby authorized. (Doc. T10-056)

The next item was **Establishment of Endowed Professorship, UMass Amherst**. Chancellor Holub reported that the Chair being established to demonstrate the effectiveness of an integrated approach to Science, Engineering and Management, with a gift of \$1 million.

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 **Eugene M. and Ronnie Isenberg Professorship in Integrative Science**. (Doc. T10-057)

The next item was **Naming of the George N. Parks Marching Band Facility, UMass Amherst**. As noted earlier, the naming of the Building is in honor of Mr. Parks, long-time leader of the Minuteman Marching Band.

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It was moved, seconded and

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

Whereas, for the past 33 years, George N. Parks served with honor and distinction as professor and director of the UMass Minuteman Marching Band, during which time he was honored with the UMass Distinguished Teaching Award, the Chancellor's Medal for service to the campus and an Award for Outstanding Accomplishments in Scholarly and Creative Activity;

Whereas, under Professor Parks' leadership the Minuteman Marching Band, known as the Power and the Class of New England, achieved national prominence winning the Louis C. Sudler Trophy from John Philip Sousa Foundation in 1998 as the national top Marching Band, performing at three presidential inaugurations and three Bands of Americas Grand Nationals events and receiving many other honors;

Whereas, Professor Parks' tireless advocacy on behalf of the marching band resulted in over \$1 million raised for the marching band facility currently under construction at the Amherst campus;

Whereas, Professor Parks sadly and unexpectedly passed away on September 16th, 2010;

It is recommended that the Board take the following action:

To name the new band facility as the George N. Parks Minuteman Marching Band Building in recognition of his leadership and innumerable contributions to the University. (Doc. T10-063)

The meeting adjourned at 10:04 a.m.

Barbara F. DeVico
Secretary to the Board of Trustees