

**UNIVERSITY OF MASSACHUSETTS
AMHERST•BOSTON•DARTMOUTH•LOWELL•MEDICAL SCHOOL•UMASSONLINE**

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

Wednesday, October 21, 2015; 8:00 a.m.

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

Board Members Present: Chair Buonomo (A&F); Trustees Campbell, Carpman, Collins, Fubini, Furman, Johnston (by phone), Lee, Miller, Mullan, O'Brien, O'Neil, Peyser, Roh, Thomas and Xifaras; Chairman Woolridge

Board Members Absent: Trustees Epstein, Manning, Osterhaus-Houle, Peters and Robinson

University Administration: President Meehan; General Counsel Heatwole; Senior Vice President Wilda; Chancellors Subbaswamy, Motley, Grossman, Moloney and Collins; Associate Vice President Gorzkowicz

Documents Used: -FY17 State Budget Request Update, Doc. T15-098

Chair Buonomo convened the meeting at 8:08 a.m. and informed the Committee that Trustee Johnston would be participating by telephone pursuant to 940 CMR 29.10(5)(e), since he is sick and unable to attend in person.

Chair Buonomo stated that due to the need to keep the meeting moving forward in a constructive manner, any members of the Committee or others who wish to speak should do so through the Chair.

Reports:

Chair's Report

Chair Buonomo provided an overview of the meeting discussion. He commented that at its September meeting the Committee was provided with a schedule of upcoming topics over the next year and discussed those related to the budget. Chair Buonomo stated that the purpose for the day's meeting was to discuss the University's FY17 State Budget Request prior to its submission to the Executive Office for Administration and Finance.

Chair Buonomo reported that each campus is in the process of developing its five-year forecast of revenues and expenses and that the information provided in each campus presentation would be included in the University's projections. He also commented on the importance of a five-year budget forecast and proposed having a special Committee of the Whole meeting in January or February to review the five-year forecast.

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President's Report

President Meehan provided an overview of the FY16 State Budget request. He reported that the University has not received the \$10.9 million from the state to settle the collective bargaining contracts for FY15. The marginal increase for FY16 is \$21 million, which again is short of the state's share for collective bargaining making the University \$32 million short of funding. This year the University had to implement fee increases to partially deal with deficits.

Discussion Item:

Senior Vice President Wilda reported on the **FY17 State Budget Request Update**. She provided an update on the \$3.1 billion budget. Relative to the \$3.1 billion budget only \$1.7 billion comes from the state which is used for the academic core component of the University's mission of teaching and does not include housing or dining operations or research. 54% of the University's budgeted revenues support core education and general expenses. The remaining 46% is dedicated to specific programs and services related to grants, sales and services and other unique operations such as Commonwealth Medicine.

There was then a discussion on strategies that would allow the Legislature to work collaboratively with the University, and acknowledging that the state has underfunded the University with respect to deferred maintenance and the collective bargaining contracts among other unfulfilled commitments. President Meehan noted that the Baker Administration is willing to work with the University.

Senior Vice President Wilda reported on the FY14 actuals and E&G (educational & general expenses) projections; FY15 and FY16 budgets; and the development for the FY17 budget. The University's need for \$117.5 million is based on 3 cost driving needs: salary and fringe, capital investments, and financial aid. Senior Vice President Wilda discussed trends in major cost drivers in the categories of salaries, capital related, and financial aid for FY07-FY17. She also commented that the University is currently working on 123 projects estimated to save \$300 million. President Meehan commented on the University's unavoidable expense growth. Senior Vice President Wilda stated that the University has had to self-fund deferred maintenance and capital investments due to the lack of state funding over time.

The campus Chancellors then provided an update on their cumulative E&G Cost Drivers for FY15-FY17 and their E&E efforts. Chancellor Subbaswamy reported that the Amherst campus has save \$50 million in revenue enhancements, cost savings, and cost avoidance since FY11 and has also received nationwide recognition for its E&E efforts.

Chancellor Motley reported that with an inherited failed infrastructure, the Boston campus has cost savings and cost avoidances in excess of \$25 million since FY11. The Boston campus has also implemented initiatives to improve administrative functions and improve service offerings to improve infrastructure and offer higher levels of customer service to student, faculty and staff.

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Chancellor Grossman projected cost savings and avoidances of \$51 million for UMass Dartmouth. She commented that the Energy Performance ESCO initiative will continue to abate energy costs by reducing the University's operating expenses and carbon footprint.

Chancellor Moloney reported over \$45 million in savings as a result of the Lowell campus and system initiatives. She also highlighted 3 of UMass Lowell's high impact initiatives that have contributed to the efforts: the solar net metering agreement which supports the campus sustainability goals will provide \$875K annually for 20 years on the utility budget; the Faculty Incentive Retirement Program which provides an annual savings of over \$2 million and an opportunity to hire faculty in high impact areas; and capital investments of \$18.7 million from food services, bookstores and vending partners which reduces the need for borrowing.

Chancellor Collins reported on the Medical School's cost drivers and indicated that for about a decade the state's appropriation has not kept pace with the growth of the Medical School, which has faced significant financial issues due to the lack funding and has had to reduce major efficiencies and expenses. He noted that tuition and fees revenue and student enrollment are not options to offset budget drivers. Trustee Thomas suggested that the Board be proactive in advocating for funding for the Medical School as a means to avoid being victims of their own success.

Trustee Peyser commented that benchmarks with peer institutions that include staff to student ratios when presenting the budget request would be helpful to the Legislature and the Board. This would help put things into perspective and provide a visual of ways by which the campuses mitigate costs due to financial realities.

Chair Buonomo thanked everyone for their comments and asked for continued dialogue to help the Administration and Finance team and the Legislature to develop a process for creating a 5-year plan going forward.

There being no further business, the meeting adjourned at 10:40 a.m.

Christina Kelley
Assistant Secretary to the Board