

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

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

Wednesday, April 6, 2016; 8:00 a.m.

**Boston Room
One Beacon Street – 32nd Floor
Boston, Massachusetts**

Committee Members Present: Chair Buonomo; Vice Chair Epstein; Trustees Collins, Furman (by phone), Lee, Miller, Mullan, O'Brien, O'Neil and Peyser; Chairman Woolridge

Committee Members Absent: Trustees Campbell, Fubini, Johnston Peters, Roh and Thomas

University Administration: President Meehan; General Counsel Heatwole; Senior Vice President Wilda; Chancellors Subbaswamy, Motley, Helm, Moloney and Collins; Executive Director Filippone, UMass Building Authority

Documents Used:

- Meeting Minutes: December 2, 2015
- Establishment of the Timothy S. and Elaine L. Peterson Chair in Rheumatology, UMass Medical School, Doc. T16-011
- Establishment of the Berthiaume Chair in Business Leadership at the Isenberg School of Management, UMass Amherst, Doc. T16-012
- Review of the Quarterly Capital Report and Approval of Changes to Capital Projects, Doc. T14-089, as amended
- Review of the University's Five-Year Financial Forecast, Doc. T16-013
- Review of the University's Annual Financial Aid Report, Doc. T16-014
- Tuition Retention Report and Recommendations, Doc. T16-010
- Building Authority Update, Doc. T16-016

Chair Buonomo convened the meeting at 8:09 a.m. and announce that Trustee Furman would be participating by phone pursuant to 940 CMR 29.10., since she was traveling, making it difficult for her to attend in person.

Chair Buonomo then stated that the Committee was provided with draft minutes of the December 2, 2015 meeting and asked for any corrections. With no corrections, the minutes were approved.

Reports:

Chairs Report

Chair Buonomo provided an update on the Commonwealth's revenue collections for fiscal year 2016. He stated that the current fiscal, year-to-date state tax revenue collections totaled \$15.5 billion; up \$382 million or 4.5% more than the state took in last year at this same time.

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State revenues are running \$123 million below the revised benchmarks that were used in developing the state's FY16 budget and the Executive Office for Administration and Finance believes the current projections for the year are still accurate and no further budget adjustments are needed at this time.

Chair Buonomo reported on the University's Five-Year Forecast which the campuses prepare and present to the A&F Committee yearly. The report is useful at the system level, and active conversations surrounding the five-year forecast have been beneficial to the Chairman, President, Chancellors, the Governor and Administration, Legislative Leaders and most importantly to the students and their families. The five-year forecast will allow all parties to work together to figure out how to support all of the University's aspirations while holding tuition and fees at a reasonable level over the next five years.

Chair Buonomo then commented that the Tuition Retention Task Force recently completed its work and issued a report with a number of recommendations that relate to the development and content of the University's budget. The goal is to ensure that the recommendations are accepted and incorporated in the University's budget going forward.

President's Report

President Meehan announced that the Legislature passed and the Governor signed the \$10.9 million in supplemental funding for the University. The funding related back to the first year funding of the University's collective bargaining contracts. He noted that initially the Commonwealth's share of collective bargaining contracts totaled \$13.1 million and the University received \$2.2 million of it to begin funding the agreements on a prorated basis but had not received the remaining \$10.9 million. President Meehan stated that most of the additional funding will go towards providing an additional \$7 million in financial aid. The Governor's administration provided a modest increase in state support for the University in their proposed FY17 budget. The President will continue working closely with the Administration and Legislature to ensure that the University's budget request is transparent and accurately reflects the needs of the institution.

President Meehan noted that the University has been diligently working toward the July 1st implementation of full tuition retention for the University of Massachusetts. He provided an overview of reports compiled by the Tuition Retention Task Force related to the Tuition Retention Legislation and recommendations for implementation.

President Meehan provided an update on the Executive Office of Education's capital strategic planning process which is being designed to help inform the administration's capital budget process to help allocate state resources to align goals and initiatives across the higher education system. He informed the Committee that a consultant had been hired and data has been requested from each campus in regards to square footage and usage. He emphasized the importance of state support as the University continues to implement its capital plan with the goals and needs identified.

President Meehan reported on student safety at the University's and continued advocacy efforts. Student safety continues to be a top priority at UMass. Daily efforts are made to ensure

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the safety of the faculty, staff, and students. The University received a grant to plan for and to execute a system-wide exercise that included the 5 campuses and the President's Office along with key departments from local communities that each of the campuses reside, Massachusetts Emergency Management Agency (MEMA), and other state agencies that would be responding to an emergency impacting the University communities to test core capabilities and communication between each individual site on the on-going situation and to provide the needed support. The exercise team will develop an after action response evaluation, situational briefing, and demobilization and recovery efforts report. The briefing document will list positives and areas of improvement for the University to review and incorporate into procedures to further enhance preparedness efforts system-wide.

President Meehan also provided an update on the University's continued advocacy efforts. He noted that this effort has been prioritized with state leaders as they work through the FY17 budget planning process. The President and the Chancellors traveled to DC to discuss the University's pursuit of efficiencies across the system and the various other demonstrated achievements made with their support to the leaders in Washington that continue to advocate for the needs of UMass.

Senior Vice President's Report

Senior Vice President Wilda provided an update on new dashboard information, noting that the dashboard now provides updated peer level financial indicators to show how the University looks in comparison to peer institutions. She then informed the Committee that the combined University operating surplus was fewer than \$2.5 million, which is 0.1% of the University's \$2.9 billion operating budget, and stated that ideally the University should operate in the 2% range but that the lower level of margin has been planned for as the University continues to invest in the faculty, staff, capital plan and student success initiatives.

Senior Vice President Wilda reported on debt service to operations and stated that the indicator measures the demand that annual commitments to creditors place on the operating budget. She indicated that the peer group average is 5.2% up from 4.9% in the previous year which is driven by increasing amounts of long term debt for most of the University's peers. She also commented on how much of the operating budget is held in reserves. The University is above the peer average of 17.7% and at the newly established benchmark of 20% or greater.

Senior Vice President Wilda reported on education and general costs per student and endowment per student. She noted that the University educates its students at a cost of just over \$28,000 compared to the peer group average of \$34,076 including the Medical School at \$24,762 which is in alignment with the peer average of \$24,626 for non-medical schools. She also reported that the endowment assets continue to follow a positive upward trend since the initiation of fundraising programs at each campus and the implementation of the Quasi-Endowment Policy but requires improvement as it remains on the lower end of the scale compared to many of the other peer institutions with a value of approximately \$770 million as of June 30, 2015 which is just over \$12,000 per student.

Discussion ensued. Trustee Peyser suggested that the indicator charts be presented in a time series instead of snapshots. With regard to peer benchmarking, he believes that it would be

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helpful for the Board and feels the snapshots can cause individuals to believe that the peer institutions are doing the right things and that UMass should follow; even if that's not the case.

Trustee Mullan commented on California as an outlier and questioned what's driving their system and what UMass might consider doing. President Meehan stated that the system has increased tuition and fees dramatically.

Trustee Mullan then commented on how the University is investing its money and how the projects are in alignment with the capital. He stated that the University has to do a better job at showing how it manages its deferred maintenance.

Action items:

Chair Buonomo requested the approval of the **Establishment of the Timothy S. and Elaine L. Peterson Chair in Rheumatology, UMass Medical School**. He indicated that the Committee had a chance to review the background materials that were provided and asked for questions or discussion. It was moved and seconded.

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 the Timothy S. and Elaine L. Peterson Chair in Rheumatology at the University of Massachusetts Medical School. (Doc. T16-011)

Chancellor Collins provided a brief overview of the Endowed Chair.

The Secretary then called the roll with each Trustee asked to vote yes or no. Chair Buonomo voted for the motion as did Vice Chair Epstein; Trustees Collins, Furman, Lee, Mullan, O'Brien, O'Neil, Peyser; and Chairman Woolridge.

Chair Buonomo requested the approval of the **Establishment of the Berthiaume Chair in Business Leadership at the Isenberg School of Management, UMass Amherst**. He indicated that the Committee had a chance to review the background materials that were provided and asked for questions or discussion. It was moved and seconded.

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 the Berthiaume Chair in Business Leadership at the University of Massachusetts Amherst Isenberg School of Management. (Doc. T16-012)

Chancellor Subbaswamy provided an overview of the chair role at Amherst.

The Secretary then called the roll with each Trustee asked to vote yes or no. Chair Buonomo voted for the motion as did Vice Chair Epstein; Trustees Collins, Furman, Lee, O'Brien, O'Neil, Peyser; and Chairman Woolridge.

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Chair Buonomo requested the **Review of the Quarterly Capital Report and Approval of Changes to Capital Projects**. He indicated that the Committee had a chance to review the background materials that were provided and asked for questions or discussion. It was moved and seconded.

To recommend that the Board take the following resolution:

Pursuant to Trustee Policy T93-122, as amended, to approve the following project under the first vote or “**Preliminary Campus Estimate**”:

<u>Campuses</u>	<u>Project Name</u>	<u>Preliminary Campus Estimate – April 2016</u>
Lowell (Doc. T14-089, as amended)	Pasteur Second and Third Floors – Comprehensive Renovation	\$12,000,000

Budget Director Pasquini provided an overview of the capital report. The vote is to approve a project at the Lowell campus for a preliminary campus estimate.

The Secretary then called the roll with each Trustee asked to vote yes or no. Chair Buonomo voted for the motion as did Vice Chair Epstein; Trustees Collins, Furman, Lee, Mullan, O’Brien, O’Neil, Peyser; and Chairman Woolridge.

Chair Buonomo then asked for a vote to place Action Items #1-3 on a Consent Agenda for the Board meeting.

It was moved and seconded to place Action Item #1-3 on a Consent Agenda.

The Secretary then called the roll with each Trustee asked to vote yes or no. Chair Buonomo voted for the motion as did Vice Chair Epstein; Trustees Collins, Furman, Lee, Mullan, O’Brien, O’Neil, Peyser; and Chairman Woolridge.

Discussion Items:

Senior Vice President Wilda provided an update on the **University’s Five-Year Financial Forecast**. She reviewed the metrics that the A&F team focuses on in the report. She discussed revenues and expenses indicating how the strategic plans for each campus will be funded and its impact on the University’s bottom line. She introduced a tool that the University utilizes called Future Perfect which allows for consistent system-wide assumptions to be utilized along with campus-specific activity. Senior Vice President Wilda then provided a budget overview and assumptions for FY17, given historical trend information and state growth, and discussed expense drivers, noting that the 3 main drivers of expense increases are salaries & fringe, financial aid and capital & debt. Discussion ensued around the metrics presented.

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Senior Vice President Wilda informed the Committee that over the next two months, the A&F team will be working with the state as they develop their FY17 budget.

Budget Director Pasquini provided an update on the **University's Annual Financial Aid Report**. She provided an overview of a series of metrics including in-state need based aid, need met aid, and undergraduate student debt. She stated that the University continues to increase its institutional support of Financial Aid, and discussed growth trends in financial aid by source. Historical trends show that the University and the Federal Government are the largest sources of student aid at UMass.

Informational Items:

Associate Vice President Gorzkowicz provided an update on the **Tuition Retention Report and Recommendations**. He provided status updates on the deliverables and analysis to be completed which include, but are not limited to, task force recommendations, FY17 budget impact, Tuition and Fee Rationalization etc. by the July 1 implementation deadline.

Executive Director Filippone provided the **Building Authority Update**. She reported that the approved project list was shared indicating each project's phase, total cost, priority, and funding source.

Chair Buonomo informed the Committee that the final information item, the **Annual E&E Report** was posted on Boardvantage.

Chair Buonomo then asked the Committee to vote to enter into **Executive Session** for an **Update on a real estate transaction at the University of Massachusetts Lowell and Medical School**, since an open meeting would have a detrimental effect on the negotiating position of a public body, as permitted by General Laws Chapter 30A, Section 21(6).

Chair Buonomo announced that the Committee will not reconvene in open session.

It was moved and seconded and the Secretary called the roll with each Trustee asked to vote yes or no to enter in Executive Session for those purposes listed. Chair Buonomo voted for the motion as did Vice Chair Epstein; Trustees Collins, Lee, Mullan, O'Brien, Peyser; and Chairman Woolridge.

There being no further business, the meeting adjourned at 10:58 a.m.

Christina Kelley
Assistant Secretary to the Board