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

MINUTES OF THE MEETING OF THE COMMITTEE ON ADMINISTRATION AND FINANCE

Wednesday, December 2, 2009; 8:00 a.m.
The University of Massachusetts Dining Room
225 Franklin Street – 33rd Floor
Boston, Massachusetts

Committee Members Present: Chair Karam; Trustees Bloch, Boyle, Braceras, Collins, DeSisto, Furman, Hoyt, Johnston, King-Shaw, Koffman, Lawton, MacAfee, Peters, Reville, Thomas, Tocco and Wooldridge; Chairman Manning

Committee Member Absent: Trustee Young

University Administration: President Wilson; General Counsel Heatwole; Executive Vice President Julian; Senior Vice Presidents Gray and Williams; Vice President Smith; 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; 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: Professors Adrion and May, UMass Amherst; Professor Tirrell, UMass Boston; Professor Gibbs, UMass Dartmouth; Professor Carter, UMass Lowell

Chair Karam convened the meeting at 8:01 a.m. and introduced the new Trustees to the Committee: R. Norman Peters, Victor Woolridge and Maria Furman. He acknowledged the two new members on the Committee: Jennifer Braceras and Henry Thomas.

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 September 25, 2009 meeting of the Committee.

The next item on the agenda was the Chair’s Report. Chair Karam reported that today’s agenda items present opportunities for growth in these challenging times: growth in student housing and enrollment at the Amherst campus and growth in programming and our graduate education profile with the addition of a law program at the Dartmouth campus.
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Regarding the law school opportunity, few programs have received the level of internal and external scrutiny. The results of these reviews will be heard following today’s presentations.

The unemployment rate in Massachusetts for October fell from 9.3% to 8.9%, the first monthly rate decline in two and a half years. While positive indicators are encouraging, we still face more difficult months ahead. The University’s financial condition remains strong.

Chair Karam reviewed today’s full agenda that indicates a University on the move with a brighter future for our students in this Commonwealth.

Under the President’s Report, President Wilson reported on the following:

- Applications have risen by 4.8% and SAT scores have improved at UMass;
- The total ARRA grants awarded to the University equals $84.2M;
- The University has a $548M bond issue;
- UMass has received $73M in licensing income from intellectual property in FY09;
- There have been $435M in R&D expenditures in FY09;
- The University has recently experienced a $32M rescission to its FY10 state appropriation;
- Stimulus funds have helped the University’s budget, but these funds do not cover lost fringe benefits;
- The potential FY11 funding gap is estimated to be $150.6M;
- UMass Law Program
  - UMass has received a gift of $22M from SNESL Board;
  - State funds are not needed to support this program;
  - Existing programs at Dartmouth will not be affected by the Law School.

Chair Karam acknowledged the success the President, the finance staff and the Building Authority have had saving the University money through bond financing.

Secretary Reville welcomed the new Trustees and reported that the Governor has allocated ARRA funds to mitigate the budget cuts. There are very little funds left in the stimulus account and we cannot depend on these for FY2011. He stated that he supports the Law School proposal and that the Board should consider if the gift of the Law School is in the best interest of the University.

Senior Vice President Gray gave a presentation on the FY2009 University Financial Report. Some of the highlights included:

- In FY09, the University has experienced an increase in enrollment and staff;
- The FY09 operating margin has dropped to 1.6%;
- There has been stability in the financial cushion ratio since FY05;
The debt service to operations ratio is below the 8% threshold (currently at 4%);
The return on net assets ratio is slightly below the benchmark of 5% (currently at 4.2%).

Chair Karam acknowledged the prudent management of the University’s debt service.

The first item for action was **Acceptance of Donation of Real Property**. Chair Karam reported on the order of the discussion for this item. Following the presentations, everyone will be allowed to voice their opinions and ask their questions.

Chancellor MacCormack first thanked the UMass Dartmouth team, Representatives Quinn and Koczera and the staff at the Southern New England School of Law. Chancellor MacCormack and Vice Chancellor McLaughlin then gave a presentation that included the following highlights:

- A public law school is necessary for the Commonwealth;
- University has developed a financial plan based on donated assets, supported by growing enrollment;
- The University has received a $23.2M donation
  - $8.2M in building and land
  - $11.5M in library resources
  - $2.5M in equipment and furnishings
  - $1M in cash
- Capital needed includes:
  - $1M in cash donation
  - $6.5M in building equity
  - $81M in enrollment revenues between FY11 – FY18
- Building equity includes:
  - Draw down $3.7M
  - Pro forma – 10 years @ 5.5%
  - Options include UMBA, Foundation, commercial bank
- Projections include realistic, conservative enrollment growth;
- Facility currently holds 585 individuals;
- Need to achieve ABA accreditation.

Senior Vice President Gray and Associate Vice President Harrison gave a presentation on the Due Diligence Review of the Law School:

- An external review was conducted by PwC per the request of Chair Manning;
- An internal review was conducted per the request of President Wilson;
- Internal Audit contracted with PwC to conduct an independent due diligence review;
- No new information was discovered during the audit;
- The internal review included work by General Counsel Heatwole, Associate Vice President Harrison, and Associate Vice President Douglas;
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- The Law School has a small operating budget ($4.1M) relative to the Dartmouth campus and the University overall;
- UMass Dartmouth is well-positioned to execute a plan for a small, quality law school.

The motion was then made and seconded:

To recommend that the Board take the following action:

To approve the acceptance by the University of Massachusetts Foundation, Inc. of the donation of real and personal property by the Board of Trustees of the Southern New England School of Law, including the 8.55 acres of land and buildings and contents thereon situated at 333 Faunce Corner Road, North Dartmouth, MA for the use and benefit of the University of Massachusetts in accordance with Foundation By-Laws, Article IX. (Doc. T09-087)

Chair Karam then asked the Committee members to comment on the motion.

Trustee Collins commented that a law school is one thing that is missing from our public University and after carefully considering the arguments of those who question the financial viability of the proposal, he stated his belief that their arguments are without merit and supports the motion.

Trustee Braceras thanked Chancellor MacCormack for providing information that answered a lot of questions. She then posed several questions about the faculty and students and whether the University will need to replace faculty before ABA accreditation and how much this will cost. Chancellor MacCormack responded that the review proves that the current faculty is experienced and well-versed. Eight faculty members are built into the Law School budget assumptions, whether in the normal course of events, they receive tenure or not; the budget includes appropriate salary levels for faculty. The Dartmouth campus is looking for full-time faculty dedicated to teaching at the Law School. There are many people who could be tenured at any law school and we expect this to be an ongoing process.

Trustee Braceras also questioned how the Law School will attract high-quality students before it is accredited. Chancellor MacCormack responded that the University’s reputation outside of Massachusetts is large. Surveys have revealed that a law school at UMass can achieve accreditation. Local lawyers have stated that they attended SNESL because of its low cost. The Law School will offer financial aid to about 40% of its students.

Trustee Braceras stated her intention to vote against the motion.

Trustee Johnston thanked Representatives Quinn and Koczera for their support of the program as well as other Legislators. This is going to be a terrific opportunity for students interested in attending a public law school.
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Trustee Lawton thanked the Chancellor and Senior Vice President Gray for their presentation today. He voiced his concern over the lack of transparency with this issue and the costs associated with the Law School and if the proposal will be revenue neutral. The University is struggling with deep budget cuts and still harbors reservations and would like a motion that revenues will not be taken from the other campuses. If the motion does pass, he voiced his intention to support the success of the Law School.

Chair Karam addressed the issue of transparency and stated that he has never seen the level of due diligence applied to any program as it has with this one.

Chairman Manning then proposed an amendment to the motion which includes having a formal semi-annual presentation of the Law School to see actual outcomes versus the plans.

Trustee Tocco proposed a further amendment which included receiving a financial statement of the Law School on an annual basis.

Chair Karam stressed the point that Trustees are entitled to review any program at any time.

There was a general discussion about the use of state funds; Trustee Johnston asked to go on record as supporting the use of state funds for the program.

The following amendment was then moved and seconded.

Provided further, that a bi-annual Report by the Chancellor and Internal Audit to the Committee on Administration and Finance be required regarding the University of Massachusetts – Dartmouth’s Juris Doctorate program’s progress towards achieving its business plan including but not limited to revenue and enrollment goals.

Secretary Reville stated that the current Law School proposal includes several financial adjustments from the previous proposal. Chancellor MacCormack indicated that the changes involve more funding for academic support especially in terms of preparation for the Bar exam.

Trustee Furman had a question about the projected increase in tuition and fees for the Law School over the next few years. Chancellor MacCormack estimated a 3% increase; any increase will reflect the University’s standards as well as mirror other public schools.

Trustee MacAfee stressed the need for the students to be the priority and had questions about the first time bar exam pass rate. Currently it is at 69.2%. Chancellor MacCormack stated her intention to raise it to 80-90%.

Chair Karam doesn’t believe the bar rate is the issue. Chancellor MacCormack has a known track record of improving programs and raising money. All of our major programs are nationally
accredited. The Business School at the Dartmouth campus has become nationally accredited and acclaimed due to the Chancellor’s leadership.

Trustee MacAfee wishes the program every success but acknowledges the timing regarding budget cuts.

Trustee Peters commended today’s presentation and suggested we look into naming rights for the Law School buildings as a fundraising strategy. He stated his support for today’s vote.

Trustee Boyle inquired about a condition that the Law School stay in Dartmouth; Chancellor MacCormack indicated that the gift will be received without any conditions.

Trustee Boyle stated that he had originally asked for the creation of a Task Force to look closely at the program and that the decision to move ahead has been made too quickly. He sees the school as an obligation, not a gift.

Trustee Wooldridge stated his belief in the UMass brand name; we have a proven track record and we have been thorough with the numbers.

Trustees Koffman, Hoyt and Bloch voiced their support for the program. Trustee Bloch stated her concern about funds not being taken from the other campuses to support this program.

President Wilson stated that there is no mechanism for such a transfer of funds. Trustee DeSisto noted that the location is not convenient for students on the North Shore; she also stated that students on the Boston campus are very excited about the prospect of a public law school.

Trustee Tocco believes that the updated Law School proposal is significantly improved from the previous proposal but is still concerned about the financial pro forma that the Dartmouth campus has prepared. Stating his concern for the students he proposed an amendment to cap campus fees at Dartmouth at 3% for a three year period of time.

The amendment was seconded.

Trustee Furman made a Point of Order. A discussion about fees is not now relevant. We need to look at all of the campuses and would need more information before considering such an amendment.

General Counsel Heatwole and Chair Karam indicated that the amendment is out of order and must be taken up at the next Committee meeting.

Trustee King-Shaw requested that the Dartmouth campus choose a peer group for the Law School in order to measure performance. Chancellor MacCormack responded that peer groups have been selected and the Law School will be compared to these schools. She listed several
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peer institutions and would distribute the full list at the next meeting as well as add this issue to her list of benchmarks.

Chair Karam stated that we would refer this issue to a future meeting of the Committee on Academic and Student Affairs.

Chairman Manning stated that he had recently visited the Law School meeting with the students, staff, librarians and faculty members and that approving this program was an easy decision for him.

Secretary DeVico conducted a roll call vote on the motion. It was

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

To approve the acceptance by the University of Massachusetts Foundation, Inc. of the donation of real and personal property by the Board of Trustees of the Southern New England School of Law, including the 8.55 acres of land and buildings and contents thereon situated at 333 Faunce Corner Road, North Dartmouth, MA for the use and benefit of the University of Massachusetts in accordance with Foundation By-Laws, Article IX.

Provided further, that a bi-annual Report by the Chancellor and Internal Audit to the Committee on Administration and Finance be required regarding the University of Massachusetts – Dartmouth’s Juris Doctorate program’s progress towards achieving its business plan including but not limited to revenue and enrollment goals. (Doc. T09-087)

Chancellor MacCormack thanked the Committee for their support and looked forward to keeping them updated on the Program’s progress.

The next item was **Authorization to Prepare and Submit the FY2011 State Budget Request.**

It was then 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 2011 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. T09-084)
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The next item on the agenda was **Transfer of Land, UMass Lowell**. Chancellor Meehan reported that negotiations to purchase the Tsongas Arena have been successful after a 2 ½ year discussion with the City. We plan to convert the Center to include academic programs and a student Convocation Center. It will also fit into the plan to increase enrollment.

Once approved, the transfer of the land must be approved through Legislative action. Trustee DeSisto asked about expanding the number of events in the Arena. Chancellor Meehan indicated that in addition to adding concerts and other events, they will add ATM machines that will generate additional money.

It was moved, seconded and

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

WHEREAS on October 30th, 2009 the University of Massachusetts (the “University”) and the City of Lowell (“City”) entered into a Purchase and Sale Agreement regarding the transfer of ownership of the Tsongas Arena and associated adjacent parcels from the City to the University, and the transfer of approximately four acres of University land at 1190 Pawtucket Boulevard to the City, as described at Book 1632 page 214, Middlesex Registry of Deeds;

WHEREAS the Board of Trustees discussed the acquisition of the Tsongas Arena and associated acquisition and transfers of land on February 12th, 2009;

WHEREAS the Board of Trustees approved the acquisition of the Tsongas Arena and associated adjacent parcels in the 2010-2014 Capital Plan;

Be it RESOLVED that the Board of Trustees authorize the transfer of the land known as described at Book 1632 page 214 at 1190 Pawtucket Boulevard in the City of Lowell with any structures thereon, to the City of Lowell, subject to any necessary approval by the Commonwealth’s Division of Capital Asset Management and/or authorization by the legislature or Governor. (Doc. T09-086)

The next item was **Establishment of an Endowed Chair, UMass Worcester**. Chancellor Collins reported that the Endowment is being established with a generous bequest that will be matched with state funds.
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 chair at the University of Massachusetts Medical School to be known as the **Penelope Booth Rockwell Chair in Biomedical Research**. (Doc. T09-085)

The next item was **Amendment to the Capital Plan, UMass Amherst**. Chancellor Holub reported that the Amherst campus is seeking to expand its housing capacity. Enrollment is expected to grow over the next five to ten years; the Building Authority will initiate the project which will include a study and expansion of housing capacity.

There were several questions about adding a new project at this time. Trustee DeSisto indicated that she would like more information on the topic. Chair Karam requested more notice in the future. President Wilson stated that the Board receives detailed plans within the Capital Plan and will continue to do so.

It was moved, seconded and

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

To amend the University of Massachusetts Five-Year Capital Plan as contained in Document T09-051 by adding the following new project for the Amherst campus:

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Total Project Cost Est. Nov-2009</th>
</tr>
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<tbody>
<tr>
<td>Housing Expansion</td>
<td>$190,000,000</td>
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There being no further business the meeting was adjourned at 10:47 a.m.

Barbara F. DeVico
Secretary to the Board of Trustees