Chair Karam convened the meeting at 8:14 a.m.

The first item on the agenda was the Chair’s Report. Chair Karam reported on the midpoint of this fiscal year that continues to deal with an uncertain economic climate. A recent Report from the New England Economic Partnership agreed that the region and the state were quicker to emerge from the national recession than other parts of the country. It was noted that the projection for job growth in Massachusetts through 2014 will lag the national average.

The state’s economic growth rate slowed during the third quarter, suggesting that downward revisions in the Commonwealth’s revenue projections may soon follow. The Board working with the President and the Chancellors will need to identify internal mechanisms to cope with the challenges we will continue to face.

The University of Massachusetts Building Authority, working closely with the University’s finance officers, completed the largest and most successful bond issue in the University’s history. The Fitch Rating Service awarded the University with a credit rating upgrade from AA-
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to AA. The Building Authority then successfully sold $550 million of bonds with a maximum term of 30 years for an interest cost of 3.3%. The savings to the campuses over the life of the bonds will be more than $33 million dollars.

Chair Karam also reported on the allocation of $37.8 million in FY11 Federal Stimulus funds; the stabilizing benefit of this revenue cannot be overstated. The long-term financial picture will continue to be addressed by President Wilson and Senior Vice President Gray working closely with the Chancellors and the campus finance officers developing strategic recommendations that will continue to safeguard the University’s financial viability for the next several years.

Chair Karam concluded his report by reviewing the agenda and stating that we will continue to face the challenges ahead to maintain a world-class public university.

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 22, 2010 meeting of the Committee.

Under the President’s Report, President Wilson reported on the strong manner in which the University concluded FY10. The federal stimulus together with the conservative financial management by the campuses allowed the University to maintain a healthy fiscal condition.

Nearing the midway point of FY11, President Wilson noted the gains in enrollment growth and the first year funding for collective bargaining agreements by the state.

Future challenging financial conditions include a decline in state support and the end of stimulus funds. Collective Bargaining funding remains uncertain and state support will continue to decline.

On a positive note, President Wilson stressed the importance of the largest and most successful bond issue in the University’s history. This will help to finance projects such as the Honors College Residence Hall, UMass Amherst, the Academic Building at UMass Boston and the Parking Garage at UMass Lowell.
We will continue to work on strategies for financial stability including:

- Advocacy for FY12 Appropriations
- Fundraising
- Five-Year Financial Planning Efforts
- Reform efforts.

Following the President’s Report, the Committee members had questions about employee benefits and options available to reduce costs. President Wilson responded that we are considering all options. He also noted that funding our pension plan continues to be an issue and that the University must remain competitive to attract faculty.

The next item was a Building Authority Update. Mr. MacKenzie, Executive Director, provided the Committee with more details on the bond issue which will mean a value savings of over $33 million to the campuses compared to the debt service projections prior to the bond issue:

- Largest UMass bond issue in history, lowest fixed rate interest rates, much lower than last year’s record low 30 year fixed rates;
- All-in interest rate expected to be 3.8% when Trustees approved the bonds in September, the lower interest rate means that the University will save about $52 million in interest payments over 30 years, about half due to the higher bond ratings, half of savings due to competitive bidding.

Senior Vice President Gray and University Controller Wilda presented the FY10 University Financial Report. Some of the highlights included:

- Fiscal Focus Paying Off: cost-cutting measures, include personnel reductions, revenue enhancements, effective management;
- A Breakdown of FY10 Revenues, assets/Liabilities/Net Assets;
- Change in FT# Student and Staff: Total Enrollment Increased 4.2%;
- Revenue Streams: Grant funding up 11%, Tuition and Fees account for 19%, State Appropriation equal to 15% of revenues;
- Auxiliary Revenue boosted by enrollment increase – accounts for 9% of revenue;
- Sales and Service Activity over $660 million.

Several key financial indicators reflected substantial improvement in the operating margin, return on net assets, endowment per student and financial cushion.

The next item was the Multi-Year Budget Planning. Associate Vice President Douglas briefed the Committee on the financial outlook and the budgetary gaps the University could contend with under various fee increase scenarios.
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Some of the highlights included:

- The formula funding request is submitted annually to the Governor and the Legislature;
- Primary factors include 3-year rolling average of student credit hours, faculty necessary to fully support total credit hours per level, operating expenses based on enrollment levels and maintenance and utilities expenses;
- Factors driving the formula funding gap include a decline in state support, facilities needs and enrollment growth;
- The state fiscal condition that shows a potential reduction in discretionary spending;
- Restricted vs. unrestricted financial planning;
- Long-term financial planning listed assumptions from FY11-FY15; there will be no stimulus funds in FY12 and beyond; no additional state funding in FY12 and FY13 for collective bargaining contracts; Inflation at 3%;
- Several different scenarios for the projected unrestricted budgets gaps.

The next steps include: House 1 Budget filed by Governor in January, House Budget by April, Senate Budget in May/June, Student Charges set in May/June and the state Budget finalized in June/July.

Vice Chair Karam suggested we borrow as much as possible; Mr. MacKenzie responded that we must have projects lined up, we cannot set money to the side. Trustee Woolridge asked about fixing our crumbling infrastructure; Vice Chancellor Hatch responded that we have a plan for the next 5 years in the operating budget.

Trustee Tocco stated that we need to look at the naming of buildings and that it include the maintenance of named buildings. Vice Chair Karam suggested we schedule a joint meeting of the Committees on Academic and Student Affairs and Administration and Finance to look into the student/faculty ratio.

Professor May from the Amherst campus noted that with the growing student population, we must seek out innovative ways of increasing efficiency that would include smaller classrooms, the need for more faculty and modern technology upgrading. Chancellor Holub responded that the Amherst campus’ student/faculty ratio is at the average rate.

Trustee Furman provided a Status Report on the Work of the Efficiency Task Force. The University’s Purchasing Council is nearing conclusion of its initial spend analysis targeting high potential savings targets. A system-wide contract for elevator maintenance services will be finalized in the spring. A review of University IT services is also underway; a RFP for an external consultant will be released this month and a final report on savings opportunities will be completed before the end of the fiscal year.
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Trustee Furman concluded her report by enlisting the Chancellor’s help assuring the campus’ managers attendance at the review meetings as well as producing the data that is requested for these reviews.

The first item for action was the annual **Authorization to Prepare and Submit the FY2012 State Budget Request**.

It was 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 2012 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. T10-087)

The next item was **Approval of the New University Policy on Employee Background Reviews.** Senior Vice President Gray reported that this policy will allow the University to conduct appropriate background reviews as a condition of employment for all new hires.

It was moved, seconded and

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

To approve the University Policy on Employee Background Reviews as contained in Doc. T10-088.

The next item was **Approval of the new University Information Security Policy.** Senior Vice President Gray reported that this policy will ensure that University information will be protected from unauthorized disclosure, misuse, loss and/or damage.

It was moved, seconded and

**VOTED:** To approve the University Information Security Policy as contained in Doc. T10-089.

Chair Karam then announced that the Committee would enter into **Executive Session** to consider **Real Estate Matters.**

The Committee will not reconvene in Open Session; the Secretary will call the Roll.

It was moved, seconded and
VOTED: To enter into Executive Session for the purpose of considering Real Estate Matters

Chair Karam voted for the motion as did Vice Chair Woolridge, Trustees Boyle, Collins, Furman, Lampert, MacAfee and Tocco.

The time was 9:50 a.m.

Barbara F. DeVico
Secretary to the Board of Trustees