



**BOARD OF REGENTS  
COMMITTEE ON FINANCE**

Minutes of the Public Session

September 1, 2011

University of Maryland, College Park

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Senator Kelly called the meeting of the Finance Committee of the University System of Maryland Board of Regents to order in public session at 10:05 a.m. Regent Wojciechowski moved and Regent Attman seconded to convene in closed session. At 10:05 a.m., the Committee voted unanimously to go into closed session under State Government Article Section 10-508(a) to discuss and take action on institutional real estate transactions; the consideration of a contract not yet awarded; and items that might involve the reputation of individuals. The session adjourned at 11:28 a.m.

Senator Kelly called the meeting of the Finance Committee of the University System of Maryland Board of Regents to order in public session at 11:30 a.m. Those Regents participating included: Mr. Attman, Mr. Gossett, Mr. Johnson, Mr. McMillen, and Mr. Wojciechowski. Also present were: Dr. Kirwan, Mr. Vivona, Dr. Bogomolny, Dr. Gibraltar, Ms. Byington, Ms. Crockett, Dr. Holden, Mr. Rose, Ms. Schaefer, Mr. Schuckel, Mr. Lockett, Mr. Shoenberger, Mr. Specter, Ms. Doyle, Mr. Hogan, Mr. Faulk, Mr. Short, Mr. Salt, Mr. Page, Ms. West, Ms. McMann, and other members of the USM community and the public.

Senator Kelly noted that he would address the agenda items out of order and provide the remaining meeting time to President Gibraltar for his presentation.

1. University System of Maryland: Strengthening Fiscal Reporting of Intercollegiate Athletic Activities (information)

The Chancellor reported that he had appointed a System Office task group with a cross-section of functional responsibilities to carry out an examination of the current set of Board policy requirements, expectations and reporting processes. The group will review institutional management and oversight of intercollegiate athletics programs, identifying any gaps in current Board policy and System reporting processes. The group will also develop a framework of Board policy and reporting practices and expectations that will enhance financial information provided to the Regents.

2. University of Maryland, Baltimore: Facilities Master Plan Update (action)

Senator Kelly reminded the committee that at the June meeting, President Perman gave an overview presentation on the update to the UMB facilities master plan. That was the first of a two-step process for plan approval. The master plan update is now before the committee for recommendation for approval. He reviewed a few key features of the Plan, including:

- Creation of an identifiable and vibrant campus community;
- Identification of space needed by schools to fulfill their missions;

- Continual expansion of the research enterprise, including Health Science Facilities III and IV, as well as a Neuropsychiatric Research Facility;
- Expanded emphasis on inter-professional activities;
- Commitment to renew existing facilities to ensure their continuing usefulness;
- A focus on embracing Martin Luther King, Jr. Blvd. and communities to the west; and,
- Importantly, the Plan considers University of Maryland Medical Center facility needs and plans.

**The Committee on Finance recommended that the Board of Regents approve the UMB’s Facilities Master Plan Update and materials as presented in June. Approval of the Plan does not imply approval of capital projects or funding. These items will be reviewed through the normal procedures of the capital and operating budget processes.**

(Regent Attman moved recommendation, Regent Wojciechowski seconded, unanimously approved)

3. Towson University: De-authorize the Use of Auxiliary Revenue Bonds and Increase Cash Funding for the Renovation and Conversion of the Ward and West Halls (action)

Mr. Vivona summarized the item. In FY 2009, the Board approved the use of \$6.6 million in auxiliary revenue bonds and \$3.9 million in institutional funds for the renovation and conversion of the Ward and West residence halls into a health and counseling center. He explained that the conversion will change the status of these buildings from auxiliary use to a “State” use. As a result of this change in use, the proposed work is not eligible for auxiliary bond funding. Therefore, the University has requested that the previously approved bond funding be de-authorized, and instead permit the University to use institutional funds for the entire \$10.5 million project cost.

**The Committee on Finance recommended that the Board of Regents approve for Towson University the de-authorization of \$6.6 million in auxiliary bond authorization previously approved and that those funds be replaced with \$6.6 million from institutional funds for a total of \$10.5 million for the renovation and conversion of the Ward and West residence halls into a health and counseling center.**

(Regent Wojciechowski moved recommendation, Regent Attman seconded, unanimously approved)

4. Towson University: Increase the Authorization for the Renovation of Newell and Richmond Halls (action)

Mr. Vivona summarized the item. The University is requesting a \$4 million increase in auxiliary bond authorization from \$18.8 million to \$22.8 million for the renovation of two residence halls. A comprehensive restoration of the exterior envelope and interior mechanical, electrical and plumbing systems is the focus of this capital project. The request to increase the project budget is based on the additional construction costs to address the building’s mechanical, electrical, telecommunications, and structural deficiencies. He explained that the extent of these deficiencies has become increasingly apparent as the project design and demolition have

progressed. The planned upgrades and improvements will bring all building systems up to current code and enable the Towson to obtain LEED Silver certification. The increase in authorization of \$4 million will be funded by auxiliary bonds. Mr. Vivona pointed out that the previous item frees up the needed bond funding.

**The Committee on Finance recommended that the Board of Regents approve for Towson University an increase of \$4 million to the previously authorized \$18.8 million in auxiliary bond authorization for a total of \$22.8 million for renovation of Newell and Richmond Halls.**

(Regent Wojciechowski moved recommendation, Regent Attman seconded, unanimously approved)

5. University of Maryland, Baltimore County: Food Service Contract Modification (action)

Mr. Vivona introduced the item. In April 2008, the Board of Regents approved the award of UMBC's food services contract to Compass Group USA, Inc. by and through its Chartwells Division. The contract had an initial term of 5-years, estimated at \$35 million. UMBC is requesting a modification of the contract. Since 2008, UMBC has worked with Chartwells to provide a wide range of food venues and food choices along with offering additional meal plans to meet all students' needs. As a result of this effort, graduate students, on-campus apartment students, and off campus undergraduate students have been purchasing far more meal plans than originally anticipated. This is a testimony to the success of the food services program, which greatly contributes to student life on campus as well as student recruitment and retention. The student regent, a UMBC student, attested to the popularity of these food plans. Based on the growth in meal plan sales, it has become apparent that the original contract of \$35 million for the initial five-year term will be exceeded. The revised estimate is \$45.5 million through June 2013.

**The Committee on Finance recommended that the Board of Regents approve the modification of UMBC's contract with Compass Group USA, Inc. by and through its Chartwells Division to \$45,500,000 for the initial five-year term and \$48,500,000 for the subsequent five-year renewal years for a revised ten year contract amount of \$94,000,000.**

(Regent Attman moved recommendation, Regent Wojciechowski seconded, unanimously approved)

6. University System of Maryland: Proposed Board of Regents Policy on Endowment Fund Investment Objectives (action)

Mr. Page summarized the item. The Finance Committee is charged with oversight of nearly \$200 million of endowment funds that collectively are referred to as the Common Trust Fund. Since 2005, the System has contracted with the USM Foundation to perform investment management services for the Common Trust Fund. The proposed policy establishes investment objectives for the Common Trust Fund under two possible investment arrangements: direct investment management, and indirect investment management.

The current arrangement with the Foundation is an example of *indirect* investment management, in which the Finance Committee selects an investment manager who is then charged with the responsibility of determining asset allocation; and the hiring, retaining or firing of individual

fund managers. The policy sets as a standard for *indirect* investment management, meeting or exceeding risk-adjusted investment returns for the 65<sup>th</sup> percentile of similarly-sized endowment portfolios as measured the Wilshire / Trust Universe Comparison Service (TUCS) index in at least 3 out of every 5 fiscal years, and at least every other fiscal year. In years where the investment manager does not meet the standard, a review would be conducted using an outside consultant.

**The Committee on Finance recommended that the Board of Regents approve the Proposed Policy on Endowment Fund Investment Objectives.**

(Regent Attman moved recommendation, Regent Wojciechowski seconded, unanimously approved)

7. University System of Maryland: Temporary and Conditional Exemption from financial statements audit requirement under Board of Regents Policy IX-2.0 for Harry R. Hughes Center for Agro-Ecology, Inc. (action)

Mr. Page summarized the item. He reminded the committee that at its December meeting, the Board granted formal affiliated foundation status to the Harry R. Hughes Center for Agro-Ecology. Recognition of affiliated foundation status confers rights as well as responsibilities as outlined in Board policy. One of the requirements is an annual audit of the financial statements by an independent certified public accountant. While the Center has historically prepared annual financial statements in accordance with generally accepted accounting principles, and has had a “review” done, an audit of the statements would nearly double the current annual cost of \$3,000. Mr. Page reported that the most recent financial statements show activity of less than \$40,000 per year, and a balance sheet with less than \$100,000 in assets. He indicated that the organization has limited resources to pay for an audit of the financial statements in the short-term, and does not have enough federal contract and grant activity to require a Single Audit. Mr. Page pointed out that the proposed exemption would lapse at the point the Center reports more than \$500,000 of activity or assets, or the point at which a federal Single Audit is required, whichever threshold is met first.

**The Committee on Finance recommended that the Board of Regents approve for the University System of Maryland a temporary and conditional exemption for the Harry R. Hughes Center for Agro-Ecology, Inc. from the requirement to have an audit of the financial statements as described above.**

(Regent Gossett moved recommendation, Regent Attman seconded, unanimously approved)

8. Frostburg State University: Facilities Master Plan Update (presentation and information)

President Gibraltar gave an overview presentation on the update to the facilities master plan for the campus. The University occupies 265 acres in western Allegany County and contains over 1.5 million square feet of space. He described collaborative programs in Mechanical Engineering with UMCP and Electrical Engineering with Anne Arundel Community College at Arundel Mills. New programs include the R.N. to B.S. N. completion program and the Ed.D. in Educational Policy and Leadership. Last fall’s headcount of 5,470 was in the largest enrollment in the history of Frostburg.

Dr. Gibraltar stated that development since the 2001 master plan includes the Lane University Center renovation and addition, which was funded entirely with student fee revenue. Over 11,000 square feet was added including a new fitness center and computer lab. The facility is currently under review for LEED Gold certification. He added that construction of the Center for Communications & Information Technology will begin in January with completion set for FY 2014. The \$64 million facility will support the departments of Mass Communication, Computer Science, and Mathematics, and the graphic design program. President Gibraltar noted that UMCP's construction service center should be commended for its outstanding stewardship. President Gibraltar also expressed how grateful he and the campus are for the new CCIT building.

Dr. Gibraltar detailed recommendations in the Plan Update, including the construction of a new facility to house most of the programs offered through the College of Education and the newly created RN to BSN. Funds for the construction of a 103,000 gross square foot Education Professions and Health Sciences Center have been requested in the 10-year capital budget for FY 2018. Second is a new on-campus residence hall. With a primary goal to improve the facilities that directly affect the quality of a student's life and experience on the campus, a new on-campus dorm is essential. A housing study completed earlier this summer identified demand for an additional 437 beds. President Gibraltar indicated that the campus has zero debt service on its existing dorms and therefore could afford the new facility. Vice Chancellor Vivona indicated that bonds would still need to be sold to finance the residence hall and as such, there are systemwide debt considerations. Other recommendations include the construction of a new fine arts building, and the renovation of several facilities including Framptom Hall, Old Main, the Nelson Guild Human Resources Center, and a renovation and addition to the Physical Education Center and Field upgrades.

**The Committee intends to act on the FSU Facilities Master Plan Update at its next meeting to be held in October.**

Two items for information were deferred to the October 6 meeting.

The meeting adjourned at 12:02 p.m.

Respectfully submitted,

Senator Frank X. Kelly  
Chairman, Committee on Finance