



**BOARD OF REGENTS
COMMITTEE ON FINANCE**

Minutes from Public Session
March 31, 2016
UMUC

Regent Pevenstein called the meeting of the Finance Committee of the University System of Maryland Board of Regents to order in public session at 10:02 a.m. in Salon 2 of the Potomac Ballroom.

Regents participating in the session included: Mr. Pevenstein, Mr. Attman, Ms. Gooden, Mr. Gossett, Senator Kelly, Mr. Neall, Mr. Rauch, and Mr. Slater. Also present were: Dr. Caret, Dr. Bell, Dr. Bowling, Mr. Vivona, Dr. Boughman, Ms. Doyle, Ms. Moultrie, Assistant Attorney General Bainbridge, Mr. Appleton, Mr. Bitner, Mr. Brockenbrough, Mr. Colella, Mr. Danik, Mr. Oster, Mr. Pyles, Ms. Schaefer, Mr. Shoenberger, Mr. Rose, Ms. Augenbaugh, Ms. Rolandelli, Ms. Cook, Mr. Dworkis, Mr. Ulman, Mr. Beck, Mr. Page, Mr. Hickey, Ms. West, Ms. Goedert, Mr. Passmore, Mr. Lurie, Ms. McMann, and other members of the USM community and the public.

Chancellor Caret provided a brief update on the operating budget. He indicated that the outcome was very good—the University System was funded almost exactly as the Governor had provided. The health deficiency funding remained intact and the merit was fully funded.

1. University of Maryland Eastern Shore: Facilities Master Plan Update (presentation and information)

President Bell presented an overview of the proposed Facilities Master Plan Update for UMES that builds on much of the progress the institution has made since the last update. She introduced the administrative vice president, Mr. Appleton, and the assistant vice president, Dr. Ngwaba, who both provided some detail as to the goals, structure and potential implementation of the plan.

Academic needs were the primary driver behind the physical improvements noted in the plan, though the constraints on the existing, historic “core” campus meant creating a second academic node northeast of the core to accommodate growth. The new academic center would be tied to the main campus and to other student-related activity centers (for example the student union, library and housing) with improved pedestrian pathways.

The plan outlined a number of creative design elements that would both enhance the student/faculty experience on campus and help facilitate safe and efficient operations. For instance, the plan proposes creating campus gateways and a consistent graphic identity throughout; dense development would be alternated with preserved open spaces; automobile traffic would be maintained at the perimeter and discouraged within the campus core; and student-related facilities would include shared amenities,

classrooms and study nooks to accommodate impromptu meetings and discussions among students, or what the planning firm called “sticky collision.”

The plan emphasized environmental sustainability as well as community impact and participation in the process. The plan also proposes phased implementation of new construction and renovation projects that would be considered as part of the capital budgeting process.

Following the presentation, there was a brief discussion of the proposed pharmacy facility and the status of the program accreditation. President Bell explained that planning is to occur in FY17-18, with construction following in FY19-20. In the meantime, some of the faculty members who had been in shared space have been moved to individual offices. President Bell indicated that she is hopeful that the short and long-term plans for the program will satisfy the accrediting agencies. Regent Gooden suggested that it would be beneficial to incorporate a discussion of academics and the pharmacy building as part of the master plan. President Bell agreed.

Regent Pevenstein thanked President Bell and her staff for presenting UMES’ ambitious plan.

2. USM Enrollment Projections: 2016 – 2025 (action)

Dr. Passmore presented the enrollment projections. Described as a solid enrollment projection, enrollment is anticipated to grow moderately but steadily. Overall enrollment is expected to increase in fall 2016 by around 5,700 (about 4%), from 164,500 to just over 170,200. Overall projected headcount growth for the ten-year period will be 17%, an increase from 164,500 to nearly 192,300, or around 27,800 students. Most of the growth is concentrated at UMUC. Dr. Passmore reviewed three broad systemwide challenges that continue to exist: structural changes to the market (including aggressive competition for students), cost/budget pressures, and demographic cycles and change. He noted that we are in the midst of the *baby bust echo*.

Institutional growth plans fell into three categories: high growth (UMUC, BSU, CSU, UMES), moderate growth (Frostburg, Salisbury, Towson, UMBC, UB), and no growth (UMCP, UMB). In an effort to strengthen the overall USM enrollment strategy, Dr. Passmore explained that the Chancellor recently asked the presidents to consider the specific issues that they face in terms of growth. They identified four major challenges: insufficient number of potential students in the pipeline; plenty of demand but poor cost structure; the need to prioritize other aspects of mission over growth; and the need to continue to apply technological innovations to maintain growth. Regent Slater asked about the plans for several of the institutions—*what makes you think these institutions will have high growth?* Dr. Passmore responded that in order to be effective—the business model of the three institutions show that the economies of scale must improve—those institutions will need to grow over time. The enrollment projections reflect what is possible and necessary. There is a recently completed white paper on this matter which is currently under review. The plan is to incrementally increase retention and graduation rates. Mr. Vivona pointed out that several of the projected high growth institutions have acquired an enrollment consultant and are also employing data-driven enrollment analytics. He pointed to Frostburg’s recent success. He added that the statewide data show that there are 15,000 high school graduates in Maryland who do not enroll in college. Responding to a question about the 55% degree attainment goal, Dr. Passmore indicated that it will be a real challenge to meet the goal—the USM would likely need 180,000-190,000 enrollments in the pipeline to achieve the 55% level. Mr. Vivona pointed out that there are five USM institutions with high graduation rates that cannot take

more students due to a lack of enrollment funding, adding that the goal would be attainable with enrollment funding.

The Finance Committee recommended that the Board of Regents approve the enrollment projections.

(Regent Neall moved recommendation, seconded by Regent Gooden; unanimously approved)

3. Frostburg State University: Discussion of Student Housing (information)

Mr. Beck introduced the item as a follow-up from the November Finance Committee presentation and discussion on housing at the University. He explained that the University has worked on a number of issues with the vice chancellor and System staff. As part of its System-Funded Construction Program request, Frostburg has submitted a formal project request for consideration and it will be a part of the discussion at the annual capital workshop in May. He then turned to interim president Tom Bowling, who provided a presentation that addressed several critical points. As suggested by the committee members in November, Frostburg expanded its housing plans to include both a new facility and funding for ongoing, phased renovation of its existing housing units. This would mean shutting down just one building or significant portion thereof during spring semester, when overall residency is typically reduced, preventing the loss in revenue. Phased renovation would begin in FY18, with a new residence hall anticipated to come online in FY20. The University is proposing a phased-in on-campus residency requirement for freshmen and sophomores, designed to improve students' academic success and retention, as well as build in them a stronger connection to the University and fellow students. Dr. Bowling explained that the benefit goes beyond creating demand for housing; considerable research indicates that on-campus living has a positive impact on student outcomes, academic progress and retention, regardless of race or gender. Finally, there had been concern that new housing may conflict with an existing public/private on-campus project called Edgewood Commons. Dr. Bowling informed the committee that the owners of the Edgewood facility provided a letter of support and satisfaction with the University's measures to ensure stable occupancy at Edgewood.

The report by Frostburg was provided for information only. A funding proposal for new and renovated housing on campus will be considered during this year's capital budget cycle that begins with the May Workshop. Regent Slater indicated his interest in reviewing the project among the list of recommendations for funding in May.

4. University System of Maryland: Self-Support Charges and Fees for FY 2017 (action)

Regent Pevenstein explained that the process for approving tuition and student fees occurs in two separate stages. This schedule concerns only those non-mandatory charges which are not part of the state budget. He pointed out that Frostburg's request of a 5% room increase was related to the previous discussion on the planned renovation and updating of the residence halls.

The Finance Committee recommended that the Board of Regents approve the proposed self-support charges and fees for FY 2017 as set forth in the item's schedule.

(Regent Gossett moved recommendation, seconded by Regent Gooden; unanimously approved)

5. Proposed Board Policy on Criminal Background Checks for Faculty and Staff Employees (action)

Regent Pevenstein introduced the item. At the request of the Council of USM Presidents, the System convened a workgroup consisting of USM and institution staff and attorneys representing the Office of the Attorney General and institution in-house counsel to examine creation of a policy to develop a clear and uniform set of expectations for USM institutions that capture state and federal law requirements. The proposed policy has been reviewed and approved by USM institution leadership and the Office of the Attorney General among others.

The Finance Committee recommended that the Board of Regents approve the USM Policy on Criminal Background Checks for Faculty and Staff as presented.

(Regent Pevenstein moved recommendation, seconded by Regent Gooden; unanimously approved)

6. University of Maryland, Baltimore County: Food Service Contract Renewal (action)

Regent Pevenstein informed the committee that UMBC is seeking the Board's approval to renew its on-going food service contract with its current provider, Chartwells. The campus continues to be pleased with the provider. The renewal contains a 2.6% increase over the current year in line with the CPI and the contract.

The Finance Committee recommended that the Board of Regents approve for UMBC the renewal of the contract with Compass Group USA by and through its Chartwells Division for a term of one year as described in the item.

(Regent Pevenstein moved recommendation, seconded by Regent Gossett; unanimously approved)

7. University of Maryland, Baltimore: Dental Student Clinics Management Contract (action)

Mr. Pevenstein stated that UMB seeks to award a contract to U.M. FDSP Associates for the day-to-day operations of the student dental clinics. This group is not-for-profit and has been running the clinics for many years. The estimated dollar amount for the upcoming contract year is \$10.8 million.

The Finance Committee recommended that the Board of Regents approve for the University of Maryland, Baltimore the request to enter into a contract with U.M. FDSP Associates, P.A. as described in the item.

(Regent Pevenstein moved recommendation, seconded by Regent Gossett; unanimously approved)

8. University of Maryland, College Park: Lease of Building 011 located at 4425 Paint Branch Parkway, College Park (action)

Regent Pevenstein indicated that the next two items involved nominal leases with the group Warhorse, LLC in UMCP's Innovation District. He pointed out that they have big plans for the site—taking two old properties and turning them into something of value. Regent Rauch inquired about the availability of a transparent business plan and the process used to reach agreement with this developer. Mr. Colella indicated that the University has pro forma statements that model revenue and expenses that can be made available to the members of the Board. He noted that it will be unique and exciting to activate

these projects at the same time as the new hotel. He went on to say that the campus has an Innovation Plan that was developed by Ayers Saint Gross, and assumed that the initial action would take place on the clear parcels; however, the developer approached the campus with an unsolicited proposal focused on the two vacant buildings on the site.

The Finance Committee recommended that the Board of Regents approve for the University of Maryland, College Park to execute a Lease of Building 011 to the Tenant under the terms described in the item; and, delegate to the Chancellor the authority to finalize all agreements pursuant to the University System of Maryland Policy on Acquisition, Disposition and Leasing Real Property.

(Regent Pevenstein moved recommendation, seconded by Regent Gooden; unanimously approved)

9. University of Maryland, College Park: Lease of Building 006 located at 7761 Greenhouse Road, College Park (action)

Regent Pevenstein noted that this lease was also in the Innovation District, and involved a joint venture between Warhorse, LLC and Chesapeake Realty Partners. Mr. Ulman, working with UMCP as its chief strategy officer, indicated that he would be making a presentation later in the afternoon to the Economic Development Committee. He explained that it was imperative to open phase I of the Innovation District with more than just the hotel and that the adaptive re-use of the structure would provide much needed co-working space in the area. He believes that both facilities will be up and running within the year.

The Finance Committee recommended that the Board of Regents approve for the University of Maryland, College Park to execute a Lease of Building 006 to the Tenant under the terms described in the item; and, delegate to the Chancellor the authority to finalize all agreements pursuant to the University System of Maryland Policy on Acquisition, Disposition and Leasing Real Property.

(Regent Pevenstein moved recommendation, seconded by Regent Attman; unanimously approved)

10. University of Maryland, College Park: Exchange of 7505 and 7511 Yale Avenue for 7612 Mowatt Lane in College Park (action)

Mr. Colella summarized the item. The Hillel Center desires to expand and cannot do so on its existing site near the Smith School of Business. Working together with the campus, they have found a suitable property and agreed to a property swap. Based on the results of four appraisals, the University will pay Hillel \$500,000 to account for the difference in the property values. During the period of construction, Hillel will lease its current site until such time as its new building is ready. Mr. Colella indicated that following Hillel's relocation, the University will use the facility for meeting space, noting that it contains a kitchen. Importantly, the land will provide better access to the University's Buddington property.

The Finance Committee recommended that the Board of Regents approve for the University of Maryland, College Park to execute the Exchange Agreement under the terms described in the item and delegate to the Chancellor the authority to finalize all agreements pursuant to the University System of Maryland Policy on Acquisition, Disposition and Leasing Real Property.

(Regent Attman moved recommendation, seconded by Regent Gooden; unanimously approved)

11. University of Maryland, College Park: Ground Lease and Exchange Agreement with the Owner Entity Fund, LLC (action)

Mr. Colella explained that the University will receive 8 acres of land at its entrance from University Blvd. near the Xfinity Center. He described that the party that controls this land is seeking to develop market-rate housing near the College Park metro station. The two parties have agreed to a land exchange and ground lease deal. The campus views the development of the housing aimed at professionals and recent University graduates as part of the activation of the research park.

The Finance Committee recommended that the Board of Regents approve for the University of Maryland, College Park to execute an Exchange Agreement and Ground Lease under the terms described in the item; and, delegate to the Chancellor the authority to finalize all agreements pursuant to the USM Policy on Acquisition, Disposition and Leasing Real Property, subject to appropriate reviews by the System Office and the Office of Attorney General.

(Regent Pevenstein moved recommendation, seconded by Regent Slater; unanimously approved)

12. University of Maryland, College Park: Lease for the High Intensity Drug Trafficking Area (HIDTA) Task Force (action)

Mr. Colella indicated that the University is seeking approval to execute a one-year lease term extension for the space occupied by the task force. The lease is funded by a grant and does not involve University funds.

The Finance Committee recommended that the Board of Regents approve for the University of Maryland, College Park to execute a lease extension under the terms described in the item; and, delegate to the Chancellor the authority to finalize all agreements pursuant to the University System of Maryland Policy on Acquisition, Disposition and Leasing Real Property.

(Regent Pevenstein moved recommendation, seconded by Regent Gooden; unanimously approved)

13. University of Maryland University College: Renewal of Recruitment Process Outsourcing Contract (action)

Regent Pevenstein summarized the item. UMUC is seeking approval to exercise a renewal option for a contract with Allegis Group Services for hiring and recruitment processes for faculty and staff.

The Finance Committee recommended that the Board of Regents authorize University of Maryland University College to enter into a four-year renewal contract for recruitment process outsourcing with Allegis Group Services under the terms and conditions described in the item.

(Regent Pevenstein moved recommendation, seconded by Regent Gooden; Senator Kelly recused himself—motion was approved)

14. 2015 USM Dashboard Indicators (information)

The Committee received the Dashboard Indicators as an information item. Dashboards are a report that draws on dozens of formal reports and less formal calculations routinely prepared by the staff. It is

designed to draw attention to specific areas that the Board may want to explore at greater depth. Dr. Passmore indicated that 76% of the indicators are stable or improving, with solid consistent performance against the competitor state peers. Dr. Passmore noted that there was a short version of the indicators at the System level included in the package, and a full version online including institutions, peer and definitional information and other material.

The report was accepted for information purposes.

15. Brief Discussion on Potential Tuition Strategies related to Contractual Arrangements
(information)

Mr. Vivona advised the committee that a few institutions are examining new strategies to optimize enrollment and create more competitive pricing. He explained that he wanted to brief the regents on these efforts prior to coming before the Board with the Tuition and Fee Schedule in April.

The University of Maryland, Baltimore has two proposals it plans to bring to the Board for consideration. One is for a Federal Employee discount. At this point, it involves the School of Law seeking to address under-enrolled programs with a 10% discount of the tuition rate. Classes will be held primarily on-line or on the College Park campus. The School of Law also seeks to change the way it charges students in its JD program. The plan is to equalize the tuition amounts the JD full-time [day] program and the JD part-time [evening] program students pay over the course of the entire program.

The University of Baltimore is seeking to implement a 4-tiered tuition structure for Graduate students (not Law): in-state, regional, on-line and out-of-state. The regional rate would include students residing in DC, Northern Virginia (3 counties), Pennsylvania (3 counties) and Delaware. The on-line rate would be the same irrespective of residency. Both categories would charge the same as in-state rates.

16. University System of Maryland: Review of Capital Improvement Projects (information)

Mr. Beck reviewed the status report. He noted that several construction awards were made during the period. Regent Gossett inquired about the turf field replacement appearing twice on the report, once under construction award and once under project completions. Mr. Beck indicated the he would look into the entries. (Author's note: The project was constructed and completed during the reporting period. A \$2.7M budget was approved for the project based on a program approved by the State. This total included design and engineering fees, a contingency, and project management/inspection cost.)

The report was accepted for information purposes.

Prior to adjourning the session, Regent Pevenstein reminded the committee members that they had heard from Ms. Susan Niezelski during the last meeting regarding the implementation of UMCP's tuition pricing differential. She had explained that because her son earned 34 Advanced Placement credits prior to coming to the University, he entered his second year of college with over 60 credits—triggering the differential pricing action. As a result, he was assessed the differential charge in just his "sophomore" year. At the time, several committee members noted that she raised a legitimate concern that should be looked at and addressed by the campus.

Mr. Colella indicated that he went back to the campus and they carefully considered the concerns raised with respect to the impact of the Differential Pricing policy for students who matriculate with advanced level credits. He indicated that it was the University's position that the differential pricing would apply to those students who have 60 or more credit hours. The policy holds harmless freshmen, and importantly, students who are deemed low income are held harmless and will not pay differential tuition.

He explained that the University extends significant privileges to students with upper-level standing. Some of these privileges include preferred registration for classes, campus parking, on-campus housing, access to tickets to athletic events, taking graduate level classes, and earlier acceptance into honorary societies. Mr. Colella also noted that students who have advanced credits are able to apply those toward their degrees and may graduate early, which reduces the overall cost to their families. Mr. Colella went on to say that with a substantially higher program cost coupled with the fact that 85% of the students graduating in these majors have jobs or have been accepted into graduate studies at the time of graduation, the campus believes that the cost of one or two additional semesters of differential tuition is a modest investment, particularly in light of their ability to graduate in 3 or 3 ½ years.

Regent Pevenstein mulled over whether paying more than two years of differential pricing was fair to the student. A couple of the committee members voiced their belief that the UMCP position was well thought out, while others indicated they had voted for two years of differential pricing, not 2 ½ or more.

Dave Niezelski, UMCP student, requested to speak to the group. He briefly addressed many of Mr. Colella's points, noting that housing selection was made via lottery, graduate classes were an additional cost, and while he's been admitted to several honor societies, he was not sure how the credit hour standing impacted his acceptance. In closing, he pointed out that he and his like-minded peers were unlikely to graduate early, as potential employers expect them to pursue minors and dual degrees.

Regent Pevenstein resolved that the committee should discuss the matter one more time at its next meeting in June.

The meeting was adjourned at 12:23 p.m.

Respectfully submitted,

Robert L. Pevenstein
Chairman, Committee on Finance