



**BOARD OF REGENTS
COMMITTEE ON FINANCE**

Minutes from Public Session
September 12, 2013
University of Maryland, Baltimore

Senator Kelly called the meeting of the Finance Committee of the University System of Maryland Board of Regents to order in public session at 10:00 a.m. Senator Kelly moved and Regent Attman seconded to convene in closed session. At 10:00 a.m., the Committee voted unanimously to go into closed session under State Government Article Section 10-508(a) to discuss the contents of bids of contracts that had not yet been awarded; an acquisition of real property; the appointment of members to a board; and the initial preparation of a budget document. The session adjourned at 11:02 a.m.

The Committee reconvened in public session at 11:15 a.m. Those Regents participating included: Senator Kelly, Mr. Attman, Mr. Gossett, Ms. Gooden, Mr. Kinkopf, Mr. Manizade, Mr. Rauch, and Mr. Slater. Also present were: Dr. Kirwan, Mr. Vivona, Ms. Doyle, Mr. Faulk, Mr. Selser, Ms. Kropp, Mr. Beck, Ms. Aughenbaugh, Mr. Oster, Ms. Byington, Mr. Colella, Mr. Gilbert, Mr. Lockett, Ms. Schaefer, Mr. Spinard, Mr. Farley, Ms. Motsko, Mr. Page, Ms. Goedert, Mr. Salt, Ms. Denson, Mr. Lurie, Ms. McMann, and other members of the USM community and the public.

1. University System of Maryland: Resolution on Spending System Cash Balances on Revenue Bond-Authorized Projects (action)

Mr. Page summarized the item. The proposed resolution authorizes the USM to spend its cash reserve balances on bond-authorized projects that have been previously approved by the Board, prior to the USM's next bond sale. At this time, it is anticipated that the next sale will take place in either late December, or January, once the final audited financial statements become available. Mr. Page explained that the rating agencies and potential investors typically rely on these financial statements. Cash expended on authorized projects will be reimbursed from the proceeds of the next bond sale.

The committee unanimously recommended that the Board of Regents approve the Official Intent Resolution as presented. (moved by Regent Gooden; seconded by Regent Attman)

2. University of Maryland, College Park: Laboratory for Physical Sciences Lease Extension (action)

Mr. Colella expressed that the University was seeking approval to enter into an extension of a long standing lease with the Federal Government at the Laboratory for Physical Sciences (LPS). The lease would be for one year, with an additional nine one-year renewal options. He explained that the institution had a good relationship with the Federal Government in the joint research program and desired to continue that association. When asked about the possibility of a five-year extension with an additional five-year renewal, Mr. Colella responded that the Federal Government could only sign a lease

for a year. Ms. Motsko added that the Army Corps of Engineers does not have the statutory authority to enter into leases that exceed a single year. With all of the operating and capital needs covered by the lease payments, the lease terms are very good for the University. Regent Gossett asked if it would be possible to relocate the lab in M Square. Mr. Colella replied that the facilities in the research park were fully occupied and there are on-going renewals. He also pointed out that the LPS is a secure facility.

The committee unanimously recommended that the Board of Regents approve for the University to execute a lease extension with the Federal Government under the terms described and delegate to the Chancellor the authority to finalize all arrangements pursuant to the USM Policy on Acquisition, Disposition, and Leasing Real Property. (moved by Regent Gossett; seconded by Regent Attman)

3. University of Maryland, College Park: Consulting Services for the Implementation of the Kual Financial System (action)

Mr. Colella and Mr. Farley addressed the committee. The campus is moving away from its legacy resource planning system, FRS, to the new Kual Financial System. Kual is based on the financial information system used at Indiana University and is a modular financial accounting system designed to meet the needs of higher education. The consortium was founded in the early 2000's and the University joined in the mid-2000's. Through a competitive RFP process, a consulting firm was hired to provide expertise during the implementation of Kual. At this point, a couple of years into the project, the University has a better feel for its needs in terms of the level of outside expertise required to successfully implement the project. The University will be hiring more technical staff and transition away from the consultants. The contract is structured with fixed rates; the University will issue specific task orders as needed. Moving forward, the University will pay its IT staff dedicated to the project and \$180,000 annually to the consortium.

The committee unanimously recommended that the Board of Regents approve the revised award to Navigator Management Partners, LLC in an amount not to exceed \$8.5 million for the base period and authorize the University to execute three renewal options not to exceed \$4.0 million in total as it transitions from its current financial system to KFS and to continue the implementation of the new financial system. The total value of the contract shall not exceed \$12.5 million. (moved by Regent Gossett; seconded by Regent Gooden)

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

Mr. Beck indicated that everything was on target. He highlighted a few of the facilities under construction and encouraged the members of the committee to tour the campus' facilities when they had an opportunity.

The report was accepted for information.

5. University System of Maryland (USM): Briefing on the USM's Response to the Affordable Care Act (information)

The committee received an update on the Affordable Care Act from Ms. Goedert. She explained that major elements of the Affordable Care Act (ACA) will take effect on January 1. The Maryland Health Connection, the State's Exchange, will be open in October 2013. The ACA requires the USM to provide

options to employees and students that will allow them to balance their healthcare needs and personal financial situations. The USM has approximately 55,000 people on its payroll. Of these, about 22,000 are regular employees who are currently eligible for full state employees' health benefits. Up to 4,000 graduate assistants are eligible for health benefits, and approximately 600 contractual faculty and staff receive partial subsidies for their health benefits. That leaves approximately 28,000 staff, faculty and student employees who are not eligible for the state employees' plan. Under the new ACA eligibility standards, nearly 18,000 faculty and staff will continue to be ineligible. These employees will be subject to the individual mandate of the ACA as of January 1. Ms. Goedert pointed out that an estimated 25,000 - 30,000 students without parent or employer coverage will need to obtain student health insurance, coverage on an Exchange, or other insurance by January 1, 2014. The USM is implementing a communication strategy that includes getting early information out on specific plans that will be offered on October 1 and meeting with the student council. The Chancellor recently signed off on two memos to provide to employees—one for those clearly eligible and one for those who are not eligible for the state employees' health benefits plan. In closing, Ms. Goedert indicated that the Board would continue to be fully informed on this matter.

The report was accepted for information.

The public session was adjourned at 11:53 a.m.

Respectfully submitted,

Senator Frank X. Kelly
Chairman, Committee on Finance