Regent Attman called the meeting of the Finance Committee of the University System of Maryland Board of Regents to order in public session at 10:07 a.m. Regent Attman read the Convening in Closed Session statement citing State Government Article Subtitle 5, Section 10-508(a) of the Open Meetings Act to discuss issues specifically exempted in the Act from the requirement for public consideration. Regent Attman moved and Regent Gooden seconded to convene in closed session. In response to the motion, the Committee members voted unanimously to convene in closed session at 10:07 a.m. to consider and make recommendations on the acquisition of real property and on a contract that has not yet been awarded. The session adjourned at 10:30 a.m.

The Committee reconvened in public session at 10:45 a.m. Those Regents participating in the session included: Senator Kelly (via telephone), Mr. Attman, Ms. Gooden, Mr. Kinkopf, Mr. Manizade, Mr. McMillen (via telephone/in-person), Mr. Rauch, and Mr. Slater. Also present were: Chancellor Kirwan, Mr. Vivona, Dr. Boughman, Assistant Attorney General Bainbridge, Ms. Doyle, Mr. Brockenbrough, Mr. Colella, Ms. Byington, Dr. Holden, Mr. Selser, Mr. Rose, Mr. Lowenthal, Mr. Schuckel, Ms. Aughenbaugh, Mr. Spinard, Mr. Oster, Mr. Shoenerberger, Mr. Lockett, Ms. Kropp, Ms. Goedert, Mr. Page, Mr. Salt, Ms. Denson, Mr. Beck, Ms. West, Ms. Ritz, Dr. Passmore, Mr. Muntz, Mr. Lurie, Ms. McMann, and other members of the USM community and the public.


Mr. Vivona explained that the process for approving tuition and student fees occurs in two separate stages. This schedule pertains to only those non-mandatory charges which are not part of the state budget. The fees do not involve any state dollars as the fee is the revenue source. He pointed out that the current pay increases—an annualization of the January 2014 COLA and the April merit—are built into the costs and rate structures for auxiliary enterprises. In addition, likely wage increases for FY 2015 include another merit and COLA that must be factored in to the self-support activities. He noted that some institutions had also added or expanded the use of flex dollars in their dining plan offerings. Mr. Vivona indicated that the vice presidents of the institutions were present in the audience if anyone had campus-specific questions.

Addressing the review processes described in the attachments, Regent Manizade noted that a number of institutions had an excellent process in place. However, in a few instances, he stated that it would be preferable to increase student involvement in the decision-making process, and not merely use the process as a means of keeping students informed. He added that the student council would be discussing this matter as part of its review of student involvement in shared government processes. Mr. Vivona assured him that the campuses have been refining their processes, and where improvement was needed as indicated by the council’s report, he would work with the campuses accordingly.
The Finance Committee recommended that the Board of Regents approve the proposed self-support charges and fees for FY 2015 as set forth in the item’s schedule.

(Regent Kinkopf moved recommendation, Regent Manizade seconded, unanimously approved)

2. **Biennial Exempt Market Salary Survey Report and FY 2015 - 2016 Structures Adjustment** (action)

Mr. Vivona summarized the item. He noted that every two years the USM surveys the market to determine whether the salaries are competitive or not with the employment market. This structure covers all exempt employees—those not covered by the FLSA—contingent or regular status. In the alternating years, the nonexempt market is surveyed. The system is designed to be a lead/meet/lag system. As such, the USM often finds itself with a recommendation to adjust up to the market. In this round, the implementation cost for an overall salary structure adjustment of 8.7% will be approximately $386,000. The salaries of those staff that fall below the new minimums of the salary scale will be increased up to the new minimums of each range. The selection of the proposed Option 2 will also move to alleviate compression issues in the lower pay ranges. Recent COLA and merit increases will help to restore the USM’s overall place in the market with a return to competitive salaries. Regent Gooden asked how the increases were accounted for in the budget. Mr. Vivona responded that the implementation for year one would involve flexible funds in the operating budget and that in subsequent years the salaries fall in the mandatory costs budget. Regent Slater inquired about University of Maryland, Baltimore’s use of a separate scale. Mr. Vivona replied that originally several institutions utilized the traditional structure, but many had gravitated over to the wide band structure. On the other hand, UMB finds that as an academic health center, the traditional structure continues to meet its needs.

The Finance Committee recommended that the Board of Regents approve Option 2 to adjust the USM Exempt Staff Salary Structures, effective during the first full pay period of FY 2015 following the implementation of staff merit increases.

(Regent Gooden moved recommendation, Regent Slater seconded, unanimously approved)

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

Mr. Vivona stated that UMBC is seeking the Board’s approval to renew its on-going food service contract with its current provider, Chartwells. As a renewal, the campus is pleased with the provider. The renewal contains a 2.2% increase over the current year in line with the CPI and the contract. Mr. Lowenthal, UMBC’s associate vice president, said that their student diners are very satisfied with the food service.

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 Gooden moved recommendation, Regent Kinkopf seconded, unanimously approved)
4. Frostburg State University: Ground Lease to Cellco Partnership for Verizon Wireless Cell Tower Installation and Service (action)

Mr. Vivona summarized the item. Frostburg is seeking approval to put in place a ground lease with Cellco for the purpose of the company locating a cell tower on the campus edge. The contract would generate a modest amount of revenue from Cellco, and any other cell firms that co-locate. The installation of such a tower would improve the cell signal coverage on the campus itself.

The Finance Committee recommended that the Board of Regents approve for Frostburg State University the execution of a ground lease to Cellco Partnership doing business as Verizon Wireless under the terms and conditions described in the item for an initial term of 10 years with one 10-year renewal option; and, delegate to Chancellor the authority to execute, after appropriate legal review by the Office of the Attorney General, all required documentation consistent with the University System of Maryland Policy and Procedures on the Acquisition and Disposition of Real Property. The University shall continue to work with the USM Office of the Chief Operating Officer/Vice Chancellor for Administration and Finance during the leasing process.

(Regent Slater moved recommendation, Regent Gooden seconded, unanimously approved)

5. University of Maryland, Baltimore: Extension of Term of Ground Lease in the UMB BioPark for Development of a Hotel and Park (action)

Mr. Vivona introduced the item, explaining that there are plans to have a hotel developed on the BioPark site to serve families who relocate to the area during patient treatment at the Maryland Proton Treatment Center. To make the development of a hotel financially feasible, it is necessary to extend the ground lease on the parcel by 28 years, for a total period of 78 years. The hotel is expected to have 60-70 beds. Mr. Vivona indicated that hotel would be wholly private and that the University would not have an ownership role.

The Finance Committee recommended that the Board of Regents authorize the University of Maryland, Baltimore to negotiate an amendment to its ground lease with the RPC for the purpose described in the item. The execution of the terms and conditions of any such amendment are subject to the review and approval of the Chancellor on the recommendation of the Chief Operating Officer/Vice Chancellor for Administration and Finance. The Board further delegated to the Chancellor the authority to execute, after appropriate legal review, all documentation required to amend the ground lease, consistent with the University System of Maryland Policy and Procedures on the Acquisition and Disposition of Real Property.

(Regent Kinkopf moved recommendation, Regent Gooden seconded, unanimously approved)

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

Mr. Vivona stated that UMB seeks to award the third option of 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 years. He indicated that there are similar clinics on the medical side. Mr. Vivona explained that Chairman Shea had asked that UMB take a closer look at other options for managing the clinics. After a campus review, it appears that due to several factors—a self-support not-for-profit
entity, the contract expends what it takes in, not wanting to reduce salaries of those working in the clinic—FDSP appears to be the best value choice and stands up to the test of privatization.

The Finance Committee recommended that the Board of Regents approve for UMB the request for contract renewal with U.M. FDSP Associates, P.A. as described in the item.

(Regent Rauch moved recommendation, Regent Manizade seconded, unanimously approved)

7. University of Maryland, Baltimore: Future Development of UMB Properties known as Drovers (information)

Mr. Vivona provided an update on UMB’s Drovers development. The purpose of the item is to inform the Board of the University’s intent to do an RFP for the development of the property. The University plans to take an arm’s length approach and would put a ground lease in place with a selected developer. The ground lease would specifically prohibit the following uses of the property—stand-alone bars, liquor stores, adult entertainment, and gambling. The University would return to the Board for approval at future time once it has selected a developer and negotiated a ground lease.

8. Waiver of Certain Residency Requirements for Relocating Employees of AstraZeneca/MedImmune (action)

Mr. Vivona summarized the item. With the recent designation of MedImmune as an AstraZeneca research center, there will be an influx of 300 jobs to the State of Maryland. This provision will waive the one year residency requirement with regard to in-state rates for any affected employees and his/her family. Mr. Attman noted that it was an excellent resolution and could have been considered as an economic development item as well. Mr. Vivona went on to say that as other circumstances arise, the System may continue to handle the matters as one-offs or formulate a more general policy. While the cost is expected to be diminutive, the benefit is substantial. He added that the tax impact will be about 50-fold to the State. Chancellor Kirwan remarked that several USM institutions have entered into a very significant collaboration with MedImmune.

The Finance Committee recommended that the Board of Regents approve the resolution granting a waiver of certain residency requirements for a two-year period effective April 11, 2014.

(Regent Gooden moved recommendation, Regent Rauch seconded, unanimously approved)

9. Capital Budget: Brief Presentation and Discussion (information)

As one outcome of the annual Capital Workshop held in May, the Committee heard a brief presentation regarding the capital budget from Mr. Vivona and Mr. Beck. This was the second of a two-part series and it focused on the System Funded Construction Program. These presentations are intended to help set up the more detailed discussion at the upcoming May Capital Workshop. Mr. Beck described the role of the SFCP in meeting the demand for student housing, attracting and retaining students, and supplementing the State’s investment in academic facilities. During the presentation, Mr. Beck described the important role that on-campus housing communities provide in relation to student graduation rates. He pointed out that student housing is a continuing issue for the System and will be a workshop discussion item. Other considerations in the SFCP include student centers and dining,
recreational and athletic facilities, and parking. He reminded everyone that SFCP projects must be financially feasible and able to pay for themselves over time.

Referencing a recent report on the decline of the residential student, and in light of the enrollment challenges, Regent McMillen asked about the long-term implications of student housing development. Mr. Vivona responded that the USM had undertaken two strategies in that regard. First, a conscious effort was made to diversify “who pays” — essentially the PPP initiative. In theory, twelve years ago a strategic choice was made to offload risk to the private sector. He recognized that several institutions — UMCP, Towson, and SU — are seen as good bets by the private sector. Second, facilities have been built apartment style, versus typical dormitory style, and that action has expanded the flexibility of uses for the properties. Mr. Vivona continued on to say that unfortunately financing rates for PPP projects are now 200-250 basis points greater than USM funded projects resulting in costs that are too high to pass along in student rental fees. He acknowledged that in terms of Frostburg and Coppin, where the private sector has been unwilling to take on the risk, there is a discussion that the Board needs to engage. Regent Attman agreed, specifically pointing out the matters of substandard off-campus housing offerings at Frostburg, and the difference of an on-campus versus off-campus student experience at Coppin.

Lastly, Mr. Vivona indicated that fund balance would be another topic for discussion at the Capital Workshop. Over the last eighteen months there have been tremendous hits on the funds balance, combined with a deep pipeline of projects. He added that operating margins at institutions have been getter smaller and that too is having an impact on the fund balance. In closing, Senator Kelly impressed upon his colleagues that it is very important that all Board members, where possible, make a point to attend the workshop.

**The capital budget presentation was for information and discussion purposes.**

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

Mr. Beck indicated that the report is updated twice a year. The report provides a summary of the overall activity on Board approved projects over the last six months. He then asked for any specific questions. Regent Slater inquired about the status of the police building in Frostburg. Mr. Beck replied that the Senate had advanced the funding (in response to the Governor’s budget where the project had been moved out a year), and the House was meeting later in the day. Regent Slater also asked about the new education building. Mr. Beck said the facility was not in the current year and would be part of the upcoming CIP conversation.

**The report was accepted for information and discussion purposes.**

11. **2013 USM Dashboard Indicators (information)**

Dr. Passmore presented the Dashboard Indicators (DBIs), a product of the Board which began in the E&E Committee and is now a mature project. The DBIs provide the regents with a single look across the USM. Dr. Passmore referred to the indicators as “a general barometer of where we are.” The program has now moved to an electronic form, so anyone seeking information can go to the website or Board portal for the latest DBIs. Key positive trends include the effectiveness of community college transfers and the strength of upper division STEM enrollment. The latter is a leading indicator of the progress on the USM’s commitment to increase STEM degrees. Regent Slater asked about providing some percentages on the document, to make it easier to compare. Regent Gooden asked about the classroom utilization rate, in terms of the upcoming capital budget submission and review. Mr. Vivona
responded that there were structural limitations on utilization, namely the time of day and days of the week. For instance, many students need to have Saturdays available to pursue part-time jobs while attending school. As part of the E&E initiative, the institutions moved toward a greatly improved classroom utilization. Regent McMillen suggested that as education transforms, one might look at the utilization of office space on campus. Regent Attman concluded the discussion and remarked that the DBIs are a fantastic tool.

The report was accepted for information and discussion purpose.

13. Overview of Undergraduate Enrollment, Persistence, and Success at the USM (information)

The final two items on the agenda were handled together.

Dr. Passmore and Mr. Muntz presented on the intertwined topics—essentially, where we are and where we are going. Mr. Muntz gave a comprehensive review of the undergraduate student pipeline. The three major pipeline feeders consist of new freshmen, Maryland community college transfers, and out-of-state/other transfers. Currently, the relationship between new freshmen and transfer students is 1:1. This represents an increase in the transfer population over the last seven years. Policy implications for consideration include the most cost-effective way to improve freshmen output is closing the achievement gap. With regard to transfer students, financial aid and support to help more students attend full-time is key. Strategic program expansion at the regional centers should also be explored. And finally, the data show that success increases as students transfer with a higher number of credit hours completed at the time of entry in to a USM institution.

Turning to the enrollment projections, Dr. Passmore indicated that the projections impact other planning efforts, namely the capital facilities process, operating budget development and student support needs. The projections also inform the statewide enrollment projections as determined by MHEC. In the short-term, enrollment is expected to decline slightly, the result of several drivers—a smaller number of high school graduates (a national occurrence), intensified competition online, and a turn-around of the economy. The latter two impact UMUC, which accounts for much of the current decline in enrollment. Looking ahead to the ten-year period, overall enrollment is expected increase 12%. The biggest factors of growth are retention improvements and growth of the population. Dr. Passmore stressed the institutions' desires to support growth only in a manner that supports quality. That is to say, without targeted enrollment funding, institutions may grow modestly or grow specific high demand programs via a redistribution of enrollment. At this point, it is anticipated that the State will meet a 48% college degree attainment, but fall short of the stated 55% goal. Options to bridge that gap include closing the achievement gap, focusing on transfer students, and increasing the undergraduate level enrollment as operating budget availability permits.

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

(Regent Gooden moved recommendation, Regent Manizade seconded, unanimously approved)

The public session was adjourned at 12:51 p.m.

Respectfully submitted,

Senator Frank X. Kelly
Chairman, Committee on Finance