



**BOARD OF REGENTS
COMMITTEE ON FINANCE**

Minutes from Public Session
June 19, 2014
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 10:02 a.m. Those Regents participating in the session included: Mr. Attman, Mr. Gossett, Ms. Gooden, Mr. Manizade, Mr. McMillen Mr. Rauch, and Mr. Slater. Also present were: Chancellor Kirwan, Mr. Vivona, Dr. Boughman, Assistant Attorney General Bainbridge, Dr. Loh, Dr. Perman, Ms. Doyle, Mr. Colella, Mr. Gilbert, Ms. Gillette, Ms. Crockett, Mr. Lowenthal, Mr. Spinard, Mr. Oster, Mr. Shoenberger, Ms. Kropp, Ms. Rehn, Mr. Rowen, Assistant Attorney General Motsko, Ms. Goedert, Mr. Page, Mr. Salt, Ms. Denson, Mr. Beck, Mr. Lurie, Ms. McMann, and other members of the USM community and the public.

1. FY2016 Capital Budget Request; and FY2016-2020 Capital Improvement Program (action)

Mr. Vivona summarized the item. The Capital Improvement Program is the USM request for academic buildings. It is primarily funded by the State. This item comes on the heels of the Finance Committee's May capital workshop that many Board members attended. He remarked that there was a very good and thorough discussion of the capital program.

Mr. Vivona explained that the request for approval contains two parts. First, is the FY 2016 capital budget of \$418.5 million—the largest request ever—and the proposed FY 2016-2020 Capital Improvement Program of \$2.1 billion.

Mr. Vivona proceeded to highlight the changes in the proposed request, including the addition of a new computer science building at University of Maryland, College Park. This facility, which will be funded in part by a donor contribution of at least \$30 million, represents an opportunity for the University to bring together students, faculty, industrial and community partners to share knowledge and ideas, and collaborate on projects in a state-of-the-art facility. He commented that virtual reality is an emerging field. Chancellor Kirwan noted that computer science is one of the highest ranked programs on the campus and there have been some very successful graduates. The facility is planned to be sited adjacent to the campus' Innovation District. Many of the regents voiced their support for the inclusion of this project in the budget request.

Several regents had additional comments, beyond support for the project and the overall submission. Regent McMillen commented that moving ahead, it would be helpful if the staff could look at the ROI for a given project to justify its submission. He added that it would be interesting as well to look back and see if a project lived up to its billing. Regent Rauch asked about the new building's impact on the bottom line and expected commitments to other institutions. Mr. Vivona responded that the overall request of \$2.1 billion might be overly ambitious, but he reminded that regents that the USM remains a budget priority of the State, and one must consider the overall value-added of the System capital

program. He stressed that it is very important to articulate the true need of the University System at this juncture. Regent Gooden stated that if the System gets into a priority setting situation, she would consider this facility, particularly as part of the STEM initiative, a high priority.

Noting that the request in FY 2019 was lower than the preceding years, Regent Slater inquired about the drop off and if it was possible to move Frostburg's education building and UMES' health facility into FY 2019. Mr. Vivona explained that due to the priority setting and the scheduling of construction, the large bulk of the costs is not always spread out evenly. Regent Slater offered a motion to advance the two projects. Regent Rauch seconded the motion. With a 4-4 vote, the motion did not carry.

Senator Kelly offered an amendment to the Chancellor's recommendation regarding funding for the new computer science facility.

The Finance Committee recommended that the Board of Regents approve the FY 2016 Capital Request and CIP. THE COMMITTEE FURTHER RECOMMENDED THAT THE UNIVERSITY OF MARYLAND, COLLEGE PARK MUST OBTAIN A FIRM COMMITMENT OF FUNDING OF AT LEAST \$30 MILLION FOR THE NEW COMPUTER SCIENCE CENTER.

(Senator Kelly moved recommendation, seconded by Regent Attman, unanimously approved)

2. FY 2015 System Funded Construction Program Request (action)

Mr. Vivona explained that the request for approval of the FY 2015 System Funded Construction Program is in the amount of \$125.5 million that is the first year of the proposed FY 2015-2019 System Funded Construction Program of \$489 million. The request includes projects proposed for planning, construction and/or equipment funding in FY 2015—so, once we vote on it, it's "activated." He added that the System Funded Construction Program request is funded by USM resources. Many of these projects will be funded via the 36th bond resolution. He pointed out that the use of cash has been significantly limited and in many cases curtailed. Where there is a cash-funded project, a repayment of the cash to the fund balance will be incorporated in the annual fund balance goals of the institutional president.

Mr. Vivona reviewed a few of the changes to the program as indicated in red on the chart. He pointed out that the Frostburg residence hall is in the plan, but has not been accelerated, explaining that he is awaiting the actual enrollment performance over the upcoming year. If the students enroll, that would set the stage for the consideration of a new dorm. Unfortunately the spread in the interest rates remains too high in the public-private market, which would result in driving up student rental rates. He added that with Wall Street watching the USM, and all of higher education, very carefully right now, there just is not room in the restricted budget for the construction of dormitories. Regent Slater asked how the 2015 submission compares with the previous years. Mr. Beck responded that the bond figures remain in the same range, however the recommended cash spending is down, alluding to Mr. Vivona's opening remarks.

The Finance Committee recommended that the Board of Regents approve the FY 2015 System Funded Construction Program Request as presented.

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

3. University System of Maryland: Thirty-Sixth Bond Resolution—Auxiliary Facility and Tuition Revenue Bonds (action)

Mr. Vivona noted that the resolution follows what was just approved in the System Funded Construction Program. The academic facilities projects included have been previously approved by both the Board and the General Assembly. The bonds are backed by USM tuition and auxiliary fees. He added that he believes this lives within the parameters of the credit rating agencies.

Regent Gossett asked about the \$200,000 for the UMBC Events Center. Mr. Beck responded that the amount corresponded to the bond portion of a much larger planning figure as indicated on the chart.

The Finance Committee recommended that the Board of Regents approve the Thirty-Sixth Bond Resolution.

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

4. Revision to Board Policy VIII-1.10—Policy for Capitalization and Inventory Control (action)

Mr. Vivona stated that the revisions to the policy bring a sense of reasonableness to the process of protecting and safeguarding the USM’s inventory. The current process of tagging certain equipment every third year is not the most effective means for control, especially as equipment becomes obsolete. Instead, the policy will permit institutions to put in place something that reaches the goal of protecting the USM, and knowing its inventory. Mr. Page recognized several members in the audience who participated in an internal work group seeking an alternative process to appropriately inventory and account for the USM’s assets. He acknowledged that the process put in place 15 years ago was no longer determined to be the best way to track and control assets. Mr. Page added that the work group consulted with the Office of Internal Audit during its discussions.

The Finance Committee recommended that the Board of Regents approve the proposed revision to the Policy for Capitalization and Inventory Control as presented.

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

5. Proposed Technical Amendments to Board Policy VII-7.00—Policy on Annual Leave for Regular Nonexempt and Exempt Staff Employees (action)

Mr. Vivona summarized the item. Two staff policies were merged into a single policy. The number of leave days permitted to be carried over in a calendar year has been adjusted to 50 days. Changes were also made to the sections that address the impact of a change in an individual’s employment status. The amended policy is part of an array of policies referred to as “family friendly” policies as the USM seeks provide more options to USM employees. The proposed amendments have been conveyed to the labor unions representing USM exempt and nonexempt staff.

The Finance Committee recommended that the Board of Regents approve the proposed revision to the Policy as presented.

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

6. University of Maryland, Baltimore: Renewal of Heat Energy Services Contract (action)

Mr. Vivona stated that UMB seeks to award the first and final five-year renewal option of a contract to Veolia Energy Baltimore Corporation for the provision of heat energy services. Regent Rauch asked if UMB was happy with the contractor and Regent Attman inquired about the cost. Mr. Rowan replied that the generation is done at a single location, using trash, so it's environmentally friendly as well as cost competitive.

The Finance Committee recommended that the Board of Regents authorize the University of Maryland, Baltimore to execute the final and only renewal option for heat energy services with Veolia Energy Baltimore Corporation as described.

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

7. Proposed FY 2015 Contract between the University of Maryland, Baltimore and the University of Maryland Medical System Corporation (action)

The item was recommended without discussion.

The Finance Committee recommended that the Board of Regents authorize the President of UMB to execute the Annual Contract for FY 2015.

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

8. University of Maryland, College Park: Acquisition of the University of Maryland University College University Centre Property (action)

Mr. Vivona indicated that UMCP desired to acquire UMUC's facility conveniently located on Route 1. As UMUC centralized its offices in buildings in Largo and Adelphi, the building is no longer necessary for its operations. The facility will help UMCP consolidate several scattered offices in a single place. Mr. Shoenberger pointed out that the building is in good shape and the institutions each obtained an appraisal. Mr. Colella added that the location helps contribute to the institution's revitalization of Route 1.

The Finance Committee recommended that the Board of Regents approve for the University of Maryland College Park to acquire from the University of Maryland University College its property located at 4716 Pontiac Street, known as the University Centre building, for \$5 million; and, delegate to the Chancellor the authority to execute all required documentation following legal review by the Office of the Attorney General and consistent with USM Policy and Procedures for the Acquisition and Disposition of Real Property.

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

9. University of Maryland, College Park: Renewal of the University Book Center Management and Operation Contract (action)

Mr. Vivona stated that UMCP is seeking to award the first and only renewal option of a contract with Barnes & Noble College Booksellers for the operation of the bookstore on campus and also one at Shady Grove.

The Finance Committee recommended that the Board of Regents approve for the University of Maryland, College Park to exercise the University's single five-year renewal option of the Barnes & Noble College Booksellers contract for the management and operation of the UMCP University Book Center and the USG bookstore.

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

10. University of Maryland, College Park: Briefing on the Hotel and Conference Center Project and Approval of Easements (action)

Mr. Vivona recalled that the Board of Regents had previously approved the sale of the property for the purpose of providing a development site for a high quality hotel. While due diligence is nearly complete, there remain a few outstanding items that Mr. Vivona indicated will be handled shortly. Mr. Colella provided the regents with a status briefing of the project. The University expects to return to the BPW on July 2nd to conclude the sale of the land to the UMCP Foundation. The purchase price under the agreement will be \$5.4 million. The agreement restricts the use of the site to a very high quality hotel. The Foundation will enter into a ground lease agreement with the developer. The University is very excited about the project and believes it will bring much activity to the Innovation District and add to the revitalization of Route 1. The hotel will carry a "four diamond" rating and will be an independent hotel flag, complete with UMCP branding. Mr. Colella indicated that the University is not providing any guarantees. President Loh specified that the hotel will be located across the proposed new computer science center building, where the next generation of entrepreneurs will come through. He pointed out that the first floor of the parking garage will be set aside for incubators.

Senator Kelly thanked President Loh and Mr. Colella for the briefing.

The Finance Committee recommended that the Board of Regents approve for the University granting approximately 2.0 acres of easement area within the Innovation District for the purpose of roadway and utility extension in support of the Hotel project and future University development as described.

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

The public session was adjourned at 11:15 a.m.

Respectfully submitted,

Senator Frank X. Kelly
Chairman, Committee on Finance