



UNIVERSITY SYSTEM
of MARYLAND

BOARD OF REGENTS
COMMITTEE ON FINANCE

March 29, 2018
University of Maryland, Baltimore

Minutes of the Public Session

Regent Pevenstein called the meeting of the Finance Committee of the University System of Maryland Board of Regents to order in public session at 10:35 a.m. Regent Pevenstein read the *Convening in Closed Session statement* citing State Government Article Section 3-305 of the Open Meetings Act to discuss issues specifically exempted in the Act from the requirement for public consideration. Regent Pevenstein moved and Regent Gossett seconded to convene in closed session. In response to the motion, the Committee members voted unanimously to convene in closed session at 10:35 a.m. for the reasons stated on the *Convening in Closed Session statement*. The session adjourned at 11:00 a.m.

The Committee reconvened in public session at 11:04 a.m. Regents participating in the session included: Mr. Pevenstein, Mr. Attman, Ms. Gooden, Mr. Gossett, Mr. Holzapfel, Ms. Johnson, Mr. Neall, Mr. Rauch, Mr. Pope, and Mr. Shorter. Also present were: Chancellor Caret, Ms. Herbst, Mr. Neal, Dr. Boughman (via phone), Assistant Attorneys General Bainbridge and Lord, Dr. Hrabowski, Dr. Nowaczyk, Ms. Amyot, Mr. Atkins, Mr. Campbell, Mr. Colella, Mr. Lockett, Ms. Martin, Ms. Murphy, Mr. Pyles, Ms. Rhodes, Ms. Schaefer, Mr. Beck, Mr. Hickey, Mr. Page, Ms. Denson, Ms. West, Ms. Mann, Ms. Skolnik, Dr. Muntz, Mr. Lurie, Ms. Simpson, Mr. Dawson, Mr. Fabbi, Ms. McMann, and other members of the USM community and the public.

Regent Pevenstein opened the meeting with a moment of silence, in remembrance of former Regent Chair Clifford Kendall who had passed away the previous day.

1. University of Maryland, Baltimore County: Facilities Master Plan Update

President Hrabowski opened the presentation by discussing the institution's history and accomplishments. After holding its first classes 52 years ago, UMBC has grown to over 13,600 students, of which nearly 18% are graduate students. Over 4,000 students live on-campus. UMBC is situated on a 500-acre campus with 73 buildings providing approximately 4 million gross square feet.

Following the president's presentation, Ms. Schaefer, vice president for administrative affairs, discussed the plan itself, which builds on the orderly circular layout of the original 1960s framework and on the successes of the 2009 plan that led to the development of many of new academic buildings, renewed outdoor spaces, the Event Center, and recent residential community renovations. Looking forward, Ms. Schaefer indicated that it was important for the University to maintain its status as a highly residential campus.

Campus engagement was critical to the success of the planning process, including drawing input from ten stakeholder groups made up of faculty, staff, undergraduate, and graduate students. The Plan is aligned with UMBC's Strategic Plan and is based on seven guiding principles, including: accommodating enrollment growth and interdisciplinary scholarship; providing a welcoming and accessible campus; goals related to environmental stewardship, and the responsible utilization of existing resources.

The 2018 Facilities Master Plan serves as: a framework consistent with the university mission and strategic plan; a cohesive approach to renew existing buildings, upgrade utilities, construct new buildings, and enhance site features; a path forward to support a more sustainable future; and is the basis of UMBC's ten year capital request to the Board that will be considered later this Spring.

Regent Pevenstein thanked President Hrabowski and his staff for their presentation, and reminded everyone that the Master Plan Update would be placed on the committee's June agenda for its consideration and approval.

The item was accepted for information purposes. The presentation is available online at <http://www.usmd.edu/regents/agendas/>

2. USM Enrollment Projections: 2018-2027

Regent Pevenstein stated that the enrollment projections are presented annually to the Committee for action and help to determine the basis for MHEC's statewide projections. He then introduced Dr. Muntz, head of the System's Institutional Research Office, who presented the FY 2018 - FY 2027 enrollment projections. Per the USM Policy on Enrollment, the committee was provided enrollment projections that reflected future shifts in Maryland high school graduate demographics, national enrollment migration, individual campus demand, and student retention. These factors suggest USM will grow headcount at an approximate rate of slightly less than 1% per year. Inclusive in this trajectory are some institutions that are estimating higher projected growth and other institutions that are estimating lower projected growth. In total, USM's headcount growth will increase from 175,178 students and 131,062 FTE in FY 2018 to 187,357 students and 139,415 FTE in FY 2028.

The Finance Committee recommended that the Board of Regents approve the enrollment projections. The presentation is available online <http://www.usmd.edu/regents/agendas/>

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

3. University System of Maryland: Self-Support Charges and Fees for FY 2019

Regent Pevenstein explained that the subject schedule contains the proposed charges for room, board and parking, essentially the "user" fees that fund self-support operations on the campuses. He noted that there were campus vice presidents and representatives available from each institution if anyone had specific questions. The Chancellor added that the institutions have been doing their best to not exceed the rate of inflation, however in some cases there are older facilities in need of renovation.

The Finance Committee recommended that the Board of Regents approve the proposed self-support charges and fees for FY 2019 as set forth in the item's schedule.

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

4. Frostburg State University: Increase in Project Authorization for New Residence Hall

Regent Pevenstein offered that the University is requesting approval for an increase in authorization for its New Residence Hall. He reminded the committee that last June, as part of the System Funded Construction Program, the Board approved a project budget of \$36.58M. He continued that the project cost is now expected to increase by an additional \$6M, even after undertaking several value engineering actions. This increase will be funded from a combination of bonds, revolving equipment loans, and institutional fund balance. Regent Gossett asked President Nowaczyk to discuss what drove the costs up and what in turn brought the project cost down. Dr. Nowaczyk responded that they had value-engineered the cost down by \$10 million—as much as they thought they could—meanwhile hurricanes and potential steel tariffs were sending the costs upward. One decision was to “stick build” the upper levels. He added that the newest residence hall is at 98% occupancy and that Annapolis Hall, with 168 beds, is undergoing renovation.

The Finance Committee recommended that the Board of Regents approve an increase in the project authorization for the New Residence Hall at Frostburg State University not to exceed \$6.315M, for a total project authorization of \$42.895M.

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

5. University System of Maryland: Proposed Amendment to Policy VIII-2.50—Policy on Student Tuition, Fees, and Charges

Regent Pevenstein introduced the item. Last spring, students from University of Maryland, College Park voiced concerns regarding the implementation of a new international student fee. While responding to those concerns, it was determined by staff that several technical adjustments to the policy would be helpful in an effort to provide more clarity regarding the definitions of mandatory versus non-mandatory fees, as well as clean up some outdated timeline process language. Regent Pevenstein then asked Ms. Herbst to go through the proposed revisions to the policy.

Ms. Herbst began by explaining that in amending the policy, it was the goal to accomplish three things. First, the amended policy should provide clarification on the definitions of certain types of fees. She described that mandatory fees are those fees that are charged and applicable to all of the undergraduate and/or graduate students on the campus. She noted that these fees provide revenue for the support of operations that are available and for use of the entire student body. She then described non-mandatory fees as fees that are only applicable to a smaller subset of the student population on a campus. Some of the examples include individually charged fees for student teaching, a Kinesiology Department’s Scuba Diving Supplies Fee, the Nursing Simulation Learning Fee, and the study abroad fee. Next, Ms. Herbst indicated the desire for the policy to more accurately reflect the intended use of the fee revenue generated by the fees. And finally, Ms. Herbst explained that it was necessary to update and streamline the policy language. As part of the effort to streamline the policy language, all references to mandatory fees were contained in Section I and all references to programmatic / academic non-mandatory fees were now delineated in Section III. Ms. Herbst also provided a few overarching thoughts. She pointed out that the current policy provided for student consultation and the amended policy would continue to provide for student consultation. While it is an annual requirement for the mandatory fees, it remains a requirement for the non-mandatory fees whenever a new fee is to be established. She noted that the set of recommended policy changes are at Systemwide level, appropriate to all institutions. She reminded everyone that the proposed changes to policy are not intended to take the place of institutional procedures.

Following Ms. Herbst's remarks, Regent Pevenstein then recognized Caden Fabbi, the student chair of the USM Student Council, who had requested to address the committee. Mr. Fabbi cited several concerns with the proposed revisions to the policy, chief among them being the continued concern that student consultation and input during the non-mandatory fees process would be lessened by the proposed changes to the language. Specifically, the current requirement of consultation with advisory committees or groups would in the future merely *require a discussion with affected student groups at the time of the establishment* of the proposed fee. Mr. Fabbi pointed out that this new language would not appear to provide students with adequate consultation opportunities *prior to* the time of the establishment of a new non-mandatory fee. Mr. Fabbi also referenced the international student fee that had been implemented by the College Park campus and expressed the belief that the policy had not been followed with regard to the requirements for student consultation.

Regent Pevenstein thanked Mr. Fabbi for his remarks. Following a brief discussion that included an attempt to revise a portion of the language prior to initiating a vote, Regent Pevenstein requested that the staff continue to work on the proposed amendment to the policy, and return to the committee at its next meeting.

6. University System of Maryland: Proposed Policy VIII-18.00—Policy on Unrestricted Fund Balances
7. University System of Maryland: Proposed Amendment to Policy VIII-12.00—Policy on Debt Management

Regent Pevenstein addressed the next set of policies together, noted that they respond to the recommendations of the legislative workgroup on fund balances that met last year several times, and reported out a set of recommendations in early December. The two policies—a newly created Policy on Unrestricted Fund Balances which sets forth the process and expectations of institutions for the use of reserves—and revisions to the Policy on Debt Management, which updates the metrics used for managing the balance between reserves and debt authorizations, are expected to be finalized and provided to the State and its budget committees by June 1 of this year. He pointed out that Ms. Herbst and Mr. Page worked with the institutions to be responsive to the legislative workgroup recommendations, and not limit the financial flexibility of the Board and the System as a whole.

The Finance Committee recommended that the Board of Regents approve the proposed policy amendment to Policy VIII-12.00—Policy on Debt Management and proposed the Policy on Unrestricted Fund Balances.

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

8. Biennial Adjustment to the Exempt Salary Structures for Fiscal Years 2019 and 2020

Regent Pevenstein summarized the item. Every other year, the compensation and classification committee of the Systemwide Human Resources Committee does a market study and recommends whether the Exempt Salary Structures should be adjusted. Regent Pevenstein reported that for July 1, the committee is recommending no change to either of the structures used by the institutions. Although the study shows that the salary market increased approximately 2.5% in 2017 and a similar increase is expected to occur in 2018, several factors support the committee's recommendation. The previous structure increases included a 2.025% increase above the market to mitigate the anticipated impact on salaries of an expected revision to the federal overtime eligibility rule under the Fair Labor

Standards Act. Mr. Pevenstein noted that ultimately, the federal rule was never revised. The structures will be adjusted on January 1, 2019 to reflect the COLA authorized by the Maryland General Assembly. The COLA is scheduled to be 2%, but could increase to 2.5%, depending on State revenues. In closing, he added that several institutions are currently paying above the market rate for certain positions, and the current salary structure minimums are above the market rate for certain positions. Regent Gooden inquired about the potential for a bonus payment, as included in the item. Ms. Herbst responded that the bonus was specified in legislative budget language.

The Finance Committee recommended that the Board of Regents increases to the USM Exempt Salary Structures on the effective date and in the amount of any cost of living increases granted by the General Assembly.

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

9. University System of Maryland: Proposed Amendments to Faculty and Staff Family and Medical Leave & Parental Leave Policies

Regent Pevenstein stated that the item involved amendments to two sets of Board policies, the faculty and staff policies on family and medical leave, and the faculty and staff policies on parental leave. The policies are required to be updated to address current employment standards and conditions. He explained that many of the amendments had been recommended by the Attorney General's Office to comply with changes in the federal Family and Medical Leave Act.

The Finance Committee recommended that the Board of Regents approve the four amended policies as presented.

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

10. University of Maryland, Baltimore: Dental Student Clinics Management Contract Renewal

Regent Pevenstein stated that UMB seeks to renew its contract with U.M. FDSP Associates for the day-to-day operations of the student dental clinics for one year. FDSP receives no compensation other than the reimbursement for personnel expenses and reasonable out-of-pocket expenses to manage and operate the Dental Student Clinics. The estimated dollar amount for the upcoming contract year is \$11.6 million.

The Finance Committee recommended that the Board of Regents approve for the University of Maryland, Baltimore the request to exercise the second one-year renewal option with U.M. FDSP Associates, P.A. as described in the item.

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

11. Towson University: Dining Services Contract Renewal

Regent Pevenstein stated that Towson was requesting approval to exercise its dining services contract with Compass Group, USA, Inc. - Chartwells Division for a period of five years. The contract is a revenue generating contract that is expected to provide \$41 million for Towson over the renewal term as well as \$6.5 million in capital investments by the contractor to Towson dining facilities.

The Finance Committee recommended that the Board of Regents approve for Towson University to renew the contract with Compass Group USA, Inc. by and through its Chartwells Division for a term of five (5) years in the amount of approximately \$87 million to commence on July 1, 2018.

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

12. University System of Maryland: Report on FY 2017 Procurement Contracts

The report was accepted for information purposes.

The meeting was adjourned at 12:32 p.m.

Respectfully submitted,

Robert L. Pevenstein
Chairman, Committee on Finance



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Minutes of the Closed Session

Regent Pevenstein called the meeting of the Finance Committee of the University System of Maryland Board of Regents to order in closed session at 10:35 a.m. in the Board Room at the Saratoga Building.

Regents participating in the session included: Mr. Pevenstein, Mr. Attman, Ms. Gooden, Mr. Gossett, Mr. Holzapfel, Ms. Johnson, Mr. Neall, Mr. Rauch, Mr. Pope, and Mr. Shorter. Also taking part in the meeting were: Chancellor Caret, Ms. Herbst, Mr. Neal, Assistant Attorneys General Bainbridge and Lord, Mr. Hickey, and Ms. McMann. Ms. Petronka and Ms. Weimer were present for a portion of the session.

1. The committee considered and unanimously recommended awarding a contract for information technology software (§3-305(b)(14)). (moved by Regent Pevenstein; seconded by Regent Gossett)
2. The committee considered and unanimously recommended awarding a contract for dining services (§3-305(b)(14)). (moved by Regent Pevenstein; seconded by Regent Gossett)
3. The committee considered and unanimously recommended the lease of property in College Park (§3-305(b)(3)). (moved by Regent Pevenstein; seconded by Regent Attman)
4. The committee considered and unanimously recommended the acquisition of property in the City of Salisbury (§3-305(b)(3)). (moved by Regent Pevenstein; seconded by Regent Johnson)

The meeting was adjourned at 11:00 a.m.

Respectfully submitted,

Robert L. Pevenstein
Chairman, Committee on Finance