



UNIVERSITY SYSTEM
of MARYLAND

BOARD OF REGENTS
COMMITTEE ON FINANCE

February 3, 2022

Meeting via Video and Conference Call

Minutes of the Public Session

Regent Attman welcomed those on the video and teleconference and called the meeting of the Finance Committee of the University System of Maryland Board of Regents to order in public session at 10:32 a.m.

Regents participating in the session included: Mr. Attman, Ms. Fish, Ms. Gooden, Mr. Gill, Mr. Gonella, Mr. Peters, Mr. Pope, Mr. Rauch, and Mr. Wood. Also participating were: Chancellor Perman, Ms. Herbst, Ms. Wilkerson, Assistant Attorney General Bainbridge, Mr. McDonough, Ms. Amyot, Mr. Colella, Ms. Dettloff, Mr. Donoway, Mr. Lowenthal, Mr. Oler, Ms. Rehn, Dr. Rhodes, Mr. Savia, Mr. Sergi, Dr. Wormack, Mr. Kunz, Ms. Grio, Mr. Rose, Mr. Leone, Ms. Auburger, Mr. Beck, Ms. Denson, Mr. Eismeier, Ms. Norris, Mr. Page, Ms. West, Mr. Lurie, Ms. McMann, and other members of the USM community and the public.

1. Proposed Amendments to the Finance Committee Charge, Role, and Responsibilities and Article X. Section 5. of the Bylaws (action)

Regent Attman shared that the Board's Governance and Compensation Committee had asked that each Board committee review and update its charge as appropriate on an annual basis. He reminded everyone that at previous meetings, there had been discussion about the Finance Committee continuing to receive ICA-related financial data from the new Committee on Intercollegiate Athletics and Student-Athlete Health and Welfare. Regent Attman reviewed the highlighted and amended language in the material. Following a brief discussion regarding the scope of the reporting, members of the committee requested that "Division I" programs be replaced with "Athletic" programs to reflect the broader range of the new committee. Regent Attman explained that with the implementation of a new committee, the first year may be somewhat of a learning year, and similar to the Education Policy and Student Life Committee, the Finance Committee could assess after the first year to be sure that nothing had fallen through the cracks during the transition.

Furthermore, regarding the requirement that "there shall be at least one member with financial expertise and experience [appointed to the committee]," the members, through discussion, confirmed for the record that the requirement had been met.

The Finance Committee recommended that the Board of Regents approve the charge and amendments, with amended language as follows, to Article X. Section 5. of the bylaws for the Committee. REPLACE "DIVISION I PROGRAMS" WITH "ATHLETICS PROGRAMS" ON PAGE 2, SECTION M., AND PAGE 5 SECTION H., IN THE ATTACHMENT.

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

Vote Count = YEAs: 8 NAYs: 0 Abstentions: 0

2. FY 2021 Audited Financial Statements and USM Financial Planning (information and presentation)

Regent Attman stated that this information item concerns the System’s annual audit of its financial statements for the year that ended June 30, 2021. He explained that Ms. Denson would review the key takeaways from the audited financial statements, and Vice Chancellor Herbst together with Mr. Page would take the committee members through a discussion about financial planning in the System and the current state of the USM’s financial strength.

Vice Chancellor Herbst reported that in advance of the bond sale, she, and the Chancellor together with members of the financial team met with the three major credit rating agencies in January. She informed the members of the committee that each of the rating agencies—Moody’s, S&P, and Fitch—affirmed the USM’s existing strong ratings with a “stable” outlook. Vice Chancellor Herbst also reported that in the following week the System would auction approximately \$120 million of revenue bonds, including \$97 million of new money bonds and the refinancing of more than \$24 million of previously issued bonds.

Turning to the System’s Audited Financial Statements, Vice Chancellor Herbst explained that the statements are important to investors and the financial community, potential partners, as well as the Board and USM leadership in assuring effective and responsible financial management. The System’s financial statements are also included in the state’s audited financial statements. Vice Chancellor Herbst explained that over the years the System had built up financial strength that gave it the ability to withstand and manage through the pandemic, without jeopardizing the institutions’ ability to resume their operations in a regular capacity as they emerge out the other side.

She then turned to Ms. Denson, USM Comptroller, who reviewed key takeaways from the audited financial statements. Ms. Denson conveyed that the USM received a clean/unqualified opinion once again, from the System’s auditors, CLA. She walked the group through the financial charts provided with the meeting materials. While the USM reported a decline in unrestricted fund balances of \$26 million, this was considered a positive outcome largely due to the great financial leadership throughout the System and the receipt of Federal CARES Acting funding.

Mr. Page presented a series of slides on the USM’s financial planning and its relationship to the financial statements—showing how the statements are used to guide the financial management and planning for the System, thereby ensuring that certain actions or decisions do not unintentionally diminish the System’s financial strength. Mr. Page shared that while a number of complex decisions are made throughout the year, the USM’s approach to the financial planning is designed around three key decision points: fund balance goals for each institution, annual cycle for input into financial management (e.g., enrollment projections, capital improvement plan), and the systemwide financial planning metric.

Mr. Page’s presentation is available online at <https://www.usmd.edu/regents/agendas/20220203-FC-PRESENTATION.pdf>

The Finance Committee received the item for information purposes.

3. University System of Maryland: FY 2022 & FY 2023 Operating Budget Update (information)

Regent Attman introduced the informational update on the FY 2023 operating budget, offering his appreciation of the Governor and elected officials for their continuing and incredible support of the USM. He then turned to Vice Chancellor Herbst, who reviewed the FY 2022 deficiency funding included in the Governor's Budget Bill for salary increases effective 2022, including the funding of a one-time bonus. Vice Chancellor Herbst examined the FY 2023 Governor's Allowance, which includes revenue from state appropriations, tuition and fees, auxiliary services, federal and other contract and grants, and other revenues for a total budget of \$6.2 billion. She explained that there is a separate item where the Governor is recommending an additional \$198 million in support of COLA and merit, included in the DBM Personnel Budget. Vice Chancellor Herbst pointed out that the Governor's Allowance includes a reinstatement of full funding from the Board of Public Works base budget cut in FY 2021. For the Governor's budget, tuition increases are assumed at 2% for resident undergraduate students and 5% for nonresident undergraduate students. She noted that the universities will submit, and the Board will vote on proposed tuition rates in the spring. The tuition rates are subject to Board review and approval. Vice Chancellor Herbst reminded everyone that the funding proposed for the USM is still under consideration by the Maryland Legislature; the USM community will be working with the elected officials to minimize any recommended reductions or reallocations of the proposed USM budget in the Governor's Allowance.

The Finance Committee received the item for information purposes.

4. University System of Maryland: FY 2023 Capital Budget Update (information)

Regent Attman introduced the informational update on the FY 2023 capital budget, again acknowledging the elected officials' support, offering that together with the operating budget, the capital plan would advance the mutual priorities of education, innovation, workforce development, and economic growth. Vice Chancellor Herbst indicated that the Governor's FY 2023-27 Capital Improvement Program includes a number of added project funds with no reductions or deferrals, which is quite favorable for the System and will help address a substantial number of critical needs. As noted in the item, the five-year total is \$1.24 billion. Projects advanced by the Governor include the UMCP Interdisciplinary Engineering Building and UMBC's Sherman Hall Renovation. Projects added by the Governor include UMB Social Work Replacement Building, Coppin's Residence Hall, Frostburg's facilities renewal, and \$65M in PAYGO cash funding for the USM Capital Facilities Renewal Program. Lastly, a number of construction cost adjustments on several projects, based on market impacts and projected cash flows, were also included in the CIP.

The Finance Committee received the item for information purposes.

5. University System of Maryland: Review of Capital Improvement Projects and Brief Update on the Construction Cost Management Task Force (information)

Regent Attman reviewed the status report, as prepared by the Capital Planning Office, on the major projects underway System-wide. Included are contract awards, completions, and detailed project schedules. The report reflects activity for the twelve-month period starting December 1, 2020 and ending November 30, 2021. As of November 30, 2021, there are a total of seventy-four major projects System-wide either pending design, or in design or construction, that are managed by the service centers or delegated to the institutions. The information attached to the item includes schedules and project data for ongoing activities, including a list of new projects and a list of completed or cancelled projects. A summary page highlights a number of important facilities' metrics for the System last year.

During 2021, there were several facilities milestones, notably Towson University opened its largest academic building, the new \$202M Science Building, in early 2021. Towson also broke ground on its new College of Health Professions in October. Mr. Beck pointed out that UMBC opened its Center for Well-Being—a fully modular building constructed offsite and delivered to, and reassembled on, campus. That project is a "first" of its kind for the System. Regent Attman encouraged everyone to watch the 2-minute video clip that is linked in the item. Regent Attman also noted that at any given time, there are as many as \$2-2.5 billion worth of projects in design or construction System-wide. The State estimates that workload represents nearly 4,500 full-time positions supported in the Maryland economy.

Turning to the second part of the item, Regent Attman reminded everyone that in an effort to help the System and the State get the most out of every construction dollar spent, members of the Committee on Finance and Board convened a Construction Cost Management Task Force. The group has met twice, in late June and again in November. He then asked Regent Rauch, who is leading the effort, to update the Committee on the progress of the Task Force's work. Regent Rauch provided a brief update. He expressed his enthusiasm to be part of the effort—noting that he had been impressed with the Service Center discussions to date, with areas being reviewed in an effort to help improve what is already an effective and efficient function supporting the USM institutions. Regent Attman thanked Regent Rauch for his leadership in this initiative and added that he looked forward to the next session of the group.

The Finance Committee received the item for information purposes.

6. Policing Collaboration between the University of Maryland, Baltimore and the University of Baltimore (information)

Regent Attman welcomed and recognized several members of the leadership teams at each institution, including Ms. Amyot, vice president, and Acting Captain Kunz of the University of Baltimore; Dr. Rhodes, senior vice president, Chief Leone, and Mr. Rose, university counsel of the University of Maryland, Baltimore; and Ms. Grio of the Office of the Attorney General. Regent Attman provided an overview of the item. The two universities are planning to execute a Memorandum of Understanding that will set forth a collaborative arrangement between them for policing services. Regent Attman pointed out that the initiative is aligned with the Board's interest in effectiveness and efficiency. Chief Leone stated that the two parties had been working hand in glove and that this collaboration makes sense particularly given the proximity of the two campuses. Acting Captain Kunz echoed Chief Leone's comments and added that he was looking forward to the venture.

The Finance Committee received the item for information purposes.

Regent Attman thanked everyone for joining. The public meeting was adjourned at 12:11 p.m.

Respectfully submitted,

Gary L. Attman
Chair, Committee on Finance