



**BOARD OF REGENTS
COMMITTEE ON FINANCE**

Minutes from Public Session
June 11, 2015
University of 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 10:04 a.m. Senator Kelly 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. Senator Kelly moved and Regent Attman seconded to convene in closed session. In response to the motion, the Committee members voted unanimously to convene in closed session at 10:04 a.m. for the reasons stated on the *Convening in Closed Session statement*. The session adjourned at 10:24 a.m.

The Committee reconvened in public session at 10:30 a.m. Those Regents participating in the session included: Senator Kelly, Mr. Attman, Ms. Ahmed, Mr. Gossett, Mr. Kinkopf, Mr. McMillen (via telephone), Mr. Rauch, and Mr. Slater (via telephone). Mr. Pevenstein and Ms. Comitz were also in attendance. Also present were: Dr. Kirwan, Mr. Vivona, Ms. Doyle, Ms. Moultrie, Mr. Hogan, Assistant Attorney General Bainbridge, Assistant Attorney General Motsko, Mr. Appleton, Mr. Colella, Ms. Byington, Ms. Kropp, Mr. Oster, Ms. Phelps, Ms. Crockett, Ms. Schaefer, Mr. Schuckel, Ms. Augenbaugh, Mr. Page, Mr. Salt, Mr. Beck, Ms. Denson, Mr. Lurie, Ms. McMann, and other members of the USM community and the public.

Prior to the presentation of the agenda items, Mr. Vivona announced that due to their impending retirements, this would be the final meeting of the committee for Ms. Motsko and Mr. Salt. He recognized their fine service to the USM and the Board, and thanked both for their dedication. Several members of the committee expressed their gratitude as well.

1. FY 2017 Capital Budget Request; and FY 2017-2021 Capital Improvement Program (action)

Mr. Vivona summarized the item. The Capital Improvement Program is the USM request for academic buildings. While some projects may have donor funding, the program is primarily funded by the State and through USM academic revenue bonds.

This item follows the committee's May capital workshop that many Board members attended. He commented that there was a very good and thorough discussion of the capital program. Mr. Vivona stated that for the most part, he and the staff were unable to respond to requests made by institutions at the workshop, due to financial constraints on the budget. He explained that the advancing of any project in the queue would need to be met with a movement out or back of another project. Requests made by UMCP for the advancement of \$68 million for the Clark and Iribe facilities were not accommodated for this reason—another project in the budget would likely be removed. In addition, requests for use of fund balance would have a serious impact on the USM credit rating.

Mr. Vivona proceeded to highlight one important change in the proposal—a request by UMES to replace their top priority with a new School of Pharmacy and Allied Health facility to respond to an accreditation issue. Many of the Regents had voiced their support for the inclusion and swap of this project during the workshop.

He also made note of a statement in the body of the agenda item regarding the status of fundraising for the Cole Field House renovation/Sports Medicine project at College Park. Essentially, the Board may consider a project schedule change if the minimum is not attained by the July 1, 2015 benchmark date. Mr. Vivona and Chancellor Kirwan indicated that they had each met recently with members of the UMCP administration and fundraising staff. Both expressed confidence in the fundraising capabilities. Mr. Vivona discussed several benchmark dates in the project, and expressed that there was significant evidence showing the project should proceed. Mr. Vivona also indicated that the overall peak loan amount may need to be increased, due to the manner in which the State will be funding the project. The State's funds will come in the final year, instead of incrementally and annually during the planning and construction phases. Senator Kelly reaffirmed his support for the project and noted that it will be the only sports medicine facility of its type in the country—and an excellent example of MPower. Regent Ahmed asked what would happen if the \$55 million goal is not met in time? Would the issue return to the Board? Mr. Vivona responded that everyone was watching very carefully, and yes, if that were the case, the Board would be involved. Mr. Kinkopf shared that he had similar concerns, and was pleased to hear Mr. Vivona's response.

Moving along, Mr. Vivona shared the committee's concern regarding the lack of progress toward a full 2% of replacement value spending for building maintenance in the operating budget in the ten years since the policy addressing facilities renewal was established by the Board. As such, he pointed out that he and the staff had formalized this concern of the Board with a note in the body of the item stating that "Approval of the Academic Revenue Bond-funded Facility Renewal line item is made with the expressed warning of the Board that institutions fully implement the program for maintenance spending in the operating budget as outlined in Board Policy...." Many members of the committee articulated a need to have institutions fully fund the facilities renewal accounts as this seems to be an ongoing issue. Mr. Vivona suggested that one approach under consideration is to increase the fund balance requirement for each institution, with a portion of that funding to be directed to a designated facilities renewal fund. These monies would not be in the general fund balance or taken into consideration by the credit rating agencies, but rather a dedicated fund that institutions would contribute to annually and draw down as need for facilities renewal projects.

2. FY 2016 System Funded Construction Program Request (action)

Mr. Vivona explained that the request for approval of the FY 2016 System Funded Construction Program includes projects proposed for planning, construction and/or equipment funding in FY 2016—so, once it's voted on, it's "live." The System Funded Construction Program request is funded by USM resources. Many of these projects will be funded via the 37th bond resolution, which is the next item on the agenda. 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 the only substantive change to the program as indicated in red on the chart. He pointed out that the item is a minor adjustment in an ongoing stadium renovation project at Salisbury. The SFCP included the final \$1 million appropriation of the proposed project funded with auxiliary and

plant fund reserves. The University has reported that an additional \$400,000 is needed to complete the project that is under construction and slated to open next Spring.

Prompted by a question from Regent Attman, there was a discussion of the requests by Coppin State and Frostburg State universities for new student residence halls. “What is still under consideration” and “how about more immediate consideration” were two refrains. Ms. Phelps, VP of Coppin, addressed the committee. She indicated that the market demand studies for student housing should be updated along with a review of occupancy under current conditions. She mentioned that there is also the question of whether new freshmen (without dependents) should be required to live in on-campus residence halls. Living in on-campus housing has proven to be beneficial to student success—pointing to athletes as one example.

Turning to Frostburg, Regent Slater pointed out that FSU’s request for a new residence hall has appeared in the section titled, “Bond/PPP Requests Still Under Review” for three years at this point. He added that during a recent trip to the campus, his wife’s former dorm of 50 years ago—along with several others—is still in use today. Regent McMillen noted that FSU has \$4 million currently available for a residence hall, no debt on its halls, and wondered why those funds could not be utilized for a new dorm. Mr. Vivona responded that the \$4 million currently sits behind \$1.2 billion of debt systemwide. His advice was to wait and see the results of the year-end closing, and proceed from there. He reminded everyone that the fund balance of the System stands behind all of the debt, and there are institutions that make their annual fund balance goals and some that do not. He added that the bond funds available for self-support projects were reduced due to a need for greater ARB funding. Importantly, he pointed out that new demand studies were in order before any decisions on new residential projects.

Regent Slater asked if this information would be available by December, and if so could the committee discuss moving forward with the housing requests at that point. Mr. Vivona indicated yes, and that the committee could either wait until the next SFCP cycle in the spring or request an off-cycle project consideration. Regent Slater offered an amendment to the stated recommendation, which was met with the full support of the committee and added to the existing recommendation [language appears in all CAPS below].

Following the discussion of the two agenda items, Senator Kelly called for a motion and vote on both items.

The Committee on Finance recommended that the Board of Regents approve the FY 2017 Capital Budget Request and the proposed FY 2017-2021 Capital Improvement Program and authorize the Chancellor to make appropriate changes consistent with existing Board policies and guidelines (including modifications to project costs/schedules via State processes). Any related changes will be reported to the Committee on Finance.

The Committee on Finance recommended that the Board of Regents approve the FY 2016 System Funded Construction Program request with the conditions listed and authorize the Chancellor to make appropriate changes consistent with existing Board policies and guidelines. Any such changes will be reported to the Committee on Finance. THE COMMITTEE FURTHER RECOMMENDED THAT THERE SHALL BE A DISCUSSION REGARDING THE CONSTRUCTION OF STUDENT RESIDENCE HALLS AT COPPIN STATE UNIVERSITY AND FROSTBURG STATE UNIVERSITY DURING THE NOVEMBER/DECEMBER MEETINGS OF THE COMMITTEE.

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

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

Mr. Vivona stated 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 again pointed out that with more funding directed to the academic projects through an increase in academic revenue bonds—supporting academic projects on USM credit—the amount of bond funding available for self-support auxiliary projects was lower than normal.

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

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

4. University of Maryland Eastern Shore: Leasing of Off-Campus Student Housing (action)

Mr. Vivona stated that UMES is seeking the Board’s approval to sign a lease of about 400 beds in two separate apartment facilities nearby the campus. UMES had been doing this in years past, but it was time to formalize those arrangements. The apartments would provide housing for those students seeking a stable off-campus location to reside during the academic year. He explained that it would be easier for the students to sign with the University, who in turn would collect the rental payments. The lease amounts would be recovered via student charges. In response to Regent Gossett’s question about rent payment, Mr. Appleton, VP of UMES, responded that the rental rate would be set at \$6,400. He noted that the campus provides resident assistants and student life programming in the apartments, so as to make more of a connection with the students to the campus. Regent Rauch applauded the University for finding a creative opportunity to provide housing to its students.

The Finance Committee recommended that the Board of Regents approve for UMES to lease the Arden’s Run and Talons Square apartments to provide off-campus housing under a 2-year lease with one 2-year renewal option; and, authorize the Chancellor to execute, after appropriate legal review, all documentation required consistent with the University System of Maryland Policy, “Acquisition and Disposition of Real Property.” UMES will return to the Board for approval prior to the execution of the renewal option. The University of Maryland Eastern Shore shall continue to work with the USM Office of the Chief Operating Officer/Vice Chancellor for Administration and Finance during the leasing process.

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

5. Proposed FY 2016 Contract between the University of Maryland, Baltimore and the University of Maryland Medical System Corporation (action)

Senator Kelly noted that the contract was quite large and indicated that he thought everyone was familiar with the contract. He acknowledged the countless hours that Regent Pevenstein and many others had put in to the effort to reach this point. The item was recommended without further discussion.

The Finance Committee recommended that the Board of Regents authorize the President of University of Maryland, Baltimore to execute the Annual Contract for FY 2016.

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

6. Brief Discussion of Development of Policy on High Impact Economic Development Activities (information)

Mr. Vivona indicated that he wanted to prepare everyone for a policy coming forward that is currently under development. It follows the passage of legislation that is supportive of the USM in its economic development opportunities. He explained that the Chancellor would be authorized to designate a transaction as a *HIEDA transaction* which could accelerate negotiations to bring new jobs to the State for instance. This effort will give the universities more leverage to do more economic impact activity. The plan is to return to the Board in September with a policy for its consideration.

The item was accepted for information purposes.

The public session was adjourned at 11:28 a.m.

Respectfully submitted,

Senator Frank X. Kelly
Chairman, Committee on Finance