



UNIVERSITY SYSTEM
of MARYLAND

BOARD OF REGENTS
COMMITTEE ON FINANCE

January 26, 2017

UMUC

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 10:15 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 Brady seconded to convene in closed session. In response to the motion, the Committee members voted unanimously to convene in closed session at 10:15 a.m. for the reasons stated on the *Convening in Closed Session statement*. The session adjourned at 10:51 a.m.

The Committee reconvened in public session at 10:55 a.m. Regents participating in the session included: Mr. Pevenstein, Mr. Brady, Mr. Attman, Ms. Gooden, Mr. Gossett, Mr. Holzapfel (via telephone), Ms. Johnson, Mr. Neall, and Mr. Rauch. Also present were: Chancellor Caret, Mr. Vivona, Ms. Doyle, Ms. Moultrie, Mr. Sadowski, Assistant Attorney Generals Bainbridge, Lord, Palkovitz and Mataban; Mr. Appleton, Mr. Danik, Mr. Oster, Ms. Schaefer, Mr. Shoenberger, Mr. Lockett, Ms. Rehn, Mr. Maginnis, Mr. Petrov, Mr. Principe, Mr. Page, Ms. Denson, Mr. Hickey, Ms. Skolnik, Mr. Beck, Mr. Lurie, Ms. McMann, and other members of the USM community and the public.

1. Amendments to USM Policy VIII-2.70—Policy on Student Classification for Admission and Tuition Purposes

Regent Pevenstein explained that this policy is used to determine initial residency classification at the time of admission, as well as a change of classification for tuition purposes. The proposed revisions clarify certain criteria used for these purposes. He went on to say that the changes to the policy align with state regulations pertaining to the driver's license and/or motor vehicle registration. For instance, the Maryland Motor Vehicle Administration requires individuals to change their driver's license and motor vehicle registration within 60 days of moving to the State. The amended policy includes language to reflect that "grace period." He added that the voter registration time requirement had been removed, since there are no state requirements to do so within a certain period of moving into the State of Maryland.

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

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

2. Coppin State University: Facilities Master Plan Update

Regent Pevenstein reminded everyone that Dr. Thompson presented the campus master plan at November's meeting and noted that there had not been any comments or concerns expressed to him.

The Committee on Finance recommended that the Board of Regents approve the Coppin State University Facilities Master Plan Update and materials as presented to the Committee in November, in accordance with the Board's two-step approval process. Approval of the Plan does not imply approval of capital projects or funding. These items will be reviewed through the normal procedures of the capital and operating budget processes.

(Regent Pevenstein moved recommendation, seconded by Regent Brady, unanimously approved)

3. Towson University: Funding Authorization for Millennium Hall Repairs and Potential Ground Lease Amendment

Regent Pevenstein asked Mr. Page and Mr. Oster to address the agenda item. Mr. Page began by describing the general nature of Public Private Partnership (P3) arrangements in place. He stated that P3s for student housing have been used for 13 individual projects providing almost 8,000 beds throughout seven campuses. Basically, the structure of the transaction is to lease ground to an owner, who in turn contracts with a developer and operator. The latter interacts with the students directly, and pays the bills and debt service on debt issued to fund the project. Any funds that remain are paid to the institution in the form of ground rent. A typical ground lease is 40 years, and the debt is usually 30-year term debt. Mr. Page acknowledged that the credit rating agencies take into account P3 projects when considering the USM's debt.

Mr. Page pointed out that Millennium Hall was one of the first P3 student housing projects. Collegiate Housing Foundation oversaw construction and was the project owner until 2012. As part of a consolidation and refinancing of P3 debt, MEDCO then became project owner.

Turning to the issues at Millennium Hall, Mr. Page informed the committee that the building is in need of two general categories of repair. First, is a replacement of a building facing that is not watertight and is allowing mold to develop. The second repair is the replacement of windows that are also not watertight due to the method of installation. Mr. Oster indicated that they had found a lot of water coming into the residence hall, and explained that the work needs to be started as soon as students finish the semester and move out in May. The goal is to complete the project over two summers, therefore causing as little disruption to the students as possible. For a funding vehicle, MEDCO intends to combine the issuance of new money debt for the project with a current refunding opportunity on approximately \$29 million. This action is necessary to fund the needed repairs to Millennium Hall, since the attorneys and MEDCO are of the belief that the pursuit of warranty claims against a now-bankrupt developer would not be worthwhile.

The Finance Committee recommended that the Board of Regents approve (i) the issuance of up to \$7.0 million of additional MEDCO debt to fund needed repairs at Towson University's Millennium Hall and (ii) an amendment of the ground lease to facilitate refinancing of the 2007 Series B bonds; subject to the agreement of Towson University and the USM COO on the final set of repairs, amount to be borrowed, and any extension of final maturity of the new borrowing beyond the maturity of existing project debt.

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

4. University of Maryland, College Park: Transfer of Property to Prince George’s County, Maryland

Regent Pevenstein indicated that the University is seeking to return a 3.9-acre parcel of land to the County. The property was given to the University in 1984 and currently houses community-based programs. These programs are more aligned with the County than part of the University’s higher education mission. He noted that the deed requires that the property be reverted to the County.

The Finance Committee recommended that the Board of Regents approve for the University of Maryland, College Park the disposition of approximately 3.9 acres of University property known as the Center for Educational Partnership to Prince George’s County; and, delegate to the Chancellor the authority to execute, after appropriate legal review, all documentation required for the disposition, consistent with applicable University System of Maryland Policy “Acquisition and Disposition of Real Property.”

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

5. Discussion of FY 2016 USM Audited Financial Statements

Mr. Page introduced the item and asked Ms. Denson to briefly discuss the highlights of the Audited Financial Statements. Ms. Denson mentioned that the annual audit was completed by an independent audit firm, SB & Company. She drew attention to the pages in the financial statements that include the institutions of the System, as well as the Balance Sheet and Income Statements of the 19 affiliated foundations. Ms. Denson stated that when considering the financial strength of the System, the rating agencies take into account both the System institutions, as well as assets and debt of the affiliated foundations.

Ms. Denson noted that the total net position increased by \$516.7M and that all institutions met their individual fund balance goals for the fiscal year. She went on to say that the net pension liability for FY 2016 and FY 2015 is \$966M and \$718M, respectively. The increase is the result of the overall increase in the state’s unfunded liability; however, the System is obligated only to fund pension contributions based on a percent of covered payroll. Turning to the “Financial Snapshot,” Ms. Denson pointed out that the financial statements show an improvement in the key Balance Sheet strength ratio used by the rating agencies—increasing from 158% to 163%. She recognized that taking into account Board-approved commitments and authorizations that had yet to be reflected, a truer financial standing would show an increase from 98% to 112%.

The Report was accepted for information purposes.

6. University of Maryland University College: Proposed Institutional Human Resources Policies

Regent Pevenstein provided opening remarks. Similar to the process of receiving and vetting campus master plans over a two-cycle period, Regent Pevenstein indicated that the committee would first hear a presentation from the institution today, and then take action on the proposed policies at its next meeting. This would allow time for the committee members to review and digest the information prior to taking any action on the proposed policies. He then invited President Miyares to address the group. President Miyares described the business challenges that UMUC faces, as it operates in a highly competitive and dynamic global environment—UMUC’s competitors have the ability to respond to market changes in a quick and efficient manner. He delivered a presentation that provided the

background, research, and development process of the new policies. President Miyares indicated that over a two-year period, they held Town Hall meetings and had extensive conversations with councils, gathering continuous feedback. He outlined the major changes in the areas of performance-based culture, a redesigned pay program, and the alignment of stateside and overseas policies. President Miyares expressed that the benefits of the new HR business model would include opportunities for UMUC to attract and retain top talent, incorporate reward and recognition programs, create and maintain a performance-based culture, and increase responsiveness to business demands by rapid deployment of new and creative solutions. In response to a question about maintaining and updating the policies, President Miyares responded that the HR staff would constantly review the policies with the president and executive committee, and any necessary changes would be approved by the chief HR officer and the president.

Regent Pevenstein thanked President Miyares, and indicated that Mr. Vivona and the staff would continue their review of the package as well, and return to the committee in March.

The Presentation and materials were accepted for information purposes.

[The presentation is available online <http://www.usmd.edu/regents/agendas/fc20170126>]

Mr. Vivona briefly mentioned that the three major credit rating agencies had just reaffirmed the System's bond rating.

The meeting was adjourned at 11:45 a.m.

Respectfully submitted,

Robert L. Pevenstein
Chairman, Committee on Finance



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UMUC

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 10:15 a.m. in Chesapeake Salon A.

Regents participating in the session included: Mr. Pevenstein, Mr. Brady, Mr. Attman, Ms. Gooden, Mr. Gossett, Mr. Holzapfel (via telephone), Ms. Johnson, Mr. Neall, and Mr. Rauch. Also taking part in the meeting were: Chancellor Caret, Mr. Vivona, Ms. Moultrie, Ms. Doyle, Assistant Attorney Generals Bainbridge, Lord, Palkovitz, and Mataban; Mr. Beck, Mr. Hickey, Mr. Page, Ms. Denson, Ms. Skolnik, and Ms. McMann. Mr. Halsey, Ms. Petronka, Mr. Haley, and Mr. Ashmore were present for a portion of the meeting.

1. The committee considered and unanimously recommended the acquisition of property via lease in the City of Hagerstown (§3-305(b)(3)). (moved by Regent Pevenstein; seconded by Regent Johnson)
2. The committee considered and unanimously recommended awarding multi-vendor contracts for IT hardware and services (§3-305(b)(14)). (moved by Regent Pevenstein; seconded by Regent Brady)
3. The committee considered and unanimously recommended awarding a contract for scientific supplies and equipment, (§3-305(b)(14)). (moved by Regent Pevenstein; seconded by Regent Attman)

The meeting was adjourned at 10:51 a.m.

Respectfully submitted,

Robert L. Pevenstein
Chairman, Committee on Finance