



UNIVERSITY SYSTEM
of MARYLAND

**BOARD OF REGENTS
COMMITTEE ON FINANCE**

November 4, 2021

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 10:36 a.m.

Regents participating in the session included: Mr. Attman, Ms. Gooden, Ms. Fish, Mr. Gill, Mr. Neall, Mr. Peters, Mr. Rauch, and Mr. Wood. Also participating were: Chancellor Perman, Ms. Herbst, Ms. Wilkerson, Assistant Attorneys General Bainbridge, Langrill, and Palkovitz, Dr. Boughman, Ms. Mulqueen, Mr. McDonough, Dr. Schatzel, Ms. Amyot, Mr. Colella, Mr. Danik, Mr. Donoway, Mr. Jones, Mr. Lowenthal, Mr. Oler, Mr. Primus, Dr. Rhodes, Mr. Savia, Mr. Sergi, Dr. Wormack, Mr. Casey, Mr. McCann, Mr. Miller, Ms. Fouladi, Mr. Salvador, Mr. Anidu, Mr. Maginnis, Ms. Hersch, Mr. Beck, Ms. Denson, Dr. Foster, Mr. Eismeier, Mr. Hickey, Mr. Muntz, Ms. Norris, Mr. Page, Ms. Skolnik, Ms. West, Mr. Lurie, Ms. McMann, Mr. Rao, and other members of the USM community and the public.

1. Towson University: Facilities Master Plan (presentation and information)

Regent Attman welcomed President Schatzel, Mr. Lowenthal, and Mr. McCann. In reference to the Master Plan, Regent Attman expressed his appreciation for the University's focus on renewing and replacing older buildings and their attention to energy efficiency. He also singled out the campus' emphasis on building strong relationships with its community. Before turning President Schatzel for the presentation, Regent Attman reminded the members of the Committee of the two-part approval process for master plans. The Plan is presented for information, and then the item will return at the following meeting for recommendation to the full Board for approval. He also added that approval of the Plan does not imply approval of capital projects or funding, as these items are reviewed through the normal procedures of the capital and operating budget processes.

President Schatzel presented an overview of the University's proposed 2020-2030 Facilities Master Plan. For the first time, the development of a campus development plan coincides with the concurrent development of the Towson Strategic Plan and the University's Middle States Re-Accreditation process, providing an opportunity to blend ideas, principles, and a number of key goals across all three plans. A number of proposed facilities, outlined in the Plan, help address the current and projected space deficits, based on State guidelines, in key academic areas. A main component of the Plan focuses on building condition and the ability of the campus physical plant to adapt to the quickly changing delivery methods in education and related activities. President Schatzel described a plan with a strong focus on facilities renewal, sustainability, and leveraging technology to strengthen the resilience and flexibility of facilities to meet future challenges. The Plan also supports the growth of the institution to a category

"R2: Doctoral University" by expanding research capabilities. Finally, the Plan has been developed in close coordination with a wide range of campus and off-campus interests, including student groups, faculty, staff, and local community organizations. Regent Attman thanked President Schatzel and commended the Towson team on its Facilities Master Plan.

The Finance Committee accepted the item for information purposes.

Before moving to the next item on the agenda, Regent Attman said that he would like to take the opportunity to provide an "educational briefing," as the committee does from time to time, on the topic of USM Revenue Bonds. He then turned to Vice Chancellor Herbst, who recognized Mr. Page, Ms. Denson, and Ms. Norris, of her financing, debt, and fund balance management team.

Vice Chancellor Herbst stated that the USM issues Revenue Bonds under the Authority of the Maryland Education Code and within the guidelines set in the Indenture of Trust between the System and the Trustee. Revenue Bonds are a form of borrowing where the USM pledges its revenue against the bonds. Typically, the USM issues tax exempt bonds, where the owner of the bond will not pay taxes on the interest payments. Vice Chancellor Herbst explained that tax-exempt debt is subject to IRS rules on the use of the assets financed with the debt proceeds—referred to as private-use rules—and is also limited in terms of refinancing opportunities. Specifically, "Advance Refundings" are not allowed for tax-exempt debt. In certain instances, the USM issues taxable debt, such as in the case of an advanced refunding or governmental incentive programs, such as the Build America Bonds. By contrast, Project Financing is debt that is issued to finance a single, specific project; Public-private partnerships (P3s) for student housing are an example of a Project Financing. Project financings depend on the financial strength of the project being financed, and typically the purchasers of project financing debt require protection in the form of reserves for debt service, and renewal and replacement. As a result, this ultimately increases the amount that must be issued/borrowed for the project's direct spending needs—unlike broadly-backed debt such as the System's Revenue Bonds which do not have debt service or other reserve requirements.

Vice Chancellor Herbst then returned the focus to Revenue Bonds. The bonds can be issued to provide funding for auxiliary and academic facilities—including acquiring, building, constructing, reconstructing, equipping, maintaining, repairing, renovating, and operating the facilities. She noted, importantly, that Revenue Bonds may only be issued for project funding after projects have been approved. Academic Projects must be approved by the Board, DBM, Governor, and the legislature. Auxiliary Projects, such as residence halls and student unions, must be approved by the Board. The project approvals are then formalized as bond resolutions. Vice Chancellor Herbst stated that Revenue Bonds are repaid from a number of sources, including academic tuition and fees, auxiliary facilities fees, State Appropriations expressly authorized for that purpose; and the revenues from contracts, grants, or gifts received or to be received. The System Office collects debt service for academic projects under a pooled approach, where each institution (other than UMGC) is allocated a portion of the System-wide principal and interest needs for academic projects. Principal and interest payments for auxiliary projects are allocated to each institution and activity based on the project's use of the bond proceeds. Payments are collected from the appropriate institution on a dollar-for-dollar basis. For this reason, affordability is an important consideration facing each auxiliary project decision—there must be a related/appropriate institutional revenue stream to pay the debt service. The projects to be financed and the source of the bond payments are outlined in the Bond Resolution; there are some term limitations. Vice Chancellor Herbst indicated that the System is currently allowed to issue up to \$1.4 billion of debt, which includes bonds, long term notes and leases. She reminded everyone that as had been shared earlier, the USM would be seeking a \$200 million increase to the current debt cap. In closing, Vice Chancellor Herbst offered a "deeper dive" on the topic to any regents who would like to hear more.

2. Towson University: Increase Authorization for University Union Expansion and Renovation Project (action)

Regent Attman summarized the item. The University is seeking authorization to increase by \$8 million the total project cost of their University Union Expansion and Renovation project from \$112.7 million to \$120.7 million. Towson is requesting Auxiliary Revenue Bonds for this increase. The project is currently in construction. Regent Attman referred to the detailed description provided in the material, which outlines many of the benefits the projects will have for students on campus, along with the many challenges and changes which are increasing the funding needed to complete this project. Regent Attman pointed out that the largest contributing expenditure related to the abatement of asbestos; it is often difficult to estimate the extent of these matters until demolition begins. In response to Regent Gooden’s question about the size of the contingency budget, Mr. Miller, UMB Service Center, responded that they believe that the amount was adequate given the stage of the project.

The Finance Committee recommended that the Board of Regents approve the increase to Towson University’s Union Expansion and Renovation Project authorization to \$120.7 million, as described in the agenda item.

(Regent Attman moved recommendation, seconded by Regent Gooden; unanimously approved)
Vote Count = YEAs: 7 NAYs: 0 Abstentions: 0

3. University of Maryland, Eastern Shore: Increase in Project Authorization for Campus Conversion to Natural Gas (action)

Regent Attman welcomed Mr. Primus, UMES Vice President, and Mr. Salvador of the UMCP Service Center. Regent Attman described that UMES is requesting Board approval for an increase in authorization for its Natural Gas Conversion Project, from a prior amount of \$6,200,000 to a new total of \$8,045,431. Funding will come from an additional Maryland Energy Administration grant and from USM auxiliary bonds. Last December, the Board of Public Works approved a tidal wetlands license necessary for the construction of a pipeline that would carry natural gas through Salisbury to Somerset County. The project is currently in construction and will provide natural gas that will act as a cleaner bridge fuel for the region until renewable energy options are more feasible. Vice President Primus added that UMES is happy to be an anchor for such an important project and part of a program to use cleaner energy.

The Finance Committee recommended that the Board of Regents approve an increase in the project authorization for the University of Maryland Eastern Shore Natural Gas Conversion Project to a new total of \$8,045,431, as described in the agenda item.

(Regent Attman moved recommendation, seconded by Regent Peters; unanimously approved)
Vote Count = YEAs: 7 NAYs: 0 Abstentions: 0

4. University System of Maryland: Amendment to the Forty-Third Bond Resolution—Auxiliary Facility and Tuition Revenue Bonds (action)

Regent Attman reviewed the item, describing the two parts of the request. The first part of the request consists of increasing the Towson Union Project bond authorization by \$8 million and increasing the authorization for the UMES Natural Gas Conversion project by \$1,045,430. The second aspect of the amendment is an Official Intent Resolution. This provides the USM with the flexibility to pay invoices with cash balances, and then reimburse itself with bond funding once the money is available. Regent

Attman explained that the USM currently has an Official Intent Resolution in place for all other bond authorized projects and this action would extend it to the two named projects.

The Finance Committee recommended that the Board of Regents approve the Amendment to the Forty-Third Bond Resolution, and the authority to spend cash immediately if needed to be reimbursed from the proceeds of the next bond issue, anticipated for February 2022.

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

Vote Count = YEAs: 7 NAYs: 0 Abstentions: 0

5. Review of Finance Committee Charge (action)

Regent Attman summarized the item. The Board's Governance and Compensation Committee has asked that each Board committee annually review and update its charge as appropriate. Regent Attman noted several modifications on the document, then opened the floor to discussion. Regent Wood expressed his concern with the removal of item "M." in the list. He explained that as the Finance Committee, its members have a fiduciary responsibility to look at the entire financial system, including intercollegiate athletics. If item "M." were to be stricken from the charge, the Committee would not be fulfilling its obligations to have a systemwide awareness of financial health. Regent Attman reminded everyone that in line with best practices, the Board established a standing Committee on Intercollegiate Athletics and Student-Athlete Health and Welfare. Regent Neall suggested that perhaps financial reporting could continue to be provided to the Finance Committee, by the new ICA Committee, with feedback shared back to the ICA Committee. Following the brief discussion on the matter, the item was tabled for further amendment.

There was no action taken on the item.

6. University of Maryland, College Park: Amendment to 2016 Sale of Land to Prince George's County to Provide a Right-of-Way for a Crossing over CSX Tracks between Riverdale Park Station and Rivertech Court (action)

Regent Attman recognized Mr. Colella, Vice President, and Mr. Maginnis, Assistance Vice President of Real Estate, for the University of Maryland, College Park. Regent Attman summarized the item. The University is requesting approval to amend a real estate transaction that was previously approved by the Board of Regents in February of 2015. The University is currently seeking approval to extend the Agreement of Sale with Prince George's County by one additional year. The University originally sought and was granted approval to sell 3.3 acres of to the County for the construction of a bridge over the CSX tracks. The consideration for the sale was \$1.4 million based on the appraisals at the time, with the understanding that the County could satisfy the purchase price obligation by identifying, funding, and completing one or more public works and engineering projects mutually agreed upon by the University, the System and the BPW for not less than the land's value. If no project or projects were identified within five years of sale closing, the County would be obligated to pay the \$1.4 million plus 2% interest compounded annually.

The Finance Committee recommended that the Board of Regents approve for the University of Maryland, College Park an amendment to the Agreement of Sale between the University and Prince George's County extending the deferred consideration period by one year for the County to meet its obligation to identify public works projects sufficient to satisfy the purchase price, consistent with the University System of Maryland Procedures for the Acquisition and Disposition of Real Property.

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

Vote Count = YEAs: 7 NAYs: 0 Abstentions: 0

7. Frostburg State University: Voluntary Separation Incentive Plans for Four Groups of Employees (action)

Regent Attman recognized Mr. Donoway, Vice President, and Ms. Hersch, CHRO for Frostburg State University. Regent Attman explained that FSU is seeking Board approval to offer four Voluntary Separation Incentive Plans for exempt and nonexempt staff, both those in a bargaining unit and those who are not part of a bargaining unit. The plans were designed to provide the university a certain amount of flexibility, including the right to limit the total number of applications approved, and the number of applications approved in a particular department, work unit or job category. A total of 45 employees are eligible to participate in one of the plans. Regent Attman stated that employees who elect to participate and whose application is approved, will receive an incentive payment as calculated under the plans and must separate from the university by the end of February 2022. The university has negotiated with AFSCME and reached agreement on the terms of the plans applicable to bargaining unit members. He advised that the Attorney General’s Office has approved the plans for legal sufficiency. Mr. Donoway reminded the committee that the university submitted VSIPs in last April, however they ran short of time.

The Finance Committee recommended that the Board of Regents approve the four Voluntary Separation Plans for Frostburg State University as presented.

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

Vote Count = YEAs: 7 NAYs: 0 Abstentions: 0

8. Fall 2021 Enrollment Update and FY 2022 FTE Estimate (presentation and information)

After recognizing Senior Vice Chancellor Boughman and Associate Vice Chancellor Coleman, of Academic Affairs; and Assistant Vice Chancellor Muntz of Administration and Finance, Regent Attman stated that the committee would spend a little extra time on the enrollment report, as enrollment is somewhat lower than projected last spring. He added that this is in line with the national trends, which are also lower. Regent Attman then asked Regent Fish, chair of the Board’s Enrollment Workgroup, to make a few comments on the work of her group. Regent Fish stated that the Workgroup was established to dig deeper into enrollment trends and campus plans that reflect the changing market shifts in demand. The Workgroup is scheduled to meet on November 29 and the Fall 2021 enrollment will be discussed in greater detail at that time. The Enrollment Workgroup found consensus that student success and student-centered approaches are key to future enrollment stability. And importantly, the USM’s Strategic Plan is also focused on outcomes for improving student success and providing Maryland’s future workforce. Regent Gooden asked that the Workgroup also take a look at what would occur if enrollment were to drop below a certain level at institutions, and what specifically is that level.

Regent Attman then turned to Mr. Muntz, who provided a presentation to the committee. The presentation is available online <https://www.usmd.edu/regents/agendas/>. As indicated in the report, the enrollment decreased 4.2% across the USM, with approximately half of the decrease at UMGC. The other half of the decrease was the combined enrollment loss at the comprehensive universities—specifically, Coppin, Frostburg, Salisbury, Towson, UBalt, and University of Maryland Eastern Shore. On a positive note, there was an increase in the number of first-time, full-time new undergraduates at several institutions—Towson, UMBC, and UMCP. The Full-time Equivalent credit-hour decreased, but not as much as the headcount enrollment. This would indicate that the enrollment losses were

disproportionately part-time students. The part-time decreases were for both undergraduate and graduate students. As reported in national summaries and articles, the overarching national trends in higher education are impacting USM. Mr. Muntz offered that while we do not yet know the full impact of the pandemic on higher education, we do know that prior to the pandemic enrollment demand was changing. The USM enrollment changes reflect these same national demographic and market demand changes. Mr. Muntz closed by saying that for USM to maintain enrollment, it will require increased attention to retention as well as establishing new pipelines and offering new educational opportunities to be responsive to changing demand. Regent Attman thanked Mr. Muntz for his presentation.

The Finance Committee accepted the item for information purposes.

9. Convening Closed Session

Regent Attman read the Convene to Close Statement.

“The Open Meetings Act permits public bodies to close their meetings to the public in circumstances outlined in §3-305 of the Act and to carry out administrative functions exempted by §3-103 of the Act. The Committee on Finance will now vote to reconvene in closed session. The agenda for the public meeting today includes a written statement with a citation of the legal authority and reasons for closing the meeting and a listing of the topics to be discussed. The statement has been provided to the regents and it is posted on the USM’s website.”

The Chancellor recommended that the Committee on Finance vote to reconvene in closed session.

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

Vote Count = YEAs: 6 NAYs: 0 Abstentions: 0

Regent Attman thanked everyone for joining. The public meeting was adjourned at 12:26 p.m.

Respectfully submitted,

Gary L. Attman
Chair, Committee on Finance



UNIVERSITY SYSTEM
of MARYLAND

**BOARD OF REGENTS
COMMITTEE ON FINANCE**

November 4, 2021
Meeting via Video Conference

Minutes of the Closed Session

Regent Attman called the meeting of the Finance Committee of the University System of Maryland Board of Regents to order in closed session at 12:28 p.m. via video conference.

Regents participating in the session included: Mr. Attman, Ms. Gooden, Ms. Fish, Mr. Gill, Mr. Peters, and Mr. Wood. Also participating were: Chancellor Perman, Ms. Herbst, Ms. Wilkerson, Mr. McDonough, Assistant Attorney General Bainbridge, Dr. Wormack, Mr. Berkheimer, Mr. Beck, Ms. Denson, Mr. Hickey, and Ms. McMann.

1. The committee discussed a real property acquisition in the City of Salisbury (§3-305(b)(3)).
(Regent Attman moved recommendation, seconded by Regent Peters; unanimously approved)
Vote Count = YEAs: 6 NAYs: 0 Abstentions: 0

The session was adjourned at 12:34 p.m.

Respectfully submitted,

Gary L. Attman
Chair, Committee on Finance