



UNIVERSITY SYSTEM
of MARYLAND

**BOARD OF REGENTS
COMMITTEE ON FINANCE**

December 4, 2024

Meeting via Video and Conference Call

Minutes of the Public Session

Regent Fish called to order the meeting of the Finance Committee of the University System of Maryland Board of Regents at 10:32 a.m., welcoming participants joining via video and teleconference.

Regents participating in the session included: Ms. Fish, Ms. Gooden, Mr. Hasan, Mr. Mirani, Mr. Pope, Mr. Sibel, and Mr. Wood. Also participating were: Chancellor Perman, Ms. Herbst, Dr. Wrynn, Dr. Masucci, Mr. Sandler, Assistant Attorney General Bainbridge, Assistant Attorney General Langrill, Assistant Attorney General Palkovitz, Assistant Attorney General Stover, Ms. Aughenbaugh, Mr. Donoway, Mr. Palmer, Ms. Michels, Mr. Oler, Mr. Reuning, Dr. Rhodes, Mr. Sergi, Mr. Keeney, Ms. Adkins, Dr. Balakrishnan, Ms. Demarest, Mr. Mowbray, Mr. Rose, Ms. Watson, Mr. Hollingsworth, Mr. Moore, Ms. Auburger, Mr. Beck, Ms. Denson, Mr. Eismeier, Mr. Hickey, Mr. Muntz, Ms. Norris, Mr. Samuel, Mr. Hoffacker, Ms. Bucko, Mr. Brown, Ms. Perry, Mr. Lurie, Ms. McMann, and other members of the USM community and the public.

Turning to the first item on the agenda, Regent Fish welcomed Dr. Rhodes, chief business and finance officer and senior vice president; Mr. Mowbray, director, real estate, planning and space management; and Mr. Rose, university counsel, for the University of Maryland, Baltimore.

1. University of Maryland, Baltimore: Lease of 635 W. Lexington Street to the American Cancer Society and Termination of 1983 Lease and Agreement for 636 W. Lexington Street (action)

Regent Fish presented the University's request for approval of a lease agreement with the American Cancer Society (ACS) for 635 W. Lexington Street, the former site of the Ronald McDonald House, which relocated to East Baltimore several years ago. The proposed lease has an initial term of 25 years, with an option to renew for an additional 15 years, followed by two five-year renewal periods, for a total potential lease term of 50 years.

As part of this request, UMB also seeks approval to terminate an existing ground lease with ACS at 636 W. Lexington Street, where the current Hope Lodge facility operates. The facility supports patients undergoing cancer treatment and their families but has reached the end of its useful life. ACS plans to move operations across the street to 635 W. Lexington Street, which will allow for an expansion of capacity. The new Hope Lodge facility will increase the number of guest rooms from 29 to 40, enhancing ACS's ability to serve more patients and families. The lease agreement sets the annual rent at \$1, with ACS assuming responsibility for utilities, services, security, maintenance, and applicable taxes. Termination of the existing ground lease includes a consideration payment of \$90,000 to ACS.

UMB has identified the 636 W. Lexington Street property as a strategic site for future development under its Facilities Master Plan. Regent Fish noted that the proposed transaction will require approval from the Board of Public Works. Regent Fish invited Dr. Rhodes to provide additional comments. Dr. Rhodes stated that this action will result in the assembly of a large contiguous area, which is a plus and will fuel the strategic plan for W. Lexington Street and beyond. There were no questions or further discussion.

The Finance Committee recommended that the Board of Regents approve UMB entering into a new lease with ACS for 635 W. Lexington Street and terminating the existing lease with ACS for 636 W. Lexington Street, as described in the item, consistent with the University System of Maryland Policy on Acquisition, Disposition and Leasing of Real Property.

(Regent Wood moved recommendation, seconded by Regent Pope; approved)

Vote Count = Yeas: 6 Nays: 0 Abstentions: 0

2. University of Maryland, College Park: Early Renewal and Modification of the Workday Contract (action)

Regent Fish recognized Mr. Reuning, interim vice president and chief administrative officer; Mr. Oler, vice president and chief financial officer; Ms. Watson, assistant vice president for procurement and business services; and Mr. Hollingsworth, vice president and chief information officer, who were available to answer questions regarding the agenda item. Regent Fish stated that the University is seeking approval to exercise an early renewal option and modify its contract with Workday. The modification includes adding up to three two-year renewal options, which would lock in pricing through 2041. The original contract, approved by the Board of Regents in 2020, covered human capital management, finance, and student systems, with procurement and strategic sourcing added at a later date. The Workday software went live in mid-November. Exercising the renewal options early, combined with the additional options at the University's discretion, is projected to result in an overall fee reduction of \$7.2 million, with a net present savings value of \$5.5 million.

Regent Hasan inquired about cost comparisons, asking whether any were conducted, why the University chose to act now, and how the University determined that this was a favorable deal. He further questioned why the escalation rate was set at 2% rather than 1%. Mr. Oler explained that the existing contract had certain escalation provisions that would soon take effect, and this agreement allows the University to lock in pricing with lower escalation rates. He emphasized the importance of securing the maintenance contract at this time, noting that Workday is giving up \$7 million in value over the contract period. Mr. Hollingsworth added that the University quietly consults with peer institutions and confirmed that the rates achieved represent a low escalation year over year, particularly when compared to the Consumer Price Index. Ms. Watson provided additional context, explaining that typical annual escalation for software in the market ranges between 5% and 7%, making the negotiated 2% escalation particularly favorable.

Regent Mirani inquired about feedback on the implementation of Workday. Mr. Hollingsworth reported that the first payroll had been successfully processed and that all critical processes were formed. Surveys were conducted, revealing no significant issues. He stated that the University remains on target with its implementation. When asked about the rationale for extending the deal through calendar year 2034, Mr. Hollingsworth explained that a ten-year window is a prudent timeframe. Sr. Vice President Herbst added that while it is not typical to renew a contract this early, the University has carefully evaluated this decision. She emphasized that Workday is one of only two major players in the marketplace.

The Finance Committee recommended that the Board of Regents approve for the University of Maryland, College Park to modify the Workday contract to exercise the early renewal, and optional contract renewal periods through 2041.

(Regent Fish moved recommendation, seconded by Regent Pope; approved)

Vote Count = Yeas: 6 Nays: 0 Abstentions: 0

3. University of Maryland, College Park: Sole Source Contract for Food Products, Chemical Products and Non-Food Products for Dining Services (action)

Regent Fish recognized Mr. Moore, director of dining services, who joined Mr. Reuning, Mr. Oler, and Ms. Watson. Regent Fish stated that the University is seeking approval for a six-month, \$6.5 million sole-source contract with its incumbent provider, US Foods. This contract follows an earlier emergency procurement with the same vendor. Regent Fish explained that both the emergency procurement and the sole-source contract were necessary due to timing issues during the new procurement process for dining services. The University conducted a procurement for food and related products in December 2023; however, the evaluation process did not conclude until May 2024. With the existing contract set to expire on June 30, 2024, the University issued an emergency procurement to ensure continuity of service and meet the needs of students. A bid protest further delayed the process, prompting the University to pursue the sole-source contract to ensure a seamless transition from the incumbent vendor to the new provider. There were no questions or further discussion.

The Finance Committee recommended that the Board of Regents approve for University of Maryland, College Park the sole-source contract award as described in the item, for a six-month period at a cost of approximately \$6.5 million.

(Regent Fish moved recommendation, seconded by Regent Pope; approved)

Vote Count = Yeas: 6 Nays: 0 Abstentions: 0

4. USM Sponsored Supplemental Retirement Plans – 403(b) Plan and 457(b) Plan Restatement (action)

Regent Fish welcomed Ms. Langrill, assistant attorney general, and Mr. Samuel, director of human resources, and summarized the item. Regent Fish stated that the USM-sponsored Supplemental Retirement Plans, specifically the 403(b) and 457(b) plans, are being amended and restated, effective January 1, 2024, to reflect updates required by recent legislation, including the SECURE Acts and CARES Act. The amendments are designed to ensure compliance with federal law while enhancing plan functionality and flexibility for employees.

Regent Fish noted that external benefits counsel, IceMiller, collaborated with the Office of the Attorney General to prepare the plan restatements and provided a summary of the key changes. These changes were included in the meeting materials to ensure transparency around the amendments. For the 403(b) plan, the notable updates include higher catch-up contribution limits for participants aged 60 to 63, with Roth contributions required for higher earners beginning in 2026. The plan also includes expanded financial hardship provisions, allowing for self-certification, broadened rollover options, and an increased mandatory cashout threshold, which rises from \$5,000 to \$7,000. For the 457(b) plan, the updates include expanded Roth contribution and rollover options, particularly for terminated employees, as well as greater flexibility in deferrals, allowing quicker changes to contributions.

Regent Fish also highlighted that the proposal includes expanding the Administrative Committees overseeing the plans from four to seven members, ensuring broader representation and governance. She further emphasized that Board approval is required to implement these updates and maintain the plans' tax-qualified status. While the amendments have no fiscal impact on USM, they are critical to ensuring compliance with federal requirements. Mr. Samuel added that these updates occur from time to time as regulatory matters change. There were no questions or further discussion.

The Finance Committee recommended that the Board of Regents approve the amended and restated plan documents and adopt the resolutions establishing the expanded Administrative Committees for the SRA plans.

(Regent Pope moved recommendation, seconded by Regent Sibel; approved)

Vote Count = Yeas: 6 Nays: 0 Abstentions: 0

5. University of Baltimore: Regional Tuition for MBA program at USM Hagerstown (action)

Regent Fish recognized Ms. Aughenbaugh, vice president for business affairs and chief financial officer; Dr. Balakrishnan, dean of the Merrick School of Business; and Ms. Demarest, associate dean of the Merrick School of Business, who were available to answer questions regarding the agenda item. Regent Fish summarized the request, stating that the University of Baltimore (UBalt) is seeking approval to extend in-state tuition rates to residents of select counties in West Virginia and Pennsylvania to support the launch of its in-person MBA program at USM at Hagerstown in Fall 2025. She noted that this initiative aligns with marketing efforts for Fall 2025 admissions and facilitates timely recruitment.

The MBA program will offer a face-to-face option in Hagerstown, with required courses available in face-to-face, hybrid, and online formats. Students will complete 36 to 48 credit hours, with specializations such as cybersecurity, data analysis, and digital business. Initial enrollment is projected at 15 to 20 students in the first year, each taking two courses per semester. Regent Fish noted that UBalt's AACSB-accredited Merrick School of Business emphasizes real-world learning to prepare students for careers in industries such as marketing, finance, and government contracting. UBalt aims to attract residents of Pennsylvania and West Virginia, focusing marketing efforts on large employers in Hagerstown and Washington County.

The proposal builds on prior Board approvals allowing in-state tuition rates for graduate students from regional areas outside Maryland, supporting enrollment growth and offering competitive tuition options. Regent Fish noted that approval of this request will strengthen recruitment efforts and expand educational opportunities in the region. Chancellor Perman emphasized the System's high priority on providing programming to areas where the Regional Higher Education Centers (RHECs) are located. He added that UBalt's initiative to step up and offer this program reflects positively on the System as a whole.

Regent Hasan asked why these specific counties were targeted and questioned whether other counties were considered. Ms. Aughenbaugh clarified that the proposal targets the six contiguous counties, explaining that this is not a new practice, as similar regional tuition agreements already exist for programming at USM Hagerstown. Ms. Demarest expressed confidence in achieving the initial 20-student enrollment figure. There were no further questions or discussion.

The Finance Committee recommended that the Board of Regents approve regional tuition rates for residents of Morgan, Berkeley, and Jefferson counties in West Virginia, and Fulton, Franklin, and Adams counties in Western Pennsylvania, for the University of Baltimore's Merrick School of Business MBA program at USMH. The Chancellor shall have the authority to make any adjustments as necessary, consistent with existing board policies and guidelines, with any changes reported back to the Board.

(Regent Pope moved recommendation, seconded by Regent Wood; approved)

Vote Count = Yeas: 6 Nays: 0 Abstentions: 0

6. University System of Maryland: Report on FY 2024 Procurement Contracts (information)

Regent Fish recognized Mr. Hickey, associate vice chancellor of procurement and real property initiatives, author of the report and available for questions. Regent Fish summarized the item, noting that the USM Policy on Approval of Procurement Contracts requires an annual report to the Finance Committee on procurement contracts valued between \$1 and \$5 million, as well as emergency and expedited procurements. This report covers fiscal year 2024.

A total of 92 contracts met the reporting threshold, with a combined value of just under \$200 million. One emergency procurement was reported by the University of Maryland, College Park, for food and related products at a cost of \$4.9 million. No expedited procurements were reported. Regent Fish noted that, for contracts meeting the subject report's requirements, 35% were awarded to Maryland-based firms, with an MBE participation rate of 8%. A detailed chart was attached to the item for reference.

Referring to the chart, Regent Hasan expressed concern that the MBE participation rate was low and asked what USM was doing to address this and its plan to improve the figure. Mr. Hickey explained that the chart reflects a subset of activity and does not include all procurement categories. He highlighted that the overall aspirational MBE participation goal is 29% and noted that USM performs particularly well in construction contracts, where significant opportunities exist for subcontracting. However, construction contracts are not included in the \$1 to \$5 million reporting. Mr. Hickey further described the process for subcontracting opportunities, explaining that a list of certified firms is reviewed, realistic and achievable goals are established, and bids are solicited on a contract-by-contract basis. He emphasized that this is not a set-aside program. He also mentioned that institutions conduct significant outreach, including participation in the Governor's recent outreach program. As the discussion continued, Regent Gooden suggested that any additional questions and follow-ups be addressed offline.

The Finance Committee received the item for information purposes.

7. Convening Closed Session

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

Vote Count = Yeas: 6 Nays: 0 Abstentions: 0

Regent Fish thanked everyone for joining. The public meeting was adjourned at 11:22 a.m.

Respectfully submitted,

Ellen R. Fish
Chair, Committee on Finance



BOARD OF REGENTS
COMMITTEE ON FINANCE
December 4, 2024
Meeting via Video Conference

Minutes of the Closed Session

Regent Fish called the meeting of the Finance Committee of the University System of Maryland Board of Regents to order in closed session at 11:23 a.m. via video conference.

Regents participating in the session included: Ms. Fish, Ms. Gooden, Mr. Hasan, Mr. Mirani, Mr. Pope, Mr. Sibel, and Mr. Wood. Mr. Gonella participated in part of the session. Also participating were: Chancellor Perman, Ms. Herbst, Dr. Wrynn, Dr. Masucci, Mr. Sandler, Ms. Perry, Assistant Attorney General Bainbridge, Assistant Attorney General Palkovitz, Assistant Attorney General Stover, Ms. Auburger, Mr. Hickey, and Ms. McMann. Ms. Watson and Mr. Moore also participated in part of the session.

1. The committee discussed the awarding of a new contract for food products, chemical products and non-food products (§3-305(b)(14)).
(Regent Gooden moved recommendation, seconded by Regent Pope; approved)
Vote Count = Yeas: 6 Nays: 0 Abstentions: 0
2. The committee discussed the proposed FY 2026 Operating Budget submission and potential adjustments to the submission (§3-305(b)(13)).
This item was presented for information purposes; there were no votes on this item.

The session was adjourned at 12:03 p.m.

Respectfully submitted,

Ellen R. Fish
Chair, Committee on Finance