



UNIVERSITY SYSTEM
of MARYLAND

BOARD OF REGENTS
COMMITTEE ON FINANCE

June 7, 2023

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. Gonella, Mr. Peters, Mr. Pope, and Mr. Wood. Also participating were: Chancellor Perman, Ms. Herbst, Ms. Wilkerson, Dr. Masucci, Mr. McDonough, Dr. Wrynn, Assistant Attorney General Palkovitz, Dr. Breaux, Dr. Caraco, Mr. Atkins, Ms. Aughenbaugh, Mr. Bitner, Mr. Bobart, Mr. Colella, Mr. Danik, Ms. Dettloff, Mr. Donoway, Mr. Jones, Mr. Lockett, Ms. Lowe, Mr. Lowenthal, Mr. Oler, Ms. Rodriguez, Ms. Auburger, Mr. Beck, Ms. Denson, Mr. Eismeier, Mr. Hickey, Mr. Li, Ms. McMann, Mr. Muntz, Ms. Norris, Ms. Skolnik, Ms. Petronka, Mr. Acton, Ms. Bucko, Mr. Brown, Mr. Lurie, Mr. Harris, Mr. Williford, Mr. Jost, Mr. Evans, Ms. Sorem, Mr. Maginnis, Ms. Watson, Ms. Peartree, Mr. Gagnon, Ms. Kyriakakis, and other members of the USM community and the public.

At the start of the meeting, Regent Attman took a few moments to review a chart displaying the annual financial cycle. He noted that the Committee had reached the point of the culmination of its year's work, concluded the cycle, and was positioned to move right onto the next one.

1. University System of Maryland: FY 2024 Operating Budget (action)

Regent Attman stated that this item represents the operating budget as approved by the Legislature during this session. He took the opportunity to thank the Governor, Senate President, and Speaker of the House for their support of the University System.

The budget is required to be approved by the Board of Regents prior to July 1. He reminded everyone that throughout the year Chancellor Perman and Sr. Vice Chancellor Herbst had done a thorough job of keeping the Board informed on the strategic direction and progress of the budget. Referring to the material, Regent Attman specified that the total USM budget of \$7.1 billion contained a state funding increase of 19.8% against the FY 2023 budget. By comparison, ten years ago the budget was approximately \$5 billion with state funding of \$1.2 billion. He touched on a few highlights including an appropriation of \$292.7 million to fund COLA and merit salary and fringe benefit increases, \$36.2 million related to the HBCU Lawsuit Settlement, and various campus initiatives making up the balance.

The Finance Committee recommended that the Board of Regents approve the FY 2024 operating budget as submitted, with the Chancellor authorized to make appropriate changes consistent with

existing board policies and guidelines. Any such changes will be in consultation with and reported back to the Board.

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

Vote Count YEAs: 6 NAYs: 0 Abstentions: 0

2. FY 2024 System Funded Construction Program Request (action)

Regent Attman explained that this item concerns the recommendation for the FY 2024 System Funded Construction Program, which includes funding from USM Auxiliary Bonds and cash funding by institutions as outlined in the attachments to the item. If the Board approves the SFCP at its June meeting, the budget would be “live” and effective on July 1. There are \$18 million of bond-funded projects in the SFCP. Regent Attman reminded the Committee that the approval is for the single, asking-year budget; however, a full five-year plan is required by Board policy. He pointed out that two of the public-private partnership projects will be considered later in the meeting. Mr. Beck provided a short slide presentation. He outlined the capital budget process, described the two different parts of the capital budget—SFCP and CIP—and reviewed the key issues and decisions involving the SFCP. One of the slides, “SFCP: Priority is Housing to Retain Students and Build Community” displayed the estimated combination of on/off-campus student housing available as a percentage of FTE students. The figures ranged from an estimated 100% at FSU and UMES, to less than 30% for Coppin, Bowie, and UMB.

The slide presentation is available online at <https://www.usmd.edu/regents/agendas/>.

The Finance Committee recommended that the Board of Regents approve the FY 2024 System Funded Construction Program request with the conditions listed (and within the attached materials) 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.

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

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

3. USM: Forty-Fifth Bond Resolution—Auxiliary Facility and Tuition Revenue Bonds (action)

Regent Attman stated that the resolution authorizes the issuance of Revenue Bonds to finance \$48,000,000 of academic and auxiliary facilities projects. This action is required under the Indenture of Trust. Included in the 45th Resolution are two academic project authorizations already approved by Maryland Legislature and signed by the Governor. Also included are two auxiliary project authorizations that the Committee just recommended for approval in the SFCP. Regent Attman reported that the USM legislative debt cap is \$1.7 billion and as of FY 2022 there was \$1.2 billion of outstanding debt subject to the cap. Since the USM did not issue debt during FY 2023, and paid off \$90 million, the current amount of debt subject to the cap is just above \$1.1 billion. In response to a question from Regent Peters, Ms. Denson indicated that there has not been any update regarding the change in the accounting treatment of leases [GASB 87]. She added that the USM has an estimated liability of \$100 million.

The Finance Committee recommended that the Board of Regents approve the 45th Bond Resolution.

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

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

4. USM: Official Intent Resolution on Reimbursement of System Cash Balances Spent on Revenue Bond-Authorized Projects (action)

Regent Attman stated that this resolution has become standard practice over the last several years. He explained that sometimes the System will spend its cash to cover project costs with the intention of reimbursing itself with bond funds when the next issuance closes. This resolution will grant the ability to continue paying invoices on a timely basis. The item before the Committee satisfies an IRS requirement that governing boards actively assert that they intend to reimburse cash-balances used for projects funded with Revenue Bond proceeds. The resolution was drafted in conjunction with the System’s bond counsel, Miles & Stockbridge, and has been reviewed by the Attorney General’s Office.

The Finance Committee recommended that the Board of Regents approve the Official Intent Resolution as described, to enable the spending of System cash balances on revenue bond authorized projects to be reimbursed from the proceeds of the next bond issue.

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

5. Frostburg State University: Facilities Master Plan 5-year Update (action)

At the previous meeting, President Nowaczyk presented the institution’s update to its Facilities Master Plan. Regent Attman stated that he had not heard anything since the last meeting that would necessitate any changes. He asked if anyone had any questions for Mr. Donoway, FSU’s vice president.

The Finance Committee recommended the Frostburg State University 2023 Five-year Update, as presented at the Committee’s previous meeting, for approval to the full Board of Regents, 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 Attman moved recommendation, seconded by Regent Gonella; approved)
Vote Count = YEAs: 7 NAYs: 0 Abstentions: 0

6. Bowie State University: Public-Private Partnership Student Housing (action)

Regent Attman recognized and welcomed President Breaux and her team from Bowie State University. President Breaux introduced Mr. Atkins, Mr. Harris, and Mr. Williford. Regent Attman stated that this is a request for a Public-Private Partnership (P3) that will provide much needed undergraduate student housing. The University is seeking approval to enter into a 40-year ground lease of its 1.6-acre “Gateway Parcel” with the Maryland Economic Development Corporation (MEDCO). The project would be delivered in the Fall of 2026. Bowie issued an RFP for this development in February 2022 and received proposals from three developers. Mosaic Development Partners was the selected development team.

Regent Attman turned to Sr. Vice Chancellor Herbst and asked her to review the proposed financing model. SVC Herbst stated that the financing of the project would be completed by MEDCO. MEDCO will use tax-exempt revenue bonds as the source of financing for the residential component of the project. The project was considered comprehensively and holistically. Student affordability, time to opening, and the transfer of risk, were all key considerations. The projected student rates, ranging from \$1,113 to \$1,250 per month, are considered to be reasonable. SVC Herbst stressed that MEDCO is still

evaluating the deal, to determine if the project can be financed as outlined. It is for this reason that the recommendation and any approval granted by the Board will be contingent on MEDCO's financing of the project within the terms outlined. She added that the project may be considered on balance sheet, meaning that the debt would be on the System's financial statement. The treatment of P3 debt by the credit rating agencies continues to evolve. She explained that during the COVID-19 pandemic, the rating agencies saw many institutions backstop their P3 student housing projects (while the USM did not). As a result, P3 debt in some instances may be taken into consideration. SVC Herbst stated that it was unlikely that the two P3 projects under consideration would impact the USM's credit rating. Regent Gooden suggested that it would be helpful to provide that language in the item's coversheet. Regent Attman asked President Breaux to address the group. After thanking SVC Herbst for her wonderful synopsis, President Breaux reiterated that maintaining affordability is an important element of the proposal. She pointed out that demand for housing is high, Bowie has a large wait list, and applications are up over last year. The University does not want to delay getting housing online and possibly deter students from attending. In response to a question, Mr. Atkins shared that Capstone, the current manager of two on campus P3 projects, would manage the new facility.

The Finance Committee recommended that the Board of Regents approve for Bowie State University the financing and construction of a student housing project as described, through a BSU ground lease of approximately 1.6 acres of land to MEDCO and associated transactions in support of the financing. This recommendation is contingent upon MEDCO approval with the following conditions:

- (i) maximum debt issued not to exceed \$84 million,**
- (ii) maximum term of the debt not to exceed 40 years, and**
- (iii) rental rates to be similar to those outlined.**

Furthermore, it is recommended that the authority to execute a ground lease, associated easements, and all other documentation required for the construction and financing of the proposed student housing, remain with the Chancellor following appropriate legal review, consistent with the University System of Maryland Policy on "Acquisition and Disposition of Real Property."

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

Vote Count YEAs: 7 NAYs: 0 Abstentions: 0

7. UMCP: Public-Private Partnership Graduate Student Housing (action)

Regent Attman welcomed Mr. Colella, Mr. Oler, and Mr. Maginnis. Regent Attman stated this item was also a request for a P3, this one for the purpose of providing graduate student housing. The University is requesting approval to enter into a 40-year ground lease of its 1.9-acre parcel known as the Leonardtown Area, with MEDCO. This is the first phase of the redevelopment of this parcel that will provide approximately 796 below-market rent beds for graduate students. The projected charge per bed to the students will range from approximately \$975 to \$1,425 per month depending on room configuration. An updated demand study shows that the projected demand for graduate student housing exceeds 1,000 beds. The University received proposals from ten developers; Mosaic Development Partners was the selected development team. Regent Attman asked SVC Herbst to review the proposed financing model.

SVC Herbst shared that the financing would be completed primarily by MEDCO. As with the BSU proposal, she stated that MEDCO has not yet reviewed the project specs to determine whether the proposal can be financed as outlined. Again, any approval granted by the Board would be contingent upon MEDCO's financing of the project within the terms as outlined. Mr. Colella addressed the

Committee. He stated that there was a very robust response to the RFP. Mosaic has an established presence in the county and the University has been pleased with its work with the Mosaic team. Once the housing is complete, the University will select a management company. Mr. Maginnis added that the project will have \$20 million in state funding, and that the campus is very grateful for this support.

The Finance Committee recommended that the Board of Regents approve for the University of Maryland, College Park the financing and construction of graduate student housing as described, through a UMCP ground lease of approximately 1.9 acres of land to MEDCO and associated transactions in support of the financing. This recommendation is contingent upon MEDCO approval with the following conditions:

- (i) maximum debt issued not to exceed \$176 million,**
- (ii) maximum term of the debt not to exceed 40 years, and**
- (iii) rental rates as outlined.**

Furthermore, it is recommended that the authority to execute a ground lease, associated easements, and all other documentation required for the construction and financing of the proposed graduate student housing, remain with the Chancellor following appropriate legal review, consistent with the University System of Maryland Policy on “Acquisition and Disposition of Real Property.”

(Regent Attman moved recommendation, seconded by Regent Gooden; approved)

Vote Count YEAs: 7 NAYs: 0 Abstentions: 0

8. UMCP University of Maryland, College Park: Project Authorization for the Basketball Performance Center (action)

Regent Attman welcomed and recognized Mr. Evans, who was joined by Ms. Sorem. Regent Attman reminded the Committee that in 2019 the Board granted a Right of Entry to the College Park Foundation in order to construct a Basketball Performance Center—the Barry P. Gossett Basketball Performance Center—with private funds. Since that approval, the scope of the project has changed, and construction costs have increased. The project will be a 44,000 GSF facility that is estimated to cost \$52 million. Second, the State provided \$5 million in funding, which essentially turned the project into a “Capital Project.” As a result, the Board must authorize this project and its budget. Regent Attman explained that the project will continue to be managed by the Foundation. With the exception of certain furniture, fixtures, and equipment funded by the \$5 million, all design, construction, and equipment contracts will be secured by and be the responsibility of the Foundation. Any procurements/contracts involving the \$5 million of state funds will require the approval of the Board of Public Works. Mr. Evans shared that the University is the only program in the Big Ten that does not have this type of facility; this performance center is necessary to compete at the highest level. He expressed gratitude for the state funding support and added that the rest will be fundraised. In response to a question, Mr. Evans stated that \$36 million has been fundraised, \$5 million received from the State, and the balance will be from the unrestricted funds of the Foundation over the next few years. The operating costs will be absorbed in the ICA department’s operating budget. Regent Gooden asked about the relatively small size of the contingency fund. Mr. Colella responded that the contract is turnkey design/build, and closer to certainty, so they have a good understanding of the project costs at this point.

The Finance Committee recommended that the Board of Regents approve the Basketball Performance Center as a capital project, as described.

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

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

9. University of Maryland College Park on behalf of the USM and MEEC: Contract Extension for Microsoft Software Reseller (action)

Regent Attman remarked that it was quite fitting for a MEEC item to be on the agenda of his last meeting as the Chair of the Finance Committee. A big champion of MEEC, he praised the consortium and its work, “truly the prime example of the Board’s E&E initiative.” Regent Attman recognized MEEC’s Executive Director, Ms. Petronka, thanking her and her colleagues across the State for making MEEC such a successful collaborative endeavor. Since its founding, MEEC has saved Maryland’s educational, academic, and research non-profit organizations tens of millions of dollars throughout the years. Turning to the item, Regent Attman stated that the request is from UMCP on behalf of MEEC, to extend an existing contract for Microsoft Software Reseller services for a one-year period. He explained that the reason the contract extension is necessary is that during the recent re-procurement for these services, the University received a protest from one of the offerors. The University sustained the protest and is seeking a one-year extension so that a new evaluation committee can be appointed to re-evaluate the proposals and make a contract award. That contract award will also be presented to the Finance Committee for its consideration. The estimated dollar value of the one-year extension is \$32.6 million for all MEEC members, of which \$6.3 million constitutes USM expenditures. Regent Attman indicated that Ms. Petronka and Ms. Watson were available for any questions.

The Finance Committee recommended that the Board of Regents approve for the University of Maryland, College Park a one-year extension of the MEEC contract with Bell Techlogix, Inc., as described.

(Regent Attman moved recommendation, seconded by Regent Gooden; approved)

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

10. Proposed Amendment to USM Policy X-1.0 —USM Institutional Information Technology Policies, including Functional Compatibility with the State Information Technology Plan (action)

Regent Attman summarized the item. This policy was originally approved in August 2001, in response to a legal requirement, through the Board’s IT Committee. The language reflected the USM’s commitment to develop its own policies and procedures that would be appropriate for higher education institutions, while remaining functionally compatible with those of state government. The amendments do not add any new requirements; therefore, the change in policy will have minimal if any impact on the institutions’ IT departments. Mr. Eismeier, USM’s CIO, was available to answer any questions.

The Finance Committee recommended that the Board of Regents approve the proposed amendment to USM Policy X-1.0—Policy on USM Institutional Information Technology Policies, as presented.

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

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

11. Proposed Amendment to USM Policy VIII-2.70—Policy on Student Classification for Admission and Tuition Purposes (action)

Regent Attman summarized the item. The Office of Academic and Student Affairs worked with the Office of the Attorney General to draft the proposed amendments for the Board’s consideration. Following a 2022 change in state law, qualifying Peace Corps volunteers are eligible for in-state tuition. Other amendments include statutory provisions that had not been previously referenced in the policy and minor language clarifications. Sr. Vice Chancellor Wrynn and Dr. Caraco of the Office of Academic and Student Affairs were available for questions.

The Finance Committee recommended that the Board of Regents approve the proposed amendment to USM’s Policy on Student Classification for Admission and Tuition Purposes, as presented.

(Regent Attman moved recommendation, seconded by Regent Gooden; approved)

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

12. Adjustment to the Biennial Nonexempt Salary Structures for Fiscal Years 2024 and 2025 (action)

Regent Attman stated that the market is surveyed every other year to ensure that USM remains competitive. The recommendation is to increase the salary structure by 3.5%, effective July 1, through fiscal years 2024 and 2025. The full report is included in the material. Ms. Skolnik was available to answer any questions.

The Finance Committee recommended that the Board of Regents approve a 3.5% increase to the current nonexempt salary structure for FY 2024 and FY 2025.

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

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

13. Establishment of an up to \$150M Quasi-endowment Fund to Provide Need-Based Student Financial Aid (action)

Regent Attman summarized the item. The Board is asked to provide formal approval for the establishment of a quasi-endowment of up to \$150 million. The purpose of the quasi-endowment is to provide another source of funds for need-based aid for Maryland students. A quasi-endowment is a fund that is managed as an endowment. Endowments are gifts that are expected to be invested in perpetuity, usually by stipulation by the donor. Quasi-endowments are simply funds established by act of the governing board, rather than as a condition of a donor-directed gift. Regent Attman explained that by state law, the System is required to maintain almost all of its cash balances on deposit with the Maryland State Treasurer. Those funds are currently earning 3.7% in returns. The endowment portfolio is invested to return 6-7%. The General Assembly passed legislation this spring authorizing this transfer from cash balances to the USM Foundation, which manages the System’s Common Trust fund. This fund will generate approximately \$6.4 million annually in spendable income for need-based aid when fully funded. Regent Gooden offered her compliments to the USM team on this successful endeavor, and thanked Mr. Patrick Hogan for his work with members of the General Assembly on this great legislation. Ms. Denson and Mr. Acton were available for questions.

The Finance Committee recommended that the Board of Regents approve the establishment of a quasi-endowment, effective July 1, 2023, to be funded by contributions from the institutions and System Office, in an aggregate amount not to exceed \$150 million, with the spendable income to be used to provide need-based financial aid for in-state Maryland students.

(Regent Attman moved recommendation, seconded by Regent Gooden; approved)

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

14. University of Maryland, College Park: Ratification of technical date modifications to the Voluntary Separation Program for Tenured Faculty in Select Academic Areas (action)

Regent Attman reminded the members of the Committee that in April the Board approved a Voluntary Separation Program for a limited group of faculty in IBBR and the School of Public Policy. This is a voluntary program. The University is seeking to make technical corrections which involve modifying the application period by 8 days with a corresponding modification to the approval period. Mr. Oler commented that as of the meeting date, no faculty members had accepted.

The Finance Committee recommended that the Board of Regents ratify technical modifications to the Voluntary Separation Incentive Program.

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

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

15. Proposed FY 2024 Contract between the University of Maryland, Baltimore and the University of Maryland Medical System Corporation (action)

Regent Attman recognized Mr. Bitner, vice president of finance and auxiliary services; Ms. Peartree, senior associate dean and chief operating officer of the School of Medicine; and Ms. Kyriakakis, acting general counsel, representing UMB. Regent Attman explained that Section 13-306 of the Education Article of the State of Maryland requires that the annual contract be submitted to the Board of Regents, upon recommendation of the UMB president, for consideration, any modification, and approval. The Office of the Attorney General has reviewed the contract text for form and legal sufficiency. Mr. Bitner briefly reviewed the exchange of funds, noting that the UMMC will not support the full cost of the COLA and merit so there has been a renegotiation and realignment of services to cover these costs. Much of the increase is driven by the fringe benefit rate increases along with an increase in safety efforts. Mr. Bitner explained that there is no change in the space charge; however, a review of space utilization is underway and will impact on the FY 2025 contract.

The Finance Committee recommended that the Board of Regents authorize the President of UMB to execute the FY 2024 Annual Contract.

(Regent Attman moved recommendation, seconded by Regent Gooden; approved)

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

Prior to adjourning the public meeting, Board Chair Regent Gooden took the opportunity to express her tremendous gratitude to Regent Attman for his dedication and impactful leadership.

16. Convening Closed Session (action)

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 Gooden; approved)

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

Regent Attman thanked everyone for joining. The public meeting was adjourned at 12:18 p.m.

Respectfully submitted,

Gary L. Attman
Chair, Committee on Finance



UNIVERSITY SYSTEM
of MARYLAND

**BOARD OF REGENTS
COMMITTEE ON FINANCE**

June 7, 2023

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 12:21 p.m. via video conference.

Regents participating in the session included: Mr. Attman, Ms. Gooden, Ms. Fish, Mr. Peters, Mr. Pope, and Mr. Wood. Also participating were: Chancellor Perman, Ms. Herbst, Ms. Wilkerson, Dr. Masucci, Mr. McDonough, Assistant Attorney General Palkovitz, Mr. Beck, Mr. Eismeier, Mr. Hickey, Ms. Norris, and Ms. McMann. Mr. Bitner and Mr. Gagnon also participated in part of the session.

1. The committee discussed the awarding of a contract for software implementation services (§3-305(b)(14)). (Regent Attman moved recommendation, seconded by Regent Pope; approved)
Vote Count = YEAs: 6 NAYs: 0 Abstentions: 0
2. The committee discussed the awarding of a contract for maintenance of HVAC systems (§3-305(b)(14)). (Regent Attman moved recommendation, seconded by Regent Wood; approved)
Vote Count = YEAs: 6 NAYs: 0 Abstentions: 0
3. The committee discussed the proposed FY 2025 Capital Budget submission (§3-305(b)(13)). (Regent Attman moved recommendation, seconded by Regent Pope; approved)
Vote Count = YEAs: 6 NAYs: 0 Abstentions: 0

The session was adjourned at 12:31 p.m.

Respectfully submitted,

Gary L. Attman
Chair, Committee on Finance