

9-25-1973

Board of Trustees Finance Committee September 25, 1973

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APPROVED BY THE BOARD OF TRUSTEES

Date Nov 27, 1973

By: Margaret R. Dexter, Clerk

Margaret R. Dexter

UNIVERSITY OF MAINE
BOARD OF TRUSTEES

September 25, 1973
Bangor, Maine

FINANCE COMMITTEE

PRESENT: Chairman James H. Page, Robert R. Masterton, George Cunningham, Daniel Daigneault and Clerk Margaret R. Dexter. Staff: Donald R. McNeil, Herbert L. Fowle, Irene Casterlin, David Hitchcock, John Morison, Robert Oberg, David I. Carter, Arthur Buswell, Lloyd Jewett, Ford Campbell, Howard Neville, Harry Gordon and Paul Dunham.

REPORT OF INVESTMENT COUNSELLORS. Mr. Page opened the meeting. He introduced Mr. Simpson of the Merchants National Bank and Mr. Coviello of Smith, Barney & Co., Inc. Mr. Coviello reviewed that portion of the University of Maine endowment fund which is in custody of Merchants National Bank and which is under the management of Smith, Barney & Co., Inc. Mr. Coviello stated that in the three years that Smith, Barney has been managing this account they have been operating under the total return concept, with more emphasis on capital gains than income. He reported that the yield on the portfolio is 3.3% achieved predominantly by common stocks. He asked the Committee if they wished to continue in the present direction toward capital appreciation. Copies of the portfolio breakdown, performance measurement, and valuation as presented by Smith, Barney and Co., Inc. are appended to the file of these minutes. His recommendation from Smith, Barney was that the Trustees maintain the present investment policy and he stated that he would not object to an income requirement.

After Mr. Coviello and Mr. Simpson left James P. Ruf of Lionel D. Edie Co, Inc. and Robert Bjorn of Merrill Trust Company were introduced.

Mr. Ruf explained to the Committee how Lionel D. Edie analyzes companies to minimize risks of investment in common stocks to the accounts they manage, including the University endowment portfolio. He stated that his objective from previous discussions with the Committee when Lionel D. Edie took over the account February, 1973 was to pursue equity appreciation. He answered questions on the stock market and general management of other tax exempt institution funds. A list of stocks held in this part of the endowment fund as presented by Mr. Ruf is appended to the file of these minutes.

Mr. Page stated that it was the purpose of the Committee to review the programs and ultimately formulate a recommended direction for the endowment fund. The Treasurers report on the University Endowment and other Non-Expendable Funds dated June 30, 1973 is appended to the file of these minutes.

The Chairman suggested that the Committee meet prior to the next Board meeting with Mr. Fowle and the staff to discuss Committee recommendations for procedure.

Mr. Masterton moved that the Finance Committee recommend to the Board transfer of \$16,000 from the Brackett Fund to the Onward Program at the Orono Campus. It was seconded and VOTED.

Mr. Cunningham moved it was seconded and VOTED to recommend to the Board acceptance of the Steve Grady Perpetual Memorial Endowment Fund for Creative Writing.

The Committee agreed to recommend to the Board acceptance of the Alpha Upsilon Alumnae of Delta Zeta Sorority Scholarship Fund, the John R. Babine Memorial Scholarship Fund, the Harold L. Seavey Scholarship Fund, the Trustee Scholarship Fund (gifts) and all Gifts, Grants and Awards.

E & G Budget Request. Chancellor McNeil presented a proposed request to the Special Session of the 106th Legislature for supplemental funds for the Educational and General Budget.

After discussion of each item the Committee VOTED on a motion by Mr. Masterton which was seconded to recommend to the full Board the Educational and General Budget Request 1974/75 to the Special Session of the 106th Legislature.

Mr. Page commended the staff for the \$102,000 surplus reflected in the preliminary End-of-Year Financial report.

Mr. Fowle explained to the Committee the withdrawal of the request to borrow \$500,000 for MPBN equipment replacement and modernizing. He stated that Executive and Legislative leaders were opposed to the Trustees borrowing the money from a bank because it would commit future legislatures to paying off the amount. He reported that these State leaders preferred to have the University request this amount from the State surplus in the 106th Special Session.

Mr. Morison told the Committee that \$100,000 of the \$200,000 that MPBN has already received will be used as matching funds in a grant request to HEW which would generate \$300,000.

Mr. Cunningham moved and it was seconded to recommend that the staff be authorized to request \$500,000 for MPBN equipment from the Special Session of the Legislature.

Mr. Page requested that the Committee go into Executive Session. There were no objections.

Margaret R. Dexter
Clerk, Board of Trustees