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Board of Trustees Finance and Physical Plant Committee January 25, 1988

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UNIVERSITY OF MAINE SYSTEM
Board of Trustees

University of Maine
January 25, 1988

Finance and Physical Plant Committees

PRESENT: David Flanagan, Chairman of the Finance Committee; Robert Foster, James Storer, Brian Lajoie, Robert Tracy, Douglas Dunlap; Richard Marshall, Chairman of the Physical Plant Committee; George Wood, Andrew Hanam, and John Zaner. Other Trustees present: Patricia Collins, Geneva Kirk and Richard Morin. Staff: Chancellor Robert Woodbury, William Sullivan, Richard Eustis, George Connick, Michael Orenduff, Barbara Leonard, Frederic Reynolds, Dale Lick, James Roach and Patricia Plante.

Mr. David Flanagan, Chairman of the Finance Committee, convened the meeting.

FY'87 Financial Statements. On motion made and seconded, it was VOTED to recommend Board acceptance of the FY87 financial statements.

Appointment of External Auditors. Mr. Flanagan noted that as a matter of policy, the Finance Committee periodically requests and reviews proposals for audit services. Accordingly, the Committee initiated an evaluation of the audit function last September in preparation for the selection of external auditors to provide continuing services beginning FY1988. Mr. Flanagan summarized the review process which included evaluation of proposals from and interviews with four audit firms. He reported that Coopers and Lybrand, a national firm with offices in Maine, was determined to have the depth and ability to deal with the University's complex audit situation, and that the firm had presented a cost-effective proposal. On motion of Mr. Flanagan, which was seconded, the Committee VOTED to recommend Board approval of the appointment of Coopers and Lybrand. On behalf of the Board and the administration, Vice Chancellor William Sullivan commended the present external auditors, Arthur Andersen & Co., for excellent service to the University System, an appointment the firm has held since 1979.

Mr. Flanagan asked about brokerage commissions, and whether we could utilize the services of in-State managers and investment advisors wherever possible. Mr. Sullivan reported that the University already has such a requirement for the administration of its non-contributory retirement fund and that the same request could be extended to the managers of the Common Fund. On motion of Mr. Flanagan, which was seconded, it was VOTED to recommend that the Board require managers and investment advisors engaged by the University of Maine System, upon expiration or renegotiation of any current agreement, to credit the Maine offices of brokerage firms with commission dollars when executing stock trades, provided that such offices offer satisfactory execution, in both timeliness and economy.

Mr. Sullivan recalled that last July on Mr. Hakanson's recommendation, the Finance Committee considered converting part of the endowment portfolio to treasury bonds, and he requested authorization to take that step if conditions warranted, in order to produce a higher level of current income. Mr. Hakanson said he thought that option was not as attractive at this point although the

matter was still worth considering. He recommended that it be left open for the time being and suggested that it would be desirable to have the authority to take that step at some appropriate point. Mr. Flanagan agreed that the flexibility should be available to take advantage of opportunities that come up. He suggested that at its next meeting, the Committee discuss the matter and review the expectations for portfolio income.

Mr. Richard Marshall, Chairman of the Physical Plant Committee, presided for the remainder of the meeting.

Lease - City of Bangor. Mr. Richard Eustis, Associate Vice Chancellor for Facilities, briefed the Committee on a request from the City of Bangor for the release of about 30 acres of land on Hammond Street, which is part of a larger parcel the University leases from the City. In exchange, the City would give the University, outright, about 15 acres, which is also currently leased from the City and which is occupied by Orono's University College. The University does not make any educational use of the land the City seeks to recover, but several social agencies currently occupy buildings on this parcel and any release would be phased over a three year period to give these agencies time to relocate. In response to questions about the land the City proposed to convey, it was determined that a requirement in the present leasehold restricts the use of the land to educational purposes, and this restriction would be carried over in the deed of the 15 acres from the City. Mr. Flanagan said he thought the University should receive clear title to that land. Mr. Eustis pointed out that the federal government, which still has some residual rights in the property, also imposes restrictions which limits the use of the land to educational purposes, although Mr. Eustis noted that federal rights in the property expire in 12 years. After further discussion, the Committee VOTED to forward the proposal for Board action with a recommendation for approval, contingent upon the University's receiving the deed for the 15-acre parcel, free from any encumbrances imposed by the City.

Facilities for Lewiston Center. President Patricia Plante briefed the Committee on the criteria which structured the search for facilities for the Lewiston Center, which will be operated as a college of the University of Southern Maine. The criteria included: adequate square footage; accessible location; proximity to bus service; availability of parking; space for student activities and for future expansion; and, importantly, an appropriate setting for an educational enterprise. She reported that after examining a number of sites in Lewiston and Auburn, the former Central Maine Tennis building appeared to be most suitable, and she presented a request for authorization to lease this facility. Dr. Harlan Philippi, Senior Associate, was present to provide additional information about the site and the status of the development of the Lewiston Center. He reported that the owners would remodel the building to the University's specifications and that the renovations could be done in stages in response to the needs for space. He took note of some dissatisfaction in the Lewiston/Auburn area concerning what was perceived as a lack of consultation on the site selection. He said that to keep faith both with the Board and the community, he had refused to discuss the site publicly before a recommendation could be presented to the Trustees, but he had continually briefed city administrators, the Mayors of Lewiston and Auburn, and the area Chamber of Commerce. During discussion, Dr. Philippi responded to questions

of interest about the timeline for the critical academic decisions and how these would be meshed with the development of the facility, and also to questions about specific renovations to the building itself. Following the discussion, there being no objections, Mr. Marshall indicated that the proposal would be forwarded to the Board for action, with a favorable recommendation from the Committee.

USM Student Housing. President Plante spoke to a recommendation to acquire the Executive Inn in Portland. She said that this facility, which is close to the Portland Campus, presented an excellent opportunity to obtain needed housing for USM students. Mr. Samuel Andrews, Executive Director of Financial Resources, briefed the Committee on the proposed lease-purchase arrangement which provided for a five-year renewable lease with options to purchase at the end of the first year or the fifth year. Brian Lajoie, Student Representative from USM, noted that there has been a critical shortage of housing at USM for many years. He said students had been involved in the process to obtain more housing and that the Senate had endorsed the proposal. During discussion, it was determined that room and board charges for this facility would be about 15% higher than fees in other USM student housing. Professor Zaner, USM Faculty Representative, endorsed the proposal and in response to a request from Mr. Lajoie, President Plante indicated that students would be involved in the planning for the new facility. There being no objections, the proposal was forwarded to the Board for action, with a favorable recommendation from the Committee.

Memorial Gym, UM. President Lick presented the recommendation for amendment to a football locker room project approved by the Board last May. He reported that the original project proved to be more costly than anticipated and it was determined that by redesigning and expanding the project, other needs could also be met which would achieve a more beneficial and cost-effective project, overall. The expanded proposal would include construction of a Campus Fitness Center and renovations to other existing areas which would provide improved locker room facilities for several sports. Total project cost for the revised proposal was estimated to be \$900,000, which the President said would be funded entirely from fees and private sources. Professor Zaner raised questions about the use of fee revenue. He said there was serious concern throughout the System about fees, especially student activity fees and the way these apply to non-traditional students. President Lick reported that the fee revenues in this instance would come in part from Fitness Center user fees and in part from the Student Life fee, which is not related to student activity fees. He noted that the Orono Campus still has the lowest fees of any land-grant institution in New England and that campus students have been involved in the development of the proposal. After further discussion, the proposal was forwarded for Board action with a favorable recommendation from the Committee.

David Levesque, UMF Student Representative, spoke to the recommendation for acquisition of a parcel of land for the Farmington Campus and urged its approval.

There being no further business, the meeting was adjourned.

JoAnne R. Magill
Clerk

