

**UNIVERSITY OF MASSACHUSETTS**

**AMHERST•BOSTON•DARMOOUTH•LOWELL•WORCESTER**

**MINUTES OF THE MEETING OF THE  
COMMITTEE ON ADMINISTRATION, FINANCE AND AUDIT**

**Thursday, July 24, 2003; 8:00 a.m.**

**Board Room**

**One Beacon Street – 26<sup>th</sup> Floor**

**Boston, Massachusetts**

**Committee Members Present:** Vice Chair Karam; Trustees Babineau, Giblin, Mahoney (via conference call), McCarthy, Rainey and Zane

**Committee Members Absent:** Chair Dubilo; Trustees Agganis, Marcalo and Moes

**University Administration:** General Counsel O'Malley; Vice Presidents Lenhardt, Chmura, Gray, Julian and Wilson; Chancellors Lombardi, Gora, MacCormack, Hogan and Lazare; Ms. Wilda, University Controller; Mr. O'Riordan, Budget Director; Vice Chancellors for Administration and Finance Hatch, MacKenzie, Zekan and Goodwin; Deputy Chancellor Stanton; Mr. Harrison, Director of Auditing

**Faculty Representatives:** Professor O'Connor, Professor May, UMASS Amherst; Professor Schwartz, UMASS Boston; Professor Carter, UMASS Lowell

**PriceWaterhouseCoopers:** Mr. Gabranski and Mr. Hanley

Acting as Chair of the Committee in the absence of Trustee Dubilo, Vice Chair Karam convened the meeting at 8:00 a.m. The first item on the agenda was **Consideration of Minutes of the Prior Meeting of the Committee.**

It was moved, seconded and

**VOTED:** To approve the minutes of the April 24, 2003 meeting of the Committee.

Under the **Chair's Report**, Vice Chair Karam reviewed today's agenda items and invited Committee members to ask questions about some of the vital matters facing this Committee.

The next item was the **President's Report**. President Bulger was unable to attend the meeting; a brief statement from the President was distributed to the members of the Committee. Some of the highlights included: the recent state budget reflects the difficult economic challenges facing Massachusetts; while the University sustained cuts to its base

**Committee on Administration, Finance and Audit  
July 24, 2003**

appropriation, the Legislature restored funding for the Commonwealth Honors College and the Advanced Technology Manufacturing Center in Fall River.

The President's report also expressed appreciation to the Chancellors, campus teams, the President's Office staff, the faculty and the members of the Board.

The next item was the **Vice President's Report**. Vice President Lenhardt reported that the Internal Revenue Service had made an extensive effort to review the status of our non-resident students - our payroll people are aggressively working on this issue. The UMASS Building Authority bonds will be sold next week; the state auditors are spending time reviewing materials with Robert Harrison, and looking into investment strategy, tax representation, etc. They are most concerned with the University following proper procedure. Recently, members of the Administration met with Trustee White about the University's investments.

The first item was the discussion of the **FY2004 Budget Update: Preliminary Operating Budget Summary and University Budget Activities**. Vice President Lenhardt reported that the final Operating Budget would be brought to the Committee for review and approval at the October/November meeting cycle. Focus on the University's strategy for budget cross cutting plans will be a topic of discussion at the August meeting of the Committee of the Whole.

Some of the highlights included:

- the University budget is expected to show expenditures and transfers in excess of revenues by \$78.3 million. This budgeted deficit represents 4.9% of total University spending.
- total FY2004 revenues are estimated at \$1.53 billion, an increase of \$80.2 million compared to revenues budgeted for FY2003.
- total University spending is currently budgeted at \$1.60 billion, an increase of 8.0% over the FY2003 budgeted amount.

Following a brief discussion about the complexity of revenue and expenditures on the Worcester campus, it was suggested that the Committee be provided with a review of the Worcester business plan at a future meeting.

Vice President Lenhardt also noted that while we expect to break even this fiscal year, 2005 might be a problem.

Currently there have been 150 layoffs and 175 positions have not been filled. There is a delay in some of the PeopleSoft upgrades. Trustee Giblin stated that the

**Committee on Administration, Finance and Audit  
July 24, 2003**

administration has done a great job with the situation and that we need to publicize the sacrifices that have been made and the damage that has been done.

Professor Schwartz, Faculty Representative from the Boston campus pointed out that faculty members are leaving and will continue to leave and that something must be done about employees going without pay raises for three years now.

The next item was **FY2004 Capital Plan Update**. Mr. O’Riordan reported that the University must rely on a combination of revenue sources to fund its investment in capital improvements: state general obligation bond funds, the Building Authority, HEFA financing and funding from private giving. Over the next five years, the University will invest a large amount of its own operating funds in capital projects.

The University has put the funding of the five-year capital plan as one of its highest priorities. There has been progress but there is still much to be done to maintain, repair and upgrade the buildings and grounds.

Today the Trustees are being asked to approve the estimated capital funding needs for FY2004-FY2008, which is projected to be \$1.108 billion. This amount represents a 7.3% decrease from last year’s five year plan which is attributed to a reduced level of borrowing projected over the coming years and a reduction in anticipated state support for the University’s capital plan.

Each campus has provided a summary of its capital plan reflecting its priorities. Mr. O’Riordan outlined past spending activities and changes from last years programs.

It was moved, seconded and

**VOTED:** To recommend that the Board take the following action:

Pursuant to Trustee policy T93-122, to approve the following new capital projects:

<u>Amherst Project Names</u>	<u>Total Project Cost Estimate</u>
Morrill II, Room 327 Biology Lab	\$500,000
Nursing Building - Skinner Renovation	\$11,550,000
Mullins Center, Athletic Locker Expansion	\$2,000,000
Morrill IV North, 4th Floor Conversion (Lovely lab)	\$4,800,000
ISOM, Sports Management Renovations	\$1,500,000

**Committee on Administration, Finance and Audit  
July 24, 2003**

Hasbrouck 3 Lab Renovation	\$2,600,000
Engineering Research Center Renov. & Equip.	\$7,800,000
Lederle GRC Library Renovations	\$500,000
Lederle GRC NIH Lab Renovation	\$7,523,500
DuBois Library, 2nd Floor Renovations	\$550,000
Morrill Science Renovations	\$3,600,000
Program Relocations	\$1,000,000
HTM Culinary Arts Renovations	\$3,400,000
Energy Services Contract (ESCO)	\$71,614,500
Parking, Orchard Hill Lot	\$534,000
Utilities, ISOM Steam Site Restoration	\$2,105,000
Mullins Ice Rink Locker Room Addition	\$1,863,000
WFCR Building	\$5,500,000
Alumni Center	\$6,500,000
Athletics Center	\$5,200,000
W.E.B. Du Bois Library Deck Repairs - Ph. 2 (Interior)	\$4,400,000
Campus Garage, Phase II Mechanical Repairs	\$900,000
Campus Center Repairs	\$8,000,000
Goodell Roof	\$1,000,000
Bartlett Façade Repairs	\$2,000,000
Elevator Repairs	\$4,000,000
Southwest Concourse Replacement	\$4,000,000
University Drive Improvements	\$3,400,000
<hr/>	
<u>Boston Campus Project Names</u>	<u>Total Project Cost Estimate</u>
	<u>Jun-03</u>
Circuit Breakers for all Transformers	\$800,000
Chemical Storage Area	\$500,000
Replace Lift Stations - Admin. and Science	\$500,000
Dredge Cove at Intake Pipe	\$3,000,000
Catwalk Repairs	\$810,000
Campus Center Furniture and Equipment	\$6,000,000
New Marine Operations Vessel	\$900,000

**Committee on Administration, Finance and Audit  
July 24, 2003**

<u>Dartmouth Campus Project Names</u>	<u>Total Project Cost Estimate</u>
Renovations to Purchase St Campus	\$2,500,000
SMAST New Building	\$1,500,000
Purchase St Maintenance Issues	\$1,500,000
Emergency Engine Replacement	\$1,500,000
SMAST Pier Replacement	\$2,000,000

<u>Lowell Campus Project Names</u>	<u>Total Project Cost Estimate</u>
	\$
Nano-Manufacturing Lab	1,000,000
	\$
Bellegarde Boathouse	1,050,000
	\$
North Quad Air Conditioning	4,000,000

and further, to approve the following revised project cost estimates for previously approved capital projects:

<u>Amherst Campus Project Names</u>	<u>Revised Cost Estimate</u>
Housing Repair & Renovation	\$34,891,000
Goessmann Interim Renovations	\$1,514,000
Integrated Science Building - Phase 1A	\$63,500,000
Art Building	\$15,000,000
Turf Research Facility	\$1,100,000
UMA Deferred Maint./Modern. Projects - TBD	\$54,634,200
W.E.B. Du Bois Library Deck Replacement	\$4,700,000

**Committee on Administration, Finance and Audit  
July 24, 2003**

<u>Boston Campus Project Names</u>	<u>Revised Cost Estimate</u>
Campus Center Retrofitting	\$7,000,000
Replace/Upgrade Athletic Fields	\$3,150,000
Sprinklers-Fire Prot. Healey, Science/Wheatley	\$15,000,000
ADA, Code and Elevator Replacements Project	\$5,500,000
Repair Upper & Lower Level Garages and Plaza	\$42,200,000
HVAC Upgrades Campus Wide	\$4,850,000
Telecom Update to Fiberoptics	\$10,700,000
Replacement Parking 1536 spaces	\$39,600,000

<u>Dartmouth Campus Project Names</u>	<u>Revised Cost Estimate</u>
Technology Upgrades	\$23,336,795
Athletic Fields and Tennis Courts	\$4,750,000

<u>Lowell Campus Project Names</u>	<u>Revised Cost Estimate</u>
Parking Garage - UML East	\$9,000,000

**Committee on Administration, Finance and Audit  
July 24, 2003**

<u>Worcester Campus Project Names</u>	<u>Revised Cost Estimate</u>
New Research Building - Additional Fit-out	\$24,000,000
School Fire Alarm/Detection	\$1,500,000
Animal quarters HVAC Upgrades	\$2,700,000
Replace Core Business Systems (PeopleSoft)	\$12,600,000
Departmental equipment purchases	\$5,550,000
Moveable Equipment - Main Campus	\$1,810,000
P.P. Cogeneration Expansion	\$11,800,000
School HVAC Upgrades	
Upgrades/Repairs	\$3,000,000
Computer Services Expansion - Jamaica Plain	\$5,000,000
Misc Worcester Foundation Renovations	\$2,713,000

and further, to approve the FY2004 to FY2008 University Capital Plan as described in Table 1 of Doc. T03-046.

The next item was **FY2004 Allocation of State Funds**. Vice President Lenhardt reported that the state budget is still in the process of being debated; this is a routine item delegating allocation authority to the President to develop a plan for the allocation of the amount appropriated for the University.

It was moved, seconded and

**VOTED:** To recommend that the Board take the following action:

To direct the President to develop an allocation plan for the amount appropriated for the University in Line Item 7100-0200 of the state appropriation act for fiscal year 2004, and to notify the Board of Trustees of said plan within 40 days of the passage of said appropriation act, and the House and Senate Committees on Ways and Means within 45 days of the passage of said act. (Doc. T03-047)

**Committee on Administration, Finance and Audit  
July 24, 2003**

The next item was **Spring 2004 Student Charges**. Vice President Lenhardt reported that we are proposing a \$750 increase for all students, undergraduate, graduate, resident and non-resident for the spring semester of 2004. The total 2003 to 2004 increase in tuition and fees will be \$1,750 or 30%. The total cost including room and Board will now be \$13,980 for residents and \$23,660 for non-resident.

It was noted that all private universities and most private colleges in Massachusetts cost more than double the cost at the University of Massachusetts.

Trustee McCarthy stressed the need to address the fact that employees have signed contracts that have not been funded and the Board must address this issue. It was also noted that the University is aware that the increases are a hardship for many.

It was moved, seconded and

**VOTED:** To recommend that the Board take the following action:

In accordance with Section 1A of Chapter 75 of the General Laws, to establish and approve the following semester mandatory fee rates for the Amherst, Boston, Dartmouth and Lowell campuses effective for the spring semester of the academic year 2003-2004:

<b>TOTAL MANDATORY FEES (PER SEMESTER)</b>	<b>Amherst</b>	<b>Boston</b>	<b>Dartmouth</b>	<b>Lowell</b>
Undergraduate (resident)	\$3,634	\$3,004	\$3,105	\$3,130
Undergraduate (non-resident)	\$3,949	\$4,312	\$4,515	\$4,792
Graduate (resident)	\$3,307	\$3,010	\$3,348	\$2,825*
Graduate (non-resident)	\$3,759	\$4,318	\$4,515	\$4,034*

*\*Per 9 credit load*

And further, in accordance with Section 1A of Chapter 75 of the General Laws, to establish and approve the following maximum semester mandatory fee rates for the Worcester campus effective for the spring semester of the academic year 2003-2004:

**Committee on Administration, Finance and Audit  
July 24, 2003**

---

**TOTAL MANDATORY FEES (PER SEMESTER)**

**Worcester Medical School Campus**

Medical School (resident only)	\$2,750
MD/Ph.D. (non-resident)	\$13,232
Graduate Sch.of Nursing (resident)	\$2,750
Graduate Sch.of Nursing (non-resident)	\$2,750
Graduate Sch.Biomedical Science (resident)	\$1,918
Graduate Sch.Biomedical Science (non-resident)	\$1,918

---

And further, in accordance with Policy T92-031, Appendix E, to authorize the President to approve the individual semester rates for mandatory charges, providing that total mandatory fee charges to students shall not exceed the total semester mandatory fee rates as outlined above. (Doc. T03-048)

The next item was **Amendment to Campus Center Trust Fund, UMASS Boston**. Vice Chancellor MacKenzie reported that this amendment would allow the Trust Fund to be used to pay for operating and maintenance costs in addition to debt service. The additional funds are defined as revenues derived from occupancy charges and related fees and charges associated with the Campus Center.

The Boston campus will use the Campus Center to raise money from outside sources to subsidize the cost of running it and has hired an experienced administrator to meet the revenue goals in the budget and to design a strategy to improve the deficit situation.

It was moved, seconded and

**VOTED:** To recommend that the Board take the following action:

That the Campus Center Trust Fund at the Boston campus, as adopted by the Trustees in Doc. T96-019 Addendum 2, as amended, on June 5, 1996, be further amended by striking the wording and substituting the following:

To approve the establishment of a Campus Center Trust Fund at the Boston campus, in order to meet the need for revenues to support the debt service, operating costs, and maintenance costs to be incurred in the construction and operation of the Campus Center; further, to authorize the imposition beginning the first semester in which the Campus Center is open of a Campus Center Fee on all students at the Boston campus, not to

**Committee on Administration, Finance and Audit**  
**July 24, 2003**

exceed the rates set forth in Doc. T96-019. All revenues from the Campus Center Fee and all revenues derived from occupancy charges and related fees and charges associated with the Campus Center use shall be deposited in the Campus Center Trust Fund. (Doc. T96-019, as amended)

The next item was **Audit Reports**. The first Report was the **PriceWaterhouseCoopers FY2003 Audit Services Plan**. Mr. Gabranski and Mr. Hanley summarized the audit plan for the University. There were meetings with members of the President's Office, the Controller's Office, and Internal Audit Department. The audit plan included reviewing the prior year's audit results, evaluating the impact of new accounting regulatory standards, conduct audit risk assessment, review detailed financial statements, etc.

Today the Auditors are seeking approval from the Trustees about the audit approach, which is the most important step in reviewing the University's accounting systems and controls. The review will include areas in the PeopleSoft finance module and the effect it has had on the control environment within the accounting and finance areas of the University. There will be reviews in the areas of payroll, fixed assets, gifts and pledges, cash receipts and particular focus on programs in place identifying risks of material misstatement due to fraud.

There was a brief discussion about the need to go into executive session to discuss some of these issues. General Counsel O'Malley stated that there has to be a specific clause under the statute to permit that action to occur and presently that clause does not exist.

There was also a discussion about hiring audit firms; this task is performed by this Committee and needs to be discussed in open session. There was discussion about a separate Audit Committee; this had occurred in the past and it was decided an audit item was best served by being part of this Committee. Trustee McCarthy suggested that we take another look at separating the Committees as issues have changed in the area of audits and audit responsibilities.

There was also a brief discussion about the financial situation surrounding the break between the Medical School and the hospital, which is now UMASS Memorial. This situation is still being monitored.

It is expected that the audit report will be issued to the Committee at the October meeting.

**Committee on Administration, Finance and Audit  
July 24, 2003**

It was moved, seconded and

**VOTED:** To recommend that the Board accept the following Audit Report:

PriceWaterhouseCoopers FY2003 Audit Services Plan (Doc. T03-049)

The next two **Audit Reports: Payroll System Review – Department of Public Safety, UMASS Amherst** and **University Auditing Activity Report** were presented by Mr. Harrison, Director of Auditing.

There was a review of certain business processes within the UMASS Amherst Department of Public Safety administrative offices particularly with the payroll functions. Several recommendations were proposed that are included in the report and changes are already in progress.

As part of the Audit Report, Mr. Harrison reported that a request for bids has just been completed for an annual review of the NCAA programs at the Amherst campus. There will be a long-term contract with an independent audit firm.

Some of the upcoming external reviews include the radio stations at Amherst and Boston, the Intercollegiate Athletic Programs and Booster organizations at Amherst, the General Purpose Financial Statement, A-133 and Massachusetts Student Financial Assistance Programs.

Mr. Harrison also discussed the State Audit report. It is expected we will have the report for the next meeting, which will be made available for members of the Committee. He noted that the activity and effort of the UMASS employees is strong throughout the year.

It was moved, seconded and

**VOTED:** To recommend that the Board accept the following Audit Reports:

Payroll System Review – Department of Public Safety, UMASS Amherst  
(Doc. T03-041)

University Auditing Activity Report (Doc. T03-042)

**Committee on Administration, Finance and Audit  
July 24, 2003**

The meeting was adjourned at 10:23 a.m.

Barbara F. DeVico  
Secretary to the Board of Trustees