

MINUTES
MEETING OF THE FINANCIAL AFFAIRS COMMITTEE
BUDGET WORKSHOP
June 25, 2014

TRUSTEES PRESENT: Louise Bailey, Rose Barham, Andrew Bessette, Charles Bunnell (*via telephone*), Shari Cantor, Richard Carbray, Sandy Cloud, Michael Daniels, Andrea Dennis-Lavigne, Mary Ann Handley, Thomas Kruger, Larry McHugh, Denis Nayden (*via telephone*), Stefan Pryor and Thomas Ritter

STAFF PRESENT: Carolle Andrews, John Biancamano, Elizabeth Bolt, Thomas Callahan, Debbie Carone, Cheryl Chiaputti, Mun Choi, Robert Corbett, Laura Cruickshank, Joanne Fazio, Nathan Fuerst, Kristi Gafford, Nicole Gelston, Brian Gore, Susan Herbst, Kent Holsinger, Michael Jednak, Tysen Kendig, Michael Kirk, Matthew Larson, Susan Locke, Wayne Locust, Warde Manuel, Michael Mundrane, Jeffrey Ogbar, Richard Orr, Bhupen Patel, Sally Reis, Rachel Rubin, Jeff Seeman, Larry Silbart, Katrina Spencer, Eli Strassfeld, Jack Sullivan, Lysa Teal, Frank Torti, Thomas Trutter, Kelly Wihbey, Dana Wilder and Reka Wrynn

SENATE PRESENT: Rajeev Bansal, Lynne Healey and Donna Korbel

Committee Chairman Thomas Kruger convened the meeting of the Financial Affairs Committee at 9:30 a.m. in the Lewis B. Rome Commons Ballroom on the University of Connecticut campus in Storrs, Connecticut.

On a motion by Trustee Nayden and seconded by Trustee Cantor the committee voted to go into Executive Session at 9:31 a.m. to discuss preliminary drafts and notes; and commercial or financial information given in confidence that the University has determined that the public interest in withholding such documents clearly outweighs the public interest in disclosure.

Trustees present included: Louise Bailey, Rose Barham, Andrew Bessette, Charles Bunnell (*via telephone*), Shari Cantor, Richard Carbray, Sandy Cloud, Michael Daniels, Andrea Dennis-Lavigne, Mary Ann Handley, Thomas Kruger, Larry McHugh, Denis Nayden (*via telephone*), Stefan Pryor and Thomas Ritter.

University staff members who participated in the meeting: President Herbst, Rachel Rubin, Mun Choi, John Biancamano, Michael Kirk, Lysa Teal, Matthew Larson, Michael Jednak, Richard Orr, Tysen Kendig, Michael Eagen and Debbie Carone.

At 10:17 a.m. Executive Session ended and the meeting resumed in open session.

Mr. Kruger introduced Lysa Teal, Associate Vice President for Finance and Budget, to provide a Budget Presentation. He stated that the committee will be asked to review and recommend approval to the full Board the FY15 spending and capital budgets for the University and the UConn Health. He emphasized that there is no intention by the committee or the full Board to

revisit the tuition plan that has been in place since 2011. He thanked John Biancamano, Interim Executive Vice President for Administration and Chief Financial Officer, and Ms. Teal for the work that went into preparing a balanced budget and for meeting with the Committee for many hours prior to the workshop to explain the detail that went into developing the University's budget. Therefore, the committee feels well-schooled on the policy and resource allocation decisions that went into making a balanced budget.

Ms. Teal explained that policy decisions and a resource allocation process was utilized in determining the annual budget. She emphasized that during a period of constrained resources, hard choices had to be made. Key financial priorities included commitments to students, faculty and research; financial aid; academic programs and the Academic Plan; as well as the priority to the Next Generation Connecticut commitment to the State. A number of issues have impacted the budget including State support, enrollment, personnel costs, financial commitments, and contractual constraints. The University continues to be committed to providing financial aid for needy students by increasing aid from \$42.6M in FY08 to \$91.9M in FY15. Financial aid represents 11.7% of the University budget in FY15.

Overall State appropriation has been decreasing. Despite financial difficulties within the State the University will begin to receive States appropriations for the Next Generation Connecticut program in FY15. The University is expecting to receive \$1.5B in additional capital funds over 10 years and has requested \$137M of State funding for operating costs. There is a plan to add 61 faculty in FY15. Administrative staff was added for the program in FY14 in anticipation of program financial support.

Overall enrollment for FY15 is projected at 30,266. Enrollment is a factor in budget decisions as are personnel costs. Salaries and fringe benefits are expected to account for almost 66% of the operating budget expenditures in FY15. The blended fringe benefit rate for permanent and continuing employees is expected to be 54.2% for FY15 or a potential increase of 24% from the FY11 rate of 43.6%.

The FY15 Budget Plan incorporates many components including State appropriation for Next Generation Connecticut of \$15.0M; other State support (salary increases/fringe benefits) of \$20.3M; increased tuition of 6.5%; undergraduate enrollment growth of 1.7%; wage increases and higher fringe benefit rates of \$24.0M; faculty and staff hiring at \$20.6M; and increased University funded financial aid and new STEM merit scholarships of \$6.3M.

The UCONN 2000 FY15 Capital Budget Plan includes a \$315.5M request which encompasses \$205.0M to support the Next Generation Connecticut initiative and \$110.5M to support the Bioscience Connecticut initiative.

Future year financial challenges the University will face include a continuation of university-wide savings efforts; new position planning; implementation of the Academic Plan; negotiation of new collective bargaining agreements; and the impact of Connecticut's economy on University finances. The University Master Plan is underway and will support the University's mission and the Academic Plan and will also impact the budget.

Mr. Kruger thanked Ms. Teal for her thorough review of the Storrs based budget materials.

Mr. Jeffrey Geoghegan, UConn Health Interim Chief Financial Officer, provided an overview of the budget for UConn Health. He stated that the budget had the endorsement of the UConn Health Finance Subcommittee as well as the Board of Directors. UConn Health receives 24% of its total revenues from State support through a block grant and the in kind fringe benefit compared to 42% of revenue generated through patient care activities either through the John Dempsey Hospital or Physician Practice for UMG. These are followed by the Correctional Managed Health Care program, research activities and the interns and residents program leaving a smaller amount of income related to contracts and tuition and fees for programs based at UConn Health.

Expenditures for the program are similar to FY14 with salaries and fringe benefits combined to make up 59% of the FY15 budget. This is the main driver of expenses in all of the UConn Health Programs including clinical, research and all other activities. Of note, the drop in drug and medical supply costs from FY14 to FY15 is due to the expense reduction initiative due to the BRG Financial Improvement Project. The BRG project initial phase is complete and recommended implementation has begun. Despite revenue enhancements and expense reductions made through the BRG Project the UCH FY15 operating budget has a budgeted loss of \$12.5M which is a \$3.2M improvement over the FY14 forecast. UConn Health has a balanced FY15 budget of \$947.1M.

Mr. Kruger directed the committee to agenda *Item #2, Approval of the Minutes of the Financial Affairs Committee Meeting of April 23, 2014*. On a motion by Trustee Cantor and seconded by Trustee Carbray the minutes were approved as circulated.

Matthew Larson, Director of Procurement, reviewed and provided highlights of the contracts presented for approval on agenda *Item #3, Contracts and Agreements for Approval*. On a motion by Trustee Cantor and seconded by Trustee Carbray the item was recommended to the full Board for approval.

John Biancamano, Interim Executive Vice President for Administration and Chief Financial Officer, and Josh Newton, President of the UConn Foundation, provided information on agenda *Item #4, Memorandum of Understanding between the University of Connecticut Law School Foundation and the University of Connecticut for Fiscal Year 2015; and Item #5, Master Agreement and Statement of Work between the University of Connecticut Foundation and the University of Connecticut for Fiscal Year 2015*. Chairman McHugh requested that all Foundation agreements be consolidated under one University Foundation in the future. Mr. Newton stated that an effort to consolidate and collaborate is underway between the Law School Foundation and the UConn Foundation.

Mr. Biancamano highlighted agenda *Item #6, Revised Spending Plan for Fiscal Year 2015 for the University of Connecticut, Storrs and Regional Campuses; Item #7, Spending Plan for Fiscal Year 2015 for UConn Health; Item #8, State Appropriation Request for the Biennium Fiscal Years 2016 and 2017 for the University of Connecticut, Storrs & Regional Campuses; Item #9, State Appropriation Request for the Biennium Fiscal Years 2016 and 2017 for UConn Health; Item #10, UCONN 2000 Fiscal Year 2015 Capital Budget; Item #11, Fiscal Year 2015 Deferred Maintenance/Code/ADA Renovation Lump Sum Project List and agenda Item #12, Twentieth Supplemental Indenture Authorizing University of Connecticut General Obligation Bonds*. On a motion by Trustee Bessette and seconded by Trustee Cantor action items #2-12 were recommended to the full Board for approval.

Laura Cruickshank, University Master Planner and Chief Architect, provided information on the project budgets for Storrs based programs presented for approval as agenda items 13-22; which included: *Academic and Research Facilities – Main Accumulation Area for Regulated Wastes (Revised Planning: \$5,255,580)*; *Arjona and Monteith – Monteith Renovations (Revised Planning: \$25,000,000)*; *Heating Plant Upgrade – Power System (Revised Planning: \$2,500,000)*; *Heating Plant Upgrade – Upgrade Chilled Water System (Design: \$7,000,000)*; *Fats, Oils and Grease (FOG) Compliance – Phase I (Final: \$2,000,000)*; *fMRI – Acquisition and Installation (Final: \$7,893,000)*; *Main Water Line Replacement – Phase I (Final: \$7,000,000)*; *OSFM Code Remediation: Babbidge Library Emergency Lights (Final: \$4,000,000)*; *UCONN 2000 Code Remediation: Alumni Quad (Final: \$766,000)*; and *UCONN 2000 Code Remediation: Starr Hall (Final: \$612,000)*. On a motion by Trustee Cantor and seconded by Trustee Bessette these projects were recommended to the full Board for approval.

Thomas Trutter, UConn Health Associate Vice President for Facilities Development and Operations, provided information on the project budgets for UConn Health presented for approval as agenda items 23-24; which included: *UCH Research Tower: Incubator Lab Addition to the Cell & Genome Sciences Building (Design: \$19,400,000)* and *UCH 195 Farmington Avenue Renovation (Final: \$3,600,000)*. On a motion by Trustee Carbray and seconded by Trustee Cantor the items were recommended to the full Board for approval.

The committee was directed to review the agenda items presented for information. Trustee Kruger adjourned the meeting at 11:15 a.m. on a motion by Trustee Cantor and seconded by Trustee Bessette.

Respectfully submitted,

Debbie L. Carone

Debbie L. Carone,
Secretary to the Committee