

University Budget Advisory Committee Minutes (UBAC)
23 October 2013

In attendance: Nabil Al-Tikriti (chair); Patricia Reynolds, Rick Pearce, Mukesh Srivastava, Joe Romero, Stephen Farnsworth, Colin Rafferty, John Morello, Dana Hall, Dan Hubbard, Les Johnson, Paul Messplay.

Meeting began at 3:58 PM. Minutes from the previous meeting were amended and approved.

Today's meeting is a discussion of institutional health with Rick Pearce, VP for Administration and Finance, who discussed the organizational setup of the university's finances.

Year End: 6/30/13. The Commonwealth of Virginia does not allow state agencies and institutions of higher education to end the fiscal year with a deficit. For FY13, we finished with a small balance that we added to our reserves (\$10 million total, 8% of budget). In higher education, our reserves are strong, as a result of President Hurley's initiative (at the start of his administration, the reserve balance was about \$500K).

Pearce stated that for the fall 2013 semester the school lost more out-of-state students than it had anticipated. It also had a lower retention rate. Result: about a \$1.3 million revenue variance from budget is projected for the current fiscal year (1% of budget). This will be covered by lowering the amount of money in the operating contingency fund, capturing turnover and vacancy savings, and tightening discretionary spending. In addition, a one-time reimbursement from the state of about \$600K for FY13 Equipment Trust Fund (ETF) expenses will be used to offset this year's shortfall. Pearce said that the school's focus in Admissions on transfer students is a good step

Srivastava asked about the \$1.3 million lost in relation to tuition revenue. Pearce said that it was about 4% of tuition revenue.

Future concerns: Debt service. UMW has done a lot of work on auxiliary services, such as the Anderson Center, residence hall renovations and construction of the new student center. Funding for these projects has come from rate increases in residence hall rates and the auxiliary comprehensive fee. The school needs to renovate all of its residence halls that haven't been done yet. Hubbard asked to be walked through the financing structure of the campus center. Pearce discussed the relationship with the Foundation, the private developer and construction firm and the university's capital outlay managers. Johnson talked about the risks inherent in both the public and private contracting systems.

Pearce said the school would also need seed money to build up graduate programs—Nursing, Geo Spatial Analysis—that will become self-sustaining in time. In addition, the school has to deal with any sudden infrastructure costs, such as roof replacements, HVAC failures, as well as half of any salary increase the Commonwealth votes in. Pearce stated that Woodard and Mercer Halls will be renovated soon for the College of Business and the Psychology Department. The next significant capital outlay project will be the Jepson Science Center addition, which is currently in the early planning stages.

Limited Funding: Pearce said that only limited new state funding is anticipated for the next biennium. Currently, the school is under a lot of pressure from the Governor, the General Assembly, and the Board of Visitors to hold down tuition, fees, and room and board. Virtually all dorms need renovation at different levels. Hall pointed out that we cannot run campus summer camps without A/C.

Private funds: President Hurley has done well in raising private funds. However, these funds are usually earmarked to do something specific—a scholarship, an endowed chair, a building. Johnson commented

that given our decreased state funding, we ought to consider alumni and private funding more if we can get it. Hubbard asked about unused land at Stafford; Pearce discussed how that land is reserved for educational activity.

Al-Tikriti reiterated Pearce's points that UMW's financial status appears healthy (pre-10/23 stats). Reynolds stated that the Stafford campus is getting neglected, and suggested an increased focus on it and its infrastructure.

Reynolds asked about how the budgets were set up when we moved from college to university status. Pearce responded that this occurred before his arrival at the university, and that much of today's structure is a legacy of the Frawley/Hample era. Morello pointed out that a 10% budget cut due to reduced Commonwealth support occurred during those years as well.

Johnson asked how difficult a conversation reallocating funds would be. Pearce clarified that the Strategic Allocation Task Force would be looking into such issues.

Pearce reiterated that we are financially strong. Challenges are in front of us, but nothing insurmountable at this time. He reported that Provost Levin has stated that all the pieces are here, and that we can be successful with what we have.

Srivastava expressed concern over the sustainability of the MBA program. Reynolds asked if these had been financially profitable, then why isn't anyone concerned about their death? Reynolds asked what went wrong whereby such programs (BPS) were killed. Al-Tikriti stated that SACS appears to have played a role, and asked if we can find an international niche.

Hall mentioned a US Air in-flight magazine advertising placed by Salisbury College. Might the school consider something like that? Al-Tikriti mentioned that this option had been discussed at our previous meetings with the branding team, including the option of placing such ads with international air carriers.

Al-Tikriti asked about computer/laptop rotation. Pearce stated that the program hasn't existed for a while. Since the years of the 10% budget cut, any extra funds identified at the end of the year were allocated to upgrade/replace faculty/staff equipment. His expectation is that each department is handling this issue from their own budget. Romero asked if a policy statement had come out, or if it was informal. Al-Tikriti relayed the tale of his own computer woes as an example of issues arising from the lack of a regular rotation.

Campus Manager at Stafford: Pearce stated that this position, which is held by Mark Safferstone, came out of a need for greater leadership at Stafford. The hope is that he can build programs there, as well as at Quantico and Dahlgren.

Al-Tikriti asked about health insurance, pointing out that his premium increased about \$60 month. Pearce responded that the average age of state employees is going up considerably, and that premiums pay for what the cost was the prior year plus anticipated inflation. Reynolds stated that the age of retirement has gone up; packages weren't adjusted as necessary.

Next week: Douglas Searcy, Vice President for Student Affairs

Adjourned: 5:13 PM.

Submitted by Colin Rafferty, UBAC Secretary