

## University Budget Advisory Committee

### Meeting Notes – 6 November 2013

In attendance: Patricia Reynolds (acting chair), Mukesh Srivastava, Dana Hall, Stephen Farnsworth, Richard Pearce, Paul Messplay, Salvatore Meringolo, Jeff Rountree, Gregory Banner and Dan Hubbard (acting secretary)

The meeting was brought to order at 16h03 in Monroe Hall, Room 233 by Acting Chair Reynolds.

Jeff Rountree and Gregory Banner, respectively CEO and CFO of the UMW Foundation provided a summary presentation of the Foundation's structure, existing financial position and projected growth. [A copy of this presentation is separately provided.]

Highlights included:

1. A growth in projected annual funding from the Foundation, moving from \$3.5 million in Fiscal Year (FY) 2014 to an anticipated \$4.7 million in FY 2019.
2. Currently, there are approximately \$1.95 million in restricted and \$1.48 million in unrestricted support.
3. There is a \$100,000 projected budget surplus, largely as a result of the hotel and other commercial real estate income production.
4. The foundation uses a conservative growth assumption of 6 % annual earnings.
5. There are several discretionary spending accounts, including the President's Fund for the Future.
6. The UMW Advancement Office oversees all fund raising activities.
7. Mangham Associates serves as the Foundation's professional investment advisors.
8. The SIP (Statement of Investment Policy) includes three major principles:
  - a. Support for current and future operations of UMW
  - b. Support for student scholarships and academic programs
  - c. Preservation of purchasing power
9. Of the \$44.5 million invested, the portfolio falls within the following target ranges:
  - a. Public equity           50 to 70 percent
  - b. Private equity         0 to 20 percent
  - c. Real assets            0 to 20 percent
  - d. Bonds and cash       10 to 25 percent
10. Current endowment spending policy allows up to 5% (which has been the same since FY 2006). A three year moving average is used to minimize fluctuations due to economic volatility. (CEO Rountree noted that most school foundations have a lower spending percentage, particularly in recent years) In addition, use is made of a unitized endowment approach.

During the discussion following the presentation, Acting Chair Reynolds noted that some of the foundation real estate holdings were earning income. CEO Rountree concurred, and felt that there would be a significant increase in these earnings in coming years, as more income was generated by the rental units in the vicinity of the Eagle Landing area, as well as with the new Hyatt Hotel in the same location. He noted that the Foundation currently has approximately \$140 million in real estate holdings, including about one-third of the University's available housing units. He characterized the Foundation's efforts in the former "Park and Shop" area as "rescue, stabilize and build-up". He further stated that the site is currently 84% "leased up" and that this would shortly increase; in addition, the Hyatt Hotel is scheduled to open in December 2013.

When Acting Chair Reynolds noted that the addition of the hotel would allow the COB the opportunity to develop a Hospitality Program, both Professors Srivastava and Hubbard voiced caution. Professor Srivastava noted that the institution needed to be very careful with the allocation of limited resources, particularly as UMW seeks to rebuild its MBA program. Professor Hubbard stated that the Dean of the COB had made it very clear that there were to be no new programs in business until AACSB accreditation had been achieved. Acting Chair Reynolds responded that the new hotel would still provide excellent opportunities for internships for UMW students, particularly in the COB.

Professor Farnsworth mentioned that five or six years ago, there had been discussion of housing possibilities for newer faculty, due to the relative high cost of living in the area. CEO Rountree agreed, but commented that this had been "put on the shelf" due to the real estate crash of the past few years. With the real estate market recovering, this might again be a topic for future discussion.

CEO Rountree pointed out that the Foundation was not restricted by the same Commonwealth regulations which limit investment actions by the University. He further noted that an effort was being made to shorten lease terms to five years to provide the Foundation with even greater investment flexibility.

The meeting adjourned at 17h10, with the next meeting scheduled at the same location for 13 November 2013 at 16h.

Respectfully submitted,

Dan Hubbard