

# University Budget Advisory Committee

Minutes – 12/3/2020 meeting

Prepared by Michelle Pickham

Voting members present: Nabil Al-Tikriti (Chair, At-large)

Laura Bylenok (At-large)

Liane Houghtalin (CAS)

Kyle Schultz (COE)

Chris Garcia (COB)

Suzanne Sumner (At-large)

Voting members absent: Stephen Davies (Secretary, At-large)

Non-voting members present: Michelle Pickham (Staff Advisory Council President)

Patrick Catullo (Athletic Director)

Guests: Jeff Rountree (UMW Foundation, CEO)

Gregory Branner (UMW Foundation, Treasurer)

1. Mr. Rountree and Mr. Branner began the presentation with some background on the UMW Foundation. The Foundation was founded in 1975 right after the University officially separated from the University of Virginia. The UMW Foundation serves as the private asset manager for UMW, managing all of the University's privately donated cash and investments and is engaged in real estate acquisition, development, and management on behalf of the University.
2. The FY19 Foundation total Assets totaled \$184M with \$59M in cash and endowments and \$125M in its real estate portfolio. Annual FY21 revenues look to be about \$13.25M. Where does this money come from: income producing property (residence buildings included), investment income, unrestricted gifts, endowment management fee, interest and development fees. FY19 expenses – UMW raised \$807,750 in unrestricted funds, however UMW received \$1.471M back in unrestricted operating funds from UMWF and the additional \$663k came from the Foundation. The Foundation covers 100% of its own operating costs to generate these additional funds.
3. The UMW Foundation has a staff of 5 full time individuals.
4. Endowment spending (donor restricted) - \$2.1M in FY21:
  - (a) 400+ endowments and 550+ individual awards
  - (b) Individuals who wish to establish permanent endowment funds must donate a minimum of \$25,000.
  - (c) Critical to attracting the best students and finest faculty
  - (d) Endowments can include: merit or need-based scholarships, professorships, endowed chairs, research fellowships, and programs.
5. The UMW Advancement Office performs all the fundraising and the contributions then go to the Foundation for investment and management. The Foundation's Investment Committee is charged with managing the endowment assets. UMWF retains professional independent investment advisors, currently Artemis Wealth Advisors LLC, to assist with these responsibilities.
6. UMWF's Statement of Investment Policy (SIP) governs the management of the Foundation's investment portfolio. The SIP states that the overall objectives are:
  - (a) To support the current and future operations of UMW.

(b) To Support UMW's student scholarship and academic programs.

(c) To preserve the purchasing power of the Foundation's endowment.

7. Endowment Spending Policy – the annual spending policy from endowment funds allows up to 5% of the average ending asset market values averaged over the previous 5 years. The UMW Foundation Endowment Budget has been trending down since 2017 which is a result of a gradual decrease in the set spending rate from 5% to 4%. The 4% spending rate currently set is expected to continue for the foreseeable future.

8. Real Estate Holdings – acquired for the current or future use and benefit of students, staff, and faculty, and leased back to the University (William St. Apts, College Avenue houses, etc.), acquired and sold to fund special projects, endowments, etc., acquired and actively developed (Eagle Village), also includes houses, lots, commercial properties, undeveloped land, etc. UMWF has a property, Eagle Lake Outpost, sitting on a small lake, which is used as a wet lab and community cabin for research, field work, and student affairs program activities.

(a) Dr. Al-Tikriti asked who manages the Eagle Lake Outpost property. Mr. Rountree answered the UMWF manages this. Dr. Al-Tikriti made a comment that this property seems like it has some untapped potential for the University.

9. Dr. Houghtalin asked if the statement that if students donate to the Fund for Mary Washington it goes into the endowment, is correct. Mr. Rountree indicated that statement is not true – when you give to the Fund for Mary Washington, those are unrestricted dollars which go back to the University which gets allocated according to the President's Office.

(a) Dr. Houghtalin indicated that students are interested in donating to an endowment where the interest on their donations get spent, not the bulk of the funds. Mr. Rountree said that the minimum amount to establish an endowment is \$25,000, but that students can donate to any already established endowment. Dr. Houghtalin further commented that there should be room for establishing an endowment where funds of any dollar amount can be given to set up a future for the University where the spending is unrestricted but that money is not spent right away and is invested to gain interest over time. Mr. Rountree mentioned that the Advancement Office should have a listing of all established endowments with descriptions of the endowment should students want to donate to an established fund.

10. Dr. Houghtalin asked if you looked at UMW and who we are (state university but often more comparable to private institutions because of our size, intensive liberal arts focused education, small class sizes, etc.), where should our endowment be? Advancement should have some targets for comparisons.

(a) Dr. Al-Tikriti asked have we ever benchmarked ourselves against other COPLAC universities? Mr. Rountree recalls that we, historically, have done pretty well against those schools, but does not have a definite answer. Advancement may be able to research this.

11. Dr. Schultz mentioned at the beginning it was said that we have a focus on real estate – if you factor in the cash holdings does this change the picture at all when we compare ourselves with other places? Do you factor in the real estate as well in those comparisons? Mr. Rountree said we are way up in Virginia if you factor in the real estate values. Dr. Schultz followed up asking if the price of the land based on location is a factor? Mr. Rountree answered no, it's more based on the focus of the Foundation – some may not touch real estate. VT, UVA, UMW, ODU, CNU are all similarly structured and heavily into real estate in addition to endowments.

(a) Dr. Schultz asked is a real estate focus a matter of preference or strategy? Is there a reason why we are so heavily into real estate other than simply past mandate? Have we ever

considered reevaluating this strategy? Mr. Branner said the Foundation's understanding is that the strategy is currently being reconsidered. Eagle Village property was intended for expansion of UMW's facilities, not its investment potential. As UMW reconsiders its growth strategy, it will impact the amount of real estate it wants the Foundation to hold.

12. Dr. Al-Tikriti mentioned a potential faculty myth of the University owning what is now the Mary Washington Hospital complex and then selling. That is incorrect and UMW never owned that property.
13. Dr. Al-Tikriti mentioned there are currently 38 UMWF board members. Is that normal? Mr. Rountree says it's functioned very well. We have a very high participation rate by the board members. Almost all of the past rectors of the board of visitors are on the UMWF board.
  - (a) Dr. Al-Tikriti asked are there any customs to have faculty representation on the board? Mr. Rountree doesn't recall any other foundations having faculty. Al-Tikriti then made a comment that he thinks this should be a thing.
14. Dr. Sumner had a question about if we're taking advantage of the super low interest rate sellers' market to sell off some of our properties? The Foundation is taking a look at that and having discussions about what's next? Since the Foundation owns/manages some student housing properties, that could have effects on revenue back to the University. Dr. Sumner further asked because of COVID and tight budgets, are we changing our strategy or plan to give us the cash we need? Student housing is the biggest debt but the question is how much of that does the University feel like it can continue to support compared to the debt it has for those buildings? What are the plans for the Stafford Campus? Stafford Campus is state property so it doesn't include the UMWF. The UMWF owns land adjacent to it.
15. Dr. Sumner asked what is keeping the Foundation up at night? Mr. Rountree answered COVID and the repercussions and the University's ability to maintain a lot of its real estate in the future. What COVID is doing for residential learning – can the University keep up its commitment to these real estate properties? If not, what is the exit strategy?

# UMW Foundation Presentation to University Budget Advisory Committee December 3, 2020

Jeff W. Rountree '91  
Chief Executive Officer  
UMW Foundation

Gregory A. Branner '85 CPA  
Chief Financial Officer  
UMW Foundation



# UMW Foundation

## Statement of Purpose

“Organized and incorporated in 1975, the UMW Foundation is an independent and separately incorporated 501(c) (3) organization and is responsible for receiving, managing, and administering donations of cash, securities, real and intellectual property, and other private resources for the support of the University of Mary Washington; and managing such gifts in accordance with donor intent and its fiduciary responsibilities.

Furthermore, in connection with its asset-management and real estate management activities, the Foundation retains personnel experienced in planning for and managing private contributions and works with the University to assist and advise in such activities.”



# UMW Foundation Elevator Speech

*“The UMW Foundation, a not-for-profit 501c(3), serves as the private asset manager for the University of Mary Washington.”*

*“The Foundation manages all of the University’s privately donated cash and investments and is heavily engaged in real estate acquisition, development and management on behalf of the institution.”*

*“The Foundation is the University’s family office managing nearly \$200M in private assets.”*





# FY19

## UMW Foundation Total Assets

### \$184 Million (Audited F/S)



\$59 Million  
Cash & Endowments



\$125 Million  
Real Estate Portfolio



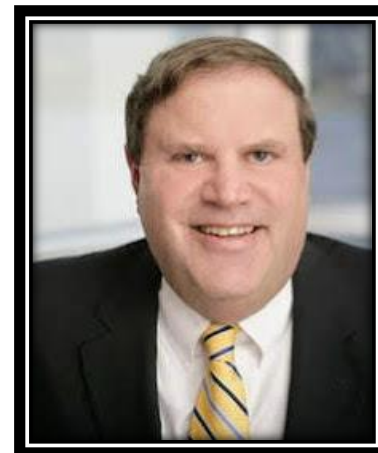
# UMWF Officers & Executive Committee



**Edward V. Allison Jr.**  
Board Chairman



**Dori Eglevsky**  
Board Vice Chairman  
Chairman, Operations/Finance Cmt. Vice-Chairman, Audit Cmt.



**Robert J. Barry Esq.**  
Board Secretary  
Vice-Chairman, Audit Cmt.



**Dr. Troy D. Paino**  
President, UMW



**Kathleen Shepherd Mehfoud '70**  
Immediate Past Board Chairman



**Michael A. Ciriemi '98**  
Chairman, Investment Cmt.





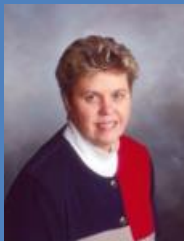
***Jeff W. Rountree***

Chief Executive Officer  
President, Eagle Property Holdings LLC



***Peggy Simpkins CPS***

Executive Assistant to CEO



***Greg Branner CPA***

CFO, UMWF; Treasurer, UMWF Board



***Ann Hodges***

Senior Accountant



***Shannon C. Williams CPA***

Controller



# UMW Foundation Staff



# ANNUAL BUDGET

## FY21 REVENUES OF \$13.25 M

\$\$\$\$\$	Income-Producing Property
\$\$\$\$	Investment Income
\$\$\$	Unrestricted Gifts
\$\$	Endowment Management Fee
\$	Interest and development fees



# ACTUAL EXPENSES IN FY19

- UMW raised \$807,750 in unrestricted funds (Fund for Mary Washington).
- However, UMW received \$1,471,378 back in unrestricted operating funds from UMWF. The additional \$663,628 came from profits generated by Foundation enterprises.
- Additionally, the Foundation covers 100% of its own operating costs to generate these additional funds.



# ENDOWMENT SPENDING

## \$2.1 MILLION IN FY21

- 400+ endowments and 550+ individual awards
- Permanent funds of \$25,000+
- Critical to attracting the best students and the finest faculty
- Endowments can include:
  - ✓ Merit or need-based scholarships.
  - ✓ Professorships, Endowed Chairs, Research Fellowships.
  - ✓ Programs



# **UMW Foundation**

## **Endowment Funding & Management**

- The UMW Advancement Office performs all fund raising with contributions going to the UMW Foundation for investment and management.
- All investments are managed in accordance with the Foundation's Statement of Investment Policy.
- The Foundation's Investment Committee (IC) is charged with managing the endowment assets.
- UMWF retains professional independent investment advisors, Artemis Wealth Advisors LLC, to assist the UMWF with these responsibilities.



# **UMW Foundation**

## **Statement of Investment Policy**

- UMWF's Statement of Investment Policy (SIP) governs the management of the Foundation's investment portfolio.
- The SIP states that the overall financial objectives of UMWF are:
  - To support the current and future operations of UMW.
  - To support UMW's student scholarship and academic programs.
  - To preserve the purchasing power of the Foundation's endowment.
- The investment objectives are long-term in nature and designed to ensure the sustainability of the endowment portfolio over time.
- The SIP also defines portfolio composition and asset allocation.
- The SIP also includes a summary explanation of the UMWF endowment spending policy.

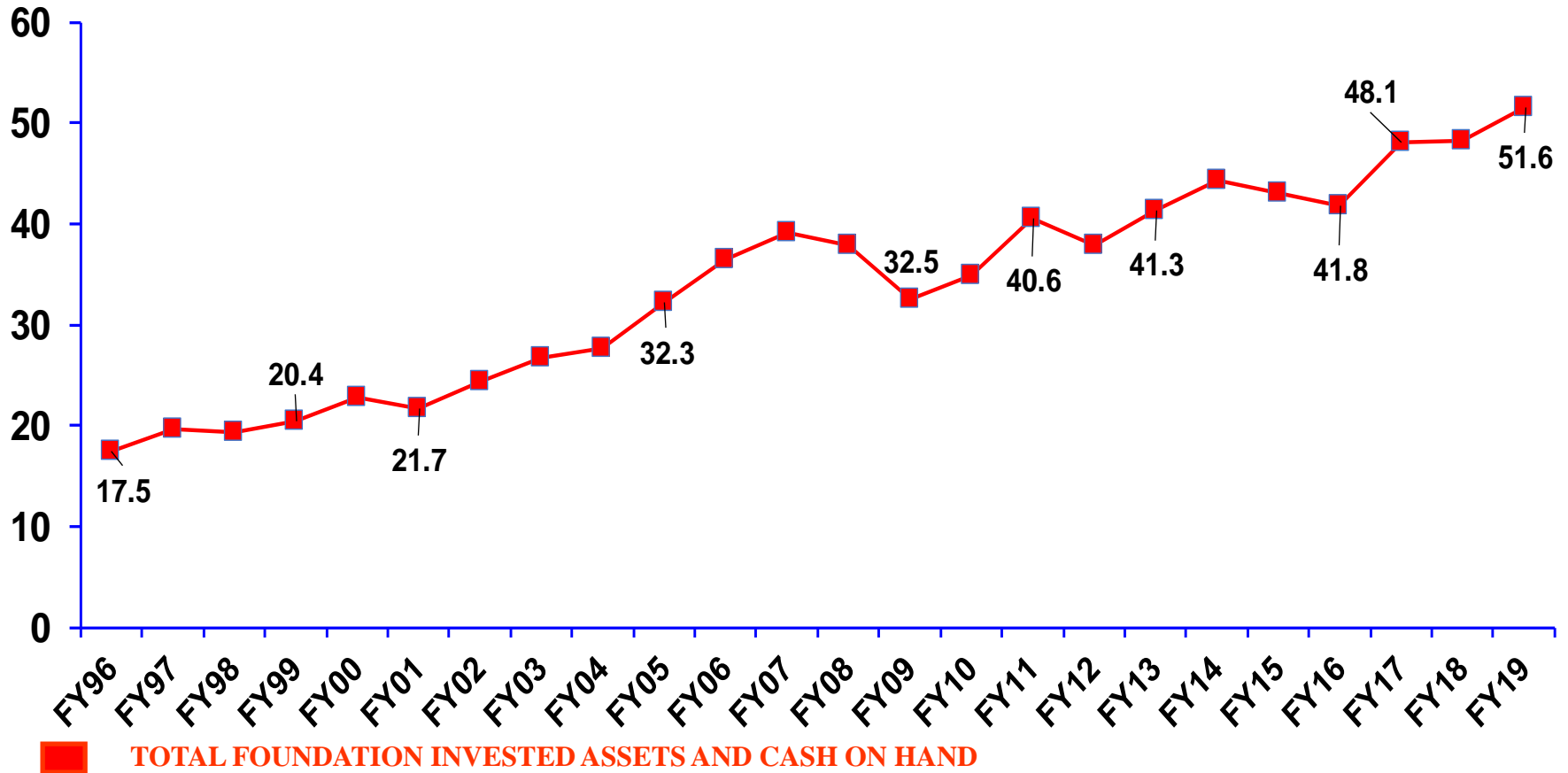


# ENDOWMENT

## Portfolio Investments and Cash

(as of June 30, 2019)

Millions



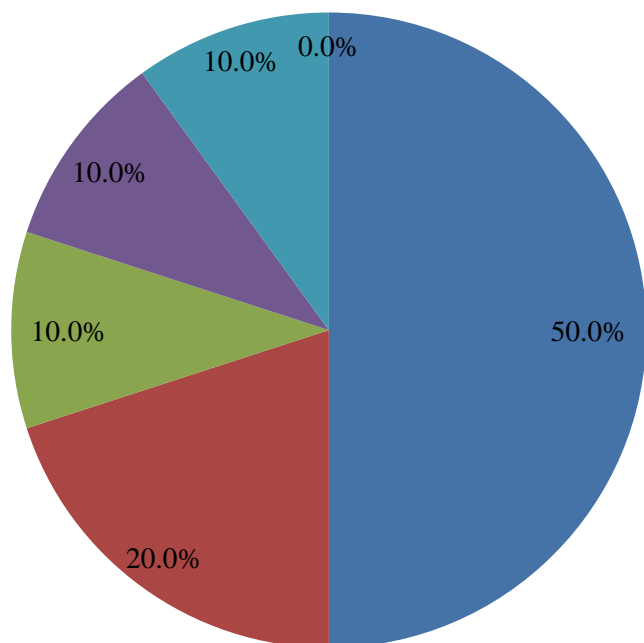
All amounts are as of June 30 (fiscal year-end)



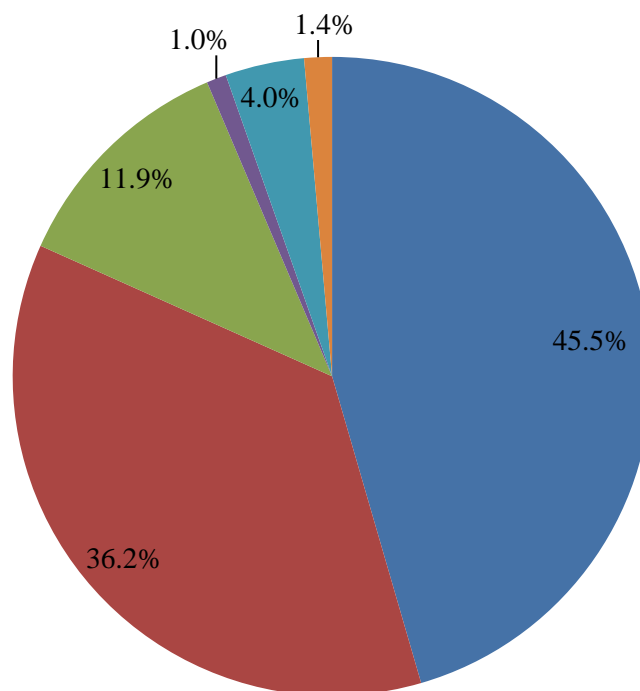
# ENDOWMENT

## Asset Allocation & Manager Targets

**Policy Target**



**Actual Allocation**



**Legend & Tactical Range**

- Public equity (40%-70%)
- Fixed income (20%-35%)
- Hedge funds (0%-20%)
- Private equity (0%-20%)
- Real assets (0%-20%)
- Cash & cash equivalents (0%-5%)

Source: Artemis Wealth Advisors, Investment Performance Report, September 30, 2020





# ENDOWMENT

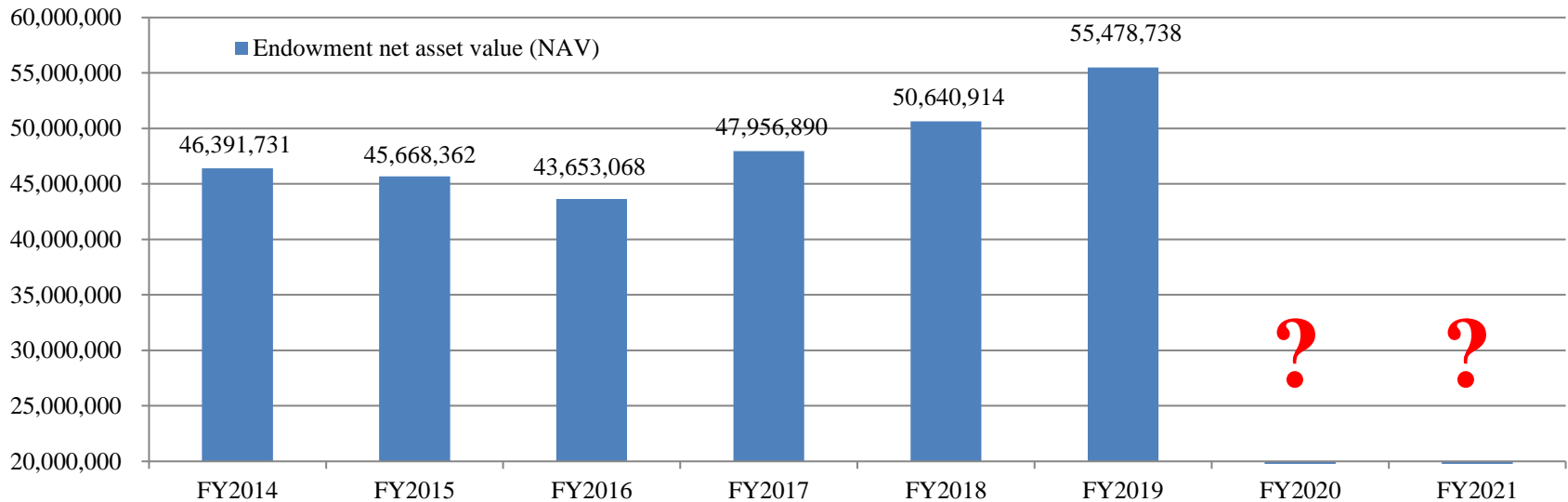
## Endowment Spending Policy (ESP)

The annual spending from endowment funds will be up to 5.0% of the average ending asset market values over the last 5 years.

The 5-year moving average policy is designed to minimize the peaks and valleys of the portfolio's performance.

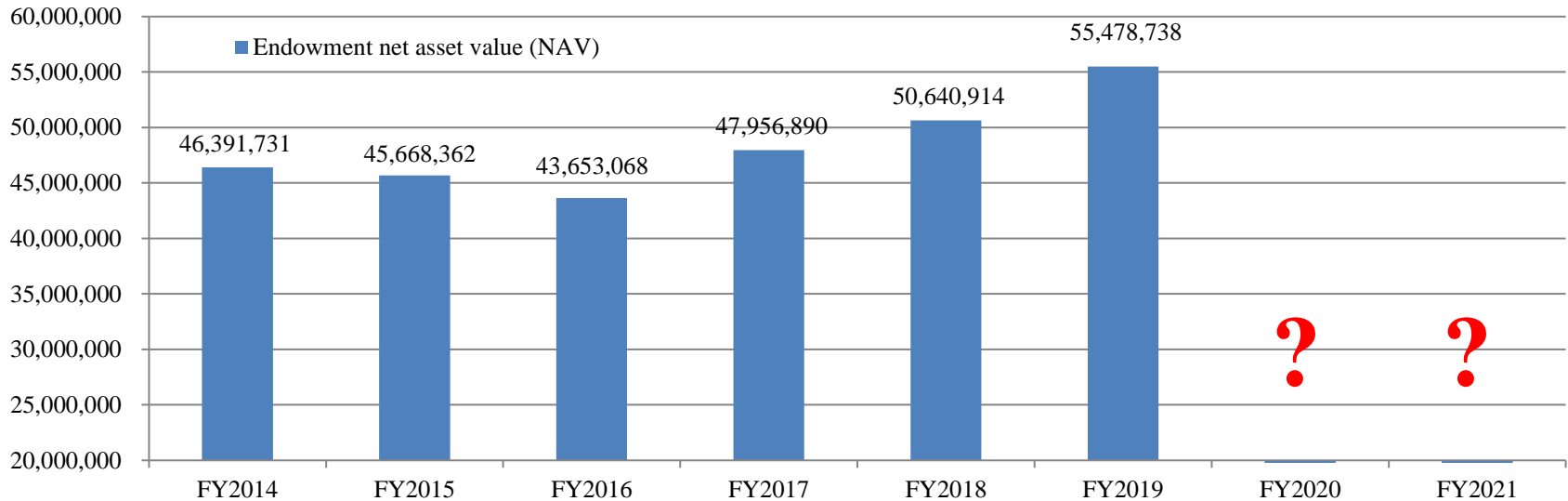


## UMW Foundation Effects of Endowment Spending Policy





## UMW Foundation Effects of Endowment Spending Policy

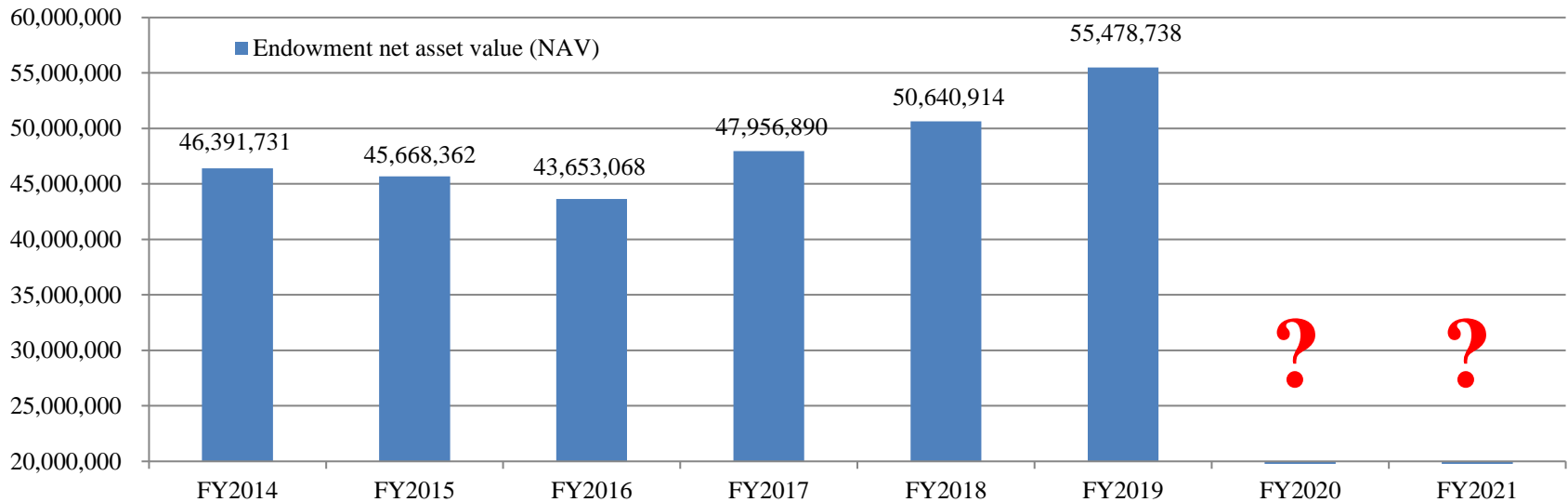


Average NAV of \$46,862,193 @ 4.0%  
=\$1,874,488

Spending policy amount for FY2020 set in November 2018  
based on average NAV for FY2014-FY2018



## UMW Foundation Effects of Endowment Spending Policy



Average NAV of \$48,679,594 @ 4.0%  
=\$1,947,184

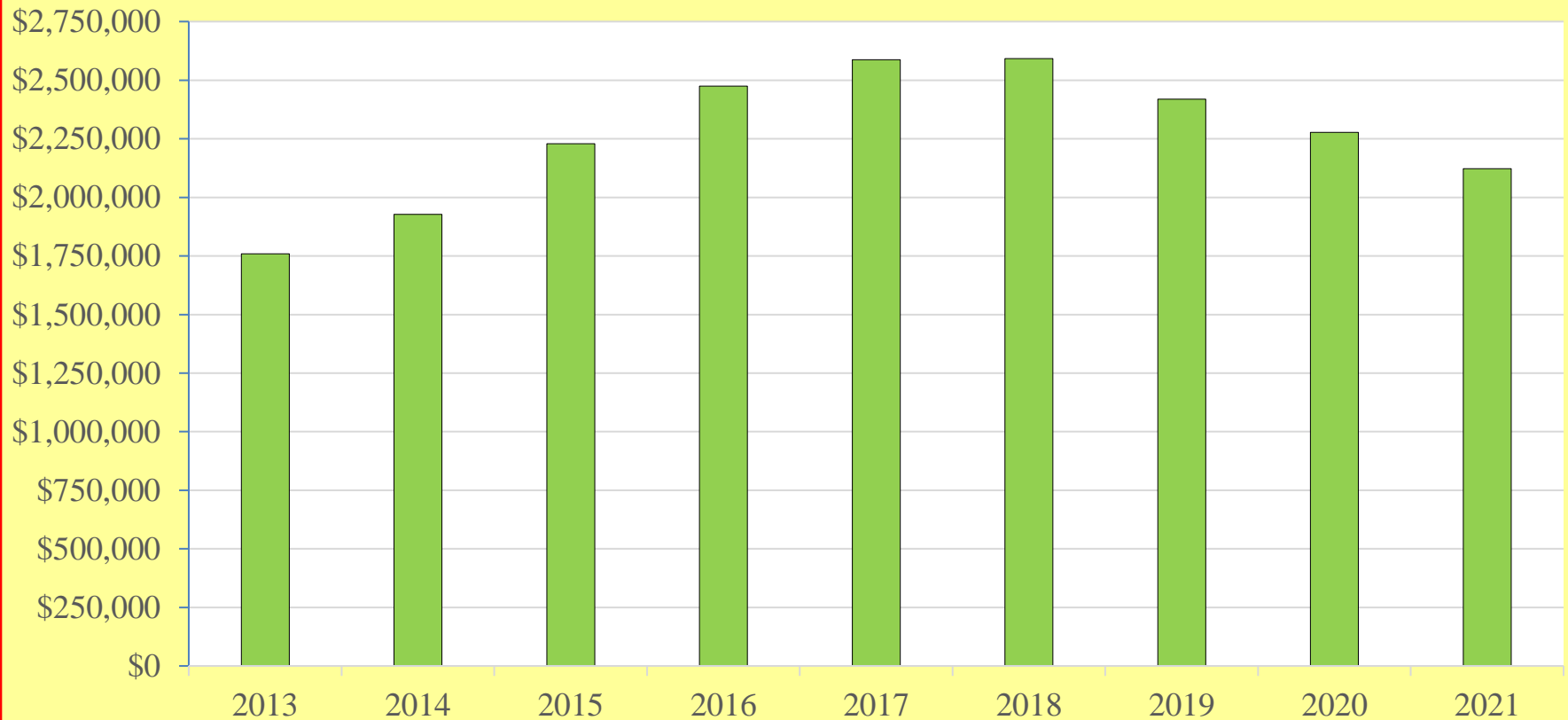
Spending policy amount for FY2021 set in November 2019  
based on average NAV for FY2015-FY2019



# ENDOWMENT

## Endowment Funding to UMW

**UMW Foundation Endowment Budgets**  
(Scholarship Awards and Other Endowment Budgets)



Spending Policy = 5% in years 2013-17, 4.7% in 2018, 4.3% in 2019 and 4.0% in 2020-21.



# Real Estate Holdings

Acquired for the current or future use & benefit of students, staff, & faculty, & leased back to the University (William St. Apartments, College Avenue Houses, etc.)

Acquired & sold to fund special projects, endowments, etc.

Acquired and actively developed (Eagle Village).

UMWF Portfolio includes houses (residential & office), lots, commercial properties, undeveloped land including woodlands, farms, & waterfront property.



Houses &  
Office Space



Residential Commercial



Land



Eagle Village







# Residential Portfolio: Multi-family Complexes (2)

280 Units/1,000 +/- beds



UMW Apartments

Eagle Landing







# Residential Portfolio: Single-family UMW Use or Rental



67 Holly Corner, Stafford



# Commercial Portfolio: Retail Centers (3)

190,000 s.f. of space 40+ tenants



Eagle Village  
Legacy Center



Eagle Village  
New Retail



# Commercial Portfolio:

## Retail Centers (3)

190,000 s.f. of space    40+ tenants

Pizza Hut Center



Roger Dodger  
Shopping Center





# Commercial Portfolio: Office

38,000 s.f. of space



Executive Offices  
at Eagle Village



Stone House  
Athletic Department







# Sales & Acquisitions Portfolio



Ocala, FL



Georgetown, SC



Fredericksburg, VA



Stafford, VA



Fredericksburg, VA



Rustburg, VA



# EAGLE LAKE OUTPOST



UNIVERSITY OF  
MARY WASHINGTON

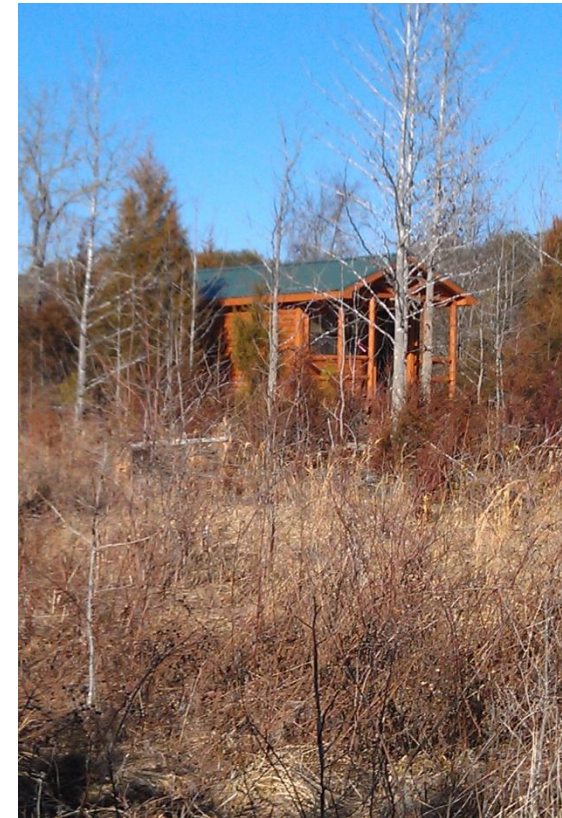
*where great minds get to work*







# Eagle Lake Outpost



Wet Lab and Community Cabin



**“We have one client, and that is the University of Mary Washington.”**

Florian “Red” Hofer  
Former Chairman of the Board

**QUESTIONS?**

[www.umwf.org](http://www.umwf.org)