FINANCE and LAND USE COMMITTEE
October 13, 2016
Jennifer (J.J.) Wagner Davis
Senior Vice President for Administration and Finance
AGENDA

I. Call to Order

II. Approval of Minutes

III. New Business
   A. FY 2017 State and University Operating and Capital Budget Update
   B. Bond Proceeds Reimbursement (ACTION)
      i. Robinson Capital Project
      ii. Utility Capital Project
   C. 2011 Prince William Bonds Refunding (ACTION)
      i. Prince William Lab - Taxable Advance Refunding
      ii. Prince William Housing – Tax-Exempt Advance Refunding
   D. Land Use Certification (ACTION)
   E. Capital Projects Approval (ACTION)

IV. Strategic Matters
   A. Modifications to State Six-Year Operational and Capital Plan (ACTION)
   B. Commonwealth Enhanced Financial Flexibility Pilot Program Update
      i. Financial and Administrative Authority Resolution (ACTION)
      ii. Enhanced Capital Authority Introduction

V. Adjournment
George Mason University

Virginia's Largest Public Research University

Ranked #5 in the U.S. in Times Higher Education Best 100 under 50
“A rising star with great potential”

No Disparity in Outcomes

Pell Grant Students Outperform

Diverse, Entrepreneurial and Innovative

Affordable, Accessible and High Quality
George Mason placed 44th overall in the country for graduating minorities with doctoral, master’s and bachelor's degrees.

#14 in Most Innovative Schools

#95 Best Colleges for Veterans

#143 in National Universities
FY 2017 Operating and Capital Budget Update
Increased Demand for Student Services

Rapid Enrollment Growth

Base Budget Cuts?

Tuition Strategy

Healthcare & Pension

Compensation and Benefits

Regulatory Landscape: Federal, State, Local
FINANCIAL FRAMEWORK

REVENUES
- State Appropriations
- Tuition & Fees
- Retention & Enrollment Mix
- Philanthropy
- New Programs

EXPENSES
- Mandatory Cost Increases and Regulatory Environment
- Academic & Administrative Enterprise
- Debt Service

NET RESOURCES
- FOR STUDENTS
  - Innovative learning
  - Accessible pathways
  - Return on investment
- FOR THE WORLD
  - Elevate research
  - Research of consequence
  - Global learning platform
- FOR THE COMMUNITY
  - 100,000 career-ready graduates
  - Innovation engine
  - Community builder
- FOR FACULTY AND STAFF
  - Support teaching and scholarship excellence
  - Well-being
  - Diverse academic community

BASE
- Operating and Capital Reserves
- Capital Infrastructure
- Physical Plant
## Cumulative Budget Shortfall

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Carryforward</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2016</td>
<td>-$268.9M</td>
</tr>
<tr>
<td>FY 2017</td>
<td>-$268.9M</td>
</tr>
<tr>
<td>FY 2018</td>
<td>-$268.9M</td>
</tr>
<tr>
<td>Additional Projected Shortage</td>
<td>-$393.3M</td>
</tr>
<tr>
<td>Cumulative Biennium Budget Deficit</td>
<td>-$1.2B</td>
</tr>
</tbody>
</table>

*Primarily due to poor performance in Withholding and Sales Tax Collections*
Impact on Mason (as of today)

**Compensation**
- Commonwealth will not provide portion of 3% salary adjustment
- Mason compensation is a critical issue

**Budget Cuts**
- Budget savings target issued for all agencies at 5%
- K-12 and Higher Education excluded...to date

**Capital**
- Formulated alternative funding scenarios
  - Robinson Hall
  - Utility Infrastructure
FY 2017 REVENUE BUDGET $1.0B

- Philanthropic Activities, $45.0
- One-Time, $2.5
- Operating, $138.6
- Financial Aid, $22.3
- Capital Improvements, $57.8
- Mason Capital Funds, $5.0
- Enrollment Related Fees, 51%
- Tuition, $353.3
- Sponsored Research, $104.7
- Community & User Service Fee, $84.9
- Contracted Services, $32.8
- Room & Board, $70.2
- Mandatory Student Services & Activity Fees, $83.9

*VA State Funding, 22%

All Other Activities, 27%
State imposed 20% tuition reduction for in-state undergraduate students in FY2000 and rates were held flat through FY2001 and FY2002.

ARRA included in General Fund


LONG TERM FINANCIAL SHIFT FROM TAXPAYER TO STUDENT

George Mason University
General Fund vs. Tuition and Other as a Percent of the Educational and General Budget

State Appropriations  Tuition & Other

*State imposed 20% tuition reduction for in-state undergraduate students in FY2000 and rates were held flat through FY2001 and FY2002.
** ARRA included in General Fund

Looking Forward

- Tuition Pricing Strategy
- Faster Farther Campaign and the Future of Fundraising
- FY 2018 Early Line Commonwealth Funding and Impact on Mason
- Capital Infrastructure and Investments
FINANCIAL INITIATIVES
TIME LINE

NOVEMBER

November 2016
2  Provost/SVP Budget Town Hall

DECEMBER

December 2016
8  Full BOV Meeting
16 Governor presents changes to budget
21 Winter Graduation

JANUARY

January 2017
TBD Legislative session starts
23 Classes resume

FEBRUARY

Spring 2017
Mason Financial Plan for FY 2018
New Business - Capital
Revenue Shortfall – Impact on Capital Projects

Commonwealth requested alternate funding scenarios to keep critical projects funded

Federal tax law requires a reimbursement resolution, authorizes Mason to repay itself for funds advanced to cover costs prior to bond issuance
Robinson Hall, New Academic & Research Facility

Total Budgeted Project Cost: $111.8

Mason: $2.6M

Previously, the BOV approved bond financing as a source of funds to support a portion of related design and construction expenses. The majority of the project funding will be provided by the Commonwealth.
Recommendation

The Finance & Land Use Committee acknowledges the requirement for partial debt funding, and recommends approval by the Board of Visitors of the tax-exempt bond reimbursement resolution for Robinson Hall, New Academic and Research Facility and Harris Theater found on page E-11:

MOTION:___________________

SECOND: _______________
Utilities Distribution Infrastructure

Total Budgeted Project Cost $49M

Mason $28M

Mason’s share of the project costs results from the Department of Planning and Budget requirement for institutions to fund infrastructure for Auxiliary Enterprise facilities.
Recommendation

The Finance & Land Use Committee acknowledges the requirement for partial debt funding, and recommends approval by the Board of Visitors of the tax-exempt bond reimbursement resolution for the Utilities Distribution Infrastructure found on page E-15:

MOTION: ____________________

SECOND: ____________________
SciTech Campus in Prince William

The GMU Foundation is refunding the 2011 Prince William Life Sciences Lab Tax-exempt Revenue Bonds to taxable bonds for private business use considerations.

This requires a change in the lease with George Mason University, and approval from the Board.

The GMU Foundation will refinance the 2011 Prince William Tax-exempt Student Housing Revenue Bonds to lower their debt service payments.

This requires a change in the lease with George Mason University, and approval from the Board.
Recommendation

The Finance & Land Use Committee recommends approval by the Board of Visitors of the resolution to approve the amendment of the 2011 capital lease with the George Mason University Foundation Prince William Life Sciences Lab LLC found on page E-19:

**MOTION:** _________________

**SECOND:** _________________
Recommendation

The Finance & Land Use Committee recommends approval by the Board of Visitors of the resolution to approve the amendment of the 2011 capital lease with George Mason University Foundation Prince William Housing LLC found on page E-21:

MOTION: __________________

SECOND: ________________
Annual Land Use Certification
Recommendation

The Finance & Land Use Committee recommends submission approval by the Board of Visitors of the spreadsheet found on page E-27:

MOTION:__________________

SECOND:_________________
Capital Project Authorization

Renovate Bull Run Hall for Science & Engineering Labs

Converts existing Wet Lab space to:

- Mechanical Engineering Labs & Offices
  Completes Fall 2017
- Biology & Chemistry Labs
  Completes Spring 2018

Total Project Cost: $3.1M
  - Volgenau School of Engineering - $1.7M
  - College of Science - $1.4M

*Funded locally and eligible for management under additional delegated authority
Capital Project Authorization

Renovate INTO Mason Global Center Ballrooms
Convert two ballrooms within the Global Center to 13 classrooms

Total Project Cost: $3.4M
Funding Source: Other Sponsored Funds (INTO)

Large Ballroom:
   Converts into 8 classrooms
   Completes Summer 2017

Small Ballroom:
   Converts into 5 classrooms
   Completes Spring 2018

*Funded locally and eligible for management under additional delegated authority
Recommendation

The Finance & Land Use Committee recommends approval by the Board of Visitors of the addition to the University’s Capital Plan of the two projects found on page E-31 – E-34:

MOTION:_______________

SECOND: _______________
Strategic Matters
Mason Modified Six-Year Plan

<table>
<thead>
<tr>
<th>MASON Priority 1</th>
<th>Increase Student Financial Aid: ~$4.0M FY17, $4.8M FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>MASON Priority 2</td>
<td>Attract and Retain Top Talent: Base Pay &amp; Incentive Increases $6.0M FY17, $29.2M FY18</td>
</tr>
<tr>
<td>MASON Priority 3</td>
<td>Multidisciplinary Research: Institute for Biomedical Innovation $1.25M FY17, $4.0M FY18</td>
</tr>
<tr>
<td>MASON Priority 4</td>
<td>Career-Ready Graduates: Equitable Resources for Enrollment Growth $3.3M FY17, $17.6M FY18</td>
</tr>
</tbody>
</table>
Recommendation

The Finance & Land Use Committee recommends submission approval by the Board of Visitors of the modifications to the Six-Year Operating Plan described on page E-36 of the Board Book.

MOTION:__________________

SECOND:__________________
Commonwealth Enhanced Financial Flexibility

As part of a five-year pilot program, George Mason University is authorized, for a period of five years, to exercise additional financial and administrative authority.

Today, we are asking the Board for a resolution to expand our financial authority. We will also preview expanded capital authority.

At the December 8th Board of Visitors meeting, the resolution for expanded capital authority will be presented.
History of Higher Education Restructuring

- **2005**: Mason granted Tier I status
- **2008**: Mason granted Tier II status for Information Technology and Procurement
- **2016**: Effective November 1, 2016 (subsequent to BOV Resolution of October 13th) Mason to be granted expanded financial activities
Benefits of Additional Operating Authority

Promotes University’s ability to manage its financial activities more efficiently and effectively.

Expands autonomy from Commonwealth of Virginia, Department of Accounts.

Ability to develop accounts receivable and collections policies as guided by the Virginia Debt Collection Act.

Ability to develop disbursement policies which must be submitted to the state Comptroller for comment.

Implementation of new policies governing the management of university financial resources effective Spring, 2017.
Recommendation

The Finance & Land Use Committee recommends approval by the Board of Visitors of the resolution granting additional financial authority found on page E-39:

**MOTION:**

**SECOND:**
Benefits of Additional Capital Authority

Ability to react quickly to emerging requirements or identification of funds

Internal approval for many processes increases efficiency

Selection of procurement methods:
• Invitation for bids
• Construction Manager at Risk
• Design-Build
• Job Order Contracts

Funds allocation – Asking authority to spend our own money adds unnecessary bureaucratic steps

Ability to establish local standard operating procedures for construction and professional services procurement
“LIGHT TOMORROW WITH TODAY”

ELIZABETH BARRETT BROWNING
Appendices
## CAPITAL PROJECTS REVIEW

### Facilities Projects Listing

<table>
<thead>
<tr>
<th>Project #</th>
<th>Project Name</th>
<th>Scope(sf) New</th>
<th>Scope(sf) Reno</th>
<th>Total Budget</th>
<th>Budget Status</th>
<th>Schedule</th>
<th>Scope</th>
<th>Construction Start date</th>
<th>Occupancy date</th>
<th>Construction % Complete</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Construction</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Central Utility Plant Expansion</td>
<td>4,500</td>
<td>6,000</td>
<td>$10,381,527</td>
<td></td>
<td></td>
<td></td>
<td>4/20/2015</td>
<td>5/15/2016</td>
<td>97%</td>
</tr>
<tr>
<td>2</td>
<td>Potomac Science Center</td>
<td>115,783</td>
<td></td>
<td>$32,579,166</td>
<td></td>
<td></td>
<td></td>
<td>10/11/2014</td>
<td>3/1/2017</td>
<td>75%</td>
</tr>
<tr>
<td>3</td>
<td>Health Sciences - Academic VII</td>
<td>166,000</td>
<td></td>
<td>$67,886,799</td>
<td></td>
<td></td>
<td></td>
<td>6/2/2015</td>
<td>10/9/2017</td>
<td>46%</td>
</tr>
<tr>
<td><strong>Design</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Johnson Center Dining Phase II</td>
<td>9,500</td>
<td></td>
<td>$4,000,000</td>
<td></td>
<td></td>
<td></td>
<td>2/15/2017</td>
<td>8/17/2017</td>
<td>N/A</td>
</tr>
<tr>
<td>5</td>
<td>PPLA Discovery Hall Ph II &amp; Fitout</td>
<td>18,000</td>
<td></td>
<td>$3,600,000</td>
<td></td>
<td></td>
<td></td>
<td>5/16/2017</td>
<td>11/30/2017</td>
<td>N/A</td>
</tr>
<tr>
<td>6</td>
<td>Hazel Hall Library Renovation - 1st and 2nd Floors</td>
<td>21,000</td>
<td></td>
<td>$2,600,000</td>
<td></td>
<td></td>
<td></td>
<td>8/5/2017</td>
<td>12/15/2017</td>
<td>N/A</td>
</tr>
<tr>
<td>7</td>
<td>Hylton Center Addition*</td>
<td>17,442</td>
<td></td>
<td>$9,043,000</td>
<td></td>
<td></td>
<td></td>
<td>4/1/2017</td>
<td>4/1/2018</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Planning</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Life Sciences - Bull Run Add DPB</td>
<td>100,000</td>
<td>23,000</td>
<td>$61,500,000</td>
<td></td>
<td></td>
<td></td>
<td>8/1/2018</td>
<td>9/1/2020</td>
<td>N/A</td>
</tr>
<tr>
<td>9</td>
<td>Improve Utility Distribution Infrastructure Fairfax*</td>
<td></td>
<td></td>
<td>$49,160,000</td>
<td></td>
<td></td>
<td></td>
<td>7/1/2018</td>
<td>3/1/2021</td>
<td>N/A</td>
</tr>
<tr>
<td>10</td>
<td>Renovate Robinson Hall and Harris Theater (Phased)*</td>
<td>194,000</td>
<td></td>
<td>$111,790,000</td>
<td></td>
<td></td>
<td></td>
<td>4/1/2018</td>
<td>5/1/2022</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Grand Total This Report</strong></td>
<td></td>
<td>615,725</td>
<td>59,500</td>
<td>$352,540,492</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Pool Funded Project; will require DPB/BCOM approval for release of funds after Preliminary Design

Data as of September 2016

### STOPLIGHT KEY
- Red: Likely to exceed approved budget/schedule/scope
- Yellow: At risk to exceed approved budget/schedule/scope
- Green: Within approved budget/schedule/scope