New Business
FY 2019 Financial Overview

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

EXPENSES
- Academic & Administrative Enterprise
- Cost Increases
- Debt Service

NET RESOURCES
- Operating & Capital Reserves
- Capital Infrastructure
- Physical Plant
FY 2019 Revenue Budget $1.06B

- Tuition, $409.3
- Mandatory Student Services & Activity Fees, $97.1
- Room & Board, $76.5
- Community & User Service Fee, $86.2
- Sponsored Research, $115.3
- Financial Aid*, $22.6
- Mason Capital Funds, $17.1
- Capital Improvements, $33.7
- Philanthropic Activities, $65.0
- Operating, $136.1

*Commonwealth budget approved an additional $4.2M for in-state, undergraduate financial aid
Compensation & Benefits Update

Employee Bonus
- Late November, 2018
- Evaluations must be Complete

Pay Increase
- June, 2019

Gallup Strengths Finder
- Discovery Tool for Mason students, faculty and staff

Parental Leave

BurnAlong
- Streaming fitness classes
- Pilot program launches soon!

Mid-Atlantic HERC
- Lead Institution for Recruiting Consortium
- Recruitment of Diverse and Inclusive Talent
Campus Update

Core Campus Project
https://construction.gmu.edu/

Bull Run IIIB

Student Apartments
The End of an Era:
1977-2018

One University
FY 2018 Financials & Metrics

Future Financial Considerations
OVERVIEW

• University FY18 unaudited financial statements available:
  https://fiscal.gmu.edu/generalaccounting/review-financial-statements/

• GASBS 75 - recorded net postemployment benefits other than pensions liability (OPEB):
  Prior year ending net position restated downward $122.5 million
  Net OPEB liability at June 30, 2018 is $119 million

• Highlights for the year:
  Total operating revenues increased by $55.1 million, or 8%
  Total operating expenses increased by $55.4 million, or 7%
  Net position for FY18 operations increased by $93.9 million
  Unrestricted net assets decreased by $38.9 million to $19.4 million
George Mason University Financial Ratios – Operating

Benchmark: Moody's Public University 2017 Medians “A1” Rating Category
Benchmark: Moody’s Public University 2017 Medians “Aa3” Rating Category - Tier III

Annual Days Cash on Hand (Annual Liquidity/Operating Expense)

Operating Reserve (Spendable Cash & Investments / Operating Expenses)

2018 ratios based on unaudited financials
George Mason University Financial Ratios – Debt

**Debt Service Coverage**  
(Operating Surplus/Debt Service)

**Financial Leverage**  
(Spendable Cash & Investments / Total Debt)

**Debt Service to Operations**  
(Debt Service/Operating Expenses)

Benchmark: Moody’s Public University 2017 Medians “A1” Rating Category

Benchmark: Moody’s Public University 2017 Medians “Aa3” Rating Category - Tier III

2018 ratios based on unaudited financials
Enterprise Debt: GMU & GMUF

**Principal Balance**
Actual & Projected as of 6/30/18

- **GMU Debt**: $587m, $552m, $538m, $527m, $490m
- **GMUF Debt**: $79m, $75m, $55m, $52m, $49m

**Annual Debt Service**
Actual & Projected as of 6/30/18

- **GMU Debt Service**: $62m, $59m, $60m, $60m, $59m
- **GMUF Debt Service**: $7m, $7m, $6m, $5m, $5m

**Authorized GMU Debt - Not Issued**
- $24m for Utility Infrastructure and $2.6m for Robinson
George Mason University Debt Service Burden

✓ A1 rating for GMUF PW Lab Bonds

✓ A1 rating debt service burden median is 4.8%

✓ GMU debt burden ratio:
  • 7.0% in FY18
  • * 7.3% in FY18 and $24m new debt

Debt Service to Operations
(Debt Service/Operating Expenses)

Rating | Debt Service Burden
FY 2017 Moody’s Median
---|---
Aa3 | 4.3%
A1 | 4.8%

2018 ratios based on unaudited financials
George Mason University Debt Service Burden

✓ A1 rating debt service burden FY17 median is 4.8%

✓ In 2029, GMU annual debt service $41M is 5% debt service burden

<table>
<thead>
<tr>
<th>Debt Service Burden Median</th>
<th>Annual Debt Service</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.0%</td>
<td>$60 m</td>
<td>2018</td>
</tr>
<tr>
<td>6.0%</td>
<td>$49 m</td>
<td>2027</td>
</tr>
<tr>
<td>5.0%</td>
<td>$41 M</td>
<td>2029</td>
</tr>
<tr>
<td>4.0%</td>
<td>$33M</td>
<td>2030</td>
</tr>
</tbody>
</table>

Annual Debt Service (Actual & Projected as of 9/15/18)
Going Forward

Debt and Rating Agency Considerations

✓ Rating agency aware of Utility Infrastructure Project 9d GMU debt issuance
  • Moody’s Rating surveillance/review Fall 2018/Winter 2019
  • S&P Rating surveillance/review Spring 2019

✓ Other key projects requiring GMU 9d debt:
  • Submitted Capital Budget Request to State in fall 2018
    • $19.1m = Telecom Phases 2 & 3
    • $44.4m = Academic 8
Going Forward

Legislative Authority Now

Tier 2 - Information Technology and Procurement

✓ Only Tier 2 managing its own faculty retirement plan

5-Yr Pilot Authority July 1, 2016 - Financial Management Operations
Capital Outlay & Real Property (excluding Leases)

✓ Enhanced Disbursement & Travel Policies
✓ Approval for Non-General Fund Capital Projects shifted onto Senior Management and Board
✓ Internal Capital Project Management System
Legislative Authority Future?

Tier 3 – Highest level of autonomy provides universities with flexibility and status to perform additional operational functions:

- Division of Engineering and Buildings (DEB)
- Capital Lease execution
- Debt issuance
- Cash management and investment
- Risk Management and Insurance
- HR autonomy for compensation, classifications, and performance management
- Protection from legislative changes affecting retirement plan
Going Forward

Considerations

Requires at least AA- received last 3 years of date of initial management agreement

*or*

Pilot participation in areas of Finance and Capital Outlay
   i. Demonstrated management competency in 2 areas
   ii. Received restructured operational authority under MOU (not required under Pilot)

in at least 1 functional area and demonstrated competency for 2 years

There are various other legislative and administrative approval and requirements

There may or may not be added value in all areas of authority – short term?/long term?

Pilot partner (JMU) has now received an AA- and will be pursuing Tier 3!
Utilities Distribution Infrastructure Project – 9d Bond Resolution
 ✓ This Bond Financing issued through the Virginia College Building Authority (VCBA) is scheduled to close December 2018.

 ✓ VCBA will sell Revenue Bonds for the aggregate principal amount of $24.1 M plus financing costs which shall in no event exceed $25.0M. This will be for the construction phase of the project.

 ✓ Currently, project cost is to be paid jointly by the State and the University. The University’s 9d bond funding authorization in 2016 Chapter 780 is $25.228 M and 2018 Chapter 2 is $5.381M.
The Finance & Land Use Committee recommends approval by the Board of Visitors of the financing resolution that includes the following:

1. The University is hereby authorized to enter into the Loan Agreements and Promissory Notes with the Virginia College Building Authority (VCBA) for the aggregate principal amount of $24.1M and the financing costs which shall in no event exceed $25.0m for the Utilities Distribution Infrastructure capital project (#18208).

2. The Senior Vice President for Administration and Finance is hereby authorized and directed to approve, execute and deliver all documents necessary to effectuate this Bond Financing through VCBA.

**MOTION:** ____________________________

**SECOND:** ____________________________
• Mason requests support for Salary Compensation Increases

• Mason requests increase for Enrollment Growth & Degree Awards for Virginia Undergraduate & Graduate Residents

• Mason requests funding for Multidisciplinary Institutes

• Mason requests increase for Undergraduate & Graduate Financial Assistance

• Mason requests support for Salary Compensation Increases

Advance the Economic & Cultural Prosperity of the Commonwealth & its Regions

Provide Affordable Access for All

Drive Change & Improvement through Innovation & Investment

Optimize Student Success for Work and Life

• Mason requests increase for Enrollment Growth & Degree Awards for Virginia Undergraduate & Graduate Residents

Goals of the Virginia Plan for Higher Education

Aligns with Goals of Virginia Plan
Strategy 1: Mason must make available additional student aid resources at both the undergraduate and graduate levels.

FY 2020 Request: $6.5M General Fund, $1M Nongeneral Fund
Support Salary Compensation Increases
Mason Priority 2
Virginia Plan Goal 3, 4

Strategy 8: Mason must recognize high-quality faculty and staff by providing an annual merit based salary increase.

FY 2020 Request: $18.0M General Fund, $9.0M Nongeneral Fund
Enrollment Growth & Degree Awards for VA undergraduate and graduate residents

Mason Priority 3
Virginia Plan Goal 1, 2, 4

**Strategy 2:** Mason seeks equitable resources for past enrollment growth.

**FY 2020 Request:** $17M General Fund, $6M Nongeneral Fund
Mason has ~48% of the statewide enrollment growth since Fall 2009.

Virginia public institutions of higher education student growth (headcount) Fall 2009 – Fall 2017
Strategy 11: To promote innovation and job creation, Mason will establish additional multidisciplinary institutes.

FY 2020 Request: $2.75M General Fund, $1.25M Nongeneral Fund
The Finance & Land Use Committee recommends approval by the Board of Visitors of the University’s 2018 Six-Year Operating Plan.

MOTION: ________________

SECOND: ________________
To maintain and enhance our future workforce, HR tracks:

- Retention/Turnover Rates
- Retirement Eligibility

DHRM Requirement:

- Identify essential employees that are key to the function of the university
- Have a strategy in place for the succession of these positions
Essential Employees:
- Mason’s most essential employees include 34 vice presidents, deans, and other senior leadership positions
- 62% are over 55 years of age

Risk Factors:
- Retirement
- Competition

Mason’s Succession Plan Data
Mason’s Action Plan

Short Term:
- Secure senior leadership commitment for succession planning
- Develop viable 1-3 year plan

Long Term:
- Secure senior leadership commitment to help identify critical positions and potential successors
- Define critical positions in the salary action plan
- Focus on training/development of successors, apprenticeship programs, coaching and mentoring, and cross training
- Develop 3-5 year plan

Ongoing Actions:
- Request succession planning org charts from units
- Recruit with an eye towards hiring candidates with growth potential
The Finance & Land Use Committee recommends approval by the Board of Visitors of the University’s Succession Plan, as outlined in the Board Book.

MOTION: ________________

SECOND: ________________
Operational Issues
FY 2018 Student Account Billings increased 8.6% to $568M

Collection Rate of 99.7% remains consistent with prior years

Cumulative recovery of amounts written off since 1981 is 39%
Mason Parental Leave Policy

Parental Leave Policy Update

Fall 2017: Mason Parental Leave Policy for 9-Month Faculty

Summer 2018: Commonwealth of VA Governor Executive Order - Parental Leave Policy for Classified Staff

Fall 2018: NEW Parental Leave Policy for 12-Month Faculty
### Mason Investment Planning Committee Update

**Total Assets:** $473.9M

<table>
<thead>
<tr>
<th>Plan</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>TIAA Optional Retirement</td>
<td>$356.1M</td>
</tr>
<tr>
<td>TIAA Cash Match</td>
<td>$14.9M</td>
</tr>
<tr>
<td>Fidelity ORP</td>
<td>$128M</td>
</tr>
<tr>
<td>Fidelity Cash Match</td>
<td>$8.3M</td>
</tr>
</tbody>
</table>

### Hardship/Loan Information

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Loans</td>
<td>289</td>
</tr>
<tr>
<td>Hardships</td>
<td>8</td>
</tr>
<tr>
<td>Active Loan Balance</td>
<td>$1.9M</td>
</tr>
<tr>
<td>Active Hardship Balance</td>
<td>$14k</td>
</tr>
</tbody>
</table>

All Data pulled as of 9/18/2018, subject to change thereafter.
Fidelity merged several money market funds and reduced expenses on index funds

Reaffirmed continued use of Target Date funds with TIAA and Fidelity

Continued emphasis on retirement and financial wellbeing through various seminars and other on-campus activities
Faculty Retirement Participation

- Optional Retirement Program: 82%
- VRS: 18%
- 50%
- 47%
- 3%

Optional Retirement Plan Enrollment

- Fidelity: 42%
- TIAA: 58%

All Data pulled as of 9/18/2018, subject to change thereafter
The Investment Policy applies to the investment and management of all University’s funds not held by the State Treasury, which include both Non-State Funds and Donated Funds. It is a key component of the University’s mission, including its value of being a careful steward.

**Investment Policy highlights:**

- Non-State Funds are invested in Authorized Investments in a manner to ensure the University’s daily cash flow demands are met.
- Donated Funds are transferred to the George Mason University Foundation, Inc. to manage and invest on the University’s behalf as the University’s agent.
- The Senior Vice President for Administration and Finance will periodically monitor investment results for both Non-State Funds and Donated funds.
The Finance & Land Use Committee recommends the Board of Visitors resolve the University adopts the 2019 Investment Policy found in the Board Book.

MOTION: ________________

SECOND: ________________
Capital Matters
Virginia Code §2.2-1153 requires agencies and institutions to submit a Land Use Plan annually for all Commonwealth/University-owned land:

- Principal information desired by Department of General Services is last column identifying what land the Commonwealth may be able to surplus.
- The significant changes since last year’s report are the completion of the Peterson Family Health Sciences Hall, the Potomac Science Center and Mason Ferry Garage. In addition three easements were added to the Main Campus at Fairfax.
The Finance & Land Use Committee recommends approval by the Board of Visitors of the University’s Land Use Certification.

MOTION: ________________

SECOND: ________________
Up Next!

**Fall for The Book Festival:** October 10 – 13  
Headliners: Tayari Jones, John Lewis, Elizabeth Strout, Elizabeth Kostova, and Angie Thomas

**Outstanding Achievement Awards:** November 15, 10 am

**HOME Opening Night Tip-Off at Eagle Bank Arena:**  
- **Men:** November 6, Penn  
- **Women:** November 6, Loyola University

**BOV Meeting:** December 12

**Winter Graduation:** Thursday, December 20, EagleBank Arena
Holiday Calendar

**Thanksgiving Break**
Includes an ADDITIONAL 4 hours leave

**Last Day in Office:** Tuesday, November 20, 2018

**Return to Office:** Monday, November 26, 2018

**Winter Break**
Includes an ADDITIONAL 16 hours leave

**Last Day in Office:** Friday, December 21, 2018

**Return to Office:** Monday, January 7, 2019
Never doubt that a small group of thoughtful, committed citizens can change the world; indeed, it's the only thing that ever has.

~Margaret Mead
Appendices
## Facilities Projects Listing

<table>
<thead>
<tr>
<th>Project #</th>
<th>Project Name</th>
<th>Scope (sf)</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>17999-000</td>
<td>Health Sciences - Academic VII (Peterson Hall)</td>
<td>164,880</td>
<td></td>
<td>$71,198,234</td>
<td></td>
<td></td>
<td></td>
<td>6/2/2015</td>
<td>1/8/2018</td>
<td>99%</td>
</tr>
<tr>
<td>A6247-020</td>
<td>Into Phase II</td>
<td>16,555</td>
<td>$3,400,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>12/15/2016</td>
<td>7/15/2018</td>
<td>75%</td>
</tr>
<tr>
<td>Varies</td>
<td>Bull Run Labs (Mech and BioChem)</td>
<td>7,204</td>
<td>$3,000,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3/15/2017</td>
<td>1/15/2019</td>
<td>70%</td>
</tr>
<tr>
<td>Varies</td>
<td>Eagle Bank Arena Upgrades</td>
<td>82,000</td>
<td>$4,845,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>12/1/2016</td>
<td>11/1/2018</td>
<td>45%</td>
</tr>
<tr>
<td>18011-000</td>
<td>Hylton Center Addition*</td>
<td>17,082</td>
<td>$13,481,383</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>8/1/2018</td>
<td>8/1/2019</td>
<td>8.00%</td>
</tr>
<tr>
<td>18207-000</td>
<td>Renovate Robinson Hall and Harris Theater (Phased)*</td>
<td>217,726</td>
<td>23,161</td>
<td>$119,631,000</td>
<td></td>
<td></td>
<td></td>
<td>7/1/2018</td>
<td>12/31/2021</td>
<td>0.00%</td>
</tr>
<tr>
<td>18208-000</td>
<td>Improve Utility Distribution Infrastructure Fairfax (Phased)*</td>
<td></td>
<td></td>
<td>$51,539,000</td>
<td></td>
<td></td>
<td></td>
<td>8/1/2018</td>
<td>12/31/2021</td>
<td>0.00%</td>
</tr>
<tr>
<td>17848-000</td>
<td>PPEA Discovery Hall Ph II &amp; Fitou/Clean Room</td>
<td>18,000</td>
<td>$6,115,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2/25/2019</td>
<td>1/15/2020</td>
<td>N/A</td>
</tr>
<tr>
<td>18000-000</td>
<td>Life Sciences - Bull Run Add DPB*</td>
<td>100,000</td>
<td></td>
<td>$10,050,000</td>
<td></td>
<td></td>
<td></td>
<td>TBD</td>
<td>TBD</td>
<td>N/A</td>
</tr>
<tr>
<td>18139-000</td>
<td>Telecom Infrastructure*</td>
<td>$3,049,500</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>TBD</td>
<td>TBD</td>
<td>N/A</td>
</tr>
<tr>
<td>A8247-027</td>
<td>Johnson Center HVAC Repairs</td>
<td>112,352</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>TBD</td>
<td>TBD</td>
<td>N/A</td>
</tr>
<tr>
<td>A8247-024</td>
<td>Hylton Center HVAC Repairs</td>
<td>112,352</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>TBD</td>
<td>TBD</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Grand Total This Report</td>
<td>517,688</td>
<td>246,632</td>
<td>354,337,117</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 2018**

---

**FUND SOURCE KEY**
- RB: Revenue Bond
- GF: General Fund
- VDOT: Virginia Dept of Transportation
- CNTY: Fairfax County
- SGR: Self Generated Revenue
- SF: Student Fee
- UM: University Mall
- GIFT: Private Gifts
- MR: Maintenance Reserve
- ICR: Research-Indirect Cost Recovery

**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
The University’s unaudited financial statements will be submitted to the Commonwealth’s Department of Accounts prior to November 1, 2018 and are posted in Draft at:

https://fiscal.gmu.edu/generalaccounting/review-financial-statements/