

A Foundation For Excellence

Financial Framework

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July 28, 2022

I.

Finance & Administration Excellence

Setting the Foundation

II.

Budget, Capital, Initiatives & Funding

The Decisions We Face

Mason's Financial Position Is Stable

Institutional Authority

Tier III Status
(w/ UVA, VT, W&M, VCU and JMU)

Enhanced Financial &
Administrative Autonomy

Ability to Issue Debt

Balance Sheet

Decade Improvement in
Liquidity and Debt Capacity
First Inaugural Issuer Rating
and Stable Aa3 Outlook

SACSCOC Recertification

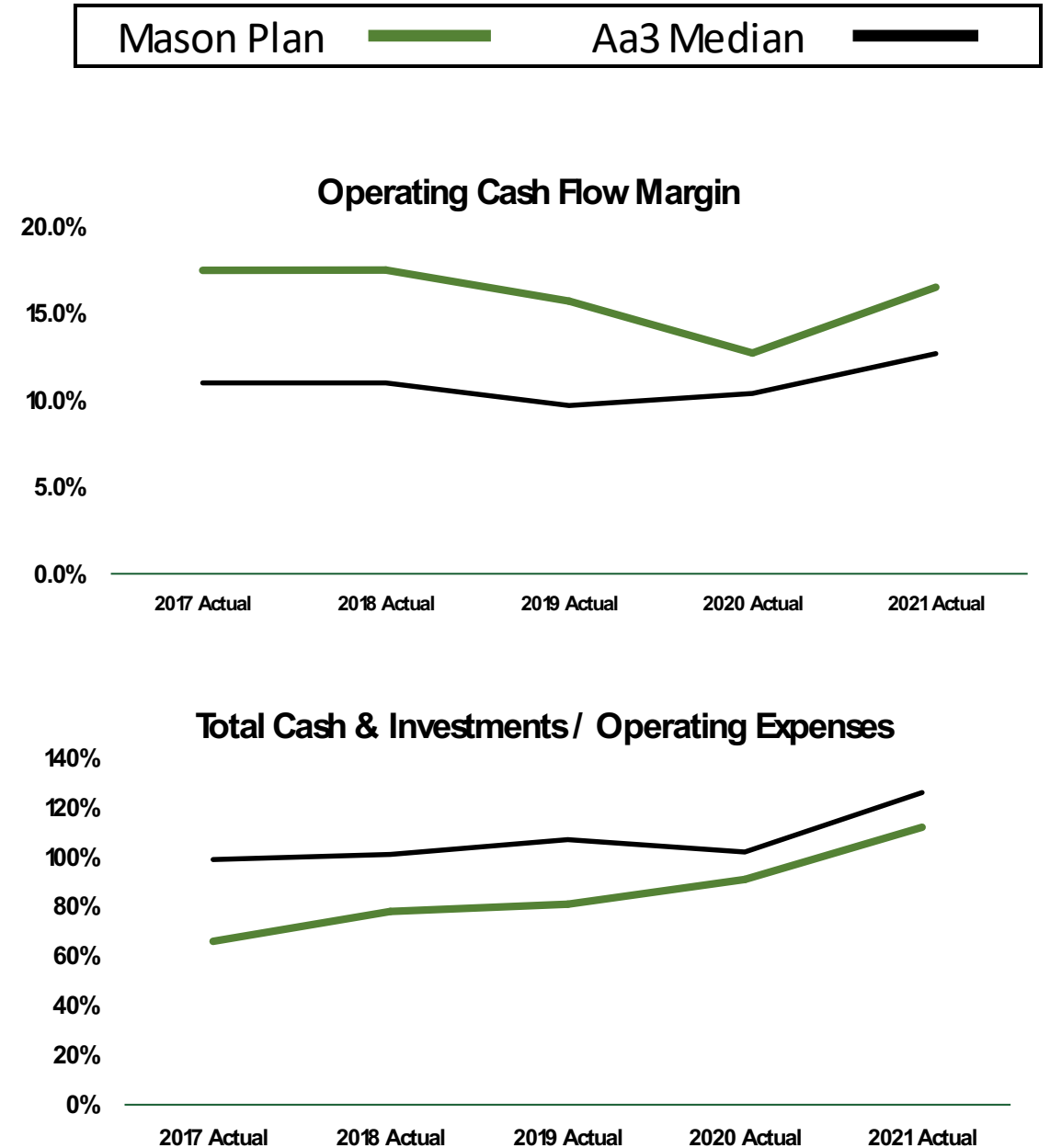
No Financial Findings
Almost Unprecedented
Clean Review

Key Financial Metrics

Operating performance has been very **strong** although **margins** are tightening

- FY21 was buoyed by federal COVID funding

Financial Resources have been improving annually demonstrating financial strength

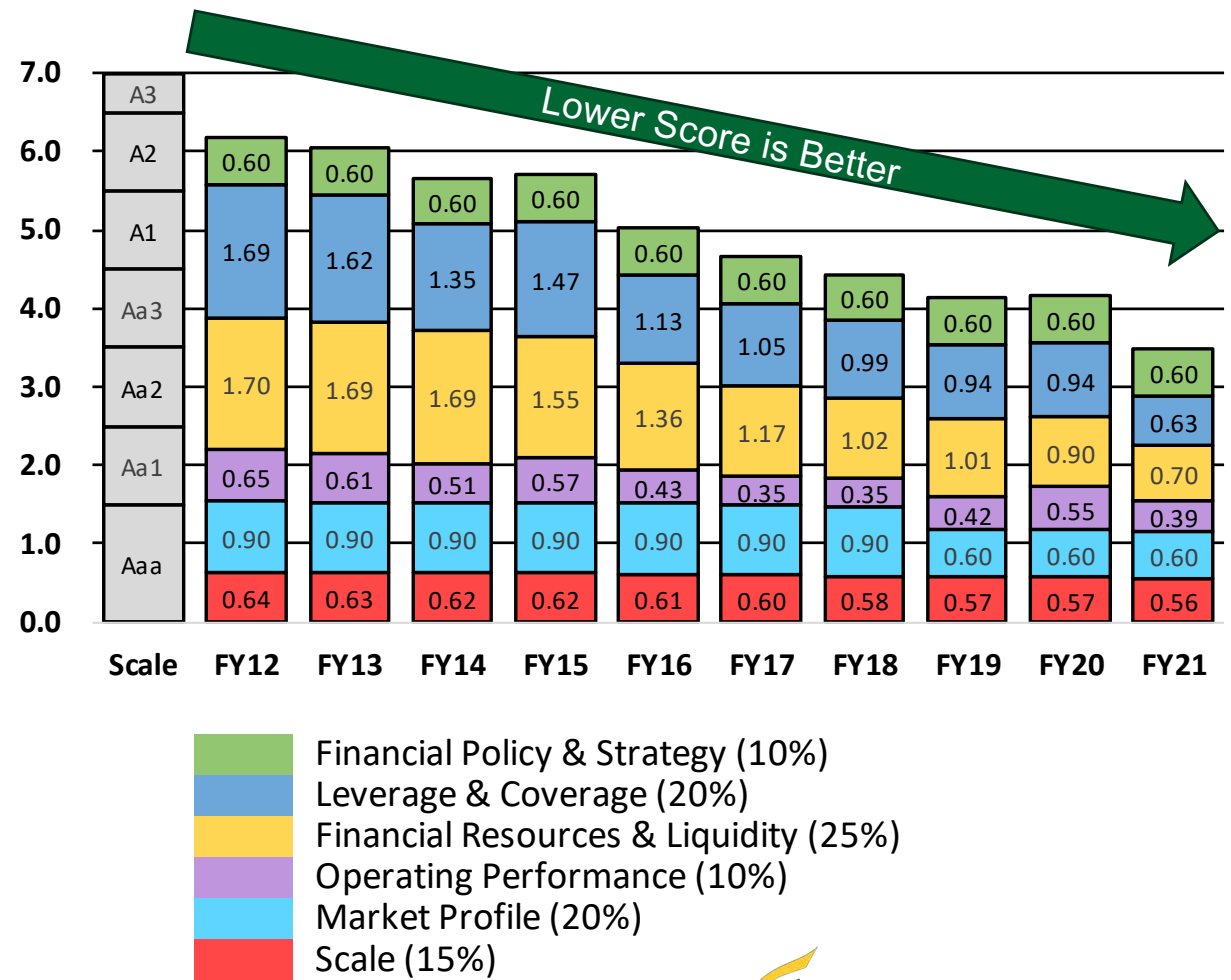


Moody's Debt Rating Scorecard

Over the last decade, Mason has progressed steadily toward its **Aa3** rating

Maintaining or strengthening this rating is a **key financial objective**

Positive Issuer Rating Trend



Financial Challenges Looking Forward

Environmental

Economic **recession** looms
Mid-Atlantic high school **graduations** are projected to decline 11% by 2037
Commonwealth Funding **Disparities** per Student FTE

Operating

Mason has successfully managed its budget but **staffing** is very lean
Net **tuition** barely keeping pace with growth in core expenses

Capital

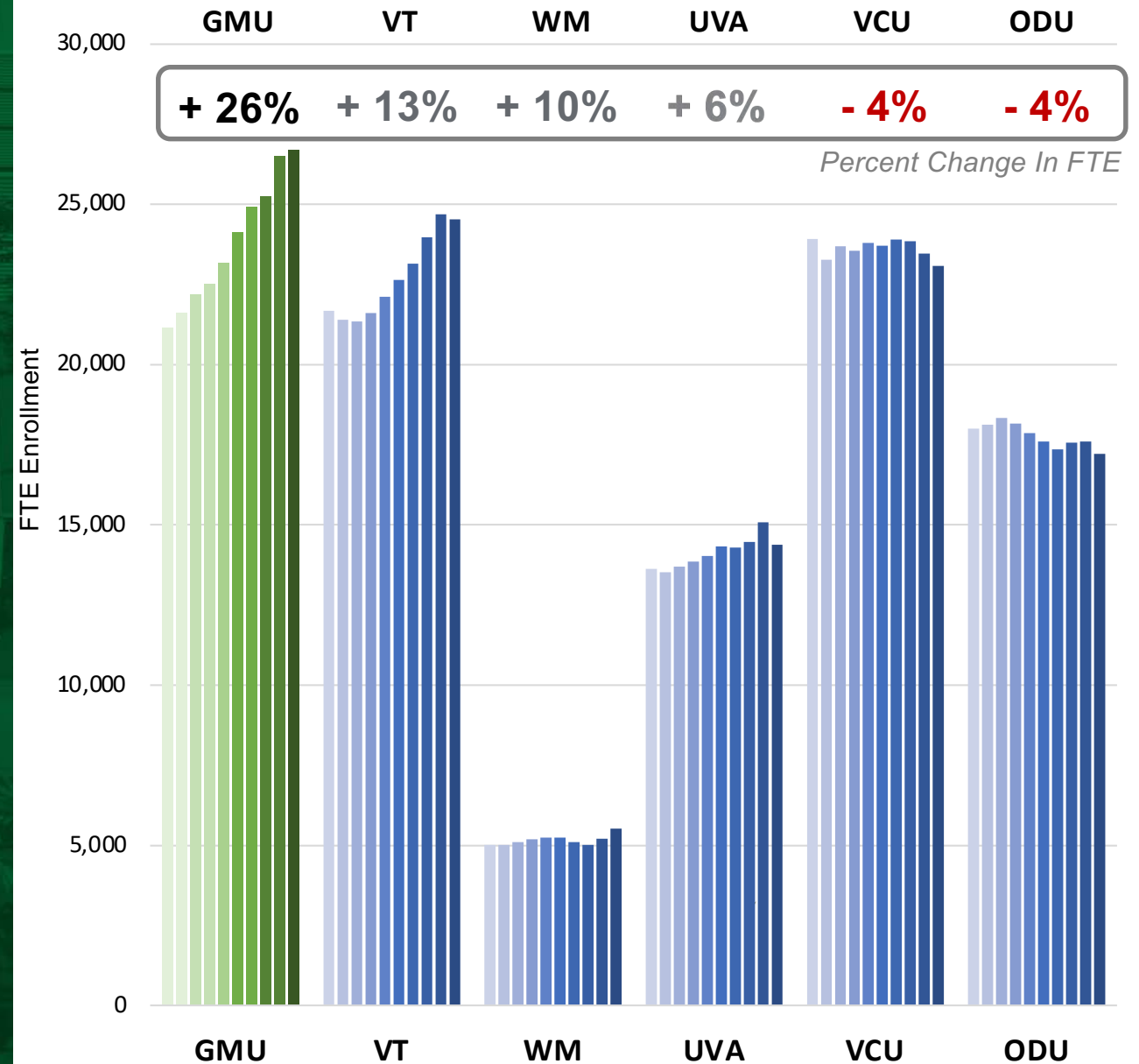
Critical **capital projects** exceed available financing
Priorities must balance a project's **strategic value** against prospective funding

Enrollment Growth

Mason's percent enrollment growth doubled our nearest peer over the last ten years, while some schools saw enrollment decline

Mason is responsible for 85% of Commonwealth enrollment growth

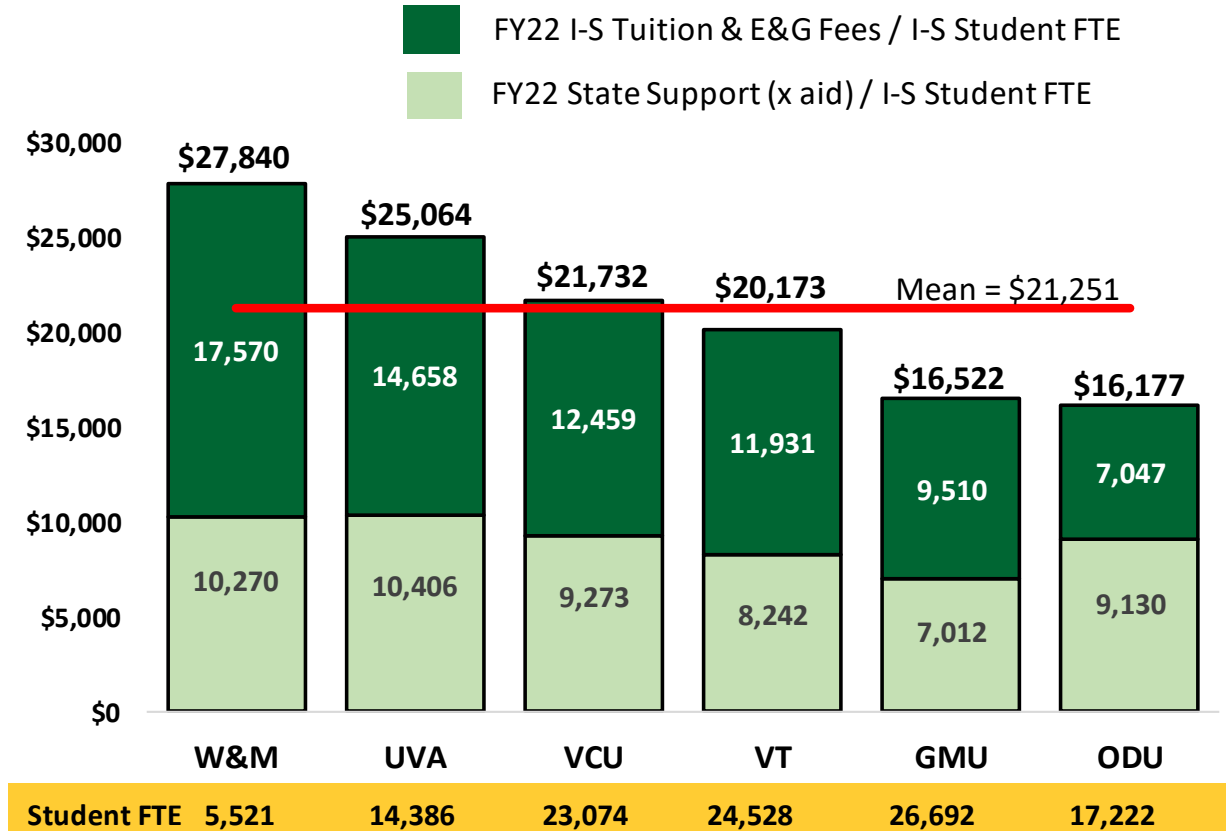
Ten Year FTE Growth: FY13 – FY22



Tuition and State Funding Disparities

When state and tuition funding are combined, Mason is nearly **\$5,000** per in-state student FTE **below** the mean of five **peer institutions**

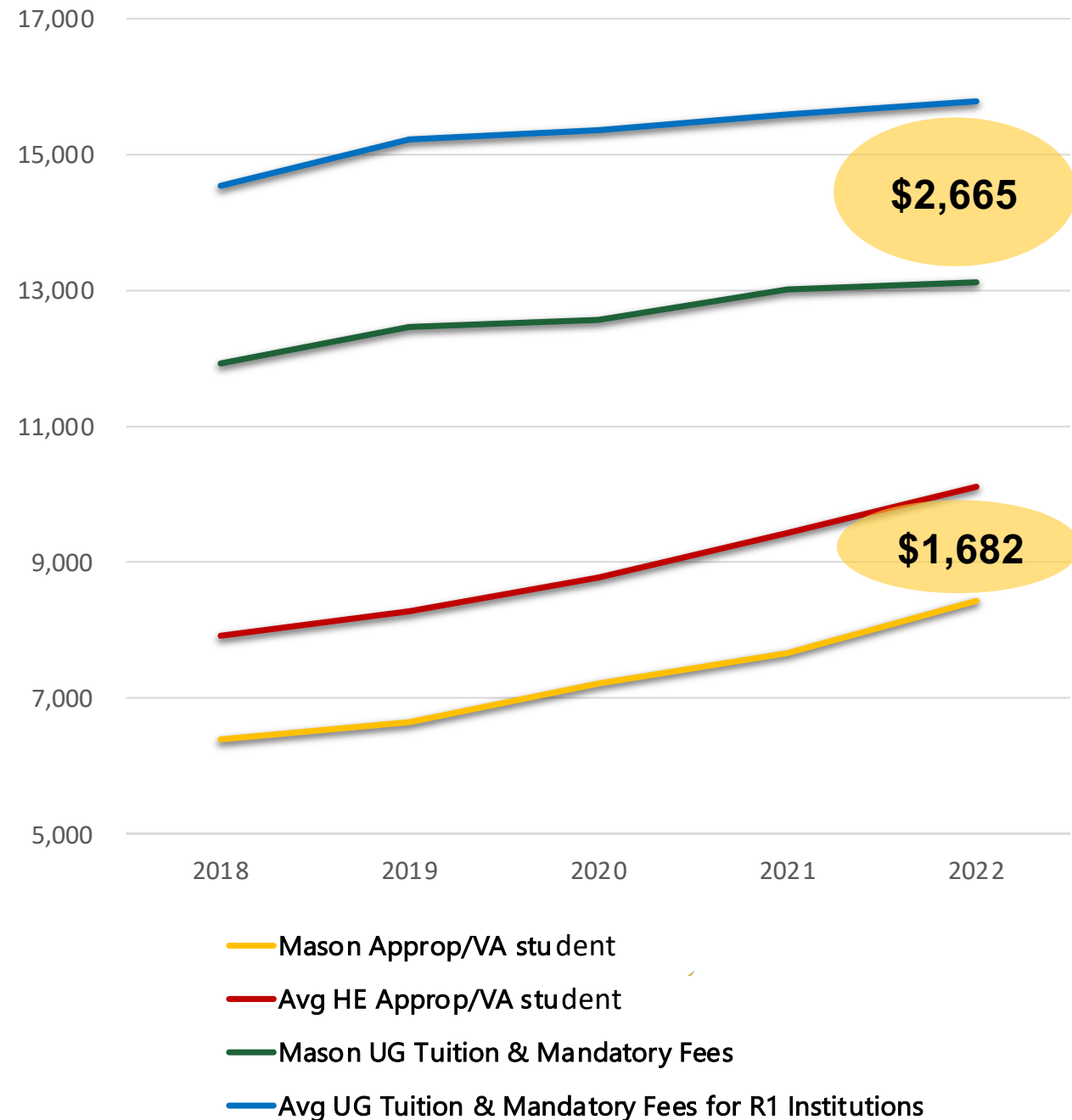
BOV established a **special Tuition Committee** to make tuition recommendations for the remainder of the academic year



Allocation & Tuition Gaps

\$2,665 gap between Mason's undergraduate in-state tuition and mandatory fees and the average for other R1 institutions in FY22

\$1,682 gap between Mason's appropriation per VA student and average appropriation for all other Virginia higher education institutions in FY22

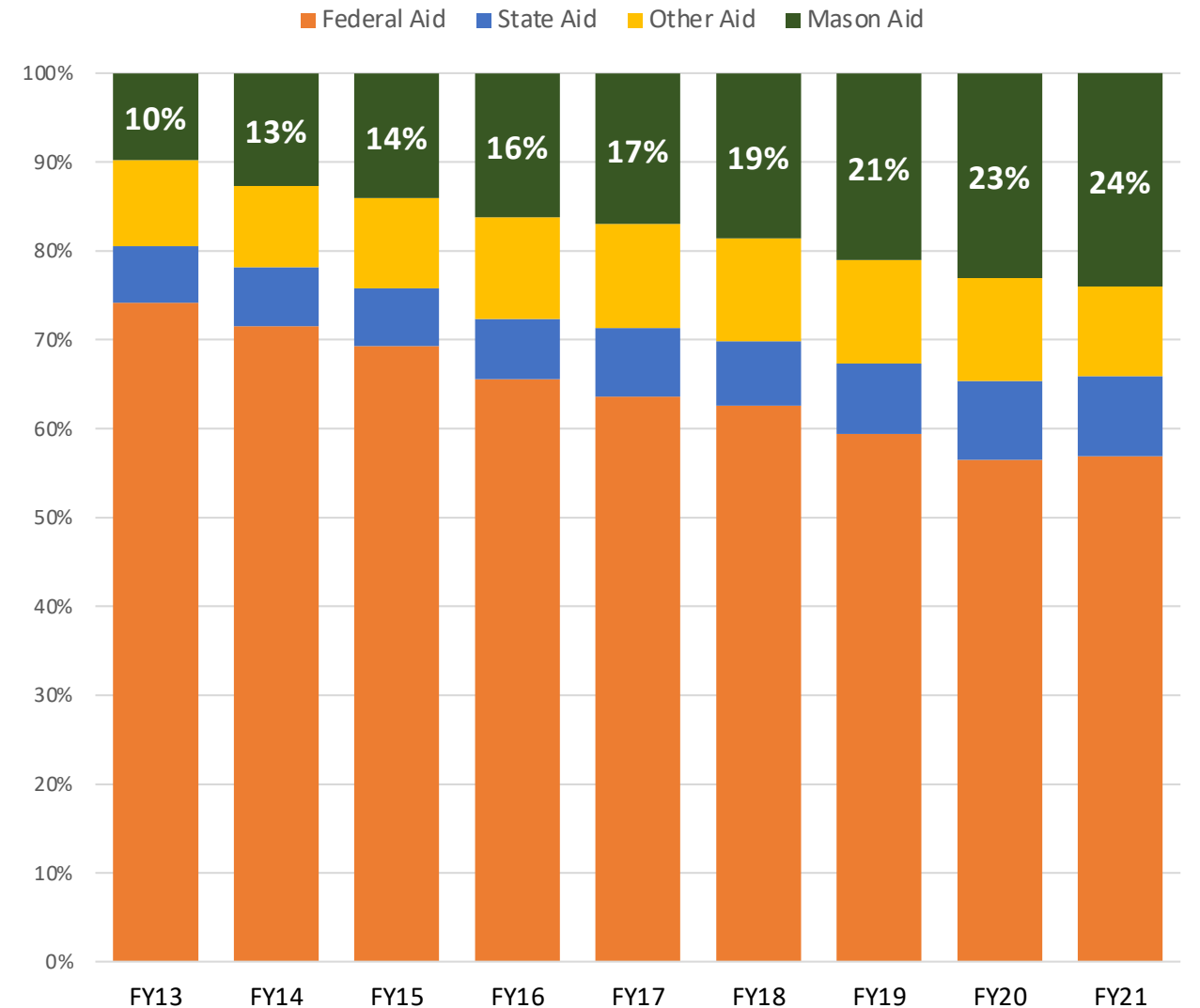


Increasing Mason Aid

Mason aid has more than doubled as a percentage of overall financial aid

Federal, State and all other aid has steadily decreased as a percentage of overall financial aid

Financial Aid Funding Source by Percentage FY13 – FY21



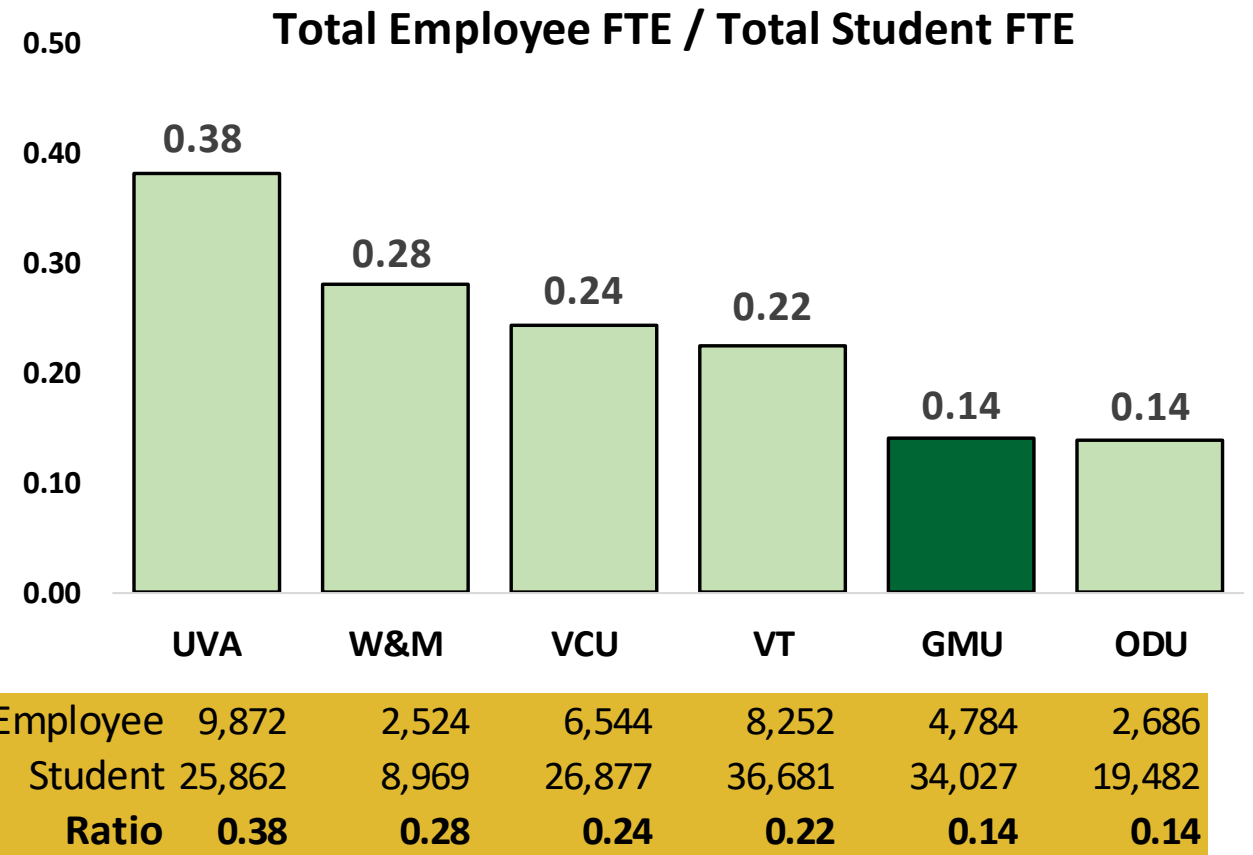
Total: \$268	\$271	\$281	\$291	\$305	\$329	\$352	\$360	\$357
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\$\$\$ in millions

Operational Efficiency

Mason has significantly **fewer employees per student** than nearly all of its peers (by FTE)

Mason continues to improve and invest in **operational infrastructure** and **technology efficiencies**



Market Compensation

Addressing market competitiveness is a **long term initiative**:

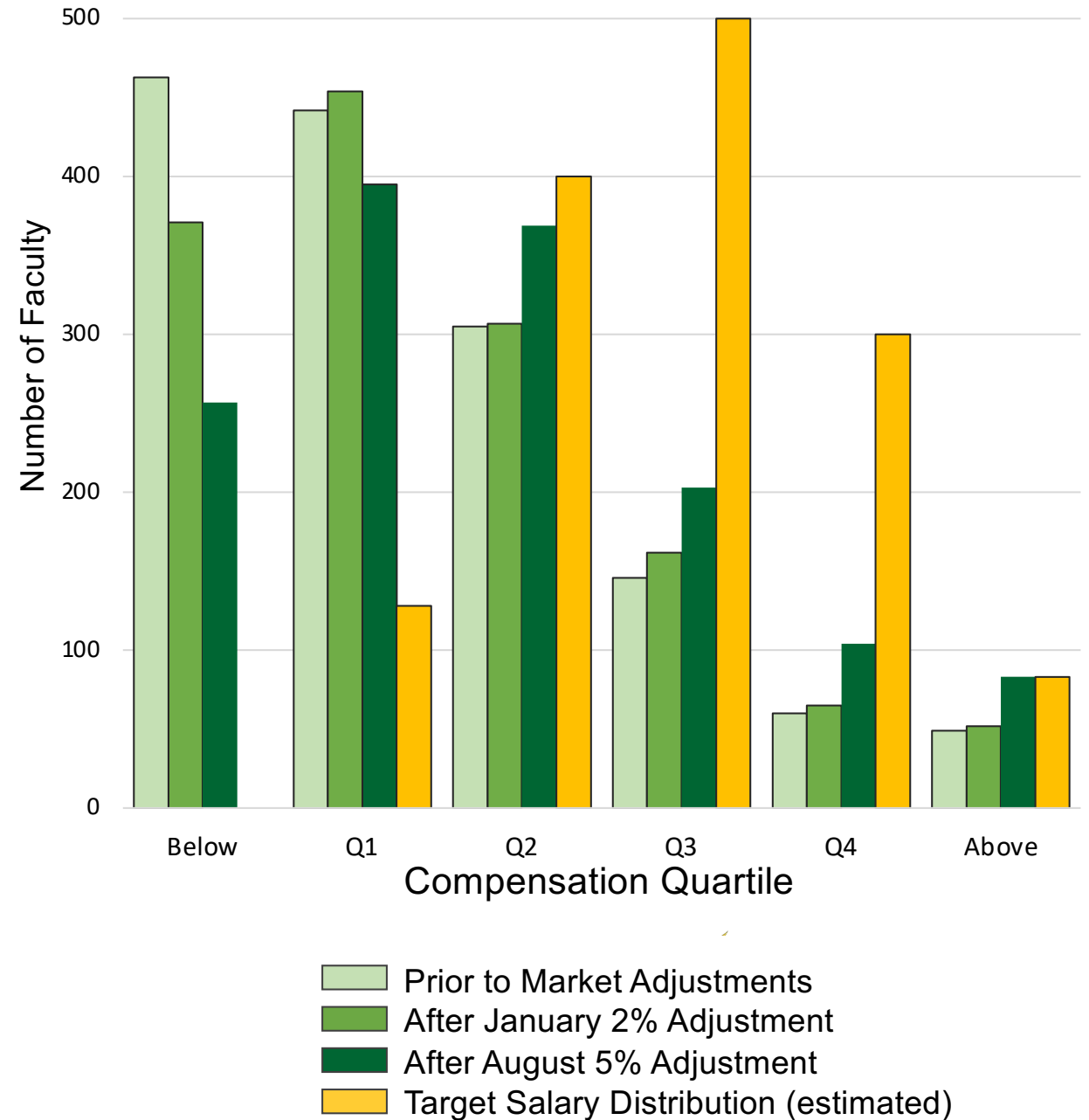
- Jan 2022: 2% adjustment
- Aug 2022: 5% adjustment

Still more than **250 faculty below** minimum market range

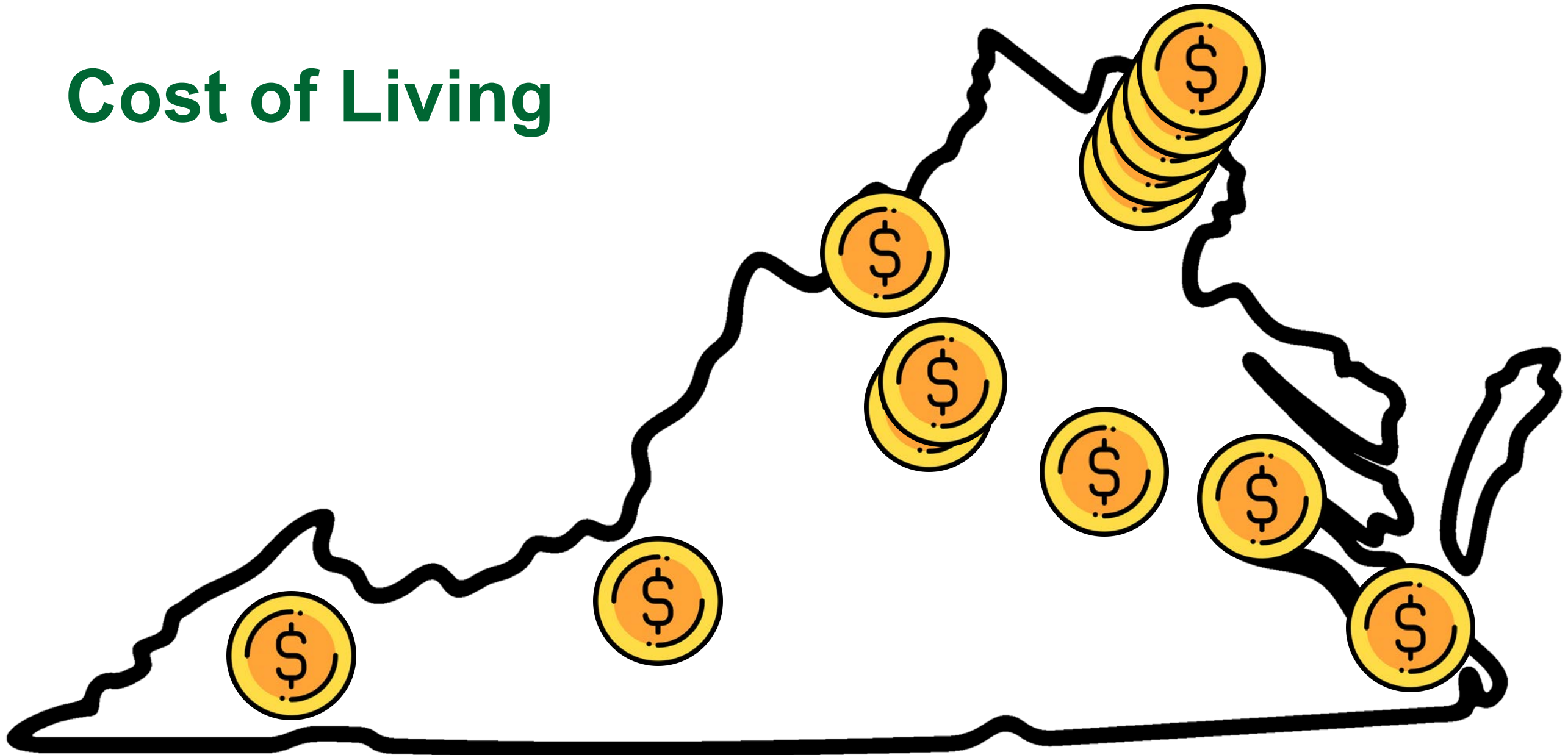
Faculty ranges based on discipline and adjusted geographically

Salary range midpoints are the geographically adjusted **60th percentile of market**

Faculty Salary Distribution

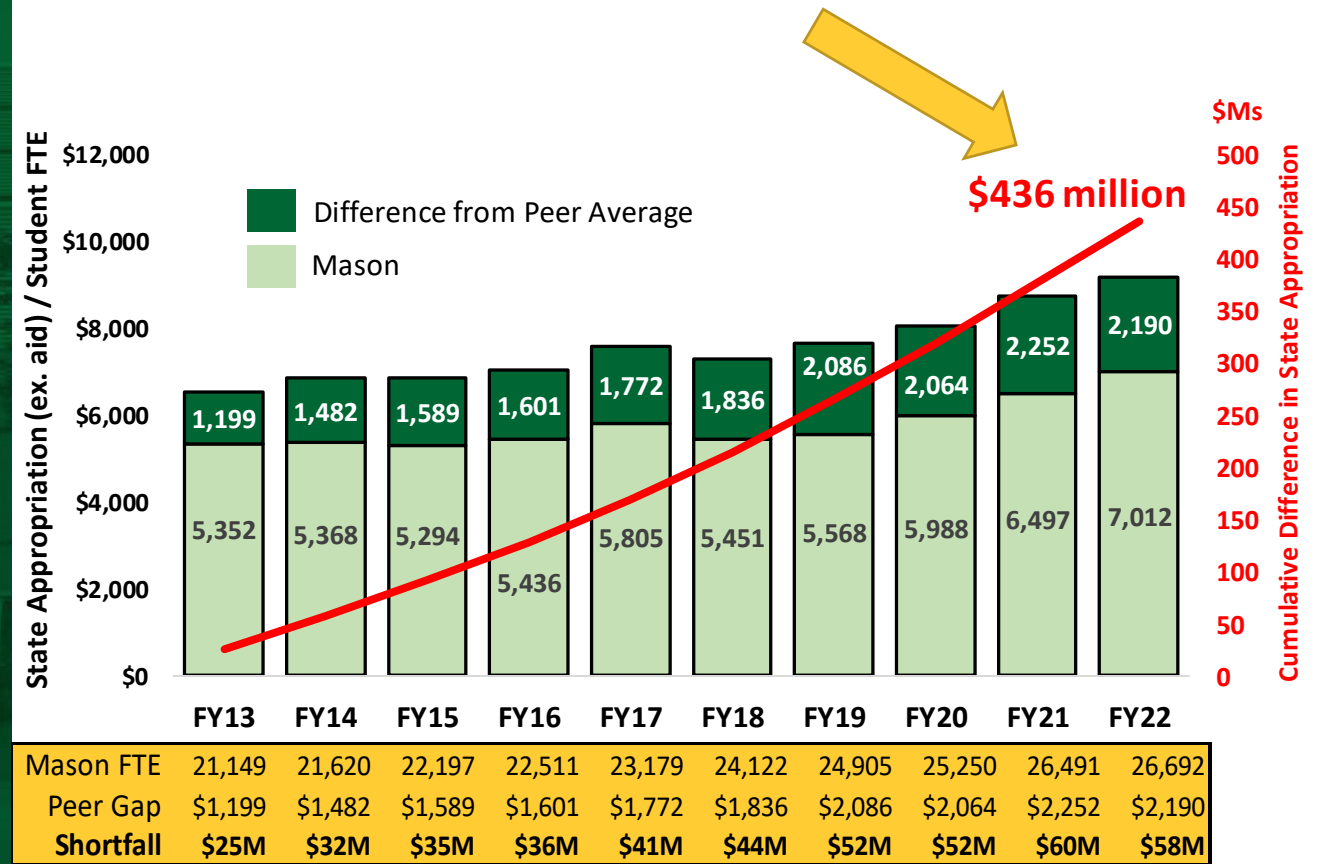


Cost of Living



Cumulative Impact of State Funding Disparity

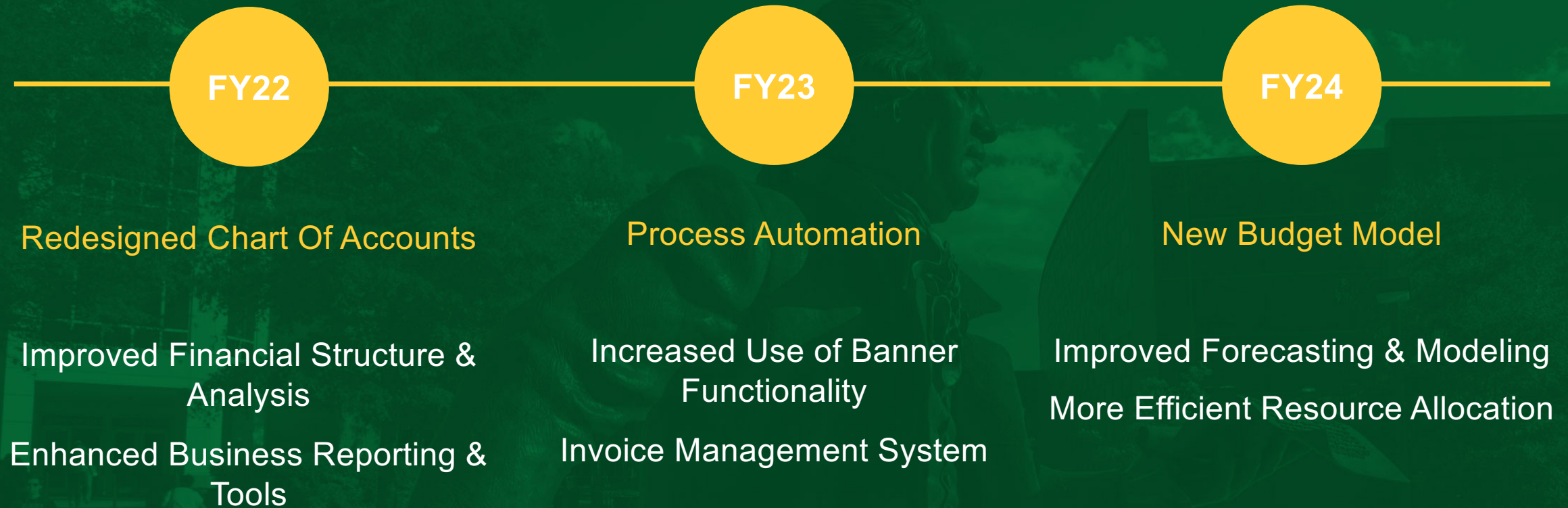
Mason would have received an additional **\$436 million** had we received the **average state appropriation** per in-state student (excluding aid) of five peer doctoral institutions between FY13 and FY22



Mason is a diligent and strategic steward of limited resources

- Our efficiency is our strength but that is not sustainable
- Investment in operational infrastructure and business process transformations
- Continued progress and growth through pandemic
- Well-positioned for potential financial downturn

Financial Services Roadmap



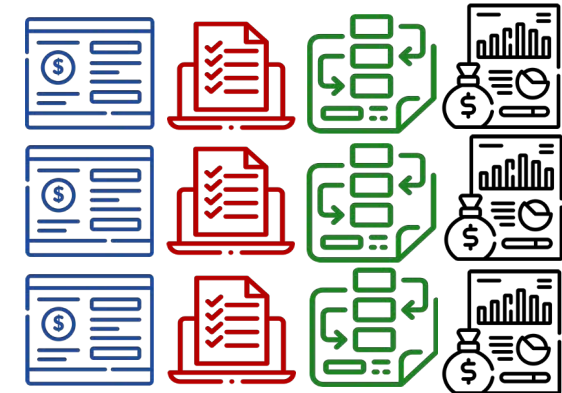
Streamline and modernize our systems and processes

Chart of Accounts Redesign

Before:



After:

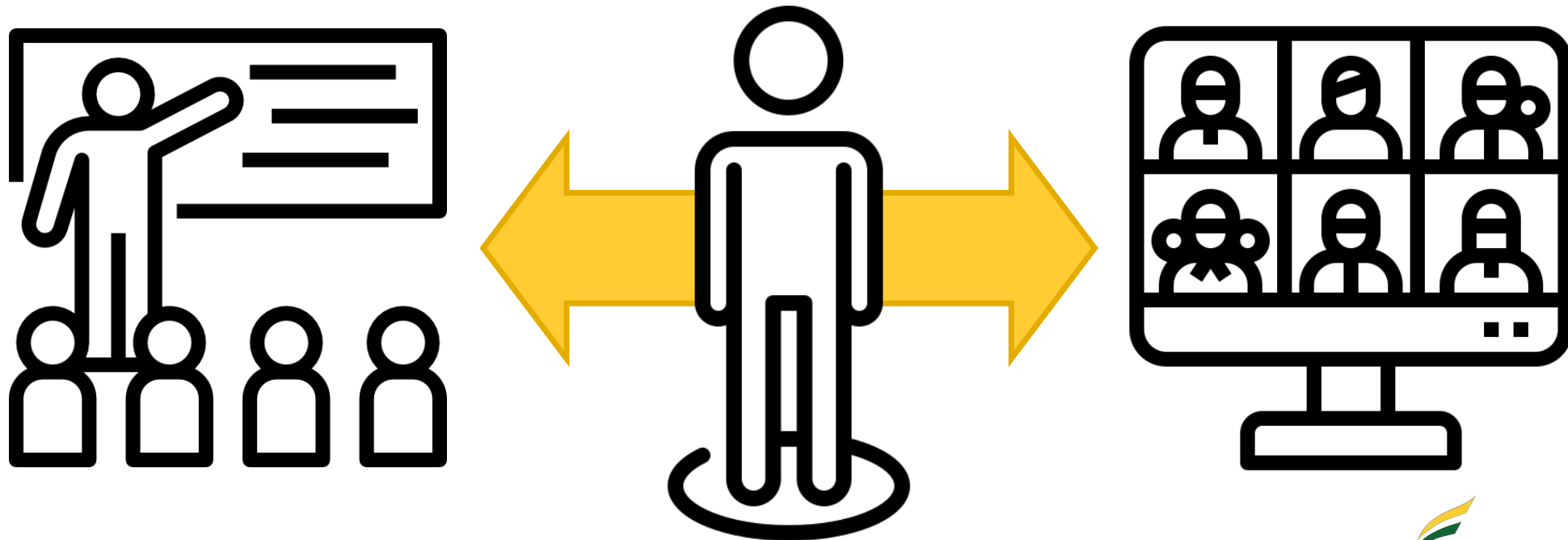


Student Services Roadmap



Enhance student engagement across modalities

Standardize Student Experience

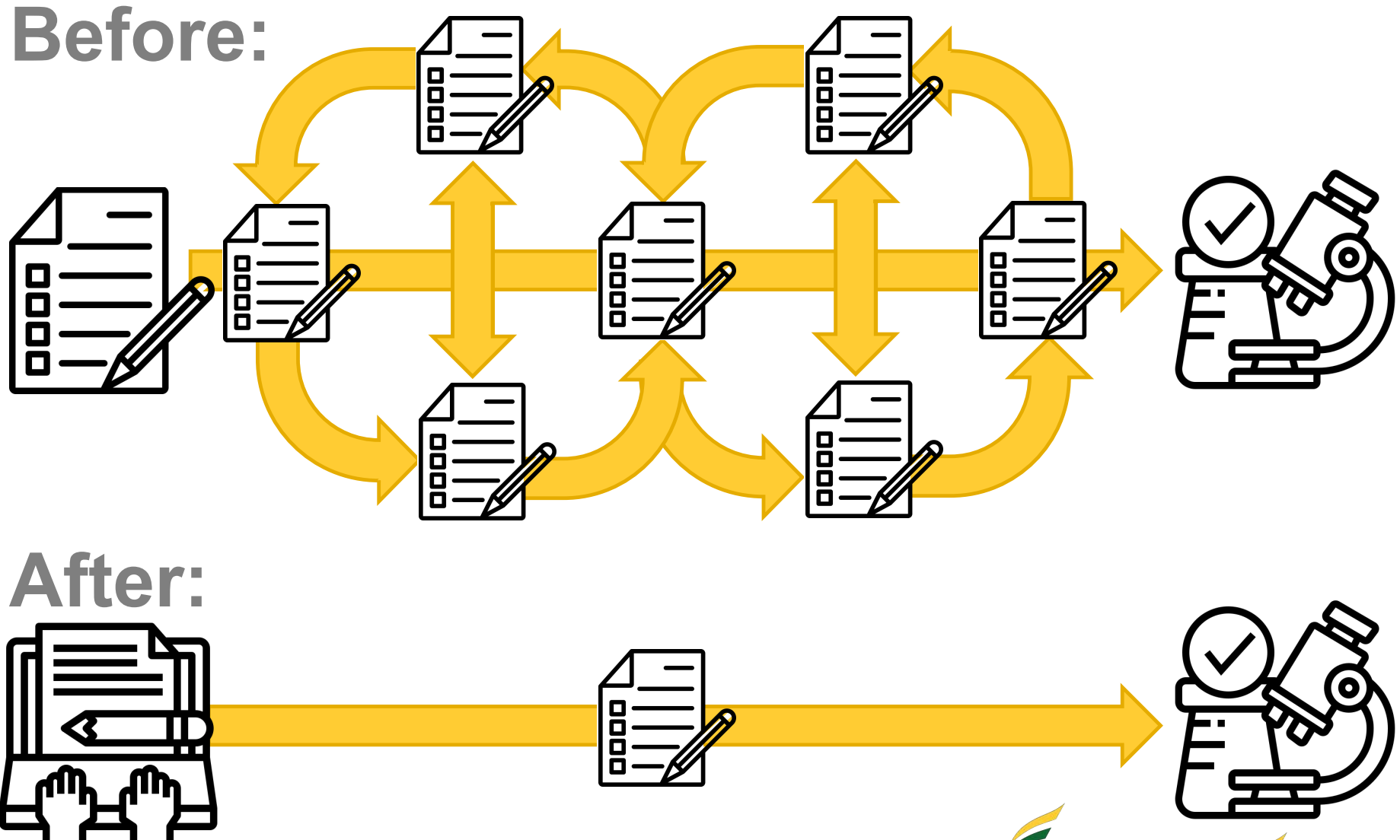


Research Administration Roadmap



Streamline and enhance research administration

Streamline & Automate Grant Application Process



Human Capital Management Roadmap

FY22

Position Standardization

Standardization of Job Descriptions
& Structure

Compensation Analysis

FY23

Position Management

Modernized Application
Role-based Responsibilities &
Privileges

FY24

Performance Management

Employee Training & Evaluation
Automated Evaluation Process

Attract and retain the best and brightest

Leveraging Existing Resources & Strategic Investments



Renovating existing assets to extend useful life and enhance functionality

Investing strategically in new projects to support future growth

Classroom Technology Refresh

213 classrooms
\$23M investment
Completed over six years
Updated technology,
teaching pedagogy and
aesthetics
Consistent appearance
and capability across all
campuses

Forensic Sciences Outdoor Lab



Credit: Becca Knier

Former FBI profiler Mary Ellen O'Toole walking with WUSA9's Nathan Baca at the Manassas, Va. body farm.

**New five-acre SciTech facility
\$210K investment**

**Transformative outdoor
research in forensic science
using human donors**

**One of only eight such
locations in the world**



Harris Theatre

The image shows the interior of the Harris Theatre. The stage is in the foreground with a grand piano. The seating area is filled with light blue chairs. There is a balcony with more seats. The ceiling is dark with many lights. The walls are dark and have some equipment hanging from them.

Extended useful life by 20 years

Roof repair, new lighting and HVAC, and updated interior finishes

25,000 sq ft (built in 1975)

\$10M (less than half of replacement cost)

Police Drone Program



Founded in 2018
1,000-plus flights
Provides real-time information and support
Supplements personnel deployments
Regional and national partnerships
Event monitoring, search and rescue, emergency response, scene documentation

Mason continues to make the best use of limited resources, investing in our people, systems, and students.

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The Decisions We Face



Operating Budget

FY23 Proposed Operating Budget

Investment in faculty and staff through competitive compensation

Investment in students through increased financial aid

Focus on efficiency through conservative allocations for core budget needs

<i>Cash basis (\$Ms)</i>	FY20 Actual	FY21 Actual	FY22 Budget	FY22 Actual (Preliminary)	FY23 Budget (Preliminary ¹)
Revenues					
Net Tuition and Fees	442	459	458	466	488
State Appropriations	190	185	234	252	266
Grants & Contracts	210	211	236	247	245
Auxiliary Enterprises	227	181	236	233	249
Other Operating Revenue	25	18	15	13	19
Non-Operating Revenue:					
Relief Funding	13	49	72	40	46
Capital Grants	46	72	50	32	124
Total Revenues	1,152	1,175	1,300	1,284	1,436
Expenses					
Salaries and Wages	462	478	540	526	565
Fringe Benefits	129	135	152	149	158
Contractual Services	171	147	206	191	198
Travel and Training	20	5	8	13	21
Supplies	21	23	24	26	26
Equipment	21	18	20	26	31
Capital Outlay	80	73	100	46	175
Debt Service	50	36	14	14	25
Scholarships & Fellowships	119	140	168	168	157
Occupancy	48	38	46	46	48
AE-Infrastructure Funding	31	83	21	79	32
Total Expenses	1,152	1,175	1,300	1,284	1,436

(1) Pending tuition committee review.

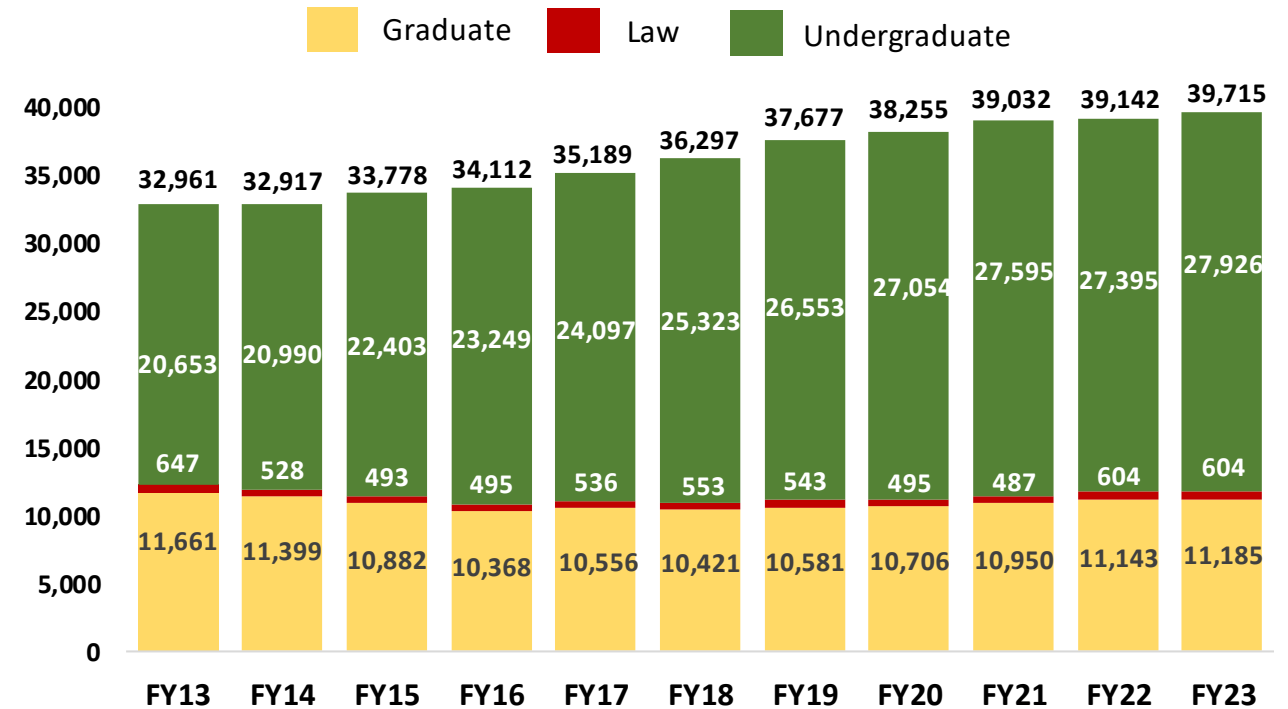
Undergraduate & Graduate Enrollment

Mason has experienced a **steady increase** in total student enrollment, averaging 1.9% annually, since FY13

Undergraduate headcount has shown **steady growth**

Graduate and **Law** headcount have shown **continued growth** since prior declines

STUDENT HEADCOUNT



Six-Year Operating Plan: FY23 & FY24

- **Student Success: Affordable Access & New Accessible Pathways**
- **Graduate Education**
- **Addressing Faculty & Staff Inequities**
- **Develop Infrastructure, Practices & Policies to Support Anti-Racism & Inclusive Excellence**
- **Elevate Research**
- **Enrollment: Funding Disparity Support**
- **Expand Economic Development**
- **Digital Innovation: Efficient Instructional, Operational & Service Models**

Operating Budget Challenges

One limited undergraduate tuition increase in last three years

No increase in FY23 Mandatory Student Fees

Tuition increases used to fund additional institutional aid

Tuition increases used to fund salary increases and employee competitive market adjustments



Capital Projects and Opportunities

Capital Funding Priorities

- Fuse at Mason Square
- Student Innovation Factory Building
- Interdisciplinary Science & Engineering Building 1
- Business School
- Critical Deferred Maintenance Phase 1

Fuse at Mason Square

First P3 at Mason

- Unprecedented public-private partnership
- \$77M raised off-balance sheet / off Mason's credit for Commercial Space
- Lease-up risk transferred to private partner

Fulfill Tech Talent Vision

- Expand research in high-tech fields
- New School of Computing
- Increase computing enrollment to 15,000 students
- Fill tech talent pipeline for employers
- Business, community & academic partnerships

Budget: \$256.5M

- Commonwealth
- GMU Philanthropy/Bridge Financing
- Developer Equity/Debt
- Includes \$11.4M Commonwealth Request

Completion: September 2025



Public-Private Partnership (P3) & Other Opportunities

Mason is **assessing opportunities** for development and utilization of **existing assets**

To effectively mitigate impacts to Mason's credit capacity, the asset must:

1. Be a commercially viable project on a stand-alone basis
2. Not be deemed a performing asset of the University

Benefits could include **faster development, transfer of risk** and **revenue generation**

Potential Initiatives

- Infrastructure Investment
- New Buildings
- Sustainability Initiatives
- Student, Faculty and Staff Housing
- Medical School
- Athletic Complex
- Asset Monetization



Mason Funding Planning

Mason Is Driving Virginia Higher Ed Enrollment Growth

- A lean, efficient operator
- Leveraging existing resources with strategic investment
- Continuing to look for additional revenue sources
- Managing & mitigating risks
- Investing in People and Infrastructure
- Continuing to improve efficiency and return on investment

FY24 Base Budget Planned Funding Request

Estimated Base Funding Gap – E&G

in millions

Market compensation adjustments - Base Budget shortfall:	
Faculty based on FY22 review and report ¹	\$14.5
Staff projections based on current market ^{2, 3}	10.0
Positions hired at market ^{2, 3}	7.0
Funding covered through reliance on vacant positions:	
Contractual Service volume and escalations ³	9.9
Technology Infrastructure services and systems	5.6
Other unfunded Direct Expenditures ³	4.2
Annual Base Budget Funding Gap (inflation adjusted)	\$51.2

¹Market compensation adjustments above 5% July planned increases

²Based on new hires due to turnover and planned growth

³Based on Northern Virginia costs, inflation, wage/rate escalations





Mason is

All Together Different

Financially

**So Let
Richmond
Know!**

