



BOARD OF VISITORS

Finance & Land Use Committee

Office of the EVP for Finance & Administration | September 17, 2024

Agenda

Financial Matters

- A. Financial Update
- B. University Debt Policy Update (ACTION)
- C. University Investment Policy Update (ACTION)
- D. Affirmation of State Six-Year Operating Plan (ACTION)
- E. Committee Discussions
 - i. Cricket Field Project
 - a. Revocation of Prior Cricket Authorization (ACTION)
 - ii. Enrollment Cap
 - iii. Law School Autonomy
 - iv. Budget Process Review
 - v. Campus Space Utilization
 - vi. West Campus Planning
 - vii. Student Fees
- F. Supplemental Financial Materials



Financial Update

Financial Matters

Joint Legislative Audit & Review Commission (JLARC)

Review & Reporting

Ongoing Reviews:

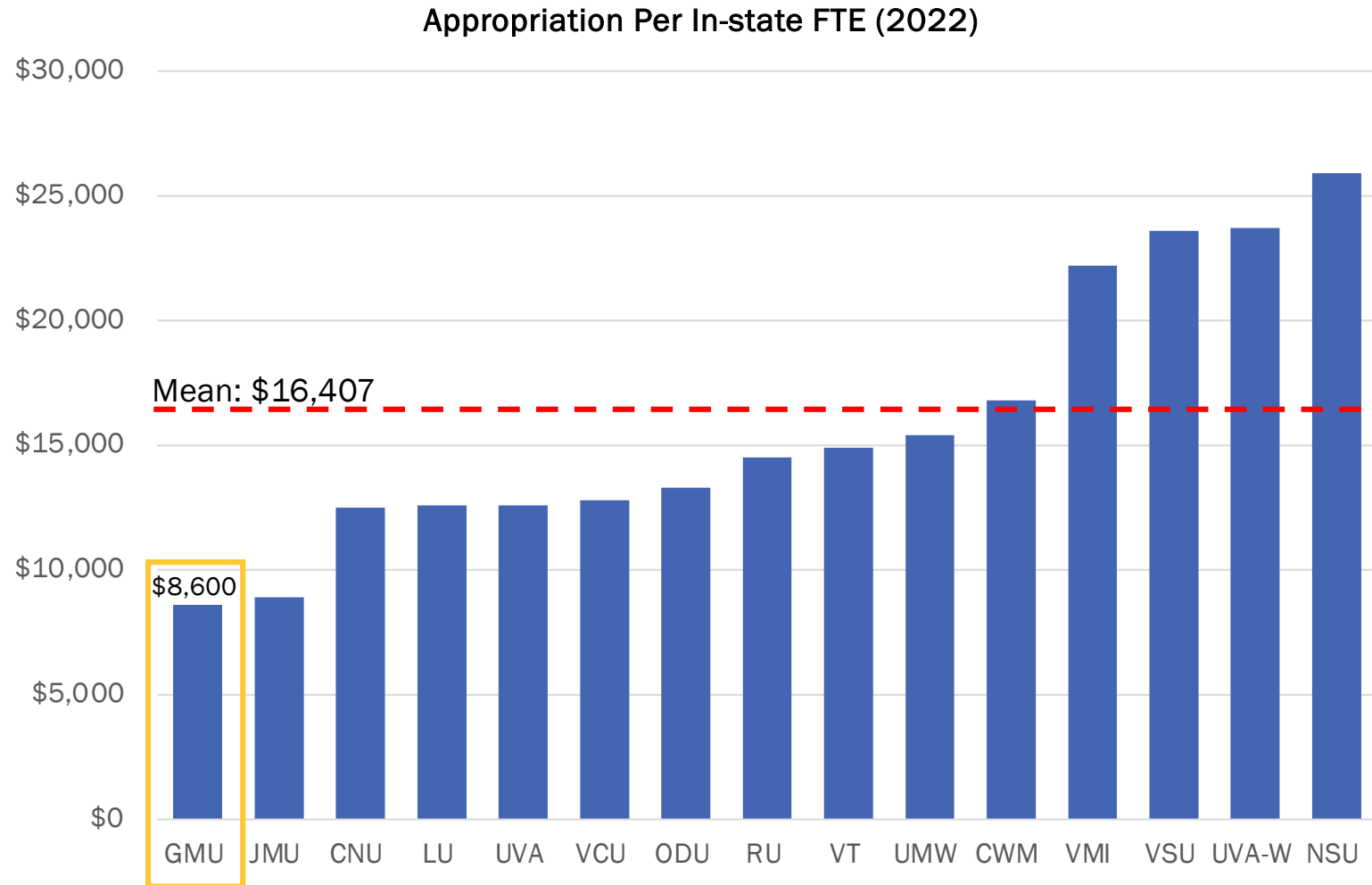
- Higher Education Institutional Viability
- Higher Education Spending, Staffing, and Student Costs
- Virginia Military Survivors & Dependents Education Program (VMSDEP)
- Virginia Information Technology Agency (VITA)
- George Mason University Management Agreement (Tier 3)*

Updates and reports to be presented at the October 7 JLARC meeting.

* *Report presentation and recommendations scheduled for November 7*

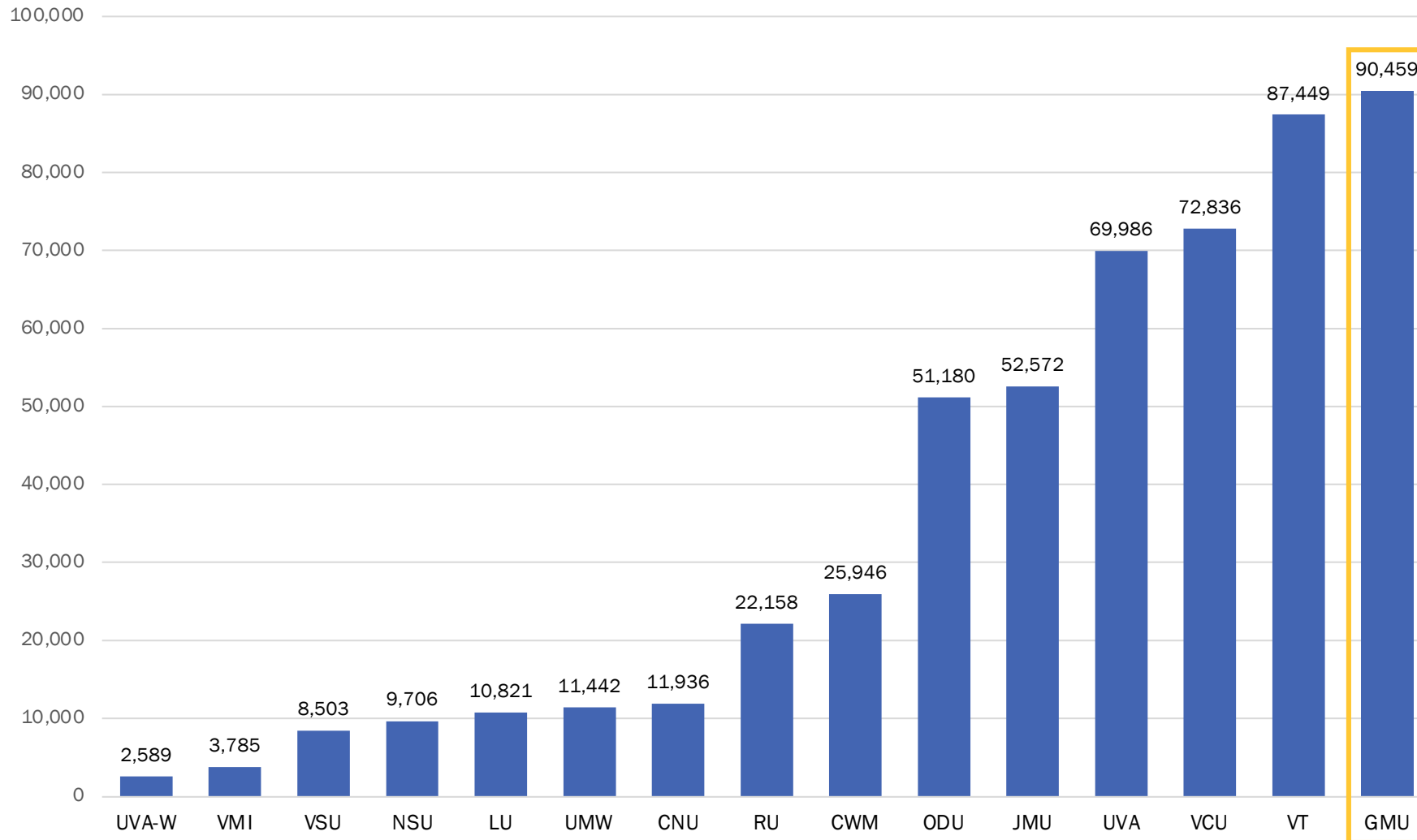
JLARC: 2024 Higher Education Institutional Viability (Draft)

Appropriations Per In-state Student FTE



- George Mason received the lowest appropriations per in-state student FTE of all public institutions of higher education in the Commonwealth
- George Mason receives \$7,807 less than the average appropriation of other Virginia publics per FTE

Total Degrees Produced Over Past Decade



- Over the past decade, George Mason has granted more degrees than any public institution in the Commonwealth
- George Mason was responsible for 17% of all degrees granted in Virginia

SOURCE: SCHEV Completion Reports, 2013–2022 (FY14-FY23); all degrees except associates



University Debt Policy Update

Financial Matters

Debt Policy

- This University's debt policy applies to all debt financing activities of the University.
- Policy shall be reviewed and approved by the Board of Visitors periodically but not less than every three years, reporting on the University's Debt Plans and Debt Position
- George Mason's financial position aligns with minimum rating and debt burden ratio in accordance with its Debt Policy as a Tier 3 university
- The recommended policy revisions update language to comply with Tier 3 Management Agreement and GASB accounting changes

Enterprise Debt

(\$ in millions) as of 6/30/24

Enterprise Debt by Entity	Principal
GMU ⁽¹⁾	\$438
Line of Credit ⁽²⁾	\$ 68
GMU Foundation (GMUF) ⁽³⁾	\$ 74
Subtotal	\$580
Remove GMU Financed Purchase Obligations	(\$69)
Total	\$511

- (1) Includes pooled debt (9c & 9d) issued by Commonwealth and GMU lease obligations; Weighted average cost of pooled debt = 3.04%
- (2) Fixed Rate – 3.66% thru October 2032 then resets at 5yr UST +81bps for 5 years; Bullet maturity 10/15/2037
- (3) Debt issued under Foundation credit; Weighted average cost of capital 3.71%

Debt Policy Compliance

Policy Limit	Rating Agency	Rating / Outlook	Rating Type
Aa3	Moody's 10/2023	Aa3 / Stable	GMU's Issuer Rating
AA-	S&P 7/2024	AA- / Stable	GMU Foundation's Bond Rating* (Prince William Lab & Housing Refunding Bonds)

* S&P does not provide an issuer or bond rating for GMU. However, S&P rates GMUF bonds equivalent to implied issuer credit rating of University.

	Policy Limit	FY2023	FY2022*
Debt Service Burden Ratio	10%	4.83%	3.04%

* Lower DSB ratio due to Commonwealth debt restructuring during COVID ("P&I scoop & toss")

 Indicates compliance with policy

Recommendation

Approval of the revised Debt policy included in the Board Book.



University Investment Policy Update

Operational Matters

Investment Policy

- The university's investment policy applies to the investment and management of all University's funds not held by the State Treasury.
- The Board of Visitors shall no less than annually review the University's compliance with this policy, reporting on investment results on the Funds covered by this policy.
- The recommended policy revisions update language to comply with Tier 3 Management Agreement.

Patriot Investment Fund

- Established: November 2023
- Goal: Investment of “Local Funds” (GMU funds not held at State Treasury)
- Investment Strategy: Fixed Income
 - Generate revenue
 - Maintain initial investment
 - In accordance with George Mason’s Investment Policy

Performance:

- Investment: \$148M
- Yield to Maturity: 4.5%
- Portfolio Growth: \$2.9M*

as of 6/30/24

**Does not include debt service*

Investment Policy Compliance

Security Type	6/30/2024 (in millions)	% of Portfolio	Permitted % of Portfolio	Longest Maturity (in years)	Permitted Max Maturity (in years)
U.S. Treasuries	\$114.3	77.0%	100%	10	No Limit
Federal Agencies	1.7	1.1%	100%	5	5
Supranationals	1.1	0.7%	25%	3	5
Commercial Paper	3.7	2.5%	35%	0	1
Certificates of Deposit	2.5	1.7%	35%	3	5
Municipal Obligations	0.0	0.0%	20%	0	5
Corporate Notes/Bonds	9.5	6.4%	25%	5	5
Mortgage-Backed Securities	11.8	8.0%	100%	5	5
Asset-Backed Securities	3.5	2.3%	15%	5	5
Money Market Account	0.4	0.3%	100%	0	n/a
Total Assets	\$148.5	100.0%			



Indicates compliance with policy

Recommendation

Approval of the revised investment policy included in the Board Book.



Affirmation of State Six-Year Operating Plan

Financial Matters

Six-Year Plan Update Highlights

Mason's six-year plan update was submitted to SCHEV on July 15, 2024, and is consistent with the original six-year plan submitted in 2023. The plan supports the Governor's Higher Education Agenda by providing resources towards continued academic excellence and service for our students and community.

Financial Projection Assumptions

- Tuition increase ~3% for FY26, held flat for subsequent years
- Modest enrollment growth of ~1.5% annually
- Compensation and financial aid expenses ~3% annual growth
- Reflects balanced budgets for FY25 & FY26, with deficits returning in FY27 in the absence of tuition revenue growth and equitable state support

Additional Commonwealth Support for Academic Programming and Students

- Virginia Military Survivors' and Dependents' Education Program (VMSDEP) Support
- Student Access (e.g. Mason Virginia Promise (MVP) grants, ADVANCE program)
- Student Success (e.g. New technologies, MasonWorks, Mental Health/Well-being services)
- Online Virtual Network Funding

Constrained Resources Impact Priorities

- Student preparation for High Demand Virginia Jobs
- Vibrant, Safe and Healthy Campus
- Maintain affordability and reduce cost of Higher Education
- Build College and Career Ready Pipeline with K-12 Divisions

Six-Year Plan Update Highlights

Priority Ranking	Strategies <small>(Match Academic Financial Worksheet Short Title)</small>	Category	2024-2025		2025-2026	
			Total Amount	GF Support	Total Amount	GF Support
			1	Deliver a distinctive and inclusive student experience that fosters lifelong engagement	Student Success	
	1a) Financial Aid		\$18,267,204	\$2,946,600	\$18,909,435	\$9,722,420
	1b) Expand Access		\$2,365,000		\$2,365,000	\$2,365,000
	1c) Student Success Initiatives		\$20,000,000	\$6,073,312	\$16,800,000	\$14,253,376
	1d) Virginia Military Survivors & Dependent Education Program		\$13,013,000	\$7,000,000	\$16,916,900	\$7,000,000
2	Invest in faculty and staff success	Cost Efficiency				
	2a) Equitable Compensation		\$6,115,894	\$2,857,210	\$6,675,059	\$6,675,059
	2b) Efficient systems, infrastructure, reduce manual processes		\$5,500,000	\$2,569,478	\$4,061,044	\$4,061,044
	2c) HEETF-Increased institutional support		\$5,000,000		\$13,000,000	\$13,000,000
3	Expand partnerships for economic and social impact.	Economic Development	\$5,400,000		\$10,800,000	\$10,800,000
4	Expand the impact of Mason's research, scholarship, and creative enterprise	Research				
	4a) Support/ Infrastructure		\$9,850,000		\$13,700,000	\$13,700,000
	4b) Scholarship		\$2,750,000		\$5,500,000	\$5,500,000
			\$88,261,098	\$21,446,600	\$108,727,438	\$87,076,899

- 2023 Plan submission requested \$69M of GF Support for each year of FY2025-FY2026 biennium
- FY2025 approved budget provided additional \$21M reflected above, shifting portion of original request to FY2026

Commonwealth FY25 Operating Budget Requests

Commonwealth Submission Update

George Mason provided the Secretary of Education with the Operating Budget Requests ("Decision Package") as outlined in the submitted Six-Year Plan with one adjustment:

- The request for Equitable Compensation Support (item 2a) adjusted to \$18M to align with prior SCHEV recommendations regarding GMU's funding disparity

Final submission of items receiving the Secretary's approval due to the Department of Planning and Budget (DPB) on September 20.

All items pending Secretary of Education review and approval at time Committee material submission – updates will be provided during the meeting.

Commonwealth FY25 Capital Budget Requests

Commonwealth Submission Update

George Mason provided four Capital Budget Requests to the Secretary of Education for review, prior to submission to the DPB, in order of priority:

Projects that directly support one of the Governor's priorities as follows: Talent pathways and partnerships with educational organizations for workforce development in high-demand technology and innovation careers within the Commonwealth.

- 1. Submitted:** Construct Interdisciplinary Science & Engineering Building 1 (Resubmission)
 - Biennium FY25-26 budget approved \$500k for pre-planning
 - Requesting full planning funds of \$12.25M with the Secretary's approval
- 2. Under Review:** Construct Student Innovation Factory Building (Resubmission)
- 4. Under Review:** Construct School of Business Building (Resubmission)

Funding to address a significant maintenance reserve-type issue at an existing facility

- 3. Submitted:** Aggregated Critical Deferred Maintenance
 - Requested full funding of \$96.4M with the Secretary's approval

Recommendation

Approval to affirm the State Six-Year Operating Plan included in the Board Book.



Committee Discussions

Financial Matters

Committee Discussion Items

The Committee has requested discussion of the following items:

- i. Cricket Field Project
 - a. Revocation of Prior Cricket Authorization (ACTION)
- ii. Enrollment Cap
- iii. Law School Autonomy
- iv. Budget Process Review
- v. Campus Space Utilization
- vi. West Campus Planning
- vii. Student Fees

Additional requested information has been provided in the Board Book materials.

Recommendation

Revocation of Prior Cricket Authorization

Approval to revoke any and all authorization granted to the University on December 14, 2023, regarding a ground lease or any other documents, instruments or certificates in furtherance of a shared temporary cricket/baseball stadium.

Committee Vote:

Motion: To approve the following items, en bloc, as they are outlined in the meeting materials:

- **University Debt Policy Update**
- **University Investment Policy Update**
- **Affirmation of State Six-Year Operating Plan**
- **Revocation of Prior Cricket Authorization**



Supplemental Financial Information

FY 2024 Actual: Operating

Cash basis, in \$M's	FY 2023 Actual	FY 2024 Amended Budget	FY 2024 Actual	var to FY 2024 Amended Budget
Revenues				favorable / (unfavorable)
Net Tuition and Fees	496	514	518	4
State Appropriations	267	327	328	-
Grants & Contracts	244	256	294	38
Auxiliary Enterprises	249	266	288	22
Other Operating Revenue	29	27	38	11
<u>Non-Operating Revenue:</u>				
Relief Funding	50	-	-	-
Total Revenues	1,335	1,391	1,466	75
Expenses				(favorable) / unfavorable
Salaries and Wages	595	640	643	3
Fringe Benefits	163	187	176	(11)
Contractual Services	210	208	235	27
Travel	20	21	24	3
Supplies	27	28	24	(3)
Equipment	22	21	29	8
Capital Expenditures	4	3	4	-
Debt Service	-	-	1	1
Scholarships & Fellowships	164	187	200	13
Occupancy	41	45	39	(5)
Transfers-Capital Projects/Debt	135	58	57	(1)
AE Infrastructure	0	2	2	-
Total Expenses	1,381	1,399	1,433	34
(Shortfall)/Surplus	(46)	(9)	33	41
Balancing Mitigation Strategies	46	9	(33)	(41)
Adjusted Shortfall	-	-	-	-

Note: Operating includes the following funds: Education and General (E&G), Auxiliary Enterprises, Sponsored Research, Indirects, Financial Aid, Other Restricted, Other Unrestricted & EXCLUDES Capital.

Achieved **\$41M** improvement to amended budget

- Positive margin on operations of real estate assets acquired over past year, including \$8M one-time GDIT buyout
- Higher than budgeted housing and dining revenue due to higher occupancy for Fall and Spring semesters (\$9M), offset by increased Contractual Services expenses
- Other Operating Revenue exceeded expectations by \$7M due to interest income as rates remained strong through end of year
- Lower final realized fringe benefit rate than used in budget (impacting all funds): \$11M
- Positive margin in Indirect Cost Recovery Funds (budgeted to break-even): \$5M

FY 2024 Actual: E&G Operating

Cash basis, in \$M's	FY 2023 Actual	FY 2024 Amended Budget	FY 2024 Actual	var to FY 2024 Amended Budget
Revenues				favorable / (unfavorable)
Net Tuition and Fees	494	514	515	1
State Appropriations	220	246	245	(1)
Auxiliary Enterprises	1	1	1	-
Other Operating Revenue	19	14	16	2
Total Revenues	734	775	777	2
Expenses				(favorable) / unfavorable
Salaries and Wages	457	494	484	(10)
Fringe Benefits	140	146	142	(4)
Contractual Services	80	80	83	3
Travel	6	7	7	-
Supplies	18	17	15	(2)
Equipment	11	11	14	3
Capital Expenditures	2	1	2	1
Scholarships & Fellowships	46	45	49	4
Occupancy	22	24	19	(5)
Transfers	31	3	(3)	(6)
AE Infrastructure	(18)	(18)	(22)	(4)
Total Expenses	796	810	790	(20)
<i>E&G Shortfall</i>	<i>(62)</i>	<i>(35)</i>	<i>(13)</i>	<i>22</i>
<i>Balancing Mitigation Strategies</i>	<i>62</i>	<i>35</i>	<i>13</i>	<i>(22)</i>
<i>Adjusted E&G Shortfall</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>

Note: AE Infrastructure reflects AE to E&G overhead transfer

Achieved \$22M improvement to amended budget

- First year of planned budget reductions combined with continued critical vacancy savings and higher fringe benefit savings - \$11M
- Unanticipated FEMA funding reimbursement of prior year COVID expenses - \$3M
- Reduced rent expense due to mid-year purchase of Vernon Smith Hall - \$2M
- Lower operating expenses primarily due to cost moderations/spread across other funding sources - \$4M

Budget Mitigation Update

On an all-funds basis, George Mason is operating on a balanced budget with an E&G shortfall being covered by non-E&G funds

In FY2024, George Mason implemented a two-year plan to mitigate our E&G budget shortfall through units reducing their budgets by 6%

Year One: In FY2024, budget mitigations were achieved in the areas of Position Eliminations, Revenue Enhancements, and Cost Savings

Year Two: The approved FY2025 Operating Budget continues the mitigation plan implementation

Budget Mitigation Update

Achieved Budget Mitigations

Revenue Enhancements

- Patriot Investment Fund - \$2.2M in FY24, \$4M projected in FY25
- Masonvale ground lease termination - \$3.5M annual
- Vernon Smith Hall acquisition - \$12M in FY24 (one-time), \$2M annual

Cost Savings/Cost Avoidance

- Vernon Smith Hall rent expense elimination - \$4M annual
- Faculty Incentive Retirement Plan - \$3M (*5-year period*)
- Freedom Aquatic & Fitness Center renegotiation - \$2.1M (*5-year period*)
- Parking contract savings - \$1.1M annual
- Janitorial service adjustments - \$775K annual
- Library material reduction (duplicate & underutilized) - \$750K annual
- Energy efficiency improvements - \$475K annual

FY2025 Budget Operating

- University continuing growth trajectory
- **Break-even** is achieved through positive margins in other funds to offset E & G shortfall
- Revenue increases in both tuition and State support offset increased expenses
- Expense increases driven by **salaries & wages, cost escalations, and planned increase in financial aid**
- Limited capacity for strategic investments given budget constraints

Cash basis, in \$M's	FY 2023 Actual	FY 2024 Actual	FY 2025 Approved Budget
Revenues			
Net Tuition and Fees	496	518	531
State Appropriations	267	328	359
Grants & Contracts	244	294	286
Auxiliary Enterprises	249	288	290
Other Operating Revenue	29	38	39
<u>Non-Operating Revenue:</u>			
Relief Funding	50	-	-
Total Revenues	1,335	1,466	1,505
Expenses			
Salaries and Wages	595	643	670
Fringe Benefits	163	176	198
Contractual Services	210	235	242
Travel	20	24	25
Supplies	27	24	25
Equipment	22	29	28
Capital Expenditures	4	4	2
Debt Service	-	1	-
Scholarships & Fellowships	164	200	199
Occupancy	41	39	42
Transfers-Capital Projects/Debt	135	57	64
AE Infrastructure	-	2	3
Total Expenses	1,381	1,433	1,497
<i>(Shortfall)/Surplus</i>	<i>(46)</i>	<i>33</i>	<i>8</i>
<i>Strategic Use of Reserves</i>	<i>-</i>	<i>-</i>	<i>3</i>
<i>Balancing Mitigation Strategies</i>	<i>46</i>	<i>(33)</i>	<i>-</i>
<i>Adjusted Shortfall</i>	<i>-</i>	<i>-</i>	<i>-</i>

Note: Operating includes the following funds: Education and General (E&G), Auxiliary Enterprises, Sponsored Research, Indirects, Financial Aid. Other Restricted & Other Unrestricted. EXCLUDES Capital

FY2025 Budget E&G Operating

- Continuing growth – **moderating expense growth** to align with available resources
- Increased expenses due primarily to projected **salary & wage** increases and filling positions at market rate; **continuing critical vacancy reviews** of all open positions
- Strategic Use of Reserves represents **approved reserve-funded initiatives** planned for FY25
- **Budget shortfall will be mitigated** with planned **budget reductions** (2nd year), **new revenue generation**, and continued **operating efficiencies** from reorganizations & shared services

Cash basis, in \$M's	FY 2023 Actual	FY 2024 Actual	FY 2025 Approved Budget*
Revenues			
Net Tuition and Fees	494	515	529
State Appropriations	220	245	274
Auxiliary Enterprises	1	1	-
Other Operating Revenue	19	16	20
Total Revenues	734	777	823
Expenses			
Salaries and Wages	457	484	511
Fringe Benefits	140	142	151
Contractual Services	80	83	84
Travel	6	7	7
Supplies	18	15	16
Equipment	11	14	15
Capital Expenditures	2	2	-
Scholarships & Fellowships	46	49	50
Occupancy	22	19	21
Transfers	31	(3)	(2)
AE Infrastructure	(18)	(22)	(22)
Total Expenses	796	790	832
<i>E&G Shortfall</i>	<i>(62)</i>	<i>(13)</i>	<i>(9)</i>
<i>Strategic Use of Reserves</i>	<i>-</i>	<i>-</i>	<i>3</i>
<i>Balancing Mitigation Strategies</i>	<i>62</i>	<i>13</i>	<i>6</i>
<i>Adjusted E&G Shortfall</i>	<i>-</i>	<i>-</i>	<i>-</i>

*This includes George Mason's estimated allocation of VMSDEP funding of \$7M

FY2025 Budget Capital Summary

- Major capital projects primarily consist of **FUSE** and **Life Science Engineering Building** totaling \$107M
- Annual Capital and Deferred Maintenance represent on-going routine projects
- Annual Debt represents debt service (principal and interest) scheduled to be paid during FY 2025, funded from operations
- Developer Costs to be paid by P3 partner have been removed from total projected Mason capital spending
- Schedule identifies the various funding sources expected to cover FY 2025 capital project expenditures and debt service

CAPITAL BUDGET <i>(in millions)</i>	
Expenditure	
Major Capital	131
Annual Capital	7
Deferred Maintenance	15
Annual Debt Service	47
Sub-Total	200
Developer Cost Included Above	(22)
Total	178
Funding Sources	
State Appropriations Received in Current FY	61
State Appropriations Received in Prior FY	2
Debt	0
Gifts	2
Sponsored Grants	0
Central Operations / Reserves	49
School or Dep't Operations / Reserves	0
Transfers in from Operating	64
Total	178

FY25 Commonwealth Capital Budget Requests

Approved by the Board in May 2024

	GF Authorization	NGF Authorization	Total Authorization
Interdisciplinary Sci. & Eng. Building - 1 (ISEB-1)	\$216.2	\$0.0	\$216.2
<ul style="list-style-type: none"> • First submitted in the University's Commonwealth Capital Plan submission in FY22. In FY24 it was submitted as a \$165M project. In the FY24 budget bill \$500K was approved for pre-planning • Prior to the ISEB submission, Mason's capital improvement plan has had projects for full renovations of Planetary Hall (formally Science and Tech Building I) and David King Hall for nearly 2 decades without approval. • A renovation of the spaces within Planetary Hall and David King Hall would not be achievable without taking the spaces offline for a period of 1-2 years and we cannot simply replicate the labs elsewhere on campus. • Given the growth of the STEM majors at Mason, we would not be able to serve the needs of our students without these spaces remaining active. • The Interdisciplinary Science and Engineering Building is proposed as a 150K GSF building that will modernize and replicate the spaces within David King Hall and Planetary Hall to allow Mason to repurpose or demolish the two antiquated facilities in accordance with the Masterplan. 			
Student Innovation Factory Building	\$51.1	\$0.0	\$51.1
<ul style="list-style-type: none"> • First submitted as part of the University's Commonwealth Capital Plan submission in FY22. In FY24 it was submitted as a \$37M project. • Student capstone projects and design competitions have increasingly gained momentum in most undergraduate STEM degree programs as part of learn-by-doing pedagogies. Capstone projects are resulting in increased need for dedicated, secure, weatherproof project space to store tools and works in progress. • Mason has been very efficient in providing space for such projects but it has by no means been ideal. Current facilities for Engineering Students to complete projects include off campus lease space, the CEIE lab (which is a repurposed computer lab), common spaces on the campus, and occasionally the Facilities complex. • The Student Innovation Factory Building will fulfill this need by way of a 60 GSF new facility with high bay areas for project creation. 			
Critical Deferred E&G Maintenance	\$96.4	\$0.0	\$96.4
<ul style="list-style-type: none"> • First submitted as part of the University's Commonwealth Capital Plan submission in FY23. In FY24 it was submitted as a \$36M project, based upon the projected needs at the point in which the project was submitted. • The Commonwealth's annual maintenance reserve allocation is woefully underfunded for the needs of the University to address the critical deferred maintenance in our E&G buildings. • The request is based upon the anticipated shortfall of funding and explained in more detail on the next slide. 			
Costello College of Business Building	\$165.0	\$0.0	\$165.0
<ul style="list-style-type: none"> • Project was previously approved by BOV in May 2019 with \$165M NGF budget. Project was first submitted as part of the University's Commonwealth Capital Plan submission in FY23. If approved, funding will be converted to GF. • The Costello College of Business boasts Mason's fourth largest enrollment and second largest projected growth of the ten academic units. • This building would provide new space for current use and proposed future growth for the Costello College of Business. The building program includes dedicated space to support approximately 6,500 full-time equivalent (FTE) students including approximately 2,000 FTE business majors, approximately 2,000 non-business students and 4% annual planned growth. • The building program would include dedicated teaching, collaboration and student engagement space for the Costello College of Business, plus replacement space as a result of demolition of Lecture Hall to accommodate the new building site. 			
Total	\$528.7	\$0.0	\$528.7

(millions)