

**GEORGE MASON UNIVERSITY
BOARD OF VISITORS**

**Finance and Land Use Committee Meeting
March 26, 2015**

AGENDA

- I.** Call to Order

- II.** Approval of Minutes for February 4, 2015 (**ACTION**).....E-3

- III.** New Business
 - A. FY 2016 Financial Update.....E-7
 - B. School of Law Tuition Pricing and Strategy.....E-9
 - C. Human Resources and Payroll Annual Report.....E-11

- IV.** Capital Matters
 - A. Campus Master Planning Initiative.....E-13
 - B. Capital Projects Review.....E-15

- VI.** Adjournment

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GEORGE MASON UNIVERSITY
FINANCE & LAND USE COMMITTEE
BOARD OF VISITORS

MINUTES

February 4, 2015, 11:35 a.m. – 12:35 p.m.
Merten Hall, Room 1204, Fairfax

PRESENT: Chairman McGettrick, Interim Vice Chair Mendelsohn; Rector Davis, Visitors Alcalde, Beck, Dennis, Jacquemin, Pence, Peterson; President Cabrera; Provost Wu; Senior Vice President Davis; Vice President Calhoun; Faculty Representatives Anderson, Houck; Faculty Senate Chair Douglas, Student Representative Abbruscato; Secretary *pro tem* Wilson.

I. Call to Order

Chairman Mark McGettrick convened the meeting at 11:35 a.m.

II. Approval of Minutes

Chairman McGettrick welcomed the committee and guests. He requested a **MOTION** to approve the minutes of the December 8, 2014 Finance and Land Use Committee as presented. It was so **MOVED** by Interim Vice Chair Mendelsohn. **MOTION CARRIED UNANIMOUSLY.**

III. New Business

A. FY 2016 Financial Update

Chairman McGettrick asked Senior Vice President Davis to provide an update on the FY 2016 financial plan. Given the complexity of the budget and budget drivers, Chairman McGettrick will request an open session in April to allow more time for discussion on enrollment, tuition and fees, room and board rates, and budget cuts to better prepare for decision making at the May board meeting.

Senior Vice President Davis summarized the FY 2016 financial plan and how the budget will be balanced. The budget model incorporates across-the-board base operations reductions of \$8M, divided equally between administrative and academic units. Major cost drivers in the budget are pensions, health care and pay policy. Based on the governor's proposed budget, \$4.7M in base budget cuts has been sent back to the commonwealth, and we've created a reserve of \$3.3M by initiating internal cuts and efficiencies. Guidelines to the cuts are: maintain the academic core, protect graduate assistance, and units with self-generated activity will not have a reduction to those

specific areas. Should additional state cuts not materialize, we would like to discuss faculty and staff compensation with the board in a future meeting.

Senior Vice President Davis reported that last year's Noel-Levitz undergraduate tuition pricing strategy on discounting, packaging, and marketing has seen considerable success. We will continue to evaluate and refine undergraduate enrollment for the coming year.

Graduate enrollment data will be provided to the committee in March or April. In addition, we plan to review with the committee the survey results on our graduate marketplace. The committee will also assess the progress of the law school discounting strategy implemented last year.

The Governor's proposed budget will be released on Sunday, and approval is expected in late March. Chairman McGettrick noted that some changes are likely, but we should have an idea of the actual budget before the April financial information session. Senior Vice President Davis pointed out that at \$4.7M, Mason's base budget cuts are less than most state agencies. Below are key provisions from the governor's proposed budget:

- Increase in student financial aid.
- One-time funding for maintenance of existing facilities.
- Equipment and maintenance funding for classroom technology.
- Increase in cost drivers such as pension and health care.
- No pay raises.
- Increase in user fees and reduced tax credit preferences.
- No new capital projects funding.

B. Room and Board Rates, FY 2016

Senior Vice President Davis gave an overview of what drives room and board rates, and briefed the committee on the major goals that determine room and board rates: affordability, accessibility, student involvement, and a sense of Mason community. The Mason Global Center opened in August 2014 and Taylor Hall is scheduled to add 295 beds this fall. Based largely on student dining feedback, Anytime Dining was set up along with four new dining plans, The Globe was opened at the Mason Global Center, Ike's expanded and became a full-service dining venue, Manhattan Pizza opened last year, and a Starbucks and Panera Bread opened in the Johnson Center.

Senior Vice President Davis is recommending a 3% increase in room rates to recover expenses of the debt service and operating costs, and 4% for board rates, which comes to a weighted average of 4.1% for incoming freshmen.

Chairman McGettrick requested a **MOTION** that the committee recommend board approval of the FY 2016 Room and Board rates as shown on page E-9 through E-15 of the Board Book. It was so **MOVED** by Visitor Pence. **MOTION CARRIED UNANIMOUSLY.**

IV. Capital Budget Matters

a. Campus Master Plan

Vice President Calhoun updated the committee on the progress of the campus strategy. A multi-campus task force was formed last fall to assess the available capacity in Prince William and Arlington and alleviate the space shortfall at Fairfax. The task force met with the local communities to explore ways to better serve our population, encourage development in support of the university, and make the best use of our existing facilities. The revised campus master plan will be presented to the board in May.

b. Debt Management Policy Approval

Chairman McGettrick noted that the university has had a substantial build program for more than 10 years, which stresses the debt service level. To address this issue, a new debt policy was put into place in FY 2014. The Finance and Land Use Committee reviews the debt policy annually to ensure Mason is in compliance. In February 2014, S&P confirmed our "A" rating, and we expect the same rating this year. The new debt policy has been recognized by NACUBO and SCHEV as a best practice.

Director of Capital Finance Monica Michaud was introduced to present the strategy and compliance of the debt policy. Director Michaud told the committee that an advisory team was formed to examine Mason's financial strength, debt capacity, project prioritization, and debt affordability, and create a policy that will maintain Mason's long-term financial health. The former policy capped debt at 10%. The proposed debt policy is based on a compendium of metrics.

Chairman McGettrick requested a **MOTION** that the committee recommend approval by the board of the resolution confirming the University is in compliance with the Debt Policy as shown on page E-29 through E-33 of the Board Book. It was so **MOVED** by Visitor Peterson. **MOTION CARRIED UNANIMOUSLY.**

c. Private Business Use

Director Michaud summarized the post-issuance compliance of bonds in the IRS Private Business Use law regulation (IRC Section 141(b)(6) and Treasury Regulation 1.141-3(a)(1), which targets facilities financed with tax-exempt bonds. Currently over 45% of Mason's buildings are financed with tax-exempt debt. A Private Business Use Committee was formed to evaluate the regulation and how it applies to Mason, and developed a policy that examines how debt is issued as well as ensuring compliance with the regulation to maintain the tax exempt status.

VI. Adjournment

There being no further business, Chairman McGettrick declared the meeting adjourned.

Meeting adjourned at 12:44 pm.

A handwritten signature in black ink, appearing to read "Jennifer L. Wilson". The signature is fluid and cursive, with a small circle at the end of the last name.

Jennifer L. Wilson
Secretary pro tem

ITEM NUMBER III.A: **FY 2016 Financial Update (INFORMATION)**

PURPOSE OF ITEM: To brief the Board of Visitors on updates and review financial strategies as well as initiatives for FY 2016 Financial Plan

APPROPRIATE COMMITTEE: Finance and Land Use Committee

BRIEF NARRATIVE: The Senior Vice President for Administration and Finance will provide an update on financial activity impacting the FY 2016 financial plan. Specifically, discussions about 1) Costs containment and reorganizations within the Senior Vice President’s structure; 2) Undergraduate and Graduate enrollment; and 3) Conference Committee report and the impacts of the Commonwealth proposed budget.

- Conference committee report – Commonwealth budgets impacts: A review of the conference committee report with full increases in costs along with the increase in General Fund and the requirement of Non-General (university) Fund match.
- Undergraduate and Graduate enrollment: The University has been working on both a review of its undergraduate and graduate enrollment process along with engaging Noel-Levitz in conducting a graduate tuition pricing strategy. The graduate tuition and pricing strategy will build upon the implemented and successful undergraduate pricing model strategies.
- Senior Vice President’s (SVP) reorganization: The SVP has reviewed and moved forward to re-organize the central Administration and Finance structure in an effort to continue providing the most effective services to the university. The review started with the development of guiding principles and chief among those principles were effectiveness and drive toward natural synergies; both exemplified in the re-organizations that have been implemented. A notable outcome from the re-organization activities were efficiencies by way of cost containment and avoidance of future costs.

STAFF RECOMMENDATION: For Board of Visitors information only.

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ITEM NUMBER III.B: School of Law Tuition Pricing and Strategy (**INFORMATION**)

PURPOSE OF ITEM: The information in this item will provide an overview of the tuition and fee strategy for the School of Law. The strategy was originally approved for the 2014 – 2015 Academic Year and will be reviewed as part of the development of the 2015 – 2016 Academic Year tuition and fee rate proposal.

APPROPRIATE COMMITTEE: Finance and Land Use Committee

BRIEF NARRATIVE: By way of background, prior to the 2014 – 2015 Academic Year the law school enrollments had declined precipitously over the previous two years in response to general economic conditions and adverse publicity concerning employment prospects for law graduates. In addition, the total cost of education for Mason students is significantly impacted by living costs in the DC Metro Area when compared to other law schools. Mason proposed a two-prong strategy to reverse the declining enrollment trend: (1) a tuition price freeze for the 2014 – 2015 Academic Year; and (2) discounting tuition for new students. The Board of Visitors approved a tuition and fee rate freeze for the 2014 – 2015 Academic Year which, provided the School of Law with the opportunity to publicize the rate freeze and stabilize its applicant pool in an effort to maintain its ability to attract and retain students as well as maintain its market share. Ideally, tuition and fee rates would have been frozen for three years; however, governing boards are not authorized to bind successors with respect to future discretionary acts. The approved language of the recommendation stated the compelling case for a three-year strategy to address the needs of law students which, could include freezing tuition and fee rates along with the continuation of the tuition discounting tuition strategy for new law students.

This item will review the outcomes of the two-prong approach implemented in the first year along with re-affirming the intent of the Board action as the university develops its tuition and fee rate proposal for the 2015 – 2016 Academic Year.

STAFF RECOMMENDATION: For Board of Visitors information only.

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ITEM NUMBER III. C.: **Human Resources and Payroll Annual Report (INFORMATION)**

PURPOSE OF ITEM: Human Resources and Payroll issued its annual report for FY 2014. Highlights will be presented to the Board of Visitors.

APPROPRIATE COMMITTEE: Finance and Land Use Committee

BRIEF NARRATIVE: In FY 2014 Human Resources and Payroll created a revised annual report. The Senior Vice President will showcase the new annual report and review key metrics.

STAFF RECOMMENDATION: For information only.

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ITEM NUMBER IV.A.

Campus Master Planning Initiative (INFORMATION)

PURPOSE OF ITEM:

This item provides update on the university's master planning efforts.

APPROPRIATE COMMITTEE:

FINANCE AND LAND USE COMMITTEE

BRIEF NARRATIVE:

Staff continues efforts to develop a new 10-year Facilities Master Plan to replace the university's 2002 plan.

Master plan activities are currently focused on answering key strategic questions. These include:

- The impact of changing demographics and increased enrollment competition.
- Emerging areas of research, including expansion of biomedical, security, climate, etc.
- The need to take advantage of existing excess capacity at Prince William and Arlington campuses.
- The impacts of on-line and distance education on the physical environment.

The Provost and Senior VP are leading efforts to address these questions. Staff anticipates this taking until summer 2016 to complete. Specific long-range land-use planning will begin as answers to these questions emerge.

In the meantime, efforts are underway advancing known initiatives.

- The addition to Discovery Hall, which opened in early May 2015, is providing for expanded wet lab research.
- Design is underway on the fully-funded fitout of the third floor of this lab building. It will provide additional wet-lab space by summer 2016.
- Labs vacated at Prince William by the opening of the lab addition provide space for new or renovated Mechanical Engineering and Physics labs to open in fall 2015. Bioengineering may be able to move into existing vacated labs.
- Planning and design will start this summer for the 100,000 GSF addition to Bull Run Hall. This addition will provide the first major opportunity to provide academic space focused specifically on the Science and Technology focus of the Prince William campus.

- The School of Business expanded into newly renovated space in Founders Hall at the Arlington campus. Expansion of Executive Education is also planned in this building.
- Completion of the renovation in Mason Hall this summer allows for the consolidation of College of Humanities and Social Sciences academic administration functions.

Simultaneously, staff must submit the annual six-year capital plan this spring. Staff will present this for BOV approval at the May 2015 meeting. Building on initial funding provided by the legislature in the 2016 budget bill, the university will recommend full funding of both Robinson Hall replacement, and repair and expansion of the heating and cooling plant distribution system as the two highest priorities in this year's plan. Since the total of these two projects will approach \$150 million, it will be difficult for other projects to be included in the budget. However, the balance of the university's capital request will focus on improvement of existing assets such as:

- Correction of deficiencies in the university's telecom infrastructure.
- Continued renovation of other, older Fairfax campus buildings: Planetary Hall, David King Hall, and Fenwick Library towers.
- Major deferred maintenance projects at various buildings across campus.

STAFF RECOMMENDATION: For information only.

ITEM NUMBER IV.B.

Projects Review (INFORMATION)

PURPOSE OF ITEM:

This item updates ongoing authorized capital projects.

APPROPRIATE COMMITTEE:

FINANCE AND LAND USE COMMITTEE

BRIEF NARRATIVE:

This section provides the regular report on the status of capital construction projects on all three university campuses. The project “stoplight” chart provides a summary review. For purposes of black and white printing, all stoplights are “Green” unless otherwise noted. Scoring definitions:

- “Red”: Likely to exceed approved budget, schedule, or scope
- “Yellow”: At risk to exceed approved budget, schedule, or scope, but can still recover
- “Green”: Within approved budget, schedule, or scope
- “White”: on-hold

Changes/updates since the December, 2014 report include:

- Renovate Field House – Weight Room work completed and facility fully reoccupied Jan 2015 as planned. Remaining roof coatings and exterior signage and graphics will complete once weather and temperatures are suitable for materials application.
- Discovery Hall Life Science Lab Building, PW – Construction complete in February as planned and move in occurred the week of 2 March. Third floor fitout project scope being refined for separate design and construction contracts.
- Campus Drive – Underpass road paved in February. Remaining pedestrian and bike paths along Campus Drive and Rte. 123 will be completed once temperatures are warm enough to allow paving. Athletic “throws” field and related site work to resume when weather permits. A Campus Drive ribbon cutting and other civic events is being planned with elected officials on April 18 starting at 12:30 in the field house with a baseball game following immediately at 2:00 pm.
- Shenandoah Housing, Taylor Hall – Project schedule delayed for significant design revisions to respond to BCOM review comments and achieve life, fire, and safety

building code compliance. Contractor has provided notification of significant cost and schedule impacts. Working with design-build contractor and BCOM to finalize design, mitigate delays, and complete the project. Projected completion date is now April 7, 2015.

- Fenwick Library – Construction continues ahead of schedule. Expect early construction completion in summer of 2015. Developing revised furnishing and move in plan to adjust projected occupancy date.
- Potomac Science Center – Design is complete. Environmental approvals obtained. Pile driving complete. Site work and foundation construction is underway. Occupancy scheduled for May 2016.
- Central Utility Plant Expansion – New chiller has been manufactured and delivered to the site and boiler is in manufacturing. Agreement reached within budget with the selected Construction Manager. Contract to be signed and mobilization to begin in March. Construction permit received from BCOM.
- Hylton Performing Arts Center Addition – Design contract awarded and Construction Manager selection complete. Projecting Fall 2016 project delivery.
- Health Sciences/Academic VII – Final design continues. Expect construction to start in June 2015. Project completion planned for summer of 2017.

STAFF RECOMMENDATION: For Board information only.

1 Facilities Projects Listing

Project #	Project Name	Scope(sf) New	Scope(sf) Reno	Total Budget	Budget Status	Schedule	Scope	Construction Start date	Occupancy date	Construction % Complete	
Construction											
1	17843-000	Renovate Field House		126,850	\$ 5,806,762				11/15/2013	1/7/2015	96%
2	17848-000	PPEA Discovery Hall Ph II & Fitout	77,264		\$ 38,936,310				6/15/2012	3/2/2015	99%
3	0123-029-948	Campus Drive	4,022		\$ 18,740,593				12/1/2012	3/31/2015	98%
4	17570-003	Housing VIII Phase B - Shenandoah (295 beds)	68,377		\$ 18,805,862				4/1/2013	4/7/2015	98%
5	16835-000	Point of View - Conflict Analysis Facility	24,447		\$ 10,809,614				6/10/2014	7/31/2015	61%
6	17695-000	Fenwick Library	157,359		\$ 60,060,129				11/1/2012	1/15/2016	79%
7	17634-000	Potomac Science Center	115,783		\$ 30,007,364				10/1/2014	4/30/2016	15%
Design											
8	18043-000	Central Utility Plant Expansion*	4,500	6,000	\$ 10,381,527				3/30/2015	12/30/2015	N/A
9	18011-000	Hylton Center Addition*	17,886		\$ 8,600,000				5/1/2015	11/1/2016	N/A
10	17999-000	Health Sciences - Academic VII (est cost \$71M)*	166,000		\$ 5,900,000				6/2/2015	7/2/2017	N/A
Planning											
11	17570-004	Housing VIII Phase B - Rappahanock - On Hold	103,000		\$ 27,300,000				TBD	TBD	N/A
12	17962-000	Spuhler Field Renovation - Phase I - On Hold	10,000		\$ 4,000,000				TBD	TBD	N/A
13	18000-000	Life Sciences - Bull Run Add (est cost \$43M) - On Hold	100,000	23,000	\$ 2,000,000				TBD	TBD	N/A
Grand Total This Report			848,638	155,850	\$ 241,348,161						

Data as of February 2015

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

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

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