



## VCU Financial Update

Council of Deans  
David W. Hanson  
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## Outline

- Update on Financial Structure Task Force
- Background for FY 2013 Budget Discussion
- Likely Budget Situation for FY 2013
- VCU Budget Outlook
- Upcoming VCU Budget Process

## Holdings & Long Term Debt (January 31, 2012 in millions)

	<u>Amount</u>	<u>Allocation</u>	
Equities	\$ 251.7	23%	13%
Alternatives	278.6	25%	15%
Fixed income	<u>581.1</u>	<u>52%</u>	<u>30%</u>
Subtotal investments	\$1,111.4	100%	58%
Cash equivalents	<u>801.9</u>		<u>42%</u>
Total cash equivalents & investments	\$1,913.3		100%
Long term debt	\$ 847.0		
Cash-to-Debt Ratio	2.3		

*Note: Glasgow & McGothin gifts of \$70 million NOT included*

# Financial Services Task Force

- Goal: To develop efficient collaboration across all VCU affiliated entities
  - 17 members representing all affiliated entities
  - 7 work groups (met at least twice a month since October)
  - Received feedback from affiliated boards and leadership (March-April)
  - Will present findings and report to Board of Visitors (May)
- Vision: Optimal investment and treasury management (across all entities):
  - Entities maintain ownership and control over holdings (independence)
  - Attain best practice performance and operations by leveraging size, scale, resources, where possible, particularly for LT investments (> 10 year duration)

# Accomplishments

- To Date:
  - Built internal trust across representatives
  - Developed strong communication and transparency practices
  - Educated members (10 expert presenters; 26 benchmark organizations)
  - Corrected compliance issues with voluntary investment advisor
  - Saved approximately 8 bsp on active investment management (interim)
  - Shared internal treasury resources, knowledge and expertise
  
- In Process:
  - Develop consistent best practices
  - Standardize policies, procedures, and operations (allocation and debt)
  - Complete liquidity analyses
  - Standardize due diligence and reporting

## Next Steps

- Complete liquidity analysis, cash and mid term investment requirements
- Rebalance cash equivalents and investments to optimize earnings
- Develop consistent performance comparisons by entity, allocation, and manager
- Establish common investment management and selection committee to review:
  - Current active investment managers (endowments and long-term holdings)
  - Request for Proposal for active investment manager
  - Business case for chief investment officer (e.g., UVIMCO)
- Recommend administrative fee increase to 1.0% for affiliated foundations

## Background for FY 2013 Budget Discussion

- VCU's current financial picture continues to be shaped by the past
- VCU serves the largest number of in-state students so when state support was cut in the past, VCU was hardest hit among its peers
- The State Council of Higher Education (SCHEV) calculated VCU's funding level at 87% of "base adequacy" for FY 2012 – a deficit of \$67.8M

## Background for FY 2013 Budget Discussion

- FY 2012 State E&G operating support was reduced by a net of \$63.5 million since FY 2008 - about 31%. And, over \$41 million in state funding was lost between FY 2011 and FY 2012

<u>Fiscal Year</u>	<u>State E&amp;G Support</u>	<u>Federal Stimulus</u>	<u>Total</u>	<u>Diff. From FY 2011</u>
FY 2008 (orig. + Cent. Accts.)	\$205,683	\$0	\$205,683	
FY 2008 (amended)	196,010	0	196,010	
FY 2009	190,430	0	190,430	
FY 2010	162,154	13,799	175,953	
FY 2011	159,652	23,572	183,224	
FY 2012	142,212	0	142,212	(\$41,012)



## Background for FY 2013 Budget Discussion

- VCU lost ground compared to other institutions because we are so large (31,899 headcount) and serve so many (85%) in-state students

### Relative State Funding Support Per In-State Student

	<u>FY 2001</u>	<u>FY 2006</u>	<u>FY 2012</u>	<u>FY 2013</u>
VMI	1 (\$14,265)	2	6	5
UVA	2	3	1	1 (\$8,334)
CWM	3	4	4	4
<b>VCU</b>	<b>4 (\$10,211)</b>	<b>7</b>	<b>8</b>	<b>8 (\$6,272)</b>
VSU	5	5	5	6
NSU	6	1	3	3
Tech	7	6	7	7
UVA-W	8	8	2	2
GMU	9	10	9	11
ODU	10	9	10	10
MWC	11	14	14	12
JMU	12	13	15	15 (\$4,713)
LU	13	12	11	9
CNU	14	11	12	14
RU	15 (\$5,433)	15	13	13

Source: SCHEV data, updated for actions of the 2012 General Assembly, based on projections of FY 2012 enrollment.  
 FY 2013 based on Conference Committee Report on HB 1301, 2012 Special Session I.

## Background for FY 2013 Budget Discussion

- State Funding – partial restoration in FY 2013
  - \$8.4 million in new E&G operating funds
  - \$1.5 million in new funding for Massey Cancer Center
  - \$1.0 million in new undergraduate financial aid
  - \$1.2 million through the Higher Education Equipment Trust Fund
- Capital Funding - VCU received authority to plan Information Commons & Libraries Renovation project (no full project funding); two other projects on Group IV list (Renovate Sanger Hall Phase II and Renovate Raleigh Building)
- Internal Reallocation - \$2.2 million of VCU's base budget to support Six-Year Plan and/or Higher Education Opportunity Act of 2011

# Background for FY 2013 Budget Discussion

- Bonus and Salary Increases
  - Adopted state budget provides authority (no explicit funding) for 3% bonus for VCU faculty and staff on December 1, 2012
  - Contingent on state having combination of FY 2012 revenue collections (above revenues assumed in budget) and unspent balances for state portion of the cost of the bonus
  - VCU share (\$3.4 million) to be generated from year-end balances
  - Budget also includes a 2% faculty and staff salary increase in the second year of the biennium (effective in August, 2013)

## Tuition and Fees - FY 2013

- Message from Governor and General Assembly for tuition is clear
- Adopted budget has “bought down” tuition increases via general funds (despite VCU past reductions)
- VCU is under significant scrutiny in setting tuition for FY 2013
- VCU Board will meet on May 11 to set FY 2013 tuition and fees

# Likely Budget Situation for FY 2013

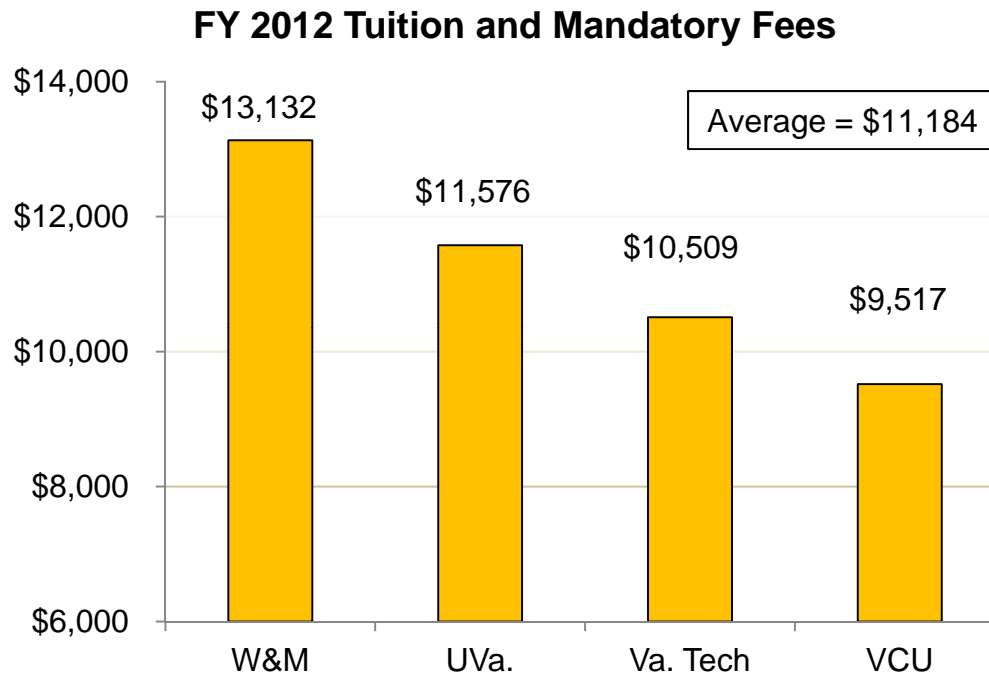
## FY 2013 Tuition & Mandatory Fee Adoptions

Institution	FY 2011-12 Tuition & Fees	FY 2012-13 Tuition & Fees	% Increase FY 2013	\$ Increase FY 2013
W&M	\$13,132	<b>\$13,570</b>	<b>3.34%</b>	<b>\$438</b>
VMI	13,184	13,184	0.00%	0
UVa.	11,576	<b>12,006</b>	<b>3.71%</b>	<b>430</b>
LU	10,530	10,530	0.00%	0
Va. Tech	10,509	10,509	0.00%	0
CNU	10,084	10,084	0.00%	0
<b>VCU</b>	<b>9,517</b>	<b>9,517</b>	<b>0.00%</b>	<b>0</b>
GMU	9,266	9,266	0.00%	0
UMW	8,806	<b>9,246</b>	<b>5.00%</b>	<b>440</b>
JMU	8,448	8,448	0.00%	0
RU	8,320	8,320	0.00%	0
ODU	8,144	8,144	0.00%	0
UVa-Wise	7,721	<b>8,107</b>	<b>5.00%</b>	<b>386</b>
VSU	7,090	7,090	0.00%	0
NSU	6,690	6,690	0.00%	0

Source: FY 2012 Total Tuition & Fees from SCHEV Tuition & Fee Report  
 FY 2013 Total Tuition and Fees from press releases and web sites

- We believe the conversation should not only include tuition increases, but also must include total costs students and families pay – which varies widely among Virginia’s Tier III institutions

# VCU is particularly low compared to the other Tier III institutions



## What a 1% Increase In T&F Costs Students

William & Mary	\$ 131.32
University of Virginia	\$ 115.76
Virginia Tech	\$ 105.09
Virginia Commonwealth University	\$ 95.17

## VCU's Budget Outlook

- Revenues from a reasonable resident undergraduate increase, along with additional revenues from enrollment changes and additional general funds, will allow VCU to meet our unavoidable costs and move forward with some of the goals in *Quest for Distinction*
- VCU's Six-Year plan noted our dual commitment to advancing knowledge and student success
- *Quest* sets the stage for VCU to become one of the nation's premier urban, public research universities
- *Quest* guided all budget discussions and recommendations with an emphasis on increasing faculty, improvements in student retention and graduation rates, improvements in research support, scholarships and assistantships, support and for libraries, IT and campus safety.

## VCU's Internal Budget Process Transformation – Next Steps

- Met with most of the departments about the budget and held 4 Financial Structure, Operations and Budget 101 classes
  - More than 125 participants to date with another 70 scheduled for the last class
- Moving forward with plans for FY 2014 budget development
  - A letter will shortly come out asking all departments/schools and units to closely examine their current operating practices, programs, existing resources, and anticipated needs
  - All of this will need to be aligned with the University's mission as it relates to our *Quest for Distinction* and our Six-Year Plan
  - A schedule for budget meetings and budget hearings will be provided so we can work through this new process together