

**BOARD OF VISITORS**

**DRAFT**

Finance Committee

December 12, 2008

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**BOARD OF VISITORS  
Finance Committee  
Friday, December 12, 2008  
Board of Visitors Conference Room**

**MINUTES**

Mr. Howard P. Kern called the meeting to order at 1:15 p.m. Roll call indicated that the following Committee members were in attendance and a quorum was present:

Committee Members Present:

Mr. Stanley Green, Jr.

Mr. Henry D. Light

Mr. Wade W. Perry, Jr.

Board of Visitors Members present:

Mr. Bobby N. Vassar, Rector

Mrs. Viola M. Madison, Vice Rector

Ms. Virginia M. Board, Secretary

Mr. Gary T. McCollum

Mrs. Judith L. Rosenblatt

Members of NSU Staff Present:

Dr. Carolyn W. Meyers, President

Dr. Yatish T. Shah, Provost

Mr. Ralph W. Johnson, Vice President, Finance and Business

Ms. Pamela F. Boston, University Counsel

Mr. Ernest M. Ellis, Director, Internal Audit

Mrs. Terricita Sass, Interim Executive Director

Mrs. Sharon Hoggard, Interim Executive Director, Communications and Marketing

Dr. William Ward, Legislative Liaison

Dr. Joseph Hall, Interim Vice President for Research and Economic Development

Ms. Paula C. Thompson, Legislative and Community Liaison

Mr. Anton Kashiri, Associate Vice President, Facilities Management

Ms. Michelle D. Martin, University Controller

Mr. Anthony Cannon, Director, Procurement Services

Mrs. Shelia Jones, Budget Director, Planning and Budget

Mr. Anthony Walker, Chief of Police

Mrs. Francine Johnson, Associate Director, Human Resources

Mrs. Paige Tomasso, Assistant to the University Counsel

Ms. Tanya S. White, Executive Assistant to Vice President

Other:

Ms. Denise Batts, Reporter, Virginian Pilot

**1. Approval of Minutes**

Mr. Kern asked for a motion to approve the minutes from August 29, 2008.

Mr. Light noted that there should be a change to page 3, 5<sup>th</sup> line down, second bullet to June 30, 2007 instead of June 20, 2007.

Mr. Green motioned, seconded by Mr. Perry and unanimously voted by the Finance Committee to approve the minutes from the August 29, 2008 meeting with the recommended change on page 3, 5<sup>th</sup> line down, second bullet to June 30, 2007 instead of June 20, 2007.

**2. Discussion Items**

**a. State Appropriations Plan Update**

Mr. Johnson stated he wanted to provide an update on the appropriations and where we stand and the affect that the plan would have on the University. He said that in October of this year that the Governor had announced a \$2.5 billion reduction in state appropriations for fiscal year 2009 and 2010. Mr. Johnson said that as part of those reductions that there were several actions that were put in place by the Governor. He said that the delay of previously planned 2% salary increase for all state employees which was originally scheduled to take effect originally November 2008 but will not take affect July 1, 2009 but it doesn't look like that will occur and will also be pushed back later next year. He also stated that the other action was reductions of 5 or 7 percent to institutions of higher education and as a result Norfolk State's reduction was 5% in appropriations which equaled around \$2 million.

Mr. Johnson stated that we had to adjust the University's budget by \$2 million. He said the Provost chairs and had implemented an assessment review committee. Mr. Johnson said that all of the University's departments had been assessed that included all colleges, departments and divisions. He stated that the Administrative and Auxiliary Services departments were also included. Mr. Johnson said that every area was reviewed and asked to contribute something to the \$2.5 million reduction. He said that an across the board reduction could not be done because some departments could not take a 5% reduction and some were stronger than others. Mr. Johnson said for example that we looked at the most cost efficient ways to implement the 5% reduction. He said that it had been a painful process and that it was working and that we were able to reach the \$2 million in appropriations for this fiscal year. Mr. Johnson said that even though we have made the reductions, we have not affected the academics or faculty and staff and that we used other belt tightening measures.

Mr. Kern asked could Mr. Johnson provide some of the highlights of what measures were used. Mr. Johnson responded that the majority of the reductions came from freezing our

vacant positions. He said that administrative positions were frozen and also reduced travel, and charges were frozen for this year. Mr. Kern asked if the Board had taken a share of the cuts and that he encouraged the University to look at the Board's budget and to do a pro-rate share reduction. The Finance Committee members agreed that it should be looked at. Mr. Johnson responded that we had not looked at the Board's budget but had looked at every other area from the President's Office and all areas below it. Mr. Kern said that he felt that the Board should also look at its expenses and reflect the same type of reductions that the University is facing. Mr. Johnson stated that he felt that it would go well to show the entire University Community that everyone is involved in the process.

Dr. Shah stated that the overall strategy for the budget cuts were that we had to do two things, which were to build more efficiency and grow simultaneously. He said that it was likely that the budget reduction would go from \$2 million to more likely \$6 million. He said that so it would be to get 50% out of efficiency and 50% out of growth. Dr. Shah stated that we could not cut instruction because it is so much a part of growth. He said that it comes from growth in student body, faculty and the entire University growing. Dr. Shah said that initially we took \$1 million out of vacant administrative positions. He also said that afterwards we gave cuts unevenly in departments without the disruption of functions but no money was taken from instruction. Dr. Shah said that other areas such as Science and Technology had more flexibility.

Mr. Johnson stated that he now wanted to discuss some other anticipated cuts. He said that the Governor would announce his revised budget on December 17 and we expected additional appropriation reductions. Mr. Johnson said in keeping up with the revenue forecast that the previous announcement was \$2.5 billion and now up to \$2.8 billion and could be \$3 billion or \$4 billion. He said that the cuts could reach a minimum of an additional 10% or but with the forecast of the revenue shortfall it could be as high as 15%. Mr. Johnson said that an additional 10% would equate to \$4 million additional and would be on top of the current 5% reduction that we are implementing.

Mr. Green asked where we were in total amount that we had reduced at this point. Dr. Shah responded \$2.3 million. He said that the plan was to hopefully get to \$3 million through efficiencies and get additional \$3 million through increasing the student body or institutional revenue through tuition increase. Dr. Shah said that initial strategy is to be more efficient and grow ourselves out of the problem and to continue to grow the campus. Mr. Johnson said that we have to be pro-active and have a plan in place given that at a minimum we may be looking at an additional 10% reduction.

Mr. Johnson said that the plans of action included:

- **Plan A**
  - ½ - \$6 million reduction (Approximately \$3 million) would continue 2009 cost reductions

½ - Combination of emphasized increase in student enrollment and/or possible increase in tuition revenue, increased external support and sponsored research

Mr. Johnson said that those were the 3 major areas that would be focused on. He stated that we had an increase in our enrollment for the fall semester and hopefully for fall 2009. Mr. Johnson stated that we may have to increase the tuition but not focusing only on tuition revenue but also continue to show growth in other areas as well in external support and sponsored research. Mr. Kern asked would the tuition increase be for mid-academic year. Mr. Johnson responded no and that the Governor announced that universities could not implement a mid-year tuition increase. Mr. Johnson stated that it would be for the fall 2009. Dr. Shah stated that it could be achieved two ways, one to decide what is the tuition increase for the next year and that most institutions were looking anywhere between 5 to 13% increase because of the sizable cuts. He said that it really depended on the number of students that enrolled.

Mrs. Rosenblatt asked what the effect of getting new students if the tuition was increased. Mr. Johnson said that is the unknown question because obviously tuition is a factor to students and families when deciding what university to attend. He said that we are trying to make the university attractive to students as well. Mr. Johnson said that he and Mrs. Sass are currently working on various tuition strategies and that we may increase but also focus on out-of-state students. He said that we charge 100% of cost to out-of-state students but we have to be careful or those students will go back to their home states where they can obtain in-state rates. Mr. Johnson said in order to attract out-of-state students we are looking at other options such as a guaranteed tuition rate for out-of-state students who maintain a minimum grade point average for a four year period. He said something like that may increase our retention and graduation rates. Mr. Johnson stated that there were various strategies being looked at and he did not have tuition rates at this time since we normally review those at the March Board meeting.

Dr. Shah said that it works in our favor that all institutions will have to increase tuition so hopefully we will not lose our students because everyone is doing this because of the budget reductions. Ms. Rosenblatt pointed out that we had to increase our enrollment and not just keep our current enrollment. Dr. Shah said that the immediate strategy that would work the best is to improve retention and hang on to the students we currently have that it would generate additional revenue for the university. He said that every hundred students that we keep will amount in half a million dollars in more revenue and it is a solvable problem. Mr. Kern asked if the community colleges were having the same problems. Dr.

Shah indicated that the community colleges would increase tuition significantly because enrollment is growing so rapidly. He said Tidewater Community College has 39,000 students and we will have enrollment coming from the community colleges. Dr. Shah stated since the economy is bad that everyone is going back to school and that the community colleges were a very good source. He said that community colleges are thinking about double digit increases in tuition.

Ms. Rosenblatt said that the President elect had a specific plan in mind for community colleges. Dr. Shah said that yes there was, \$4000 community service if you attend a community college that an individual would receive. He said that he felt that the problem was that SCHEV had put restrictions on us that if we increase tuition that we had to increase financial aid. Dr. Shah said that the problem can not be put on the students.

Mr. Light asked what percentage of increase of sponsored program money goes to the bottom line. Dr. Shah responded that it was about 30%. Mr. Johnson said that it was a state mandate for indirect costs. Dr. Shah said that we generated about a million dollars indirect cost last year but did not recover as much and need to do better. He stated that if we double it then we could generate an additional million and a half.

Mr. Kern asked if the cuts were incremental cuts. Mr. Johnson responded that they were permanent reductions. He said that the total reduction would be \$6 million. He said it would be an additional \$4 million added to the \$2 million that we have already reduced. Dr. Shah said the cuts were happening too fast, too quickly and \$6 million in one year was a sizable chunk.

- **Plan B**

Focus on increasing student enrollment and growth of resources over a two year period (same as plan A)  
Several one time reductions will be implemented to spread effects of reduction

Mr. Johnson said that the first part of plan B was the same as plan A but if the enrollment did not grow as anticipated then we would look at several one time reductions to spread the effects over a longer period of time. He said we would try not to gather everything in a one year period.

Mr. Green asked if the government would allow us to do that. Mr. Johnson responded yes, it was an operating procedure and management decision. He said that they give us the numbers to deal with and they do

not tell us how to implement but just to make the reductions. Dr. Shah said that we just have to balance the books.

- **Plan C**

If plans A and B do not produce required funding levels, other systems of revenue/expense methodologies will be implemented (May include, but not limited to, deferring non-mandatory maintenance costs, permanent hiring freeze, personnel adjustments)

Mr. Johnson said that we have not implemented any workforce reduction plan at this point but can not eliminate that option. Mr. Kern said that some positions had been frozen but were we still hiring otherwise. Dr. Shah said that yes we were. He said it is difficult to say that we have to grow and then freeze open positions.

Mr. Johnson said those were the 3 plans of action and had communicated the information to the campus and university community. He said that a joint memo had been dispersed by the Provost and himself and the information was highlighted. Mr. Johnson said it would be a painful process but we had to go through it like other universities in the Commonwealth. He also said as we receive information from the Governor's Office we would keep the Board informed.

**b. Fee Structure for Distance and E-Learning**

The University is developing and increasing its activity in the distance and electronic (E) learning areas.

- In order to accomplish this strategy, an adjustment to the current distance/E-learning fee is necessary.
- The University administration is recommending the elimination of the current per course fee and replacing it with the regular per credit hour fee structure.
- It is recommended that standard fee for distance/E-learning should not be less than in-state undergraduate tuition only. However, the fee may be less if market conditions dictate.

Mr. Johnson said that we had to deal with reductions was to find other sources of revenue and another source had been discussed by the Provost in his five-point plan. He said that a strong opportunity for growth was distance and e-learning. Mr. Johnson stated that we could operate the University as a business and increase our activities in this area and become profitable. He said that many Universities across the United States had increased their enrollment possibilities with distance and e-learning courses and this would be a great opportunity for NSU to grow in this manner. He said that we could tap into some of those resources. He said

many students work over or a minimum of 30 hours a week and are not able to come and sit in a traditional class but are able to utilize on-line classes.

Mr. Johnson stated that Margaret Massey had been appointed as the Dean of e-learning. He said in order to make this a profitable business we are looking at an adjustment to the current fees. Mr. Johnson said that we charge a \$160 on-line fee for our courses. He said that not all of the classes are on-line classes and there were many ways to use technology to offer education.

Mr. Johnson stated the University is recommending elimination of the current per course fee and replacing it with a regular per credit hour fee. He said that the fee would be charged to all students and not less than the in-state undergraduate tuition but that market conditions may dictate that the fee is less. Mr. Johnson said that given the current state of the economy that some were not able to pay the in-state rate including businesses. He said that the military has limited funds and we had to have the ability to work with those individuals and specific conditions to not lose any potential students that could affect the enrollment growth.

Mr. Johnson stated that several conversations had been had with the Attorney General's Office in regards to the fees and that their office is conducting research on this matter. He said that Pamela Boston has been discussing with them our request and we are awaiting a response. Mr. Johnson said that it may become a state policy or procedure regarding these types of fees. He said that the Attorney General's Office is allowing us to use the current rates that we have but that may change.

Mr. Green how many students were currently enrolled in these classes that these fees affected. Dr. Shah said that it was 160 students and possibly including 133 contract course rate students. He said it was total about 200- 300 and wanted to increase enrollment up to 1,000 students. Dr. Shah said he wanted to emphasize that many students are not completing a complete degree in this manner but only a couple of courses. He said we are monitoring this and keeping track of the number of classes and hours that are being completed through the distance learning courses. Dr. Shah said that ODU has 80,000 credit hours over the last six years and this is one of the fastest growing businesses and ways to complete courses. He said this is how they have grown so quickly from 16,000 to 23,000 students. Dr. Shah said we have to capture the market and what is available to us and offer it like a business and industry may pay four or five times regular tuition but the government may not. He stated that NSU had to be flexible to tap the market off-campus with these types of courses. Mr. Green said that it seemed to have great potential.

**c. Fee Structure for Contract Course Rates**

- Norfolk State University offers courses to business and community agencies based upon a contract amount.
- (Example: Norfolk Public Schools offer coursework through NSU for teacher re-certifications)
- In order to retain and grow NSU's ability to engage in contract coursework with local public school systems and other agencies, it is recommended that University Administration be allowed to negotiate this rate with the understanding that it is not less than in-state tuition only rates for on-campus courses.
- Off-campus rates will follow the off-campus distance learning model to gain competitive market advantage.

Mr. Johnson stated that we have opportunities with certain businesses to establish contracts with organizations that bring exposure and growth to NSU. He said we will continue our contractual relationships at the current rates until the Attorney General's Office gives their final decision in January.

**3. Action Items**

No items were approved for the Finance Committee meeting for the month of December.

**4. Information Items**

**a. Student Accounts Receivable Update**

Mr. Johnson stated that he would give a brief update on the student account receivables. He said that when we face the economy right now and the challenges that we had to stay on top of current receivables and the funding coming in to address general obligations in operations. Mr. Johnson said that the report was completed on a quarterly basis to the Commonwealth of Virginia and was compared as of September 2007 to September 2008. He said we last year we had an AR balance of \$7.1 million and continue to make improvement in our collection areas and this year at this time we are at \$6.7 million. Mr. Johnson stated that the lower number is because of some of the challenges that our students are facing in this economy. He said that the billings were a little higher but the collections were higher than they were last year at September 30. Mr. Johnson said it was imperative for us to manage our cash in the fourth quarter of the fiscal year. He said that there were plans and budget cuts were done but we had to follow cash as it comes in because it has to be available to meet the end of the year obligations.

**5. Other Information Items**

**a. Financial State Information**

*Budget to Actual Comparisons for Educational and General*

Mr. Johnson stated that this shows how various the Divisions for the University compare the budget from 2005 to 2008 and the first quarter of 2009. He explained that the first quarter is when the University incurs a large portion of our expenses but usually end up on balance at the end of the year. Mr. Johnson said that with the reductions in budgets that many areas were coming in below the budgets because the areas didn't have the spending authority that they had previously. He said that we were close on budget and monitored it very closely.

*Division Percentage to E&G Expenditures*

Mr. Johnson stated that the information for the report were unaudited 2008 numbers. He gave a brief summary on projected versus actual Educational and General Revenues and Expenditures. He said that the expenses were below the revenues for the year. Mr. Johnson said that as of October this year our projected revenues of \$44.1 million and are actually at \$48.9 million. He said that many revenues come in from the state at this time. Mr. Johnson said that projected expenses were at \$27 million and we are currently at \$25 million reflecting the reductions we have made with the budget. He said the revenue compared with expenses were good at the end of October but we had to be concerned at the end of the year. Mr. Johnson stated that currently we were doing a great job managing our revenues and expenses.

**b. Stadium Bond Refinancing Update**

Mr. Johnson stated that since he wanted to give an update since the last meeting. Mr. Johnson said that on August 1 that he, and the representatives from PFM held a conference call with the education representatives from Moody's Investor Services to provide information to determine the rating for the bonds. He said right after the call, the economy sank. Mr. Johnson said that with the liquidity credits ballooned, the financial firms' soft bailouts and bankruptcies', the deal which was in the money, it went out of the money and therefore we did not continue with the refunding of the bonds. Mr. Johnson said that we will continue to monitor the market and if things look better then we will go forward if things improve.

**c. Update on University Debt**

Mr. Johnson said that at a prior meeting it was asked how much debt the University was in so he wanted to follow-up and give a response to the committee. He stated that the chart shows audited numbers and where we were as of June 30, 2007 to June 30, 2008. He said that we had \$45 million in debt with our current portion at \$3.5 million for the University. He said that it was split into various debt levels which were 9c and 9d bonds, notes payables and installment purchases. Mr. Johnson stated that to breakdown the information further, it shows remaining debt on facilities, residential halls, Dick Price Stadium, Scott Dozier Cafeteria, Brambleton Center and energy lease payments for improvements. He said what is not included is the debt issued for Spartan Suites and was done as an off-balance sheet transaction through E2F being the owners of that facility.

He said ultimately the students who live in Spartan Suites handles the debt. Mr. Johnson said that the bonds are issued through the Commonwealth.

Mr. Kern asked how the budget cuts and costs factored into the overall equation of the budget for the University and relative to cuts made. Mr. Johnson said many people looked at depreciation as a non-cash expense; it still has to be considered in the bottom line financial statement. He said that once it is added in on top of whatever the revenue and expenses that is equated into the bottom line number. Mr. Johnson stated that we continue to include depreciation in our projections in order to make sure we balance the books. Dr. Shah said that most of the budget is directly from E&G and is real cash.

Mr. Kern asked if the maintenance of the buildings is part of the E&G budget. Mr. Johnson responded that some are E&G and some are funded through the Auxiliary budgets. Dr. Shah said that we had three sources of revenue: institution, state appropriations and auxiliary which were all one-third. He also said that with the \$6 million budget cut that it would come from the state appropriations so we are trying to cut through the real cost half of it and get the other half from the institution and not touch auxiliary funds which were one-time funds. Mr. Johnson stated that auxiliary services does well on-campus. He also said in the debt chart is the maturity for the debt on-campus and the principle and interest that will mature out to 2038. Mr. Johnson said it will mature during 2014 to 2023 timeframe and we needed to be prepared.

Mr. Kern asked had our current cut issues changed our legislative priorities. He said what the Governor recommends is discussed with the Legislatures and could get worse or better depending on the economy and the choices made. Mr. Johnson responded that we continue to have a focus on our capital improvements but the information back from the state is to not depend on anything but we continue to push for what we needed. He said that a month ago we hosted the State's Black Caucus here on-campus and gave them a tour on updated them on our legislative initiatives.

**6. *Closed Session – pursuant to §2.2-3711A.1, Code of Virginia***  
***a. Internal Audit's Report***

Mr. Kern requested a motion to convene into closed session to receive a report from the Internal Auditor.

Mr. Perry motioned, and seconded by Mr. Green, and unanimously approved by the Finance Committee to move to adjourn and reconvene in Closed Session as permitted by 2.2-3711.A.3, Code of Virginia, for specific purpose of discussing the Internal and State Audit Reports.

The Finance Committee reconvened in Open Session at 2:17 p.m.

The Norfolk State University Finance Committee having reconvened in open session, took a roll call vote on certification that (i) only public business matters lawfully

exempted from open meeting requirements, and (ii) only such public business matters as were identified in the motion by which the Finance Committee closed meeting was convened were heard, discussed or considered in the meeting by the Finance Committee. Any member of the Finance Committee who believed that there was a departure from the requirements as stated above, was asked to so state prior to the vote, indicating the substance of the departure that in his or her judgment has taken place.

A roll call was taken for Board members who certified the motion:

Green..... yes  
Kern.....yes  
Light.....yes  
Perry ..... yes

**7. Other Business-**

Mr. Johnson said that he wanted to take a few minutes to discuss some of the Finance and Business accomplishments achieved for the prior year.

- Received an unqualified opinion from the Auditor of Public Accounts on financial statements for the year ended June 30, 2007;
- Received an unqualified opinion with no management comments from the Auditor of Public Accounts on the state-wide A-133 audit for the year ended June 30, 2007;
- Norfolk State University received the Governor’s 2007 SWaM Award for Highest Expenditures Achieved for medium size agencies and institutions. In achieving the award, NSU’s overall SWaM participation was 48.50%, well above the Governor’s target of 40% for the Commonwealth;
- New Student Center Site work- coming along nicely and foundation work in progress; construction of New Police Building completed; groundbreaking on Library in January timeframe; constructed Softball dugouts, press box and restrooms for Marty Miller Field;
- The E-Commerce project for the SpartanCard is complete. The students have the capabilities of remotely adding funds to their cards, check account balances as well as suspend the use of the card should it become lost, stolen or damaged and
- Over 100 University employees were recognized at the 2007 Service Awards program for their hard work and devotion to the University.

Mr. Johnson said that he wanted to thank his staff. Mr. Johnson also said that he wanted to announce that a new Chief of Police had been named. He said that Anthony Walker had served as Interim Chief since February 2008 and that he had been selected as the new Chief. Mr. Kern and the Finance Committee said they were pleased with the great work by the staff in the Accounts Receivables and accomplishments. They also congratulated and recognized Chief Walker for the great work he had been doing also.

Mr. Kern asked if there was any other business and for adjournment. There being no further business, the meeting adjourned at approximately 2:20 p.m.

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Finance Committee

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Respectfully submitted,

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Ralph W. Johnson, Vice President for  
Finance and Business

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Howard P. Kern, Chairperson  
Finance Committee