

**BOARD OF VISITORS**  
**Finance and Business Committee**  
**Friday, September 4, 2009**  
**Board of Visitors Conference Room**

**MINUTES**

Mr. Stanley Green, Jr. called the meeting to order at 1:30 p.m. Roll call indicated that the following Committee members were in attendance and a quorum was present:

Committee Members Present:

Mr. Donald W. Seale (stand-in)

Mr. Bobby N. Vassar (stand-in)

Board Members Absent:

Mr. Howard P. Kern

Mr. Wade W. Perry, Jr.

Mr. Henry D. Light

Other Board of Visitors Members present:

Ms. Virginia M. Board

Mr. Edward L. Hamm, Jr., Rector

Mrs. Viola M. Madison

Mr. Gary T. McCollum, Vice Rector

Members of NSU Staff Present:

Dr. Carolyn W. Meyers, President

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

Mr. Ernest M. Ellis, Director, Internal Audit

Mrs. Sharon B. Lowe, Vice President for Student Affairs

Mrs. Terricita Sass, Interim Executive Director, Enrollment Management

Dr. William Ward, Legislative Liaison

Ms. Pamela F. Boston, University Counsel and Assistant Attorney General

Ms. Michelle D. Martin, University Controller

Mrs. Davida Harrell-Williams, Director, Auxiliary Services

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

Mr. Curtiss Wall, Faculty Senate President

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

Other:

Ms. Denise Batts, Reporter, Virginian Pilot

Mr. Walter E. Miller, Portman and Associates

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## 1. Approval of Minutes

Mr. Green asked for a motion to approve the minutes from May 8, 2009.

Mr. Vassar motioned, seconded by Mr. Seale and unanimously voted by the Finance and Business Committee to approve the minutes from the May 8, 2009 meeting.

Mr. Perry stated that we had a number of discussion items and that Mr. Johnson would now give his report.

## 2. Discussion Items

### a. Commonwealth Budget Reduction Update

Mr. Johnson gave the following information regarding the budget reduction:

- The Fund Appropriation Bill (chapter 781) continues the 5% (FY09) and 15% (FY10) general fund reductions as proposed by Governor Kaine
- For Norfolk State the reduction equates to approximately \$6 million
- On August 19 Governor Kaine announced that the revised FY2010 revenue forecast for the Commonwealth lowered projected revenues by approximately \$1.2 billion
- This coupled with FY 2009 \$300 million shortfall results in a revenue gap at approximately \$1.5 billion for the COV for the duration of FY 2010
- The Governor did not disclose specifics regarding plans on addressing shortfall but that strategies would be released by early September
- Federal stimulus package (state fiscal stabilization fund) was utilized to provide one time stimulus funds in FY10 and FY11 to help offset reductions (\$4.2 million)
- While these funds help close the gap, they are one time funds
- Mr. Johnson said that each agency was given information on how to start the process of receiving the state fiscal stabilization funds by completing an application that will be due late September but there were many questions
- It is estimated that funds will be received in early October and spent in the second quarter and stimulate the economy
- Thus University and Board need to control the allocations which increase the on-going base costs of the E&G program, as well as increase and diversify our revenue base

Mr. Johnson also said that the cost control measurements that were implemented thus far for the budget reductions included:

- No lay-offs- they were avoided by not filling current vacant positions
- Continue to focus funding on education of students
- Manage revenues conservatively
- Quarterly allocation of annual FY10 budget

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- Tuition lock for first year out-of-state freshmen students, there were 356 students eligible this year
- Administrative and professional staff given six month contracts

Mr. Johnson also mentioned that enrollment growth and retention of students should be our top priority in dealing with the budget reductions, to increase and grow the enrollment at the University.

### **b. Financial Status Information**

#### **Educational & Generals Revenue vs. Expenses**

Mr. Johnson stated that he wanted to give information on the fiscal status of the University. He said that during this time of the year we were closing out the financials for June 30, 2009 which is due to the Commonwealth in October of this year. Mr. Johnson said that he wanted to give a synopsis of the revenues versus expenses first. He stated that the figures were unaudited and were not full financial statements. Mr. Johnson said that it was projected before the cuts that there would be Educational and General Revenues of \$71.3 million and the actual was \$67.2 million. He stated that the Educational and General Expenses were budgeted at \$68 million and the actual expenses were \$66.5 million. Mr. Johnson said that there was about \$600,000 on the plus side. He stated that the figures did not include auxiliary funds.

Mr. Seale asked if on the revenue side if this included state funding as well as tuition. Mr. Johnson responded that was correct. Mr. Seale asked what percentage of the expenses was from the revenue. Mr. Johnson said he had slides to explain the percentage by Division in upcoming slides.

Mr. Hamm asked if this was accrual or cash basis and would accrual be favorable. Mr. Johnson said that yes, cash and accrual would be good. He said the challenges would be on the capital side. Mr. Johnson said on the Commonwealth's effort to retrieve as much cash back as possible that there were certain projects that they previously funded with cash but have pulled that cash and now use other resources such as bonding or projects may be on a reimbursement basis.

Mr. Johnson stated that included in the board books was the schedule on the timeline for the quarterly financial statements. He said that at the December 12 Board meeting the June 30 and September 30, 2009 information will be presented. He said that the quarterly statements were not the full statements because of other accrual and interest information on expenses that would have to be obtained from the Commonwealth.

Mr. Hamm asked if the other calculations were done on a cash basis then could he present the full information. Mr. Johnson responded that he wanted to present full financial statements but if done on cash only then the full projection would not be given. He said that if the committee preferred to see everything on a cash basis then he could do

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that. Mr. Hamm said that he wanted something because he was concerned about the University's stewardship. Mr. Hamm said that he did not want 6 month old statements but something reasonable for a clear projection.

### **Student Accounts Receivable Update**

Mr. Johnson stated that he would give a brief update on the student account receivables. Mr. Johnson said that the estimated balance as of June 30, 2009 for an AR balance of about \$1 million compared to last year at June 30, 2008 was slightly lower at \$872,456. He said that the estimated billings for June 30, 2009 were \$2.7 million as compared to June 30, 2008 of \$2.5 million. Mr. Johnson said that the write-offs were \$363,518 estimated for June 30, 2009 and was lower than 2008 at the same time. He said that we are in a good position and we still continue to manage receivables and work with our students. He also said that it would still be a primary focus since we anticipated reduced revenues being received from the Commonwealth.

Mr. Vassar asked what portion of the receivables balance not collected did he expect to be reflected in the next report. Mr. Johnson said that the quarterly statements for June and September will be a larger balance because that is when the students come in and we wait for financial aid and payment plans to be paid.

### **Budget to Actual Comparison**

Mr. Johnson reviewed each division's percentage to total E&G expenditures. He noted that the report in the Board books gave actual expenses and budgeted expenses for the last 5 years for Academic Affairs, Student Services, Executive Management, Finance and Business, Research and Technology and University Advancement.

Mr. Seale asked on the expenses side, how many positions had been left open. Mr. Johnson responded that on the teaching and faculty side that the positions were left open. He said that all positions that were vacant on the Administrative side, that they had not been filled. He said that he could get the number if needed. Mr. Seale asked was the number of positions large. Mr. Johnson said that it was quite a few and that the vacancies were money that was used to reach target numbers was only from the administrative and not academic side.

Mr. Seale asked if within the State system if we leave a position open for a certain amount of time then who has the jurisdiction to drop the position. Mr. Johnson said that the Administration here at the University controls the positions. He stated what we try to do is say we no longer need a position because once it is eliminated then it is more difficult to get the position back.

### **c. Finance and Business Accomplishments, Goals and Objectives FY 09-10**

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Mr. Johnson stated that a list of accomplishments is in the Board book for review and that he would just review a few.

Mr. Johnson stated that the goals and objectives addressed by the Finance and Business areas were:

- Operational effectiveness and efficiency
- Improved customer service relations
- Resource management
- Providing accountability

He also said that the goals encompass a wide range of University resources. Mr. Johnson referenced in the Board books the detailed lists of goals and objectives for specific areas.

### **d. Legislative Affairs**

#### ***Operating Budget Amendments***

<u>Priority #</u>	<u>Amendment Title</u>	<u>Dollars</u>
1	Provide additional funds to Ph.D. in Materials Science/Engineering	\$970,420
2	Provide funding for campus safety and security upgrades	\$470,000
3	Provide additional funding for utility rate increases	\$615,000

#### ***Capital Projects***

<u>Priority #</u>	<u>Project Title</u>	<u>Dollars</u>
4	Construct New Nursing and General Classroom Building	\$50,456,000
5	Renovate Wilder Center	\$7,700,000
6	Additions/Renovation Fine Arts Building (Pre-planning) (Note: Estimated Construction Cost \$46,157,000)	\$1,800,000
7	Signage, Roads and Campus Site Improvements, Phase I (Pre-planning) (Note: Estimated Construction Cost \$8,380,000)	\$1,000,000

Mr. Johnson said that the other information that is being presented is a change in the language for the code of Virginia. He said that the language was an effort to rent out the spaces in the McDemmond Center.

Mr. Hamm asked how this lease was different from anyone renting out the football stadium or other areas on campus and others hosting meetings here. Mr. Johnson said that when we rent out other facilities that it was a one-time occurrence. He said that it would be a company renting out the space for a significant period of time.

Mr. Hamm asked Ms. Boston if it was necessary to have this bill. Ms. Boston responded that the Legal Office had not reviewed this bill on behalf of the University. Ms. Boston asked Dr. Ward to comment on the bill since he was from the Legislative Office.

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Dr. Ward said that space was needed in order to lease out lab space in the McDemmond Center; he referenced the Board to pages 1 to 6 in the Research and Technology Committee presentation. He said in order to engage with research partners both internal and external as other universities do. Dr. Ward said that it came to him last year at the session of the General Assembly and Delegate Spruill referred him to Legislative Services. Dr. Ward said that Delegate Spruill made the request for this information to be introduced into the budget amendments. He said that he was told that he had to file an amendment to the Code of Virginia as stated:

*The Visitors of Norfolk State University; with the approval of the Governor first obtained, are hereby authorized to lease real estate to which the University has acquired title by gift, devise, or purchase since the commencement of the University under any previous names, or which may hereafter be conveyed or devised to it. The proceeds derived from any such lease shall be held by the Visitors of Norfolk State University, upon identical trusts, and subject to the same uses, limitations, and conditions, if any, that are expressed in the original deed or will under which the real estate title was derived; or if there be no such trusts, uses, limitations or conditions expressed in such original deed or will, then such funds shall be applied by the Visitors of Norfolk State University to such purposes as the board may deem best for the University.*

Dr. Ward stated that the legal office of the General Assembly drafted the bill for Delegate Spruill. He said that the information would be presented in November.

Ms. Boston said that it should not be presented that the University is asking for this but actually Delegate Spruill. She said that it is being presented as a private entity and the Attorney General's Office did provide legal advice and the way this is being presented is not what the Attorney General's Office suggested. Mr. Vassar asked had any one determined if this was necessary or tried to do something and was told that it could not be done. Ms. Boston said that she had consulted with the real estate section of the Attorney General's Office and was told there was not an opportunity to review and if this was needed or not. She said it was already a law in place and based on something done over 70 years ago before the higher education restructuring act. Mr. Vassar said that whoever legislation it is would be known if it is needed or not.

Dr. Ward said that ODU, CNU, VCU, UVA, George Mason and Mary Washington all have this authority. He said that it would be enabling the legislation. Mr. Vassar said that the suggestion is that it is needed. Dr. Ward said that his understanding is that that is why he was asked to get the amendment and last session was too late. Mr. Green asked was the difference actually the long term lease. Ms. Boston said that it is still required to go through the Governor's Office for approval and that what is in place may not require the authority.

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Mr. Hamm asked is their potential harm to the University. Ms. Boston said that there may be extra steps or an additional burden on the University. She said that Don Lahy in the Attorney General's Office should be consulted since he handles real estate. Mr. Vassar said he thinks that the question is whether this legislation is needed to conduct the activities of leasing the building to others with proper authorization. Mr. Green said that he wanted to wait until the legislation was assessed. Mr. Seale wanted to know if in the original charter if this type of service was contemplated for the McDemmond Center. Mr. Johnson said that the Research and Technology would be better suited to the respond. Mr. Vassar said that would look at the wording further.

### **e. Proposed Master Plan Update**

Mr. Johnson stated that Mr. Walter E. Miller from Portman and Associates would give an update on the Proposed Campus Master Plan.

Mr. Miller stated that we began in 2005 by looking at the enrollments and at that time there were 6,000 students here and we were planning to grow to 8,000 students. He said that there was a careful space inventory done that analyzed age of buildings, suitability and character for teaching in the twenty-first century. Mr. Miller noted that there had been new housing buildings but no classroom or laboratory rooms constructed. He said that populations were looked at and balanced with SCHEV standards and to understand what needs would be for the population at the present time and for growth.

Mr. Miller said that the housing will grow and there was a target population of about thirty-five percent and would need to add up to 1200 beds if older housing was taken off-line. He also said that there is a lack of parking on campus and therefore, it would consolidate parking facilities in multi-story decks to accommodate the needs of the campus. Mr. Miller said that the initial proposed master plan in 2006 was to retain the existing library and most changes have come by request of the University and State to replace the library instead. He said that it was somewhat of a challenge to redefine the master plan with the new and existing library in place. Mr. Miller also stated that the New Student Center would greatly change the character of the east quadrant which was an underdeveloped portion of the campus.

He said that the original plan was to renovate the library and build a new student based quad adjacent to the all the student based facilities. He said that the other major feature that was added was the addition of a new entrance that would be on VA Beach Boulevard and add another face to the community. Mr. Miller said that it would extend on all three sides. Mr. Miller also said that when money was available that there would be improvement in signage, roads and landscaping.

Mr. Johnson said that one step that needs to be taken is to communicate with other entities to get their feedback. He said that the proposed plan had been presented to

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Executive Cabinet; a community meeting had been held earlier in the summer but still needed to meet with City of Norfolk officials.

### **f. Proposed Feasibility Study for New Residential Life Facility**

Mr. Johnson stated that he wanted to discuss the housing needs and Sharon Lowe was also here to discuss the challenges faced. He stated that the information presented the history of on-campus housing capacity over the last four years. He said for this fall we have capacity of 2471 students but the occupancy was actually 2507. Mr. Johnson said that for last year for fall the capacity was 2433 but the occupancy was 2556. He said that anticipate that the on-campus housing needs to grow and as Mrs. Sass mentioned, it becomes a deterrent for our recruiting efforts when we are not able to house the students.

Mr. Johnson stated that overflow housing was being taken care of by using several hotels. He said that we used two hotels, the Holiday Inn Express and Doubletree this year because the overflow was larger than usual. Mr. Johnson said that this year we had over three hundred students on the waiting list but currently unable to house them.

Mrs. Lowe said that this year she requested Residential Life and Housing to track each inquiry for housing as in past years it had not been done from all sources. She also said that the Office of Enrollment Management referred all students and parents to Residential Life. She indicated as of the past Monday that three hundred fifty-eight letters had been sent out that there was no housing available for this semester.

Mr. Johnson said that we were not requesting another Spartan Suites with kitchens but another dorm was desperately needed because of the housing issues.

Mrs. Lowe said that we had talked to the Radisson about leasing their facility for a year but we declined because of the cost and extensive period of time. She said that we had only negotiated with hotels and no apartment buildings at this time. Mrs. Lowe said that we have ninety percent of the Holiday Inn Express currently utilized with our students. She said that we cannot accommodate any more students this semester and they had no housing obligations from the University.

Mr. Seale said he noticed that the Student Affairs and Finance and Business were listed as requesting approval on the resolution. Mrs. Lowe said that she provided her information in her committee meeting and to be supportive of the resolution but the resolution was only being presented in the Finance Committee Meeting.

### **3. Action Items**

#### **a. Recommendation Approval/Resolution of Legislative Priorities**

Mr. Vassar motioned, seconded by Mr. Seale and unanimously voted by the Finance Committee to recommend approval to the Board for the Resolution to present the list of Legislative Priorities as presented.

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This approval does not include the Virginia Code to add wording regarding the Lease of Real Estate.

### **b. Recommendation Approval/Resolution to Conduct Feasibility Study for New Residential Life Facility**

Mr. Vassar motioned, seconded by Mr. Green and unanimously voted by the Finance and Business Committee to recommend approval to the Board for the Resolution to Conduct a Feasibility Study for a New Residential Life Facility.

### **Information Items**

#### **a. Licensing- Royalty Report**

Mr. Johnson informed the committee members that included in the Board books was the royalty information for the last 5 years. He said that we are averaging about \$20,000 per year in earnings. Mr. Johnson also said that the category comparison showed that we did well in sales in apparel, head-ware and non-apparel products and items were sold all over the Norfolk area.

#### **b. Six-Year Plan Required Under Restructuring Act**

Mr. Johnson said that the six-year plan would be presented to the Board at the next meeting because previously it was due in October 2009. He said that the Commonwealth has moved the deadline back to November 20, 2009 because of the budget reductions that would be taking place.

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

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

Mr. Green motioned, and seconded by Mr. Vassar, 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 2:51 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

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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  
Seale.....yes  
Vassar.....yes  
Perry..... (*absent*)  
Kern..... (*absent*)  
Light..... (*absent*)

**5. Other Business-**

Mr. Green asked if there was any other business and for adjournment. There being no further business, the meeting adjourned at approximately 3:24 p.m.

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