BOARD OF VISITORS
FINANCE AND ADMINISTRATION COMMITTEE MEETING

700 Park Avenue, Norfolk, VA 23504
Student Center Board Room, Suite 301
May 6, 2016

MINUTES

1. Call to Order

Mr. Helpinstill, Chair, called the Finance and Administration Committee meeting to order at approximately 9:52 a.m. A quorum was established by Roll Call vote.

Committee Members Present:
Mr. Michael J. Helpinstill, Chair
Mr. Thomas N. Chewning
Mr. Kenneth W. Crowder
Mr. Larry A. Griffith
Ms. Beth Murphy
Mr. Michael D. Rochelle

Other Board Members Present:
Dr. Byron L. Cherry, Sr., Rector

Student Representative to the Board Present:
Mr. Twain J. Davis, SGA President

Faculty Senate Representative to the Board Present:
Dr. Cassandra L. Newby-Alexander, Faculty Senate President

Members of the NSU Staff Present:
Dr. Sandra J. DeLoatch, Provost/Vice President, Academic Affairs
Mr. Gerald E. Hunter, Vice President, Finance and Administration
Mr. Edward M. Willis, Vice President, Student Affairs
Dr. Paula Gentius, Executive Policy Advisor to the President and Board of Visitors
Mrs. Clementine S. Cone, Executive Assistant to the President for University Compliance
Mr. Marty L. Miller, Athletics Director
Dr. Michael M. Shackleford, Associate Vice President, Enrollment Management
Ms. Pamela F. Boston, University Counsel
Ms. Karla Amaya-Gordon, Assistant Vice President for Finance and University Controller
Mr. Dennis Jones, Executive Budget Director
Ms. Stevalynn Adams, Executive Director, Communications and Marketing
Mr. Stanley M. Donaldson, Director of Media Relations
Ms. Tanya S. White, Special Assistant to the Vice President and Minute Taker

Faculty Members Present:
Dr. Suely Black, Professor, Chemistry and Center for Materials Research
Dr. Ronald Thomas, Professor, Psychology

Students Present:
Jessica Johnson

Others Present:
Mr. Ronald Forehand, Senior Assistant Attorney General and Education Section Chief
Mr. Antwan Williams, University Counsel Intern

2. Approval of the Minutes

Ms. Murphy motioned, seconded by Mr. Griffith and with a 6-0 Roll Call vote the Finance and Administration Committee approved the March 18, 2016 minutes.

Chewning ..... yes	Helpinstill..... yes
Crowder..... yes	Murphy..... yes
Griffith ..... yes	Rochelle ..... yes

3. Discussion Items

Financial/Budget Report:

- Mr. Hunter stated that before he discussed the Financial Budget report that he wanted to share a correction to the State Capital Outlay Fee that was presented as part of the Tuition and Fees for 2016-2017 at the March 18, 2016 Finance and Administration Committee meeting. He indicated that on Schedule B the proposed fee should have been $760 but was listed as $740 and was a clerical error. The Finance Committee accepted the clerical changes as noted from $740 to $760.

Mr. Hunter provided a summary of the components of the Financial/Budget Report and discussed the following data:

- As of March 31, 2016, the overall financial position of the University remains strong with a projected $2.0M year-end fund balance. Overall year-to-date revenue collections from all sources total $147.9M and year-to-date expenses total $120.7M for all funds excluding capital expenses with a positive year-to-date revenue over expenses of $27.2M. Spending is consistent with prior year of $127.3M spent as of March 31st or 74% of budget.

- Education & General (E&G) revenue year-to-date totals $83.1M of which $42.6M is General Fund Appropriations and $33.3M Tuition & Fees. Year-to-date expenditures total $57.3M with a positive year-to-date revenue over expenses of $25.8M. Projected year-end fund balance of $6.8M.

- Auxiliary Enterprises has collected $28.3M or 76% of the revised budget and expended $26.0M. Auxiliary enterprises is projected to have a revenue shortfall of $3.5 million.

- Sponsored Programs budget of $24.7M represents the full appropriation authorized by the Commonwealth of Virginia. This gives the University the capacity to accept grant awards up to the $24.7M. As of the reporting date, $11.4M has been received and $11.7M expended on federal, state, and private grant activity. We project to generate $15.6M by fiscal year end.

- Student Financial Aid expenses total $11.3M or 93% of the budget for the fall and spring semester. In comparison to last fiscal year, Student Financial Aid expenses were at $10.3M and represented 83% of the budget.

- Local funds of $13.4M have been received which include $13.2M in funding for Pell and SEOG for the fall and spring semester.

Debt Management Analysis Updated and Debt Certification Letter – Mr. Hunter discussed the Debt Management Code of Virginia Language and provided the target and University's Debt Certification Analysis:

- Code of Virginia *§4-9.01 D.2.* Institution complies with a debt management policy approved by its governing board that defines the maximum percent of institutional resources that can be used to pay debt service in a fiscal year, and the maximum amount of debt that can prudently be issued within a specified period.

FY 2014							
Debt Burden				Debt Service Coverage Ratio			
	Annual debt Service	3,050,440	2.08%	perating loss + Non operating Revenue + Depreciatio		40,061,370	13.13
	Total Operating Expenses	146,939,051		Annual Debt Service		3,050,440	
FY 2015							
Debt Burden				Debt Service Coverage Ratio			
	Annual debt Service	6,439,368	4.37%	perating loss + Non operating Revenue + Depreciatio		21,561,913	3.35
	Total Operating Expenses	147,253,967		Annual Debt Service		6,439,368	
Target - less than or equal 7 %				Target - greater than 2 time the annual debt service			

- A letter will be signed by the Rector and sent to the Virginia Department of Planning and Budget to certify that Norfolk State is in compliance with the Debt Management Policy approved by the Board of Visitors.

Master Equipment Leasing Program (MELP) – Financing of Digital Display Board – Mr. Hunter provided an analysis of the financing information for the digital score board and discussed the University's Debt Management Policy regarding long term debt:

- Per NSU Debt Management Policy: "Any long-term debt must be specifically authorized by Board of Visitors resolution. As part of the resolution, the Board will also establish financing parameters to be followed by the University when issuing long-term debt".

- Mr. Hunter shared the Master Equipment Leasing Program Financing Request Certificate with financing terms for 5, 7 or 10 years.

- Mr. Miller indicated that the Digital Display Board would be located in the Joseph G. Echols Memoria Hall and would provide different revenue streams. He indicated the board is similar to what some other institutions currently have

- The Finance and Administration Committee reviewed and discussed the resolution and indicated that language should be added for the best terms of the debt issued and that for clarity wording to be added at the end of the MELP resolution to include: "subject to best available terms".

University's Operating Budget for 2016-2017 - Mr. Hunter introduced Karla Amya-Gordon and Dennis Jones who assisted in preparation of the 2016-2017 Operating Budget. Mr. Hunter stated that the context of the Operating Budget is based on the Six-Year Plan, General Assembly Support, Auxiliary Funding Requirements, Workplace Competiveness and Contingency funding.

Mr. Hunter provided General Assembly Support Amounts for Operating that included:

- The Finance and Administration Committee reviewed and discussed the resolution and indicated that language should be added for the best terms of the debt issued and for clarity to be added at the end of the MELP resolution: "subject to best available terms".
- General Fund $2M;
- Student Financial Assistance $3M Undergraduate and $191K Graduate;
- 3% Salary Increase (Effective November 2016); and

- Central Appropriation Distributions for Virginia Retirement Savings and SCHEV Certification Participation Program

And General Assembly Support for Capital Projects that included:

- Maintenance Reserve Supplement Master Plan Update ($1.3B Pool)
- Residence Halls Renovations/Upgrades
  - $9.2M in 9(c) Bond Funding
- Maintenance Reserve ($6.8M over biennium)

The following information was provided for the Operating Budget Need based on the Six-Year Plan:

STRATEGIES:		
LLC - Male Initiative (Ongoing)		$ 353,902
Cyber-Security (Capacity Bldg.)		735,000
Cyber-Security (NSU/VCCS)		50,000
Subtotal - Strategies (Reallocation)		$ 1,138,902
OPERATING BUDGET NEED:		
Faculty Raises		$ 434,853
Administrative Faculty Raises		170,151
Classified Raises		402,835
O & M for New Facilities		909,500
Utility Costs		92,000
Fringes & Health Care		735,381
VRS Increase		222,000
Subtotal - Operating Budget Need		$ 2,966,720
UG In-State Increase ($5,162 to $5,906):		$ 744

Mr. Hunter provided the Revenue and Expenses summary for the University's Operating Budget for 2016-2017:

Revenue

- The overall revenue for the University will increase by $6.7 million in FY17;
- The actions of the General Assembly add, on a permanent basis, $2.5 million to E&G;
- The increased amount incorporates $1.5 million provided to the University in FY16 for the Central Appropriation Distribution approved by the General Assembly and documented in Chapter 665;
- The tuition increase approved by the Board of Visitors in the March meeting are estimated to generate an additional $909,000;
- Miscellaneous E&G revenues will generate approximately $166,000 of additional revenue;

- Additional revenues projected to come from auxiliary enterprise activities are approximately $1 million;
- Actions of the General Assembly and the Governor provided an additional $3 million to the University for in-state Student Financial Assistance;
- The University anticipates spending additional local funds of $628,000 in the upcoming fiscal year; and,
- As in FY16, the University does anticipate that additional general fund dollars will be provided by the Commonwealth for Central Appropriation Distributions approved during the 2016 General Assembly session. The dollar amount is unknown at this time.

Expenses

- Taking into consideration the additional $1.5M provided in the Central Appropriation Distribution, expenditures will increase by approximately $8.2M.
- E&G expenditures will increase by approximately $3.6M:
  - The increase incorporates salary raises and fringe benefit adjustments provided to employees in FY16.
  - Anticipated raises and fringe benefit adjustments for FY17.
  - Six-year plan increases previously approved by the Board of Visitors.
  - Increases to employee wages to set a University living wage.
  - Increases incorporated to the University budget recommended by the University Budget Committee.
- The approximately $1 million increase in the auxiliary enterprise budget reflects the additional funding needed for the new debt service obligations of the University.
- The increase in student financial assistance reflects the additional funding provided by the Commonwealth.
- The local funding increase in expenditures mirrors the anticipated additional funding that will be received.

The A&E funding requirements include Intercollegiate Athletics; Student Center Debt Service annually - $2.85M; Health Service Center contact - $546K; Residential Halls Renovations/Upgrade - $9.2M in 9(c) bond funding; Parking Program - $292K; and Digital Audio Visual Display Board - $1.3M.

Mr. Hunter presented the 2016-2017 Operating Budget as listed below. He indicated that he would bring a revised budget back for modifications at the September 2016 Board meeting based on the Freshman Class enrollment. Mr. Helpinstill and Mr. Chewning agreed that the budget would be visited at that time.

Norfolk State University
Proposed FY17 Budget
May 6, 2016
University Operating Budget

	FY16 Budget		Proposed FY17 Budget		Change
Revenue					
Educational and General					
General Fund					
General Fund Appropriations	$42,592,139		$45,083,024		$2,490,885
FY16 Central Appropriation Distribution	*$1,518,818*	[1]			*($1,518,818)*
Non General Fund					
Higher Education Operating					
Tuition	$33,442,516		$34,352,256		$909,740
Out of State Capital Outlay Fees	$458,766		$458,766		$0
Miscellaneous Revenue	$878,145		$1,044,106		$165,961
Total Educational and General	$78,890,384		$80,938,152	[2]	$2,047,768
Auxiliary Enterprises	$37,114,851		$38,066,934		$952,083
Sponsored Programs	$24,686,497		$24,686,497		$0
Student Financial Assistance	$8,619,664		$11,648,182		$3,028,518
Local Funds	$13,321,635		$13,950,000		$628,365
Total Revenues	**$162,633,031**		**$169,289,765**		**$6,656,734**

Expenses	FY16 Budget		Proposed FY17 Budget		Change
Educational and General					
Instruction	$33,264,083		$33,570,423		$306,340
Research	$100,375		$101,577		$1,202
Public Service	$380,979		$433,895		$52,916
Academic Support	$9,808,997		$11,439,695		$1,630,698
Student Services	$4,824,089		$5,521,166		$697,077
Institutional Support	$15,100,251		$15,011,464		($88,787)
Operations and Maintenance of Plant	$10,392,792		$11,359,932		$967,140
Total Educational and General	$73,871,566		$77,438,152		$3,566,586
Auxiliary Enterprises	$37,114,851		$38,066,934		$952,083
Sponsored Programs	$24,686,497		$24,686,497		$0
Student Financial Assistance	$12,119,664		$15,148,182	[2]	$3,028,518
Local Funds	$13,321,635		$13,950,000		$628,365
Total Expenses	**$161,114,213**		**$169,289,765**		**$8,175,552**
Increase (Decrease) in Fund Balance	$1,518,818		$0		($1,518,818)

4. Information Items

a. Committee Goals and Objectives 2016-17 for Full Board Approval

Mr. Helpinstill stated that the Finance and Administration Committee Goals and Objectives would be presented to the Full Board today for approval.

5. Action Items

a. Motion to Recommend Approval of Master Equipment Leasing Program (MELP) – Financing of Digital Display Board to the Full Board

Mr. Chewning motioned, seconded by Mr. Griffith and with a 6-0 Roll Call vote the Finance and Administration Committee approved the motion to recommend to the Full Board approval of the Master Equipment Leasing Program (MELP) for Financing of the Digital Display Board to the Full Board with exception of *notation in the last paragraph of the resolution to include adding wording "subject to best available terms" for clarity.*

Chewning ..... yes	Helpinstill..... yes
Crowder..... yes	Murphy..... yes
Griffith ..... yes	Rochelle ..... yes

b. Motion to Recommend Approval of the University's Operating Budget for 2016-17 to the Full Board

Mr. Chewning motioned, seconded by Mr. Crowder and with a 6-0 Roll Call vote the Finance and Administration Committee approved the motion to recommend to the Full Board approval of the University's Operating Budget for 2016-2017.

Chewning ..... yes	Helpinstill..... yes
Crowder..... yes	Murphy..... yes
Griffith ..... yes	Rochelle ..... yes

6. Adjournment

There being no further business the Committee adjourned at approximately 11:05 a.m.

Respectfully submitted,

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Gerald E. Hunter
Vice President for Finance and Administration

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Michael J. Helpinstill, Chair
Finance and Administration Committee