



WILLIAM & MARY

CHARTERED 1693

# COMMITTEE ON FINANCIAL AFFAIRS

## Board of Visitors

*November 20, 2020*

# TODAY'S AGENDA

- Report from the COO
- Action Items
  - RES 14: Revise Debt Management Policy
  - RES 15: Update Cash Management Investment Policy
  - RES 16: Invest Bond Proceeds
  - RES 17: Receive Unaudited FY20 Consolidated Financial Statements
  - RES 18: Receive FY20 Financial Report for Intercollegiate Athletics
  - RES 19: Establish Osher Lifelong Learning Quasi- Endowment

# COO REPORT: FY21 UPDATE AND FY22 BUDGET PRIORITIES

- 2020 Bond Sale
- FY21 State Budget
- Budget Priorities for the 2021 Legislative Session
  - Governor's Budget
- Other Items of Interest
  - Annual Debt Management Report
  - Annual Financial Ratios Update

# COO REPORT: 2020 BOND SALE

- Closed October 29, 2020
- \$153.9M in total bond proceeds
  - \$63.9 M to refinance existing debt and issuance costs
    - \$10.7M in debt service relief for FY21
  - \$70.0M in general purpose debt for future use
  - \$20.0M to support planned dorm renovations
- True Interest Cost of 2.78%

# COO REPORT: FY21 STATE UPDATE

- 2020 General Assembly Special Session
  - \$3.5M one-time funds recognizing lost tuition revenue
  - Flexibility to shift \$\$ between programs if needed due to COVID
- VA COVID Relief Funds
  - Governor allocated \$5M to be spent by 12/31/20

# COO REPORT: FY22 BUDGET PRIORITIES

- Governor's Budget Process
  - Chief of Staff provided limited criteria for requests
  - Given criteria, W&M only requested funding for ISC4
    - Not explicitly aligned but critical to W&M's expanding STEM programs and Tech Talent Pipeline commitments
- 2021 Legislative Session
  - Council of Presidents working on Unified Amendment for Higher Education

# RESOLUTION 14: REVISE DEBT MANAGEMENT POLICY

- Adopted in 2007 as required under by Restructuring Management Agreement; no revisions since
- Proposed revisions include :
  - Explicit recognition that policy applies to both short- and long-term debt
  - Includes the possible use of debt for non-capital needs
  - Clarifies that W&M can issue debt on behalf of W&M and VIMS, not RBC
  - Requires annual report to include debt ratio for the consolidated units as well as RBC separately
  - Updates administrative authority to reflect change in position titles

## **RESOLUTION 14: REVISE DEBT MANAGEMENT POLICY**

**THEREFORE, BE IT RESOLVED**, on the recommendation of the administration, the Board of Visitors of William & Mary approves the revised Consolidated Debt Management Policy and directs that such policy be forwarded to the Secretary of Finance for the Commonwealth of Virginia in accordance with the university's management agreement



# RESOLUTION 15: UPDATE CASH MANAGEMENT INVESTMENT POLICY

- Focused on short-term investment of cash balances, last revised in 2019
- 2020 bond issuance created need for additional investment strategies focused on near and mid-term
- Revisions initiated by COO and AVP/Financial Operations
  - Consultation with Truist (W&M's bank) and The Optimal Service Group (W&M's investment advisor for endowed funds)

# PROPOSED POLICY REVISIONS

- Establishes two allocation strategies for cash management
  1. Primary Liquidity – focused on university's routine operational needs; investments support liquidity and safety
  2. Extended Duration - 2020 bond issuance created need for additional investment strategies focused on near and mid-term
- Updates max % for securities investments by type and aligns performance benchmarks with allocation strategy
- Provides technical updates to reflect changes in the Virginia Code and university org structure

## **RESOLUTION 15: UPDATE CASH MANAGEMENT INVESTMENT POLICY**

**THEREFORE, BE IT RESOLVED**, that the Board of Visitors of the College of William & Mary in Virginia approves an updated Cash Management Investment Policy superseding any existing policy under the same name

# RESOLUTION 16: INVEST BOND PROCESS

- BOV authorization required to invest proceeds from the 2020 bond sale
- Bond proceeds allocated as follows:
  - \$58.7M to BNY Mellon for debt service on restructured debt and issuance costs
  - \$16.8M to cover capital and debt service expenditures
  - \$8.4M to be invested in Virginia State Non-Arbitrage Program (SNAP) pending BOV Authorization
  - \$70.0M in a suspense account pending BOV authorization to invest

# **BOV AUTHORIZATION ALLOWS FUNDS TO BE INVESTED IN TWO WAYS**

- With BOV approval,
  - \$8.4M in tax-exempt proceeds will be invested with the VA SNAP program until needed for dorm renovations
  - \$70M in taxable proceeds will be invested through The Optimal Services Group consistent with the Cash Management Investment Policy

## **RESOLUTION 16: INVEST BOND PROCEEDS**

**THEREFORE, BE IT RESOLVED** That the Board of Visitors of The College of William and Mary in Virginia approves the investing of the General Revenue Pledge Bonds, Series 2020 A Tax Exempt proceeds with SNAP.

**BE IT FURTHER RESOLVED** That the Board approves the investing of General Revenue Pledge Bonds Series 2020 B Taxable Bond proceeds in accordance with the Cash and Investment Policy of the Board of Visitors.

# **RESOLUTION 17: RECEIVE FY20 UNAUDITED FINANCIAL STATEMENTS**

- Submitted FY20 consolidated financial statements to VA Dept. of Accounts on September 30, 2020
- Today's action – BOV acknowledges receipt
  - Expect VA's Auditor of Public Accounts (APA) to begin audit in January with substantial completion by April

# CONSOLIDATED STATEMENTS REFLECT ALL 3 ENTITIES UNDER BOV CONTROL

- As required by GASB, statements consolidate all entities under BOV
  - “**The University**” includes William & Mary (W&M), Virginia Institute of Marine Science (VIMS), and Richard Bland College (RBC)
- Standards also require “Component Units” be consolidated separately
  - W&M Foundation
  - VIMS Foundation
  - RBC Foundation
  - Marshall-Wythe School of Law Foundation
  - School of Business Foundation
  - William & Mary Alumni Association
  - William & Mary Real Estate Foundation
  - Athletics Education Foundation (“Tribe Club”)
  - Intellectual Property Foundation



# VA'S REPORTING PROCESS REQUIRES SIGNIFICANT COORDINATION AND TIME

- Prepared under the accrual basis of accounting
  - Revenue recognized when earned rather than received
  - Expenses recognized when incurred rather than paid
- W&M Financial Operations leads coordinated effort
  - W&M prepares W&M and VIMS statements
  - RBC prepares RBC statements
  - 9 component units submit independent financial statements
- Included in VA's Comprehensive Annual Financial Report
- Reporting begins in July; audit complete in April/May

# FY20 RESULTS: TOTAL NET POSITION INCREASED 6% OVER PRIOR YEAR

(\$ in millions)

	FY20		FY19		% Change	
	University	Component Units	University	Component Units	University	Component Units
Total Assets	\$1,193.9	\$1,113.8	\$1,170.6	\$1,115.2	2.0%	(0.1%)
Deferred Outflows	37.3	--	26.0	--	43.5%	--
Liabilities	528.8	67.2	535.9	67.9	(1.3%)	(1.0%)
Deferred Inflows	34.5	--	30.4	--	13.5%	--
<b>Total Net Position</b>	<b>\$ 667.9</b>	<b>\$1,046.6</b>	<b>\$ 630.3</b>	<b>\$1,047.3</b>	<b>6.0%</b>	<b>(0.1%)</b>

- Total assets increased by \$23.3 million primarily as a result of ongoing construction for capital projects.
- The increases in deferred outflows, liabilities, and deferred inflows were due to pension obligations and other postemployment benefit obligations.
- The combined impact resulted in an increase in total net position for the University of \$37.6 million or 6.0% over prior year.

# FY20 RESULTS: REVENUE GROWTH DRIVEN BY NON-OPERATING DOLLARS

(\$ in millions)

	FY20		FY19		% Change	
	University	Comp Units	University	Comp Units	University	Comp Units
Operating <sup>1, 2</sup>	\$321.9	30.2	\$324.1	\$29.7	(0.7%)	1.7%
Non-Operating (net) <sup>3,4</sup>	150.7	(15.6)	142.1	59.7	6.1%	(126.1%)
Other <sup>5,6</sup>	44.2	60.1	38.4	47.1	15.1%	27.6%
<b>Total Revenue</b>	<b>\$516.8</b>	<b>\$74.7</b>	<b>\$504.6</b>	<b>\$136.5</b>	<b>2.4%</b>	<b>(45.3%)</b>

<sup>1</sup> Operating revenues decreased by \$2.2 million for the University primarily due to student rebates for housing and meal plans offset by an increase in tuition revenue.

<sup>2</sup> Operating revenues for the Component Units increased \$.5 million.

<sup>3</sup> Non-operating revenues for the University increased by \$8.6 million primarily due to an increase in state appropriations.

<sup>4</sup> Non-operating revenue/expenses for the Component Units decreased \$75.3 million due to market conditions.

<sup>5</sup> Other revenues for the University increased by \$5.8 million due to additional capital funding.

<sup>6</sup> Growth in other revenues for the Component Units was due primarily to increases in capital contributions.

# FY20 RESULTS: EXPENSES INCREASED 2.5% OVERALL, HIGHER IN PRIORITY AREAS

(\$ in millions)

	FY20		FY19		% Change	
	University	Component Units	University	Component Units	University	Component Units
Instruction	\$140.3	\$7.4	\$135.0	\$6.9	3.9%	7.3%
Research/Public Service	55.7	1.6	51.8	1.8	7.5%	(11.1%)
Academic Support	42.5	3.8	39.0	3.9	9.0%	(2.6%)
Student Services	17.0	1.1	18.1	1.0	(6.0%)	10.0%
Institutional Support	47.5	12.5	46.7	14.4	1.7%	(13.2%)
Plant Operations	29.3	18.9	27.8	10.8	5.4%	75.0%
Student Aid*	20.9	17.1	17.5	15.5	19.4%	10.3%
Auxiliary Enterprises	88.1	7.2	95.3	6.8	(7.6%)	5.9%
Depreciation	37.7	1.0	36.4	1.0	3.6%	0.0%
Other	0.2	4.6	0.0	4.2	100.0%	9.5%
<b>Total Expenditures</b>	<b>\$479.2</b>	<b>\$75.2</b>	<b>\$467.6</b>	<b>\$66.3</b>	<b>2.5</b>	<b>13.4%</b>

\* Student aid is calculated net of scholarship allowances.

## FY20 RESULTS: NET POSITION INCREASED \$37.6M DUE LARGELY TO CAPITAL ASSETS

“University” Consolidated Performance  
(\$ in millions)

	FY20
Total Revenue	\$516.8
Total Expenses	\$479.2
<b>Increase to Net Position</b>	<b>\$37.6</b>

# **RESOLUTION 17: RECEIVE FY20 UNAUDITED FINANCIAL STATEMENTS**

**THEREFORE, BE IT RESOLVED,** That the Unaudited Consolidated Financial Report for the Year Ended June 30, 2020 for William & Mary, Virginia Institute of Marine Science, and Richard Bland College is hereby received by the Board of Visitors

## **RESOLUTION 18: RECEIVE FY20 UNAUDITED ATHLETICS FINANCIAL REPORT**

- NCAA requires institutions to submit revenue and expense information annually online
- APA reviews statements annually to ensure that they meet NCAA Agreed-Upon Procedures Guidelines

## ATHLETICS REVENUE GREW 2.8% OVER PRIOR YEAR

Operating Revenues	FY20	FY19	% Change
Ticket sales	\$ 991,600	\$ 951,500	4.2%
Student fees	15,091,000	15,188,000	(0.6%)
Indirect institutional support	1,287,200	1,230,900	4.6%
Contributions	5,625,800	4,702,200	20.0%
NCAA Distributions	830,200	1,295,200	(36.0%)
Royalties, licensing, advertising and sponsorships	913,400	730,500	25.0%
Endowment and investment income	3,858,400	3,813,000	1.2%
All Other	1,735,400	1,594,300	8.9%
<b>Total Revenue**</b>	<b>\$30,333,000</b>	<b>\$29,505,600</b>	<b>2.8%</b>

\*\* Figures may not add due to rounding.



## OVERALL EXPENDITURES INCREASED 3.5% OVER PRIOR YEAR

Operating Expenditures	FY20	FY19	% Change
Athletic Student Aid	\$ 9,818,300	\$ 8,992,400	9.2%
Coaching Salaries & Benefits	5,818,100	5,563,600	4.6%
Staff Salaries & Benefits	5,147,300	4,834,000	6.5%
Team Travel	1,649,300	1,808,400	(8.9%)
Severance Payments	327,300	103,500	216.2%
Facility Debt Service, Leases & Rental Fees	1,560,400	1,615,800	(3.4%)
Direct Overhead & Administration Costs	1,274,800	1,206,700	5.6%
Sports Equipment, Uniforms & Supplies	1,286,200	1,091,400	17.9%
Game Expenses	815,200	933,500	(12.7%)
All Other Expenses	2,681,200	3,213,700	(16.6%)
<b>Total Expenses*</b>	<b>\$30,378,100</b>	<b>\$29,363,000</b>	<b>3.5%</b>
<b>Net Income</b>	<b>(\$45,100)</b>	<b>\$142,600</b>	

\* Figures may not add due to rounding.

## **RESOLUTION 18: RECEIVE FY20 UNAUDITED ATHLETICS FINANCIAL REPORT**

**RESOLVED**, that the Unaudited Financial Report of William & Mary's Intercollegiate Athletics Department for the Year Ended June 30, 2020, is hereby received by the Board of Visitors

## **RESOLUTION 19: ESTABLISH QUASI-ENDOWMENT FOR OSHER LIFELONG LEARNING INSTITUTE**

- \$1M awarded in support of the Osher Lifelong Learning Institute (OLLI) at W&M
- Award requirements
  - Funds must be invested to support OLLI at W&M
  - Annual income distribution must be at least 5% of the market value at the time of award regardless of investment performance
  - Any remaining principal must be returned if W&M ceases lifelong learning programs
- Given requirements, recommend creating as a quasi-endowment to be invested separately

## **RESOLUTION 19: ESTABLISH QUASI-ENDOWMENT FOR OSHER LIFELONG LEARNING INSTITUTE**

**THEREFORE, BE IT RESOLVED**, that upon the recommendation of the Chief Operating Officer, the Board of Visitors establishes a quasi-endowment with a corpus of \$1,000,000 to be invested for the benefit of the Osher Lifelong Learning at William & Mary