



WILLIAM & MARY

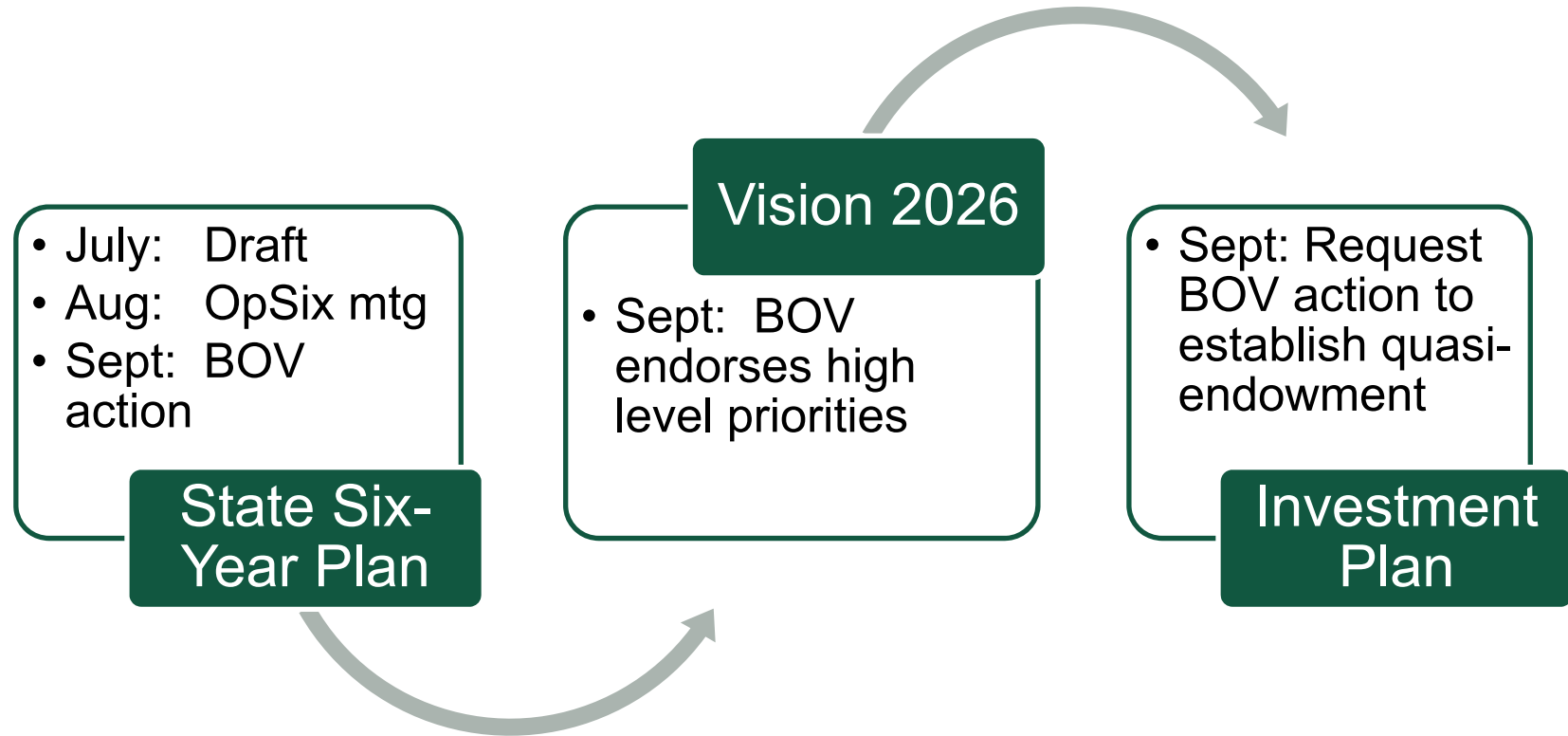
CHARTERED 1693

COMMITTEE ON FINANCIAL AFFAIRS

Board of Visitors

*Amy Sebring, Chief Operating Officer
September 24, 2021*

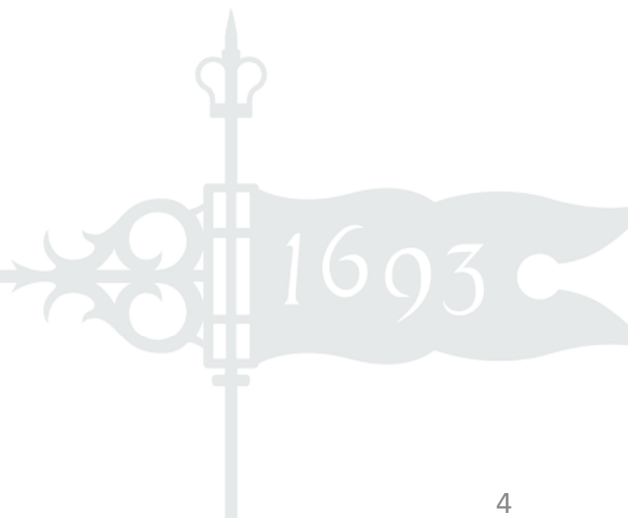
Key actions for the BOV this fall



Today's request for action

- State Six-Year Plans
 - VIMS and W&M required to submit separately
- Create University Strategic Quasi-Endowment
- Authorize Muscarelle Quasi-Endowment Withdrawal
 - Potential Acquisition of Grohs Collection
 - Construction of On-Site Museum Quality Storage

W&M SIX-YEAR PLAN



Six-Year Plan (6YP) Process

Odd-Numbered Years

- July 1: Submit draft using SCHEV format; 2 key components
 - Narrative – strategic focus over next 6 years
 - Financial – 2 year focus on tuition changes & intended uses; planned general fund (GF) requests
- Aug: President meets with OpSix
- Oct 1: Finalize plan w/ BOV approval, incorporate feedback from OpSix, if needed

Even-Numbered Years

- July 1: Submit draft of plan updates if needed
- Oct 1: Finalize plan update with BOV approval

Educate for Impact

Expand access to a W&M education

- **GF Request 1:** Increase aid for Pell-eligible students (\$1.2M GF FY23 / \$2.4M FY24)
- **NGF Priority 1:** Increase need-based aid (\$1.25M NGF FY23 / \$2.75M NGF FY24)

Bridge STEM/non-STEM majors to meet workforce needs

- **GF Request 2:** Scale up Jump-Start Data Science summer program (\$400,000 GF base increase in FY23)
- **NGF Priority 2:** Expand STEM programs (\$1M NGF FY23 / \$1.6M NGF FY24)

Design meaningful pathways for future career success

- Collaboration with COP, VBHEC, and regional leaders

Expand W&M's Reach

Model democratic ideals of service, inclusion and civil discourse

- Inclusive Excellence: Implement plan in alignment with the Commonwealth
- Democracy Initiative: Integrate the theme of democracy across the undergraduate and graduate student experience through courses, lectures, events, and community engagement

2026: Tell a fuller, more inclusive story of our nation

- **GF Request 3:** Bray School relocation and restoration (\$3.5M GF one-time for CWF partnership / \$500,000 GF for on-going research)
- Continued expansion of COLL curriculum for DEI; centennial programming
- Emerging opportunities for the Highland Ancestry Project

Strengthen W&M's research ecosystem

- **NGF Priority 4:** Enhance digital scholarship and research lab; (\$600,000 NGF FY23 / \$1M NGF FY24)

Evolve to Excel

Modernize living, working and learning environments

- **GF Request 4:** O&M new Arts Facilities (\$160,000 GF FY23 / \$385,000 GF FY24)
- **NGF Priority 6:** O&M NGF (\$400,000 NGF FY23 / \$980,000 NGF FY24)

Enhance IT infrastructure

- **NGF Priority 5:** Maximize capacity (\$750,000 NGF FY23 / \$1.5M NGF FY24)

Attract and retain top workforce

- **NGF Priority 3:** Market & merit adjustments (\$1.5M NGF FY23 / \$6.3M NGF FY24)

Champion sustainability

- Carbon neutrality by 2030 supported by Climate Action Plan

From draft to final

- Clarify for OpSix that W&M's plan assumes \$1.4M in one-time GF support in FY22
- Add request to convert \$1.4M in one-time GF support to base funding in FY23

\$3.7M GF operating requests for FY23

1. \$1.4M GF to continue one-time funding in FY23 base*
 - Critical to supporting FY21 salary increases
2. \$1.2M GF in aid to attract more Pell-eligible students
3. \$0.4M GF to expand STEM JumpStart programs
4. \$0.5M GF for continuing research on the Bray School
 - Also includes \$3.5M in pass-through funds for CWF for restoration
5. \$0.2M GF for O&M of new facilities

* Prioritization updated from pre-read materials.

2022-24 *State-Supported* Capital Budget Requests

- \$11.3M- ISC4 supplement for cost escalations*
- \$12.8M- Studio for Teaching and Learning Innovation (STLI)*
- \$21.5M- Ewell Hall Renovations
- \$ 5.9M- Accessibility projects

* Identified as top two priorities per Six-Year Plan instructions. STLI request updated for cost escalations.

Resolution 19

THEREFORE, BE IT RESOLVED that upon recommendation of the President, the Board of Visitors approves William & Mary's 2022-2028 Six-Year Plan as described herein in accordance with the requirements of the Higher Education Opportunity Act of 2011 and subsequent guidance from the State Council of Higher Education for Virginia.

UNIVERSITY STRATEGIC QUASI- ENDOWMENT



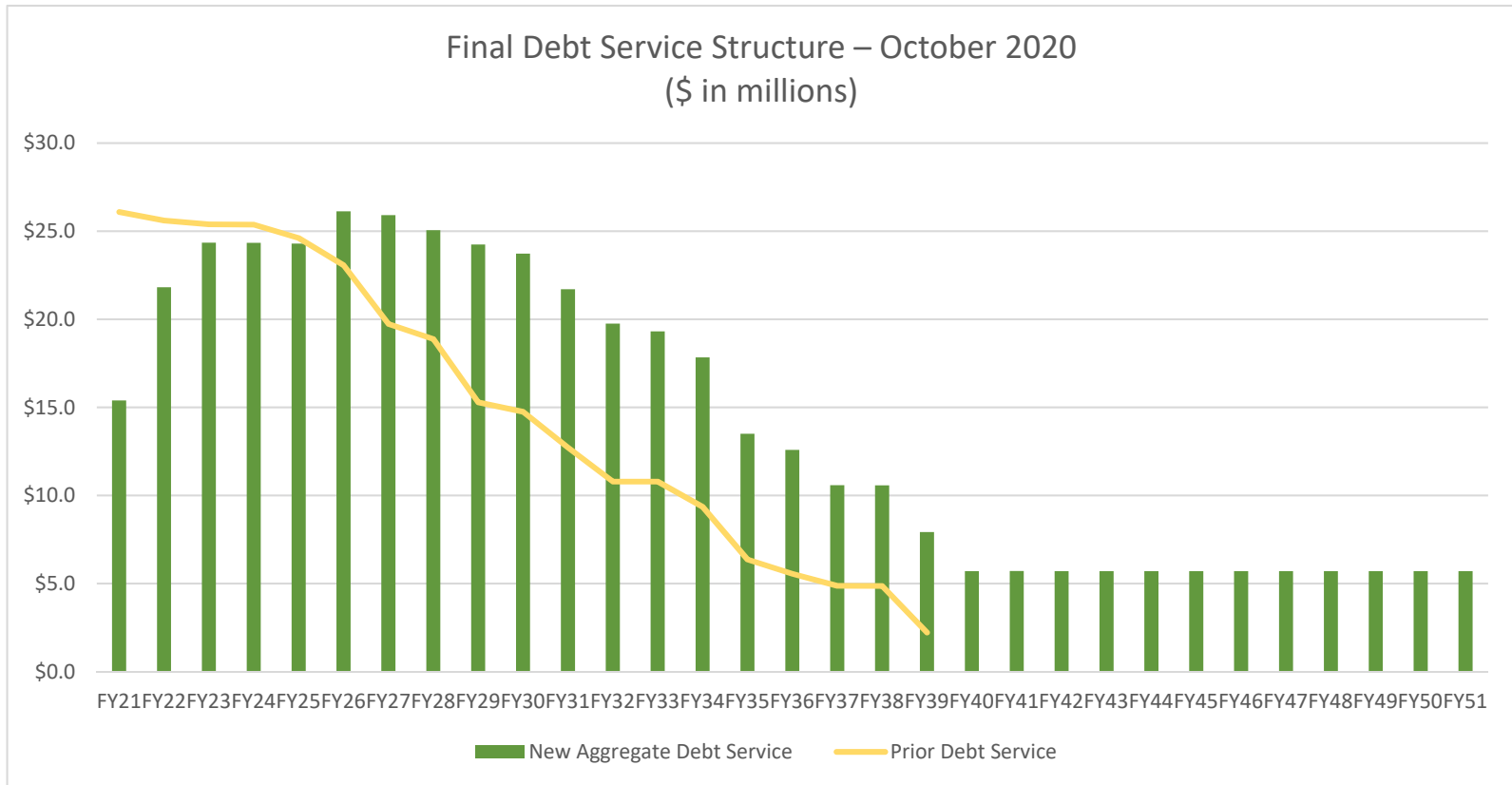
2020 Bond Sale

- Closed October 29, 2020
- \$153.9M in total bond proceeds
 1. \$63.9 M to refinance existing debt and issuance costs
 2. \$20.0M to support dorm renovations
 3. \$70.0M in general purpose debt for future use
- True Interest Cost of 2.78%

Bond sale impact: Dorm renovations

- \$20M for dorm renovations
 - \$11.5M for One Tribe Place
 - Work already underway in 2020
 - \$ 1.5M for miscellaneous dorm projects
 - Completed Summer 2021
 - \$ 7.0M remaining for future work
 - RFP in draft for design of Monroe and Old Dominion

Bond sale impact: debt service



Bond sale impact: \$70M general purpose (taxable) debt

- **Contingency:** Issued in the event that COVID disruptions required an infusion of funds to maintain operations and preserve jobs
- **Strategy:** Potential to use for future investments

From contingency to strategy

- Funds went untapped in FY21; W&M balanced budget with:
 - Campus wide cost containment
 - Debt restructuring
 - State and federal relief funds
- Currently invested under university cash management policy with minimal returns
- **Recommend moving \$60M to a quasi-endowment**

Key questions

- How much would we need to invest in order to generate sufficient earnings to cover interest payments?
 - Modeled at \$25M, \$45M, \$50M and **\$60M**
- How much do we anticipate needing in the short term?
 - \$10M ongoing pandemic contingency and/or
 - Initial seed money for *Vision 2026*
- What are the tax implications?
 - Taxable bonds can be invested
 - Funds must be invested separately from other endowed funds
 - W&M must pay UBIT on investment earnings less expenses

Why a \$60M quasi-endowment?

- Reduces the burden of debt service on future students
 - Provides annual income stream to defray the cost of the debt
- Creates long-term expectation that funds will be invested and used only for a clear strategic purpose
 - Business case process under development
 - Potential to create new stream of unrestricted funds
- Allows funds to be invested under W&M's Investment Spending Policy for Endowment



Likely Case Ending Value \$82.7 Million
 Starting Value of \$60,000,000 and Annual Interest Payments of \$2,100,000 and EBIT of \$ 460,000

- Assumes 20 year investment
- Earnings after debt service interest payments and UBIT
- Monte Carlo model
 - 5.4% avg. annualized return
 - 6.2% overall return

	Best 95th	Optimistic 75th	Likely 50th	Pessimistic 25th	Worst 5th
BOV Endow Prop. AA					
1 Year	\$ 68,881,205	\$ 63,576,474	\$ 60,823,001	\$ 57,889,591	\$ 54,244,300
3 Year	\$ 77,048,365	\$ 67,652,234	\$ 61,795,705	\$ 56,756,632	\$ 50,343,358
5 Year	\$ 84,567,651	\$ 71,608,610	\$ 63,446,045	\$ 56,479,043	\$ 48,104,456
10 Year	\$ 106,217,488	\$ 81,833,350	\$ 68,317,033	\$ 56,385,371	\$ 43,498,809
11 Year	\$ 114,080,074	\$ 85,167,810	\$ 69,243,889	\$ 56,745,415	\$ 43,425,615
12 Year	\$ 118,209,419	\$ 87,170,707	\$ 71,123,720	\$ 56,813,516	\$ 42,575,681
13 Year	\$ 123,638,399	\$ 90,432,866	\$ 72,069,266	\$ 57,595,376	\$ 41,513,868
14 Year	\$ 129,439,340	\$ 93,069,256	\$ 73,609,542	\$ 58,134,177	\$ 41,064,916
15 Year	\$ 135,755,578	\$ 95,582,385	\$ 74,827,884	\$ 58,502,692	\$ 39,773,014
16 Year	\$ 142,578,128	\$ 99,469,922	\$ 76,385,829	\$ 58,938,214	\$ 39,783,517
17 Year	\$ 149,373,371	\$ 103,136,655	\$ 77,647,916	\$ 59,332,935	\$ 38,362,845
18 Year	\$ 153,152,157	\$ 106,554,373	\$ 79,214,834	\$ 59,506,628	\$ 37,091,199
19 Year	\$ 166,403,302	\$ 109,338,087	\$ 81,225,229	\$ 59,697,618	\$ 35,973,396
20 Year	\$ 177,860,943	\$ 113,742,803	\$ 82,689,644	\$ 60,224,471	\$ 35,370,497

Resolution 20

THEREFORE, BE IT RESOLVED, that upon the recommendation of the President and Chief Operating Officer, the Board of Visitors establishes a quasi-endowment from the proceeds of the 2020B bond sale with a corpus of \$60 million.

**MUSCARELLE
QUASI-ENDOWMENT**



Background

- In 2012, the BOV established a \$10M quasi-endowment (Q-E) with proceeds from the sale of art not core to the Muscarelle
 - To be used to support the acquisition of new art and the care of existing art
- Muscarelle Museum uses annual income for art acquisition or care of the collection
- Total value of the Q-E reached \$11.7M as of 6/30/21

Potential Art Acquisition

- Opportunity to acquire the collection of Hans Friedrich Grohs
 - W&M has long-standing relationship with the estate of the German artist
 - In 2008, Frauken Grohs Collison gave W&M a substantial gift of art and was inducted into the James Blair Society
 - President Reveley established the Muscarelle's Center for the Study of German Expressionism
- Approximately 2500 of Groh's works and 80 boxes of archival materials are available
 - Acquisition will allow W&M to establish archive in support of future master and Ph.D. theses/dissertations
- Estimated cost \$700,000

Opportunity to Expand Museum-Caliber Storage

- W&M currently has limited on-site museum-quality storage
 - Off-site options are limited in the region; DC-metro area is the closest location
- W&M is about to embark on working drawings for the Muscarelle Renovation and the Martha Wren Briggs Center for the Visual Arts

Request to withdrawal up to \$1.7M

- Seeking BOV approval to withdraw up to \$1.7M from the Q-E to support:
 - The acquisition of the Grohs' collection and/or
 - The Muscarelle renovation and construction project
- Funds will only be withdrawn if needed

Resolution 21

THEREFORE, BE IT RESOLVED, THAT the Board of Visitors approves the withdrawal of up to \$1.7 million from the corpus of the quasi-endowment to be used for the acquisition of Grohs' collected works (estimated at \$700,000) with the remainder of the funds (estimated at \$1 million) to be used in support of the renovation and construction of the Muscarelle Museum of Art expansion; and

BE IT FURTHER RESOLVED THAT, in the event the Muscarelle Museum is not successful in acquiring the collected works of Hans Friedrich Grohs, the Board of Visitors approves the use of the full \$1.7 million for the renovation and construction of the Muscarelle Museum expansion or up to \$700,000 for the acquisition of other works of art deemed suitable for the collection by the museum director.

Upcoming actions

