



Financial Affairs Committee

Board of Visitors
September 23, 2022

**I.
Revised Six-
Year Plan
(Action)**

**II.
State Budget
Requests
(Info)**

**III.
Auxiliary
Reserve
Policy
(Action)**

Achieve Financial Sustainability

- Expand W&M's Reach and Educate for Impact
 - I. Six-Year Plan
- Educate for Impact
 - II. State Operating Budget Requests
- Evolve to Excel
 - II. State Capital Budget Requests
 - III. Auxiliary Reserve Policy



Our financial future depends on continued strong enrollments

From S&P's June 2022 rating:

“We assessed William & Mary's *enterprise profile as extremely strong, characterized by solid enrollment* and demand flexibility with enrollment growth the past two years, high student quality, low selectivity, robust retention, and graduation rates, as well as abundant brand recognition. We assessed William & Mary's *financial profile as strong with healthy cash and investments, and manageable debt burden, but offset by a history of uneven financial operating performance* on an adjusted full accrual basis, and a light balance of adjusted unrestricted net assets compared with our medians for the rating level.”

S&P Global
Ratings

“The stable outlook reflects our expectation that the university *will maintain its solid demand profile* and available resource metric will remain sufficient for the rating while operations will likely be somewhat variable but will unlikely deteriorate such that it puts further pressure on available resource ratios.”



I. Revised Six-Year Plan

Six-Year Plan required by 2011 Higher Ed Opportunities Act

- SCHEV provides consistent template and guidance for all institutions
 - Narrative focused on alignment of institution's strategic direction with state priorities over a six-year period (2022-2028)
 - Corresponding financial plan focused on the current biennium (2022-2024), planned uses for incremental tuition revenue and requests for state funding
- Administration submits draft plan submitted each July
- Final plan submitted following BOV review/approval
 - Odd-Numbered Years – plan submitted to align with new biennium
 - Even Numbered Years – Institutions may revise/update
- Plan submitted to the OpSix for review

Note: VIMS required to submit separately

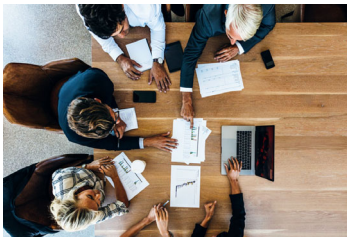
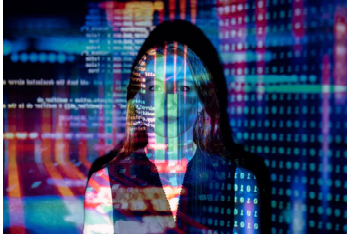
What is the OpSix?

Committee established in the 2011 HEO Act

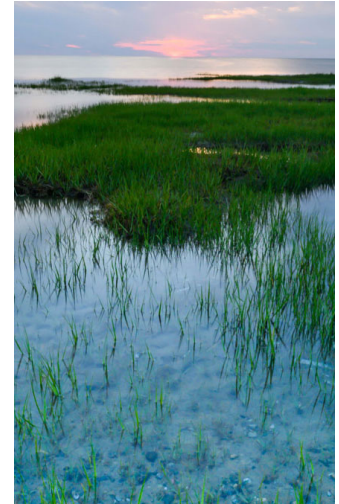
1. Secretary of Education
2. Secretary of Finance
3. SCHEV Executive Director
4. Director, Department of Planning and Budget
5. Staff Director, House Appropriations Committee
6. Staff Director, Senate Finance and Appropriations Committee



Revised Plan reflects *Vision 2026*



- Outlines key initiatives in Data, Democracy, Careers and Water
- Reaffirms W&M's commitment to:
 - Access and affordability
 - Career pathways for all students
 - Growth in computational and data sciences aligned with state workforce needs
 - Lead efforts to promote democratic ideals as the nation approaches its 250th anniversary



Financial Plan reflects BOV and State Actions

- Updated for BOV actions on tuition and budget for FY23
- Incremental state funding provided by the Governor and General Assembly for FY23
- Mandated state compensation actions for FY24 and impact on tuition and fees
 - Revised plan includes a 3.7% increase in tuition generating \$6M in incremental revenue for:
 - Required “institutional share” of a state-mandated salary increase
 - Investments in Vision 2026 (e.g., career services, admissions, data sciences)
 - Increased operational costs due to new facilities coming on-line and impact of inflation
 - Incremental financial aid
 - Includes up to a 4% fee increase driven primarily by mandated salary actions which must be covered 100% by institutional funds for employees within auxiliary enterprises

Questions from the Op-Six for All Institutions

1. What institutions have announced major initiatives in the past few months that don't appear in the updated six-year plans? To what extent do those initiatives align with new state funding provided in the state biennial budget? To what extent are some of these new initiatives duplicative?
2. Multiple institutions are requesting state funding for information technology. What efforts, if any, are being taken to collaborate with other institutions to collaborate and control costs?
3. Only one institution requested state funding for mental health services. Will there be future requests regarding mental health services?

W&M Response

1. W&M's Six-Year Plan reflects key initiatives; no new initiatives announced in recent months
2. W&M is not requesting state funding for technology
3. SCHEV Chart of Accounts has historically viewed student mental health services as an auxiliary enterprise, not eligible for state funding
 - W&M is interested in partnering w/ the state to support this growing need



W&M Specific Questions from the Op-Six

1. [Paraphrased] The state has provided \$1.27M over the last two biennia to add faculty in data sciences. Provide an update on current faculty, projected enrollments, and planned expansion for this program along with estimated cost.
 - **20% increase** in course enrollments in just two years
 - **575 students** enrolled in data science courses; **40+ majors** expected to graduate in Spring 2023
 - SCHEV approved a **new graduate certificate** in computer and data sciences in July 2022
 - Current faculty: 5 tenured/tenure-eligible plus 3.5 non-tenure eligible (8.5 FTE)
 - Recruiting for an additional 3-4 faculty (3 FTE) to fill positions previously appropriated
 - **Provost's Computing and Data Science Design Team** is developing long-range program plan
2. W&M plans to increase mandatory non-E&G fees by 4% for in-state undergraduate students in FY24. Please explain why this is above the cap.
 - The Appropriation Act caps annual increases in non-E&G fees at 3%, **excluding** fee increases needed to support : a) compensation increases authorized by the General Assembly, b) debt service, and c) student health services. Adjusting for the mandatory salary increase
 - **Proposed increase is just over 1%**, adjusting for allowable exclusions



II. State Budget Requests

FY24 capital requests per Governor's guidance



1. Equipment Funding

\$6.7M requested for ISC4 FF&E

2. Significant MR-type issues

\$14.2M for Historic Campus roof and systems repairs

Note: Requesting \$20M in 9(d) auxiliary debt authorization also

\$6.7M for ISC 4 Furnishings, Fixtures & Equipment (FF&E)

- FF&E part of the original project budget. State process requires separate request after construction has been approved.

Project Status

- Design documents are completed. Project is “shovel ready.” Requires a **\$20.3M supplement** to cover cost escalations due to labor shortages, inflation, supply chain
 - Anticipate imminent decision by the “Six Pack” (Secretary of Finance, DPB Director, Director of Department of General Services, SCHEV Director, two money committee staff directors)
- Pending approval of construction supplement and equipment request, tentative completion date: Spring 2025

Historic Campus: maintenance issues threaten structures

Background: November 2021 - Formal agreement with Colonial Williamsburg (CW) to routinely assess historic campus and collaborate on a maintenance plan that *preserves the assets for future generations*

Request: \$14.2M in state funding to address maintenance needs identified by CWF

CWF Findings:

- Wren roof has not been replaced since the 1930s; significant water infiltration issues
- President's House not designed to support modern living; moisture control issues negatively impacting the integrity of the structure and internal collections
- *Long-term use as a residence threatens the viability of the building*

Timing: Time sensitive in advance of 2026 anniversary

FY24 Operating budget requests reflect continued priorities

Funding Requests

- \$1M for 5 FTE faculty in data science consistent with Six-Year Plan
- \$400k to expand Jump-Start Program in Data science consistent with Six-Year Plan

Technical Amendment

- Request \$506k in interest earned on tuition and fees from prior years

Language Amendment

- Revised language that would allow for an extended ground lease should that be needed as part of the 10-year Housing & Dining Comprehensive Facilities Plan



III. Auxiliary Reserve Policy

Auxiliary reserves are required

- Auxiliary enterprises must be self-supporting
 - No state funding
 - By law, institutions must maintain reserves to address operational fluctuations, renewal and replacement, and major renovations
- W&M is recommending formalizing its reserve policy to be:
 - Operating reserve targets of one to three months(\$10.6M - \$31.7M) of operating expenses with a minimum of 4% of total operating budgets (\$5.1M).
 - Annual capital expenditures or contributions to capital reserves of at least 1.5% of the replacement value of buildings (\$12.8M).
 - Current target ranges from \$23.3M to \$44.4M
- FY22 balances near high end of target
 - Significant auxiliary needs anticipated in the next 5 years as part of needed investments in facilities (e.g., housing, dining, and athletics), equipment and technology upgrades



Items for Action

Resolution 18: Approve W&M's Six Year Plan Revisions

THEREFORE, BE IT RESOLVED that upon recommendation of the President, the Board of Visitors approves William & Mary's 2022-2028 Revised Six-Year Plan 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.

Resolution 20: Approve Auxiliary Enterprise Reserve Policy

THEREFORE, BE IT RESOLVED THAT the University's auxiliary enterprises will have these reserve targets: (a) operating reserves equivalent to at least one month, and up to three months, of operating expenses and (b) annual capital expenditures or contributions to capital reserves of at least 1.5% of the replacement value of buildings; and

BE IT FURTHER RESOLVED THAT the University's auxiliary operating reserve shall not fall below 4% of total operating budgets.