

A Foundation For Excellence

# Financial Framework

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July 28, 2022

I.

# Finance & Administration Excellence

Setting the Foundation

II.

# Budget, Capital, Initiatives & Funding

The Decisions We Face



# Mason's Financial Position Is Stable

## Institutional Authority

Tier III Status  
(w/ UVA, VT, W&M, VCU and JMU)

Enhanced Financial &  
Administrative Autonomy

Ability to Issue Debt

## Balance Sheet

Decade Improvement in  
Liquidity and Debt Capacity  
First Inaugural Issuer Rating  
and Stable Aa3 Outlook

## SACSCOC Recertification

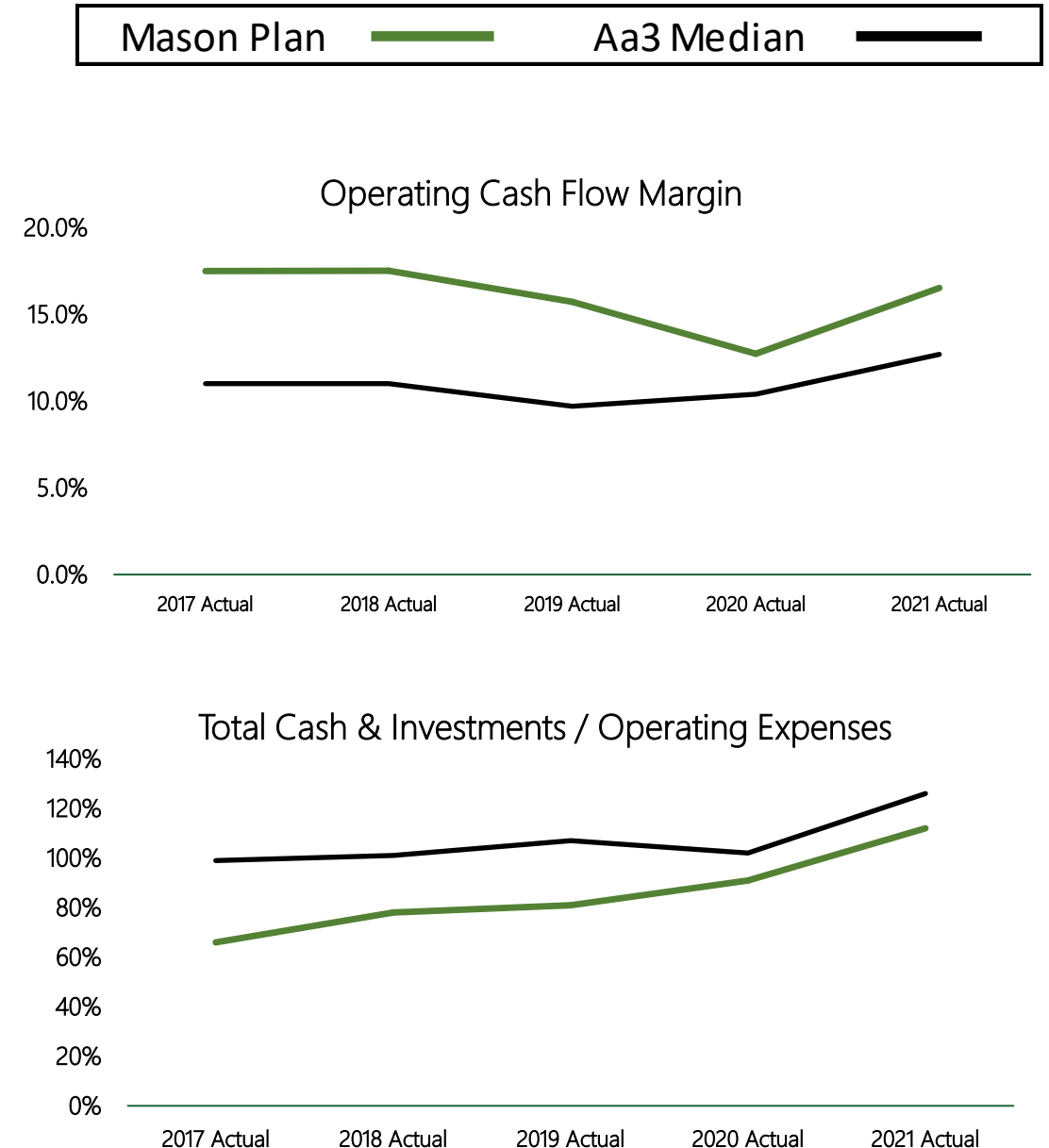
No Financial Findings  
Almost Unprecedented  
Clean Review

# Key Financial Metrics

**Operating performance** has been very **strong** although **margins** are tightening

- FY21 was buoyed by federal COVID funding

**Financial Resources** have been improving annually demonstrating financial strength



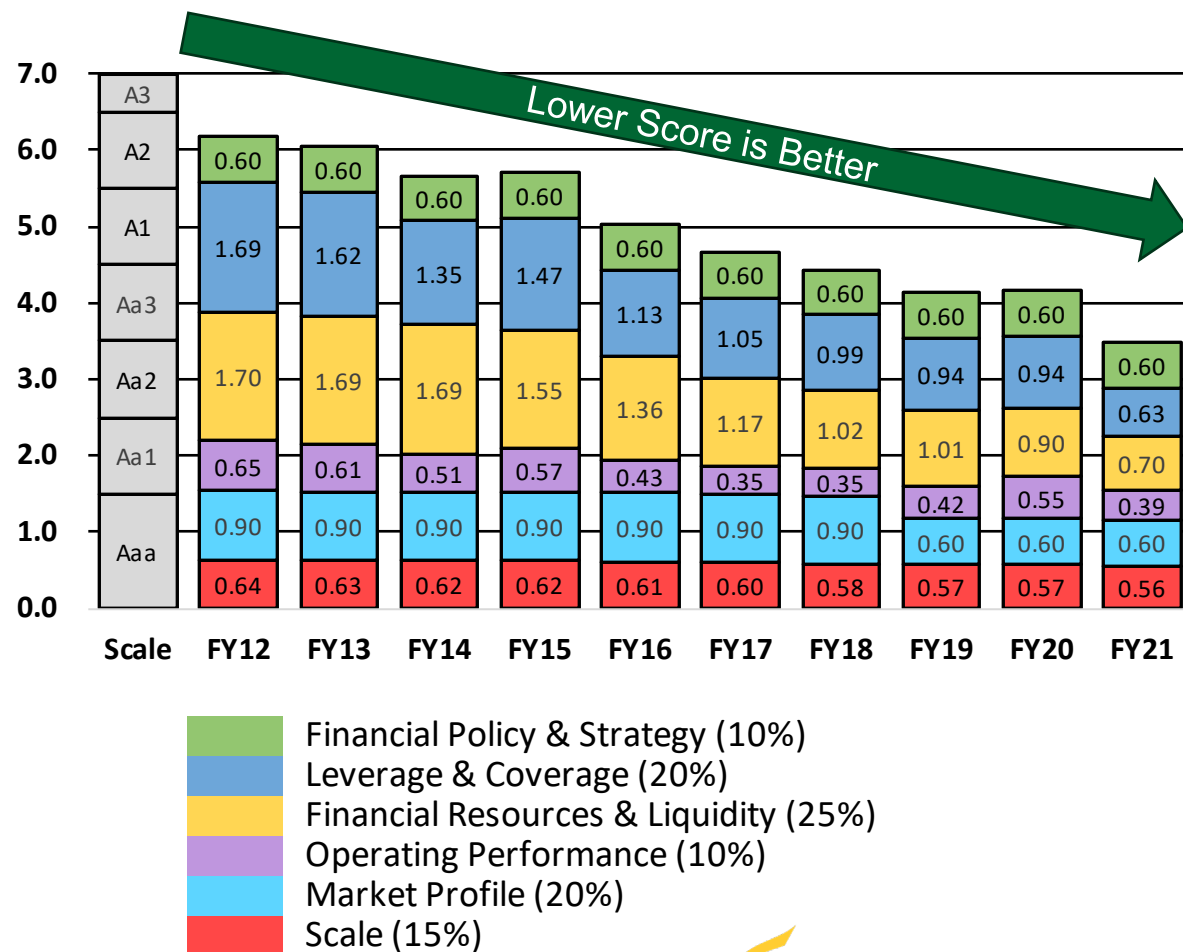


# Moody's Debt Rating Scorecard

Over the last decade, Mason has progressed steadily toward its **Aa3 rating**

Maintaining or strengthening this rating is a **key financial objective**

## Positive Issuer Rating Trend



# Financial Challenges Looking Forward

## Environmental

Economic **recession** looms  
Mid-Atlantic high school **graduations** are projected to decline 11% by 2037  
Commonwealth Funding **Disparities** per Student FTE

## Operating

Mason has successfully managed its budget but **staffing** is very lean  
Net **tuition** barely keeping pace with growth in core expenses

## Capital

Critical **capital projects** exceed available financing  
Priorities must balance a project's **strategic value** against prospective funding

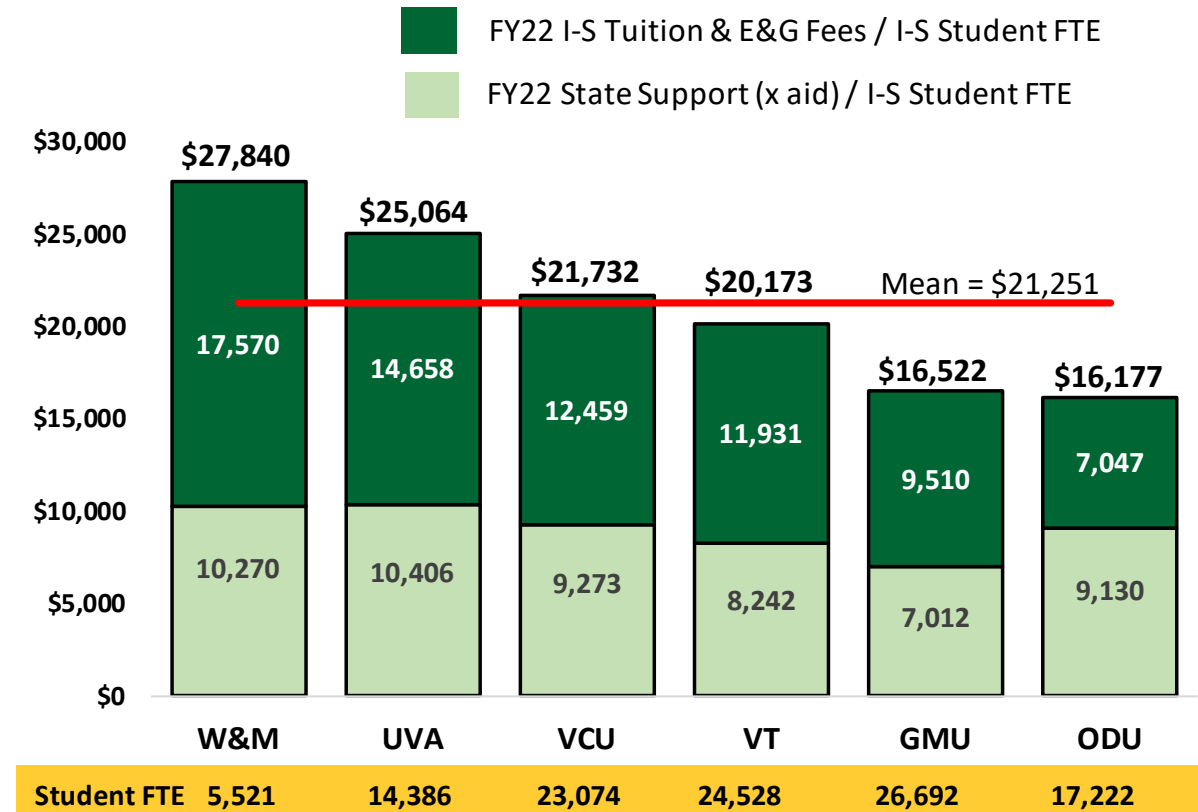




# Tuition and State Funding Disparities

When state and tuition funding are combined, Mason is nearly **\$5,000** per in-state student FTE **below** the mean of five **peer institutions**

BOV established a **special Tuition Committee** to make tuition recommendations for the remainder of the academic year

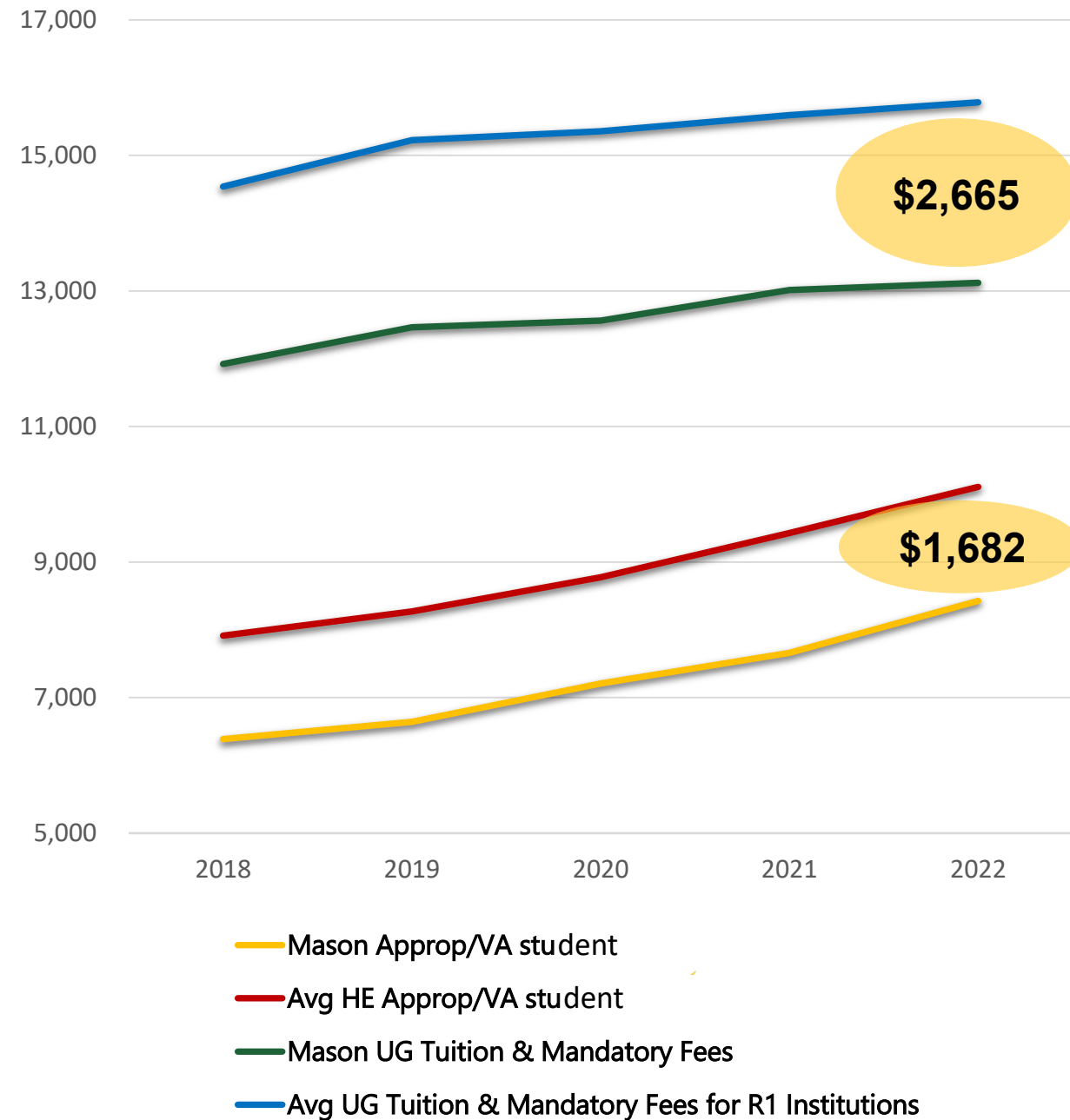




# Allocation & Tuition Gaps

\$2,665 gap between Mason's **undergraduate in-state tuition and mandatory fees** and the average for other R1 institutions in FY22

\$1,682 gap between Mason's **appropriation per VA student** and average appropriation for all other Virginia higher education institutions in FY22

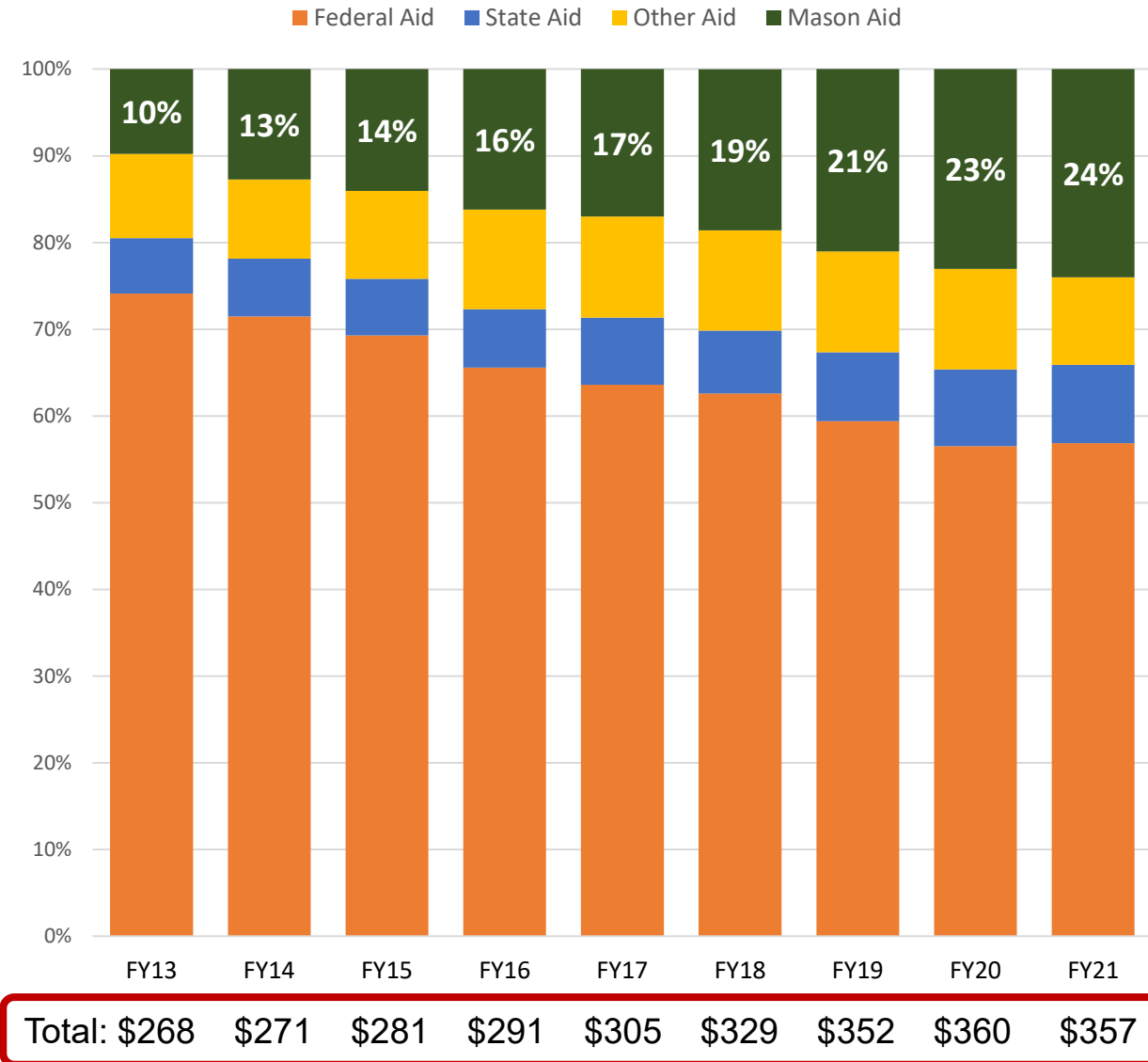


# Increasing Mason Aid

**Mason aid** has more than **doubled** as a percentage of overall financial aid

**Federal, State** and all **other aid** has **steadily decreased** as a percentage of overall financial aid

Financial Aid Funding Source by Percentage  
FY13 – FY21



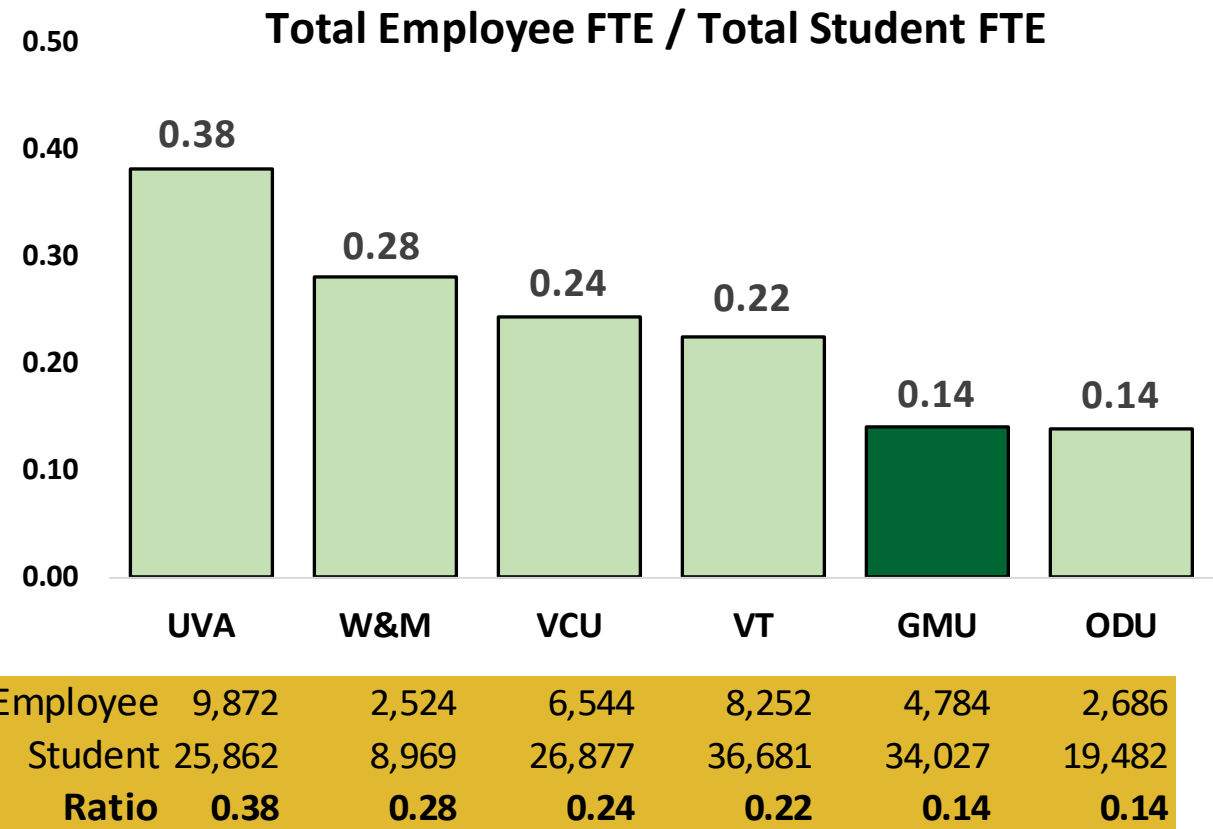
\$\$\$ in millions



# Operational Efficiency

Mason has significantly **fewer employees per student** than nearly all of its peers (by FTE)

Mason continues to improve and invest in **operational infrastructure** and **technology efficiencies**



# Market Compensation

Addressing **market competitiveness** is a **long term initiative**:

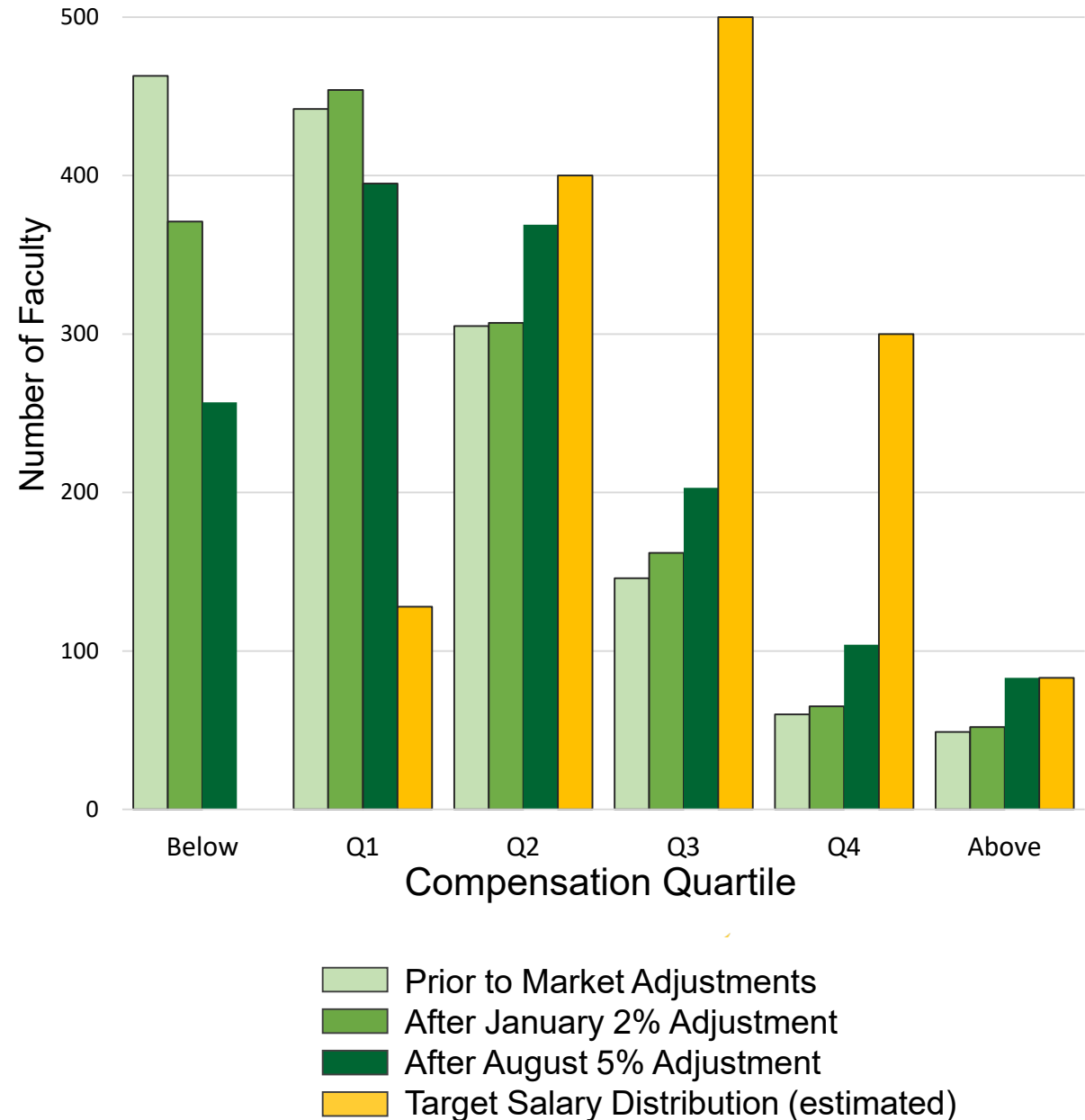
- Jan 2022: 2% adjustment
- Aug 2022: 5% adjustment

Still more than **250 faculty below** minimum market range

Faculty ranges based on discipline and adjusted geographically

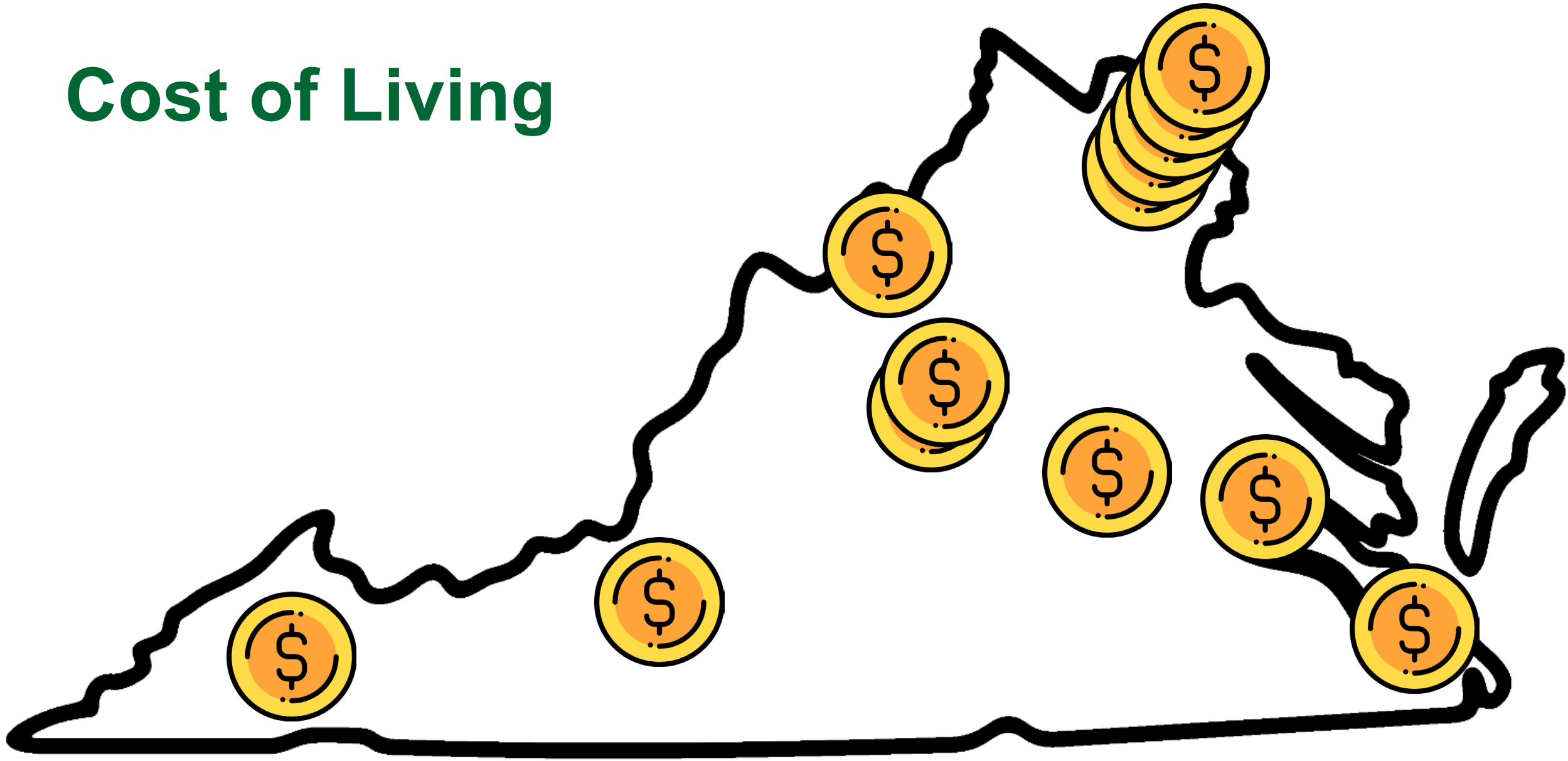
Salary range midpoints are the geographically adjusted **60<sup>th</sup> percentile of market**

Faculty Salary Distribution



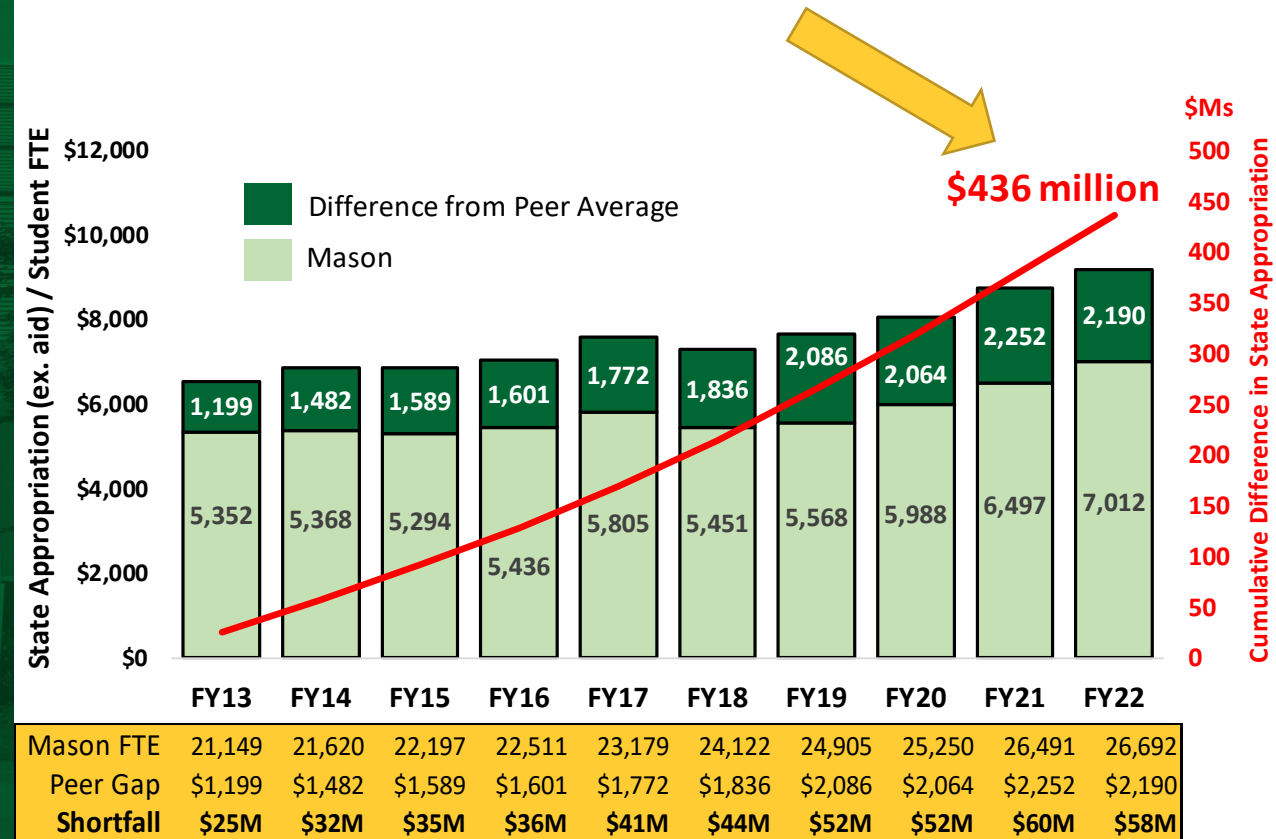


# Cost of Living



# Cumulative Impact of State Funding Disparity

Mason would have received an additional **\$436 million** had we received the **average state appropriation** per in-state student (excluding aid) of five peer doctoral institutions between FY13 and FY22

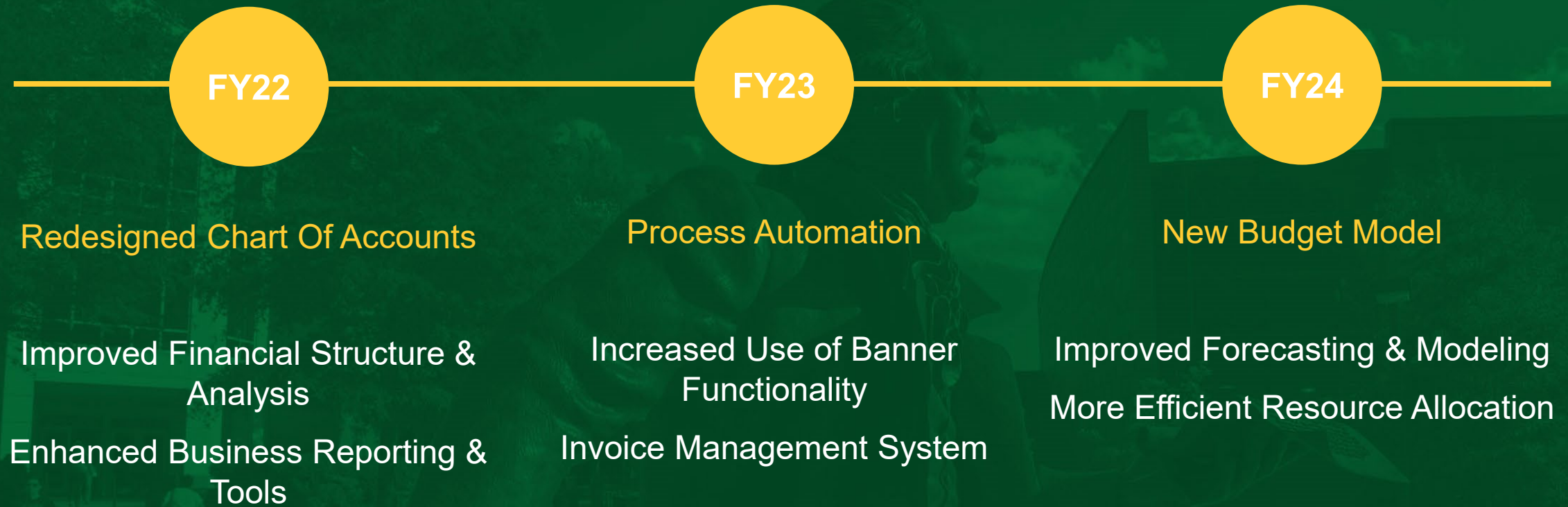




# Mason is a diligent and strategic steward of limited resources

- Our efficiency is our strength but that is not sustainable
- Investment in operational infrastructure and business process transformations
- Continued progress and growth through pandemic
- Well-positioned for potential financial downturn

# Financial Services Roadmap



**Streamline and modernize our systems and processes**

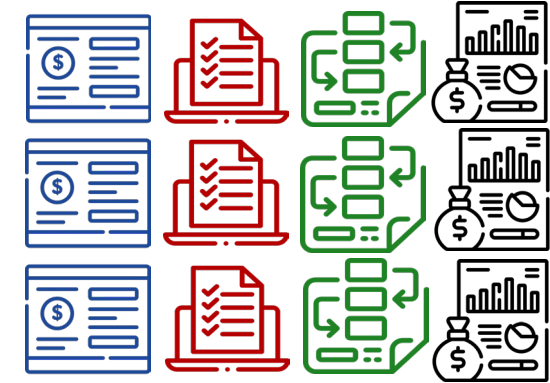


# Chart of Accounts Redesign

Before:



After:



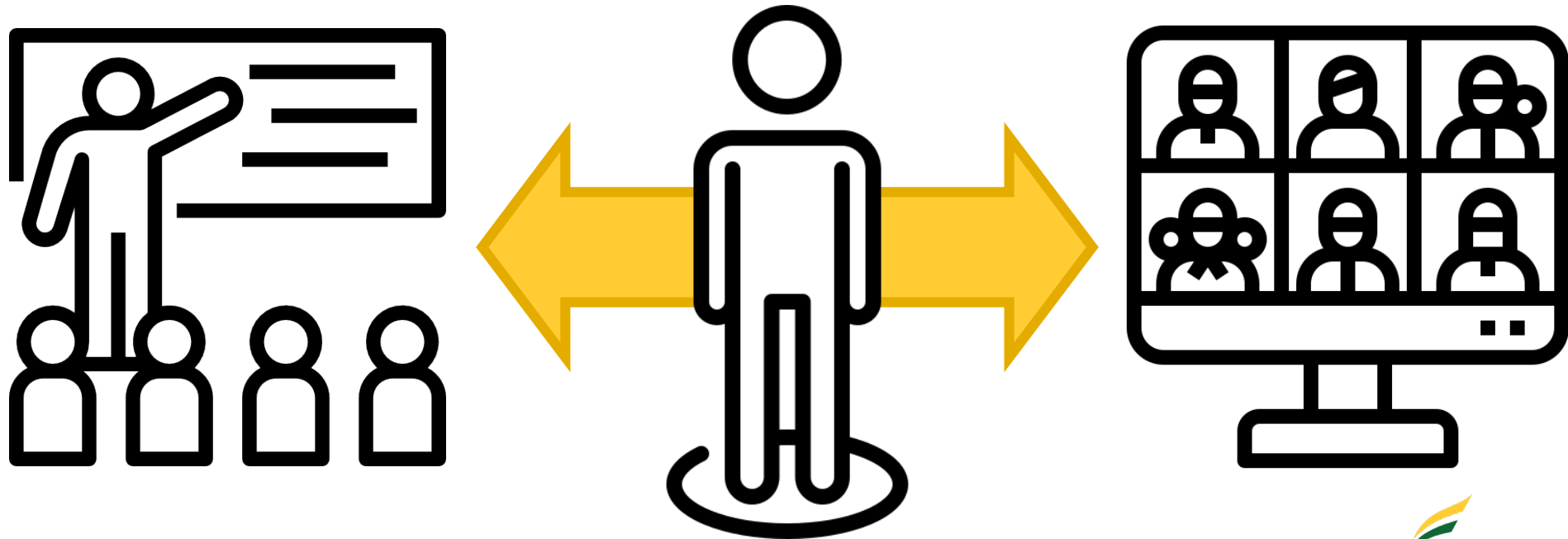
# Student Services Roadmap



## Enhance student engagement across modalities



# Standardize Student Experience



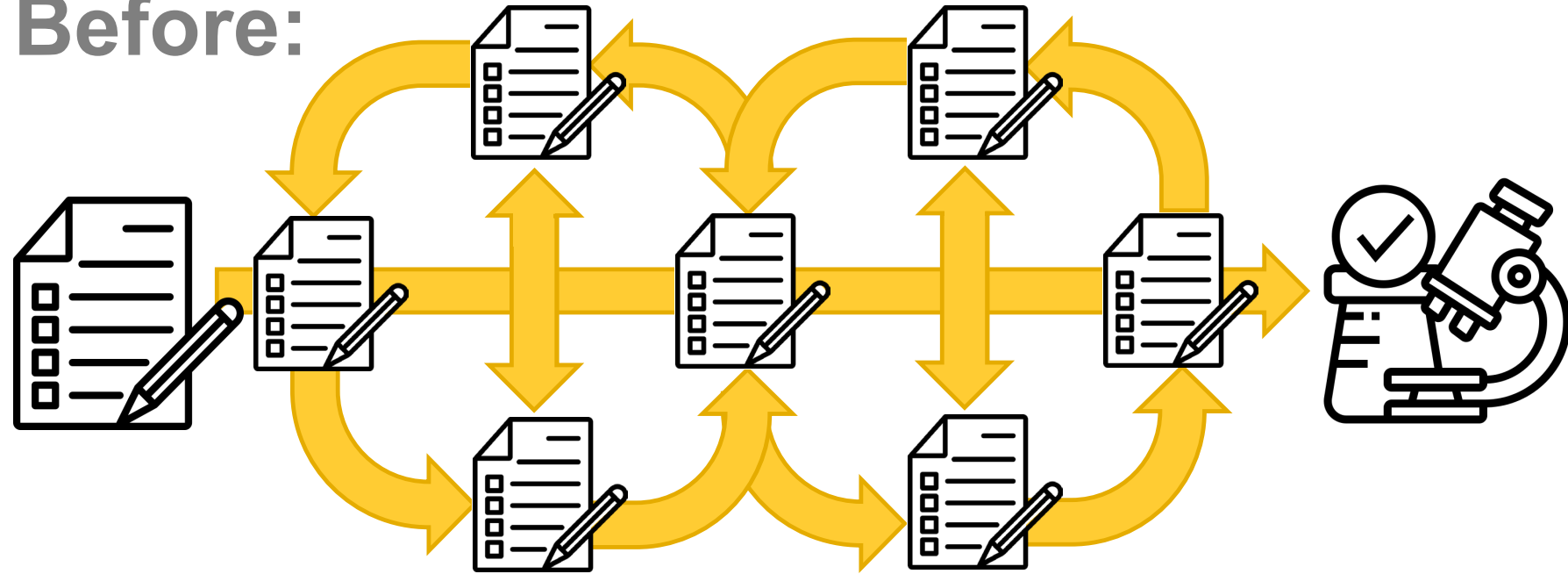
# Research Administration Roadmap



## Streamline and enhance research administration

# Streamline & Automate Grant Application Process

Before:



After:





# Human Capital Management Roadmap



## Attract and retain the best and brightest

# Leveraging Existing Resources & Strategic Investments



Renovating existing assets to extend useful life and enhance functionality

Investing strategically in new projects to support future growth



# Classroom Technology Refresh

213 classrooms  
\$23M investment  
Completed over six years  
Updated technology,  
teaching pedagogy and  
aesthetics  
Consistent appearance  
and capability across all  
campuses



# Forensic Sciences Outdoor Lab



*Credit: Becca Knier*

Former FBI profiler Mary Ellen O'Toole walking with WUSA9's Nathan Baca at the Manassas, Va. body farm.

**New five-acre SciTech facility  
\$210K investment**

**Transformative outdoor  
research in forensic science  
using human donors**

**One of only eight such  
locations in the world**



# Harris Theatre

The image shows the interior of the Harris Theatre. The seating is arranged in a semi-circular fashion with multiple tiers. The seats are light blue with yellow accents. In the foreground, a black grand piano is positioned on the stage. The stage floor is dark wood. The walls are a neutral color, and there are several doors visible. A balcony with stage lights is visible in the upper part of the image.

**Extended useful life by 20 years**

**Roof repair, new lighting and HVAC, and updated interior finishes**

**25,000 sq ft (built in 1975)**

**\$10M (less than half of replacement cost)**



# Police Drone Program



**Founded in 2018**

**1,000-plus flights**

**Provides real-time  
information and support**

**Supplements personnel  
deployments**

**Regional and national  
partnerships**

**Event monitoring, search and  
rescue, emergency response,  
scene documentation**



**Mason continues to make the best use of limited resources, investing in our people, systems, and students.**

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# Operating Budget



# FY23 Proposed Operating Budget

**Investment in faculty and staff**  
through competitive compensation

**Investment in students** through increased financial aid

**Focus on efficiency** through conservative allocations for core budget needs

<i>Cash basis (\$Ms)</i>	FY20 Actual	FY21 Actual	FY22 Budget	FY22 Actual (Preliminary)	FY23 Budget (Preliminary <sup>1</sup> )
<b>Revenues</b>					
Net Tuition and Fees	442	459	458	466	488
State Appropriations	190	185	234	252	266
Grants & Contracts	210	211	236	247	245
Auxiliary Enterprises	227	181	236	233	249
Other Operating Revenue	25	18	15	13	19
Non-Operating Revenue:					
Relief Funding	13	49	72	40	46
Capital Grants	46	72	50	32	124
<b>Total Revenues</b>	<b>1,152</b>	<b>1,175</b>	<b>1,300</b>	<b>1,284</b>	<b>1,436</b>
<b>Expenses</b>					
Salaries and Wages	462	478	540	526	565
Fringe Benefits	129	135	152	149	158
Contractual Services	171	147	206	191	198
Travel and Training	20	5	8	13	21
Supplies	21	23	24	26	26
Equipment	21	18	20	26	31
Capital Outlay	80	73	100	46	175
Debt Service	50	36	14	14	25
Scholarships & Fellowships	119	140	168	168	157
Occupancy	48	38	46	46	48
AE-Infrastructure Funding	31	83	21	79	32
<b>Total Expenses</b>	<b>1,152</b>	<b>1,175</b>	<b>1,300</b>	<b>1,284</b>	<b>1,436</b>

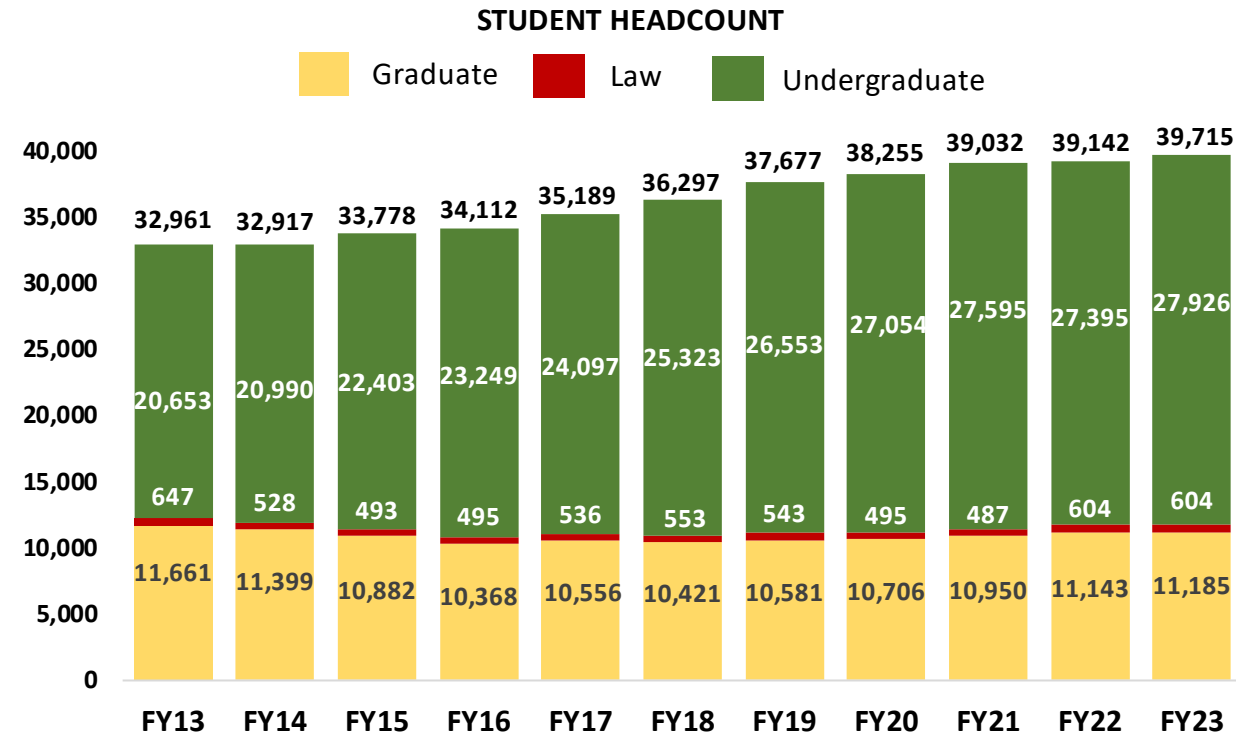
(1) Pending tuition committee review.

# Undergraduate & Graduate Enrollment

Mason has experienced a **steady increase** in total student **enrollment**, averaging 1.9% annually, since FY13

**Undergraduate** headcount has shown **steady growth**

**Graduate** and **Law** headcount have shown **continued growth** since prior declines





# Six-Year Operating Plan: FY23 & FY24

- **Student Success: Affordable Access & New Accessible Pathways**
- **Graduate Education**
- **Addressing Faculty & Staff Inequities**
- **Develop Infrastructure, Practices & Policies to Support Anti-Racism & Inclusive Excellence**
- **Elevate Research**
- **Enrollment: Funding Disparity Support**
- **Expand Economic Development**
- **Digital Innovation: Efficient Instructional, Operational & Service Models**



# Operating Budget Challenges

**One limited undergraduate tuition increase in last three years**

**No increase in FY23 Mandatory Student Fees**

**Tuition increases used to fund additional institutional aid**

**Tuition increases used to fund salary increases and employee competitive market adjustments**





# Capital Projects and Opportunities



# Capital Funding Priorities

- Fuse at Mason Square
- Student Innovation Factory Building
- Interdisciplinary Science & Engineering Building 1
- Business School
- Critical Deferred Maintenance Phase 1



# Fuse at Mason Square

## First P3 at Mason

- Unprecedented public-private partnership
- \$77M raised off-balance sheet / off Mason's credit for Commercial Space
- Lease-up risk transferred to private partner

## Fulfill Tech Talent Vision

- Expand research in high-tech fields
- New School of Computing
- Increase computing enrollment to 15,000 students
- Fill tech talent pipeline for employers
- Business, community & academic partnerships

## Budget: \$256.5M

- Commonwealth
- GMU Philanthropy/Bridge Financing
- Developer Equity/Debt
- Includes \$11.4M Commonwealth Request

## Completion: September 2025





# Public-Private Partnership (P3) & Other Opportunities

Mason is **assessing opportunities** for development and utilization of **existing assets**

To effectively mitigate impacts to Mason's credit capacity, the asset must:

1. Be a commercially viable project on a stand-alone basis
2. Not be deemed a performing asset of the University

Benefits could include **faster development, transfer of risk** and **revenue generation**

## Potential Initiatives

- Infrastructure Investment
- New Buildings
- Sustainability Initiatives
- Student, Faculty and Staff Housing
- Medical School
- Athletic Complex
- Asset Monetization





# Mason Funding Planning



# Mason Is Driving Virginia Higher Ed Enrollment Growth

- A lean, efficient operator
- Leveraging existing resources with strategic investment
- Continuing to look for additional revenue sources
- Managing & mitigating risks
- Investing in People and Infrastructure
- Continuing to improve efficiency and return on investment

# FY24 Base Budget Planned Funding Request

## Estimated Base Funding Gap – E&G

*in millions*

### **Market compensation adjustments - Base Budget shortfall:**

Faculty based on FY22 review and report <sup>1</sup>	\$14.5
Staff projections based on current market <sup>2, 3</sup>	10.0
Positions hired at market <sup>2, 3</sup>	7.0

### **Funding covered through reliance on vacant positions:**

Contractual Service volume and escalations <sup>3</sup>	9.9
Technology Infrastructure services and systems	5.6
Other unfunded Direct Expenditures <sup>3</sup>	4.2

<b>Annual Base Budget Funding Gap (inflation adjusted)</b>	<b>\$51.2</b>
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<sup>1</sup>Market compensation adjustments above 5% July planned increases

<sup>2</sup>Based on new hires due to turnover and planned growth

<sup>3</sup>Based on Northern Virginia costs, inflation, wage/rate escalations





# Mason is

## All Together Different



## Financially

# So Let Richmond Know!

