

Minutes, Budget Committee of Academic Senate

Meeting of March 19, 2007 (As approved, April 30, 2007)

Present: Michael McIntyre (chair), Robert Kohrman*, Charles Parrish*, Frederic Pearson, Louis Romano, Robert Ross, Vishwanath Sardesai, Assia Shisheva, Shirley Thomas, William Volz.

Absent with Notice: Charles Elder, Stephen Calkins, Arik Ragowsky, Linea Rydstedt, James Woodyard.

Invited Guests: Nancy Barrett, Provost; John L. Davis, Vice President for Finance & Facilities Management.

*Liaison

1. The meeting convened at 11:10, due to the lateness of the chair. The minutes for the meeting of January 22, 2007, were approved without objection.
2. *Contingency Reserve.* the chair noted that no charges are proposed to the contingency reserve, which now stands at \$500,000.
3. *Report on Bonded Indebtedness.* Vice President John L. Davis discussed with the committee a report prepared under his direction that sets forth the University's debt situation. The report is a follow-up on a report prepared in 2004. The Board of Governors (BOG) requested the report so as to be able to monitor the University's debt situation.

The chair noted that this report, like its predecessor, does not provide much historical information. He suggested that a snapshot of how the University is doing today is less useful than historical series showing trends over some reasonable period. He indicated that the committee had asked for historical series when the initial report was prepared in 2004.

Note: Here is an excerpt from the June 8, 2004, minutes:

Several members noted that the report did not show with clarity the growth of debt in the university over the past decade. Mr. Davis promised to provide that information. It is understood, nevertheless, that the increase in debt is quite large.

Mr. Davis noted that the report does contain some historical data [Note: see p. 6 of the report] and that he would be happy to provide the committee with a copy of the 2004 report. The chair indicated that no historical data is provided when the University is compared to other universities.

One member asked about the plans for incurring future debt. Mr. Davis indicated that the University had no immediate plans for a new bond issue. It was noted that

the Administration was recommending at the upcoming meeting of the BOG that the University finance the construction of a new parking facility with borrowed funds. Mr. Davis indicated that the bonds for that project probably would not be issued until they could be combined into a larger issuance.

4. *Report on Investments.* The committee discussed briefly the annual report on long-term investments, which will be presented to the BOG at its upcoming meeting. The report indicates that the University earned 9.2% on its invested funds, whereas the investment target was 10.1%. The investment advisor has been replaced. The chair noted that the 9.2% yield was sufficient to allow the University to pay out funds to the schools and colleges at the historical rate of 5% and not at the lower rate that was adopted as a result of a temporary decline in investment yields in 2000-01. The committee had strongly opposed that cut in funds for the schools and colleges.

A member reminded Mr. Davis that he had promised to present a report to the committee on the use of a rolling average of investment yields, as done by some schools, in setting the payout rate on endowment funds. Mr. Davis repeated his promise to provide that report during this academic year. The chair noted that he has scheduled a discussion of that issue for the April 30, 2007, meeting of the committee and that he has invited Vice President Susan Burns to that meeting at the suggestion of Mr. Davis and Provost Barrett.

5. *Other BOG Matters.* The committee briefly discussed the plans for a parking structure that the university intends to build to facilitate the construction of apartments by a private developer. Also discussed briefly was the planned demolition of the Forest Apartments and the installation of a fire suppression system in the computing center.

6. *Budget Consultation.* The committee discussed briefly with the Provost the plans for consultation with the committee on the FY 2008 budget. The Provost indicated that she welcomed input from the committee but that the uncertainties about state funding make it extremely difficult to plan. She indicated that recent developments put in jeopardy the governor's proposal for a 2.5% increase and for repaying the anticipated cuts in the FY 2007 budget at the start of FY 2008.

7. *Adjournment.* The committee adjourned at 12:15 p.m.

Michael J. McIntyre