AY 2009-10 BUDGET ADVISORY COMMITTEE (BAC)
Minutes from the April 22, 2009 meeting

ATTENDEES
Dr. Alvin Thornton – Chair
Mr. Sidney Evans – CFO
Dr. Donald Bell
Dr. Charles Betsey
Dr. Rufus Blackwell
Ms. Carole Borggren
Dr. Philip Fanara
Dr. Andre Farquharson
Ms. JoAnn Fax
Ms. Renee Grant
Mr. Michael Harris
Dr. Dawn Williams

Mr. Thomas Lawson
Dr. Ivor Livingston
Ms. Roberta McLeod-Reeves
Dr. George Middendorf
Dr. James Mitchell
Dr. Robin Newton
Dr. Joseph Reidy
Dr. Rosetta Ross
Dr. Davis Schwartzman
Mr. Bryan Smart

Committee Staff:  Mr. Cecil Trotman, Mr. Terrell Allen and Mr. Eugene Cooper from the Office of Financial Analysis and Budget.

2:09 p.m.
Dr. Thornton called the meeting to order. The minutes from the April 15 BAC meeting were reviewed and approved.

Dr. Thornton reviewed the proposed agenda. He then introduced Mr. Michael Harris, AVP for Administrative Services, with responsibility for Physical Facilities Management (PFM). Mr. Harris was at the meeting to discuss in detail one of the proposed funding priorities, deferred maintenance.

Ms. Harris began by noting that PFM maintains Howard’s three primary campuses: main campus, west campus (Law) and east campus (Divinity). PFM maintains 5.3 million square feet of space in approximately 100 buildings; 40 of these buildings are over 60 years old. The last new academic building at Howard was built 25 years ago (not counting the 2 new libraries or HURB1 as academic buildings). Howard’s physical plant is aging.

Mr. Evans noted that every major college and university that he is aware of has at least 1 new building built in the 21st century, except for Howard.

Mr. Harris stated that $110 million in deferred maintenance has been budgeted and spend over the last 10 years, including $50 million in the last two years. This has addressed a number of issues, including elevator repairs and building systems upgrades in several major academic building. The last facilities master plan was released in 1998, and is currently being updated.
Mr. Harris noted that an industry standard for annual maintenance is 2% of a facilities replacement value. For Howard, this would translate to an annual target of $20 million a year, based on a very rough estimate of our replacement value. $20 million a year for deferred maintenance plus additional funding for other capital needs is not achievable in our present financial situation, given our budget challenges and our current inability to borrow additional capital funds.

He detailed 3 ranking factors in prioritizing deferred maintenance projects:
1. Projects impacting immediate life safety issues
2. Projects addressing academic issues
3. Projects addressing student life issues

The University has a range of types of capital projects it needs to consider in addition to deferred maintenance, including facilities enhancements such as classroom and laboratory renovations, and new construction. Mr. Harris stated that a committee has been used in the past to vet capital requests.

Dr. Bell asked whether PFM’s prioritized list of capital projects would be shared with BAC. Mr. Harris agreed that it would eventually be shared, when it was completed.

Dr. Mitchell asked for more detail on the PFM prioritization process of maintenance requests. Mr. Harris said that some maintenance is done in-house by PFM staff; his analysis is that Howard is staffed at a level consistent with industry benchmarks, although toward the low end. PFM does hope to use a facilities condition index to identify and prioritize maintenance needs, and an updated, detailed, professional study of the facilities would help. Dr. Schwartzman mentioned that some time ago protesting PFM workers had alleged that the number of electricians on staff had decreased to 3, from a high of 14 during President Cheek’s administration. Mr. Harris noted that currently, 11 electricians are on staff augmented by contractors. In his opinion, this is an optimal mix for service requirements.

Dr. Schwartzman also asked whether PFM has considered adopting any solar or other “green” energy sources. Mr. Harris noted that the University is embarking on an innovative energy strategy. An external expert company will audit Howard’s building, identify those with significant opportunities for energy savings, fund and implement the needed capital improvements; project to be paid for with savings on energy costs. Solar energy can be part of the saving strategy.

Dr. Bell asked whether $150 million in deferred maintenance was reasonable estimate of Howard’s needs. Mr. Harris agreed, with perhaps a total estimate of $500 million for all capital needs.

Dr. Mitchell stated that the federal stimulus package has available funds for “shovel ready” projects. He asked who in PFM has a list of such projects. Dr. Bell stated that there is a list of 8 or 9 such projects. He recommended inviting Dr. Minor to the next BAC meeting to elaborate. Dr. Thornton seconded this suggestion.
Dr. Mitchell asked about the possibility of faculty input for this list of projects. Dr. Thornton replied that faculty input is the mandate of BAC.

Dr. Middendorf stated that the current process for maintaining Howard’s infrastructure is not satisfactory, and asked what PFM is doing to fix the process. Mr. Evans noted that as CFO this is his responsibility, one he has been addressing. The national search that resulted in the hiring of Mr. Harris was part one of the solution. Also, under Mr. Harris PFM is planning to undertake the aforementioned facilities assessment study. Mr. Evans is also moving to implement a new capital budget process. Ms. Fax noted that deferred maintenance usually costs more than preventative maintenance and asked if preventative maintenance will be included in this capital budget. Dr. Farquharson followed up with a request for administrative guidance to guarantee that the new plans stay on track. It was noted that one of the advantages of groups like the BAC is that they shed light on important questions such as these, and create opportunities for the University community to hold management accountable for promised progress and change.

Ms. Fax asked how much of the needed $150 million of estimated deferred maintenance is really critical to the ongoing safe operation of the school. Mr. Harris stated that this is determined on an individual case basis. He used as example that the School of Medicine had no sprinklers or fire detection systems. He noted that these are the choices that he has to address in his prioritization process.

Dr. Schwartzman noted that past history has created trust issues, citing the example of a past lead poisoning scare. The story is that the administration refused to release data to the University community about the results of the testing, until forced to do so well after the fact.

At 3:04pm Mr. Harris concluded his presentation, and Dr. Thornton began the budget review portion of the meeting.

Ms. Borggren reviewed the data first presented at the April 15 meeting, of the current FY2010 budget. This included a summary of $504.6 million of unrestricted revenues, $562.5 million of unrestricted expenses including $33 million of depreciation, plus $73 million of expected revenue and expenditures from restricted sources like grants, gifts and endowments. The $10 million of strategic priorities that were expected to be funded in FY2010 operating budget were reviewed, as were the $32 million of mandatory and proposed capital projects.

Ms. McLeod-Reeves asked about the $4.5 million mandatory capital projected for the Town Center, and whether the Howard Town Center project would generate revenue for the University. Mr. Evans gave a brief overview of the project, which will indeed generate revenues. Howard would provide property to be developed, receiving ground rent payments that have already begun to accrue. Once the design and construction phase is complete, these payments will be $1 million per year, with a 3% inflation factor, for 25 years. If the property is sold in 7-10 years, Howard will participate in the proceeds.
Dr. Fanara noted that this project is a good deal for Howard. Dr. Middendorf noted that, nevertheless, the requirement to fund a $4.5 million capital project for the Town Center was of concern, given our limited resources and many capital needs. Dr. Bell stated that while BAC can make any recommendation, the Howard Town Center deal has already been signed.

Dr. Lawson asked for the further explanation of the “University College” project for which the Provost had requested funding. Dr. Thornton explained that the idea is to better integrate the first two years of the undergraduate experience, to improve retention; the concept is based on successful program in place at other institutions.

Dr. Livingston asked about the “Summer Readiness” item included among the proposed capital projects. Ms. Borggren stated that each summer year the University funds a portfolio of repairs and maintenance to prepare the campus for the new academic year, usually with especial focus on the dorms. Dr. Livingston then asked whether the Wayne Avenue Continuing Education facility was included anywhere in the proposed capital projects. Dr. Thornton stated that Continuing Education program would be relocated to main campus.

Mr. Smart asked how the Capital Requests recommendations were developed. Dr. Thornton said that these recommendations were up for BAC discussion.

Dr. Schwartzman asked about the 3% salary increase included in the FY2010 budget, since salaries have been frozen. Ms. Borggren stated that salaries had been frozen for FY2009, but the assumption is that alary increases should be considered for the FY2010 budget.

Ms. Fax asked how the “early-out” offers will impact the budget, and were the savings incorporated. Ms. Borggren stated that the budget data presented was based on steady state projections, and did not reflect the VSIPR or any other future actions to be taken to reduce the projected deficit. Dr. Thornton stated that more information on the retirement incentive program will be forthcoming.

Dr. Newton requested more information on capital projects, specifically which would impact revenue or accreditation. Dr. Mitchell followed up by asking did BAC have a mandate to offer a balanced budget, and if so how and when would BAC address projected deficits and offer solutions. Dr. Thornton acknowledged the importance of both of these questions and reiterated that BAC will provide the information Dr. Newton requested, and will make the recommendations identified by Dr. Mitchell.

Ms. Fax asked when ISAS/IT/technology details would be addressed. Dr. Thornton stated that Dr. Minor, and other University administrators from whom the BAC wishes to hear, would be invited to a future meeting.

Dr. Livingston asked the BAC members, and others in the University community take the initiative to address the simpler improvements that can be accomplished. He used as an
example church benches that he personally placed on the 2nd floor of Douglass Hall to keep the students from having to sit on the floor. Dr. Thornton stated that the “Students First” Initiative will address issues like this in a more systematic way, and President Ribeau is committed to this kind of thinking.

Dr. Bell stated that all concerns will be noted and given to the right staff. Systemic issues will be addressed, and preventive maintenance must be prioritized.

Dr. McLeod-Reeves asked about the online degree programs, and any other revenue generating initiatives that may be examined. She noted that UMUC and University of Phoenix were up and running, and generating revenue. Dr. Thornton answered that the departments submitted online concepts, but the IT backbone must be upgraded to meet the demands of an online program.

Mr. Lawson asked about organizational issues, and how the University plans to make and institutionalize the kinds of changes that lead to sustained, improved performance. Dr. Thornton stated that BAC accountability measures related to funded projects could be part of the purview of the BAC.

Dr. Thornton also asked that recommendations and proposals with supporting information be sent in prior to the next meeting, in order for them to be addressed during the next meeting.

Dr. Mitchell stated that increased research capability and support are needed to make Howard a top 50 research university, as mandated by President Ribeau and the Board of Trustees. The current FY2010 budget doesn’t seem to address these needs. Dr. Thornton reiterated that all ideas be sent to him via email to be discussed at the next meeting. Dr. Bell stated that the BAC charter is to figure out how to accomplish President Ribeau’s vision for Howard University.

The meeting was adjourned at 3:44pm.