UNIVERSITY OF
THE DISTRICT OF COLUMBIA

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BOARD OF TRUSTEES

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BUDGET AND FINANCE COMMITTEE MEETING

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Wednesday,
January 15, 2014

The meeting convened at 6:30 p.m.,
Reginald Felton, Chair, presiding.

BOARD OF TRUSTEES MEMBERS PRESENT:

REGINALD FELTON, Chair
ERROL SCHWARTZ
ALEJANDRA CASTILLO

JAMES LYONS, PhD., Interim President, UDC

ALSO PRESENT:

BEVERLY FRANKLIN, Executive Secretary
JEROME SHELTON, UDC Trustee
DONALD RICKFORD, Acting CFO

DAVID FRANKLIN, Budget Director
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6:35 p.m. CHAIR FELTON: Okay. I'm going to call this Budget and Finance Committee meeting to order.

Ms. Franklin, could you do roll call?

MS. FRANKLIN: Mr. Felton?
CHAIR FELTON: Here.
MS. FRANKLIN: Mr. Vradenburg?
(No audible response.)
MS. FRANKLIN: General Schwartz?
TRUSTEE SCHWARTZ: Here.
MS. FRANKLIN: Ms. Castillo?
TRUSTEE CASTILLO: Here.
MS. FRANKLIN: Mr. Isaacs?
(No audible response.)
MS. FRANKLIN: Dr. Lyons?
DR. LYONS: Here.
MS. FRANKLIN: Mr. Shelton?
TRUSTEE SHELTON: Here.
MS. FRANKLIN: Mr. Chair, you have a quorum.
CHAIR FELTON: Thank you very much, Ms. Franklin.

I want a motion to approve the agenda but I am asking that the motion delete number two and that item seven because of the implications will be addressed in closed sessions.

TRUSTEE SHELTON: So moved.

CHAIR FELTON: Is there a second?

TRUSTEE CASTILLO: Second.

CHAIR FELTON: Ayes?

(A CHORUS OF AYES.)

CHAIR FELTON: Opposed.

(No audible response.)

CHAIR FELTON: Okay. The ayes have it.

Okay. This evening, we have several items to discuss, and we're pleased to have with us the staff to address these issues. We're going to start with the FY 13 actuals.

MR. RICKFORD: This is unaudited
information that I have been trying to get with. We are in the middle of the audit. We expect to finish the audit very early next week, possibly Tuesday. And I do not have as yet from the audit of any recommendations for adjustments. We have preliminary numbers.

And I wanted to make sure that I presented it at this meeting because I know we do not have another meeting until March, I believe, for the next Board meeting. So I wanted to make sure that the -- no, no, the Board meets in January, not the committee.

CHAIR FELTON: No, the Board --

oh, you mean the committee.

MR. RICKFORD: We wanted to make sure that the representatives all do a good job on our end.

CHAIR FELTON: All right.

MR. RICKFORD: From operations, we had a total of right near $56 million on the page. Two of the documents -- the second page of the document -- for 2013, $56,423,000. And
we had operating expenses of $141 million
which left us with a loss in net operating
expenses of more than operating revenues.
Keep in mind that the District's appropriation
and some other very large items -- the Pell
Grant -- cannot be listed as operating revenue
since it's below the line.

When we count that additional
revenue of $88 million that we got $75 million
from the city, $2.7 million in investment
income and $10.68 million in other income
which is primarily the Pell Grant. And we
have a total of $88 million -- $88.8 million
in nonoperating revenues that gave us an
increase in net assets before Capital
Appropriation of $3.9 million. Effectively,
that is what is adding to on unrestricted net
position.

If we go down to the condensed
statement on page one of assets and
liabilities, you will see that addition of
$3.9 million plus additions from Capital
Relief fund balance. We would have an unrestricted net position of $17 million -- $17.19 million. But it's important to note that of that $17.19 million, it includes money that we owe to the Early Childhood Program. That is the $850,000 every year that we get in additional appropriations for that program. That is non-lapsing. Over the years, most of that money was not spent. So we still have a balance for them of $1.7 million.

In addition, we have a net position of this relief of the capital projects still in there. So that $3.7 million, if you take that from there, the true unrestricted balance at this time is approximately $13 million.

DR. LYONS: May I interrupt?

CHAIR FELTON: Of course.

DR. LYONS: But if you look from an operational standpoint, it doesn't mean that of that $13 million that we do not have some things there that we know we must do.
operationally. So I don't want to give the
impression that there's no thought that has
gone into this.

And one of the items in there
would be a subject for an Executive Session.

CHAIR FELTON: And so, for the
Board, if there are such things that need to
be committed, when would you be aware of them?

MR. RICKFORD: Some of them I'm
already aware of. But we don't have a firm
number on those things. Some of them are
related to some legal issues we have out
there. And also some of the items that we've
looked at and we've included in the strategic
plan, we may want to look at using some fund
balance for some of those things. But no
decisions, as far as I know, have been made.

CHAIR FELTON: Dr. Lyons, when
would you expect that there would be some
recommendations on that for the Board?

DR. LYONS: In some instances,
very soon. There's a couple of items that are
ongoing. There are a couple of items where we're trying to tally those processes and totals. I would hope that within the next month, we'd have a much better picture.

But as I said --

CHAIR FELTON: You're not optimistic that we would have that by our full Board meeting on January 28?

DR. LYONS: No, I'm not optimistic.

And like I said, I'll have more to say about that in Executive Session because some of this is legal and some is personnel.

CHAIR FELTON: Understood.

TRUSTEE CASTILLO: Could you just clarify for me some of these entries so that I have a better understanding?

MR. RICKFORD: Sure.

TRUSTEE CASTILLO: Going to assets -- others -- there was a significant increase from 2011 to 2013. What is that other? What does that include?
We're looking at $2.2 million.

And that's page one of that.

MR. RICKFORD: We have in there

accrued interest receivable and some
receivables from audit components we missed.

TRUSTEE CASTILLO: What's an

example of that -- other receivables within

the --

MR. RICKFORD: Just any
transactions we have from the audit components
we missed from within the District that we
have not collected on as yet.

TRUSTEE CASTILLO: Do you have any

grants?

MR. RICKFORD: Yes. We have

grants in there.

Yes, some are nongrant, what we
would call fee-for-service transactions --

TRUSTEE CASTILLO: Okay.

MR. RICKFORD: -- maybe as a
profit margin included in it. The grants we
record separately.
TRUSTEE CASTILLO: Okay. And could you go to the net position -- nonexpendable restricted net position?

MR. RICKFORD: Yes.

TRUSTEE CASTILLO: What is that? And I'm sorry. I'm trying to understand plain English here.

MR. RICKFORD: Sure. Yes.

There's been a change because of I think GASBY, statement number 63. The way this information is presented -- I always say as an old timer, we used to use fund balances. They changed that up and they're now using net position. And they've broken it out.

And for example, I mentioned earlier that although you see the net position here unrestricted as $17 million, if you break it out more it would have an expendable restricted portion which is why I mentioned just now that part of that is for the Early Childhood Program and part of it is related to capital.
But effectively, that is the net value of what the University assets -- the net position. If you take your assets and you minus all of the liabilities, that's what we are worth.

TRUSTEE CASTILLO: So the non-extendable, what does that include?

MR. RICKFORD: The non-extendable?

One second. I'll give you the breakdown on that.

That would include amounts that are owed to the District. That's mostly money that we owe to the District government.

CHAIR FELTON: For services?

MR. RICKFORD: Well, they pay things on our behalf.

CHAIR FELTON: Okay.

MR. RICKFORD: And we end up -- the portion, for example, when we get an appropriation from them -- the local money -- we do not own what is left over. That's why, for example, when we got the $9.8 million last
year, that was really a residue -- a fund
balance that was left over from 2008. We
couldn't just spend that money because
technically it belongs to the District
government. And we do hold it as part of our
fund balance restricted. And in at least two
cases, I know we went to them and asked them
to get us that debt. And that's how we're
allowed to spend it.

TRUSTEE CASTILLO: So the last
question I have is expendable restricted net
position. There was a significant drop from
2011 to 2012. What is that based on? It's
right underneath the non-expendable.

MR. RICKFORD: One second. The
expendable, the one we have -- grants and
contracts -- basically that $187,000 are
basically grants and contracts. That's what
you're talking about -- the $187,000?

CHAIR FELTON: She was asking why
the difference. You see how much we had in
'11, '12 and '13.
MR. RICKFORD: Just as a normal process of the transactions we have every year. That's just the balance that is left in there.

TRUSTEE CASTILLO: It's the balance that was left.

MR. RICKFORD: Left.

TRUSTEE CASTILLO: But does that explain why the drop?

MR. RICKFORD: Well, the drop -- well, so you have transactions occurring during the year.

TRUSTEE CASTILLO: Yes.

MR. RICKFORD: We had a balance last year. In effect, we would have used more than we brought in for those three restricted ones -- the funds that would normally flow through the year. So we had less revenue than we expended. So we had to reduce that fund balance at the end of the year.

There are things that are set aside for specifically, but I can't tell you
off the top of my head what they were -- that we expended during the year.

CHAIR FELTON: So it has to do with the volume of transactions?

MR. RICKFORD: Yes. The transactions --

CHAIR FELTON: The cost is unspecified.

MR. RICKFORD: Effectively last year, we had $1.7 million left. But there were things -- obligations -- that we had to meet during the year that required us to use that money.

Remember, it was restricted for specific purposes. So when we -- yes, when those purposes came up, we had to spend the money for that. That's why we label it restricted. It's that it is not our money but it's available to spend for specific reasons.

TRUSTEE CASTILLO: So one last question. Is this the report that you get, Dr. Lyons, in terms of balancing the budget?
DR. LYONS: We get more. I have more information. We talked in greater detail than this.

TRUSTEE CASTILLO: I understand --

MR. RICKFORD: This is something that we generally prepare once at the end of the year. But we have monthly reports that we prepare and quarterly reports that would give you more in terms of the budget and expenditures as opposed to what our net position for the year -- how we ended up the year financially.

TRUSTEE CASTILLO: And I only ask the question only because obviously the management tool for your purposes, Dr. Lyons, I'm sure you can appreciate how the things change -

DR. LYONS: Oh, I agree. And Don and I have talked about this issue. And we have to from the management side receive more frequent information. We ought to be able to provide your committee and the audit committee
more frequent information. And Don has committed to making it happen because we can't run our business in an end-of-the year kind of reports. And we're committed to doing that.

CHAIR FELTON: Yes. This is a discussion that we continue to have.

So you understand there are things that impact the ability to do that. But nonetheless, it's frustrating for the Board.

Can you talk about this and some of the things that impact the identity of the staff?

MR. RICKFORD: The two significant things that are impacting our ability to present information in a timely manner -- the system -- the management system -- that was implemented I believe in 2011. There are a number of issues that we have to get through. All of the functionality is not being used for the system. And it's created some problems for us. But most important is the lack of staff. We've had a reduction of since last
spring, I believe ten positions. We have no
controller, no deputy controller. Right now,
I don't have a manager of accounting. Ms.
Seena (phonetic) has been in place for a total
of 40 hours. I sign her time sheets today so
I know. And I think we have two vacant
accounting positions.

So basically, we're running a
control operation without staff. There are
three accountants whom I don't think anyone
would classify any of the three of them as
super accountants. One is good.

TRUSTEE CASTILLO: We don't need
to go into the details.

MR. RICKFORD: So those are the
things that affect us.

And we have a significant issue
with that because we have the management from
the central controller's office and the CFO's
office.

TRUSTEE CASTILLO: So my last
question, if I may -- and I apologize to my
colleagues -- I know that the issue of the
system was something that we tackled last
year. It created some problems. Is there any
way that we're reconciling this system? Or
are we still just in kind of limbo from where
we were last year?

MR. RICKFORD: I wouldn't describe
it as being in limbo. We are reconciling the
system. The problem is that functionally
processing transactions and for example,
billing for interagency grants is much more
difficult because the grant money was not
fully functional. So we're working on that
now to make those things fully functional.

And the receiving functions for
goods and services, we don't have that
functionality. So all of that is done
manually. It slows up the processes
significantly. There's a lot more manual
intervention than we should have.

TRUSTEE CASTILLO: Not to mention
prone to error.
MR. RICKFORD: Yes. Absolutely.

CHAIR FELTON: I guess, I don't understand. Okay. The system issue hopefully at some point will be resolved. The personnel issues, if people are placed by the District, what is it that we could do so they understand the urgency? It's one thing to have two positions vacant. But it seems to me this is a very extreme situation.

MR. RICKFORD: Yes. And there are efforts right now. So for those positions, I believe we just got certifications this week. And there will be interview teams that will be meeting the candidates next week for a number of those positions.

But there wasn't much help for me during this whole process that we don't have a controller or deputy in place.

CHAIR FELTON: But I do remember one year -- and you remember -- where we actually had folks temporarily assigned.

TRUSTEE SHELTON: Yes, we did have
temporary positions. My question though is you're making budget information available to your boss on a regular basis.

MR. RICKFORD: Yes.

TRUSTEE SHELTON: And you're having trouble making information available to the Board because its format is in conflict with the format for your boss.

MR. RICKFORD: Two completely different formats actually.

TRUSTEE SHELTON: Right. But the format that has priority in your world is the format that you must give to the District government.

MR. RICKFORD: I absolutely have -- well, let me put it this way. I'm judged more on that. I would be fired if I don't provide it.

TRUSTEE SHELTON: And therefore, you don't have the personnel to run two separate information systems.

MR. RICKFORD: To produce two sets
of reports in the time frame.

CHAIR FELTON: That's correct.

MR. RICKFORD: Yes.

TRUSTEE SHELTON: And so, your office is satisfied with the documentation that's available as to the budget for a report for the University basically. Yes? Right?

MR. RICKFORD: Yes.

TRUSTEE SHELTON: Whereas as the Trustees are not comfortable with the way -- I'm not comfortable -- with the way we're getting information from the District government. Therefore, it seems imperative that you proffer from your stature some suggestions as to how we as a University can get timely budget information. Because you see, whatever commitment -- whatever that really means, they have to produce for us what you produce for your boss so that your boss can do business, so that we must have someone so that we can do business. Is that something you're prepared to recommend to the Board?
MR. RICKFORD: Yes, I am. And we will produce those reports for you.

CHAIR FELTON: But I think the question is what else might we be able to do either -- or a simple question would be if you have a system that works for one body, why can't you at least do an echo of that work or us? It has to work practically. If that gives the Board the kind of confidence that we're moving because I don't think anyone here -- at least this year -- is concerned that we're running out of money. But we better have enough but we're not running out. But on the other hand, the system that we are forced to use doesn't give us that confidence.

So I guess my question is is there a way to interpret reports that you provide to the District in a way that the Board feels more confidence about what you're talking about.

MR. RICKFORD: And the answer to that is yes. Yes. And I meet quite
frequently with the President on that and I
guess we will have to schedule the process for
getting this information more frequently to
the Board as opposed to just when we meet
here. I can provide you with monthly reports.

CHAIR FELTON: It's an interim
measure, but it's better than where we're at.

DR. LYONS: Let me answer the
question for Don. You just asked him if he
was satisfied. No, he is not satisfied.

TRUSTEE SHELTON: But he --

DR. LYONS: Wait.

TRUSTEE SHELTON: Yes, sir. Yes,
sir.

DR. LYONS: I can tell you're not
satisfied because we've talked about it, and
he knows better. He knows what we need to
receive. He's working hard. He's worked at
the University of Connecticut. So he's knows.
And we've talked about that.

So to that extent, he's satisfied.

He said yes. You said yes. That's the wrong
answer because that's not what you're communicating to me. We've talked about it. And as you said, even on an interim measure, if we can use the same reports that you have to give to your folks, then we would have something.

Then I think everybody knows that it's unacceptable for us not to be able to get any reports and have to keep begging and pleading and so forth. But I have a commitment and I have his word that it is going to get better and we are going to have reports more frequently of whichever kind.

But the staff thing though -- and also, he has reported. We've discussed that. And he has reported to his supervisor that the staffing problem is a mess. And that it is restricting us. We've talked about that as well.

CHAIR FELTON: But as a Board, can we do anything else to help move that situation into the District in your view?
DR. LYONS: Well, once we decide -- and then I guess here for me is the test. If we say, Don, we need quarterly reports, and you'd been saying this for a whole lot so you don't have --

CHAIR FELTON: You read my mind.

DR. LYONS: I understand that.

But we're saying as we've talked to Don, we need to have quarterly reports and we determine when that is going forward, if we don't get them, then yes, we need to talk to his boss and others because we have to have it.

CHAIR FELTON: But there was a decision made at previous meetings.

DR. LYONS: Well, I don't know how far back you go and so forth. But --

CHAIR FELTON: We want to help you. This is not about blaming. This is about --

DR. LYONS: And I'm not taking it in that spirit. But I'm just saying if we
keep having this same conversation, then we've
got to go to somebody beyond Don to help him
deliver. I mean, that's all I'm saying.

I'll feel foolish if I keep coming
here saying the same thing myself. So we know
-- I'm reading the emails and all that. I
don't want to keep coming in having the
Trustees say to me, Mr. President, we can't
get any reports. So I mean, at some point,
the rubber has to meet the road. Either we
get the reports or then we have to have them
go --

CHAIR FELTON: I appreciate that.
It's just that we came to the same conclusions
several months ago.

DR. LYONS: Is that right?
CHAIR FELTON: Oh, yes. Since
you've been here.

DR. LYONS: Is that right?
CHAIR FELTON: Yes, sir.

DR. LYONS: So I can't plead that
I --
(LAUGHTER.)

CHAIR FELTON: No.

DR. LYONS: You cut me off at the pass, didn't you?

TRUSTEE CASTILLO: And if I may, it's not the intent -- at least from where I stand -- to micromanage the financials but the axiom is an institution is only as good as its financial. And it's also telling because if you look at the trend, it really begs a lot of questions. For example, if the Pell Grant has decreased, is that strictly because of the attendance -- the student body -- or is there something else that we should think about?

So when I look at these financials, I'm also looking at what's the story here, and what can we as the Board of Trustees who serve on different committees try to anticipate for the next two, three, five years down the road so these financials can actually be stronger and much more positive for the University.
MR. RICKFORD: And I commit to you that they will be stronger.

We are in the process now -- let me just back up a bit. When I came here, I was surprised to find out that we had implemented a system and we did not procure the reporting module that posted it. I have never heard of an organization putting in a new system and you had no way to pull the details of the report.

We have since I've been here made arrangements through the CFO's IT shop to implement the reporting tool. We have done one third of the process so far. We have done the budget process which means we will be able to give you the reports that you would like to get.

Now we didn't have that flexibility. Before that, you would have to have someone with technical knowledge to write programs to get a report. And unfortunately, one of the persons that was laid off just
before I started was the only person that had those skills in the Finance Office. So we are without that person. We are without that person and without a tool until recently.

The next steps of implementing that process would be for the EP function and also for the student -- the student accounting function -- if you want to get that because that's in the area from the revenue standpoint that we need to do a lot of analysis that we cannot do now because we have no tools to massage the data.

TRUSTEE SHELTON: Excuse me. In the system that you're using --

MR. RICKFORD: Yes.

TRUSTEE SHELTON: -- there are modules or apps that we're learning to call them that would make that process applicable. Have there been any requests for these apps? Can we as a university purchase those apps?

MR. RICKFORD: This is the university system. This is not a solar
TRUSTEE SHELTON: But the system, you're saying to me, is incomplete in its reporting modules.

DR. LYONS: Was.

MR. RICKFORD: Was.

TRUSTEE SHELTON: And you've gotten some support from --

MR. RICKFORD: From the central CFO. They're allowing us to use their in effect software.

TRUSTEE SHELTON: Which is compatible with the system we have?

CHAIR FELTON: Yes. Absolutely.

TRUSTEE SHELTON: So how long has that been accessible?

MR. RICKFORD: Three weeks.

CHAIR FELTON: Very recent.

TRUSTEE SHELTON: Because if you have the system, we would anticipate the information. But on three weeks --

MR. RICKFORD: And that is only
for addressing part of the reporting requirements, mostly for budget-related issues, budget and expenditures and so on.

But we have now applied that towards the student accounting system so that we can massage the other two and so forth. And more in the controller's office, too.

CHAIR FELTON: Well, we appreciate the update. But I think you understand how we feel about it.

MR. RICKFORD: Absolutely.

CHAIR FELTON: Okay. If there are no more questions, can we move to the next item, please?

TRUSTEE CASTILLO: Yes.

CHAIR FELTON: FY 14 budgeting actuals.

MR. RICKFORD: For FY 14, we just started the year with somewhat of a concern over the overestimation of the tuition revenue. But based on steps that were taken by the President and the management team, that
issue has been resolved. So at this point, I do not have significant concerns that we have any budget pressures. So I will report on the various funds that we've received, we budgeted and what we've spent to date.

For the appropriated funds, the appropriation was $66.7 million. Approximately, we've spent and obligated so far $10 million of that. That leaves a balance that as of December 31st of $56.6 million.

For the --

CHAIR FELTON: Where is that?

MR. RICKFORD: On page one --

CHAIR FELTON: The $56.6 million.

MR. RICKFORD: Down to the bottom.

We highlighted by green. Sorry. The green column.

For the indirect costs, we've budgeted $1.269 million. To date, we've spent none of that. So that balance is still fully available.
The post-secondary education fund was budgeted at $7.7 million. And we've spent $842,000 of that. So we still have $6.2 million available.

For the expendable endowment income fund, it was budgeted at $750,000. We've spent $347,000 with a balance of $402,000 remaining.

And for the tuition fund, it was budgeted at $30.8 million. We've spent $9 million leaving a balance of $21 million.

But just as we arrived, I mentioned that we had overestimated the tuition revenue. So that $21 million if we were to do a budget amendment, it would drop it down to approximately $17.8 million or so. So $4 million that the tuition revenue was overestimated by. And those budgets were allocated so we implemented reductions in individual budgets for each functional area to make sure they do not spend that money.

These are both in the PS area and
NPS, we implemented those reductions. In the
PS area by not filling positions that are
vacant until later in the year. And some, we
will not fill at all. In the NPS area, there
was an across-the-board cut of four percent.

CHAIR FELTON: So basically, you
put a cap on the expenditures --

MR. RICKFORD: Yes.

CHAIR FELTON: -- to try to make
the $4 million overestimate.

MR. RICKFORD: Yes.

CHAIR FELTON: Sorry. Question?

TRUSTEE CASTILLO: May I?

CHAIR FELTON: Sure.

TRUSTEE CASTILLO: So how do you
assess the burn rate? How do you assess the
burn rate? Are some units burning through
their allocated funds quicker than others?
Are you assessing that at all?

MR. RICKFORD: Well, yes. I'll
put it this way. Some of the units are more
efficient in using their money. There is a
tendency of some other units to spend their
money very late in the school year.

TRUSTEE CASTILLO: And do you have
any explanation as to why we overestimated by
$4 million the tuition?

MR. RICKFORD: My understanding is
that since the budget is done so much in
advance of the approval process, there were
projections based on the expectation that the
Board would have approved a tuition increase
last year. And my understanding is the Board
had rejected that increase. That's primarily
the reason for the overestimate.

TRUSTEE CASTILLO: And then my
last question, under the "agency financial
operations total," what is the accounting
operations? What does that entail at a total
of $1.9?

MR. RICKFORD: You're on page two?

TRUSTEE CASTILLO: I'm on page
one.

On page one, you have "agency
financial," the second pink entry. What does accounting operations include?

MR. RICKFORD: That is our office -- the Finance Office.

TRUSTEE CASTILLO: Just for my edification, I see that -- and I'm just picking randomly -- the law school has a revised budget of $1.7 million. And the accounting operations has a revised budget of $1.9 million.

MR. RICKFORD: This is by fund. You have to look at all the different funds.

TRUSTEE CASTILLO: Okay.

MR. RICKFORD: This is just for the appropriated funds.

TRUSTEE CASTILLO: Appropriated.

MR. RICKFORD: Yes. This does not include the money that they get from tuition and from fees and so on.

TRUSTEE CASTILLO: Then why is accounting so high?

MR. RICKFORD: It's because we're
using city-appropriated dollars for our whole operations. We generally don't use a lot of -- any, I think -- I don't recall -- I don't think we use much -- no, we don't use any of the tuition money, right? We use all appropriated dollars for the accounting operations and finance operations.

TRUSTEE CASTILLO: Okay. Because I'm curious since you said that there were so many vacancies. You weren't fully staffed. So I'm just wondering how does that money get expended? Is it IT services that you pay for? Is it --

MR. RICKFORD: No, no. If we are not staffed, the money lapses into what you would call the fund balance for that position. Yes.

DR. LYONS: In other words, had the position been filled, they wouldn't expect much more money.

TRUSTEE CASTILLO: Okay.

TRUSTEE SHELTON: Under your
indirect costs recovered --

    MR. RICKFORD: Yes?

TRUSTEE SHELTON: -- $1.265 million?

    MR. RICKFORD: Yes.

TRUSTEE SHELTON: And zero spent?

    MR. RICKFORD: Yes.

TRUSTEE SHELTON: Did they submit a plan of how they are planning to use this money over the year?

    MR. RICKFORD: No. I think that is an issue. I think the deans have requested that we meet with the Presidents on it. You may remember seeing a copy of one of the emails from the Dean of the School of Business on that.

    Basically in the past, the University would allocate those funds partially to back the schools to help encourage research and so on. And some of it was used for other administrative costs. And a full determination has not been made as yet
as to how we will allocate -- how much we will allocate back to the schools.

That was done in the past except for last year. I believe it was funded for use to meet the requirement for the community college.

DR. LYONS: Exactly. And so, the University had decided to do what it is the deans want to do and that is use some of its money to incentivize -- help people understand that if you write grants to bring in indirect costs, your school -- your department -- will benefit from it. And money was distributed but then it was cut out of the budget. And I know the deans want to talk to me about how we're going to handle this going forward.

TRUSTEE CASTILLO: Okay.

DR. LYONS: And they already know that I strongly support having some of that money go back to the departments.

TRUSTEE CASTILLO: May I ask one more question?
So we're entering now the second quarter. And some entries have zero monies that have been spent.

MR. RICKFORD: Yes.

TRUSTEE CASTILLO: How do you manage or monitor or encourage folks to use this money in a kind of quarterly way? Your statement at the beginning was that some people are better than others.

MR. RICKFORD: Okay. Sure.

TRUSTEE CASTILLO: But if you're entering the second quarter and a department hasn't used anything, is it because you haven't captured it or is it because they just haven't used it?

MR. RICKFORD: Because they haven't used it because keep in mind that what -- over two thirds of our expenditures are personnel-related. So in the case of NPS, sometimes it's just strategic decisions of when they want to acquire whatever it is they plan to use that money for. So there's no
real formula how fast or how slow they'll use it. But I would say that I have noticed that some departments are much slower than others expending their money.

TRUSTEE SHELTON: And you have historic data on the performance of these departments to know that they will spend it or do you do a mid-cycle review and then re-balance the budget?

MR. RICKFORD: Yes. I think historically in the end, most of them would spend their money. Last year was a bit different in 2013 because I think people were just I think cautious about spending because of the financial pressures we had. And in the end, some departments did not use all of their allocations. But generally people historically if you look back, in the end they would spend their your money but at different rates during the year.

TRUSTEE CASTILLO: May I follow up on that?
CHAIR FELTON: Sure.

TRUSTEE CASTILLO: And again, when I look in my agency, I'm suspicious when people are not using their monies and spend it at the end because they're spending the money in order to make sure that it doesn't go back. In our case, it goes back to Treasury.

So let me go back to the original question that I asked. What mechanisms are there to ensure that people are strategically using their monies in a timely manner to avoid the free-for-all spending -- and I don't mean it in that term, but for a lack of a better term -- just the quick spending at the last quarter?

MR. RICKFORD: I cannot tell you that we have any mechanisms in place to prevent that, other than the normal procurement process that if the procurement office sees that people are over-ordering things they may question it. Auditing? Of course, they're auditing. But there's no
mechanism in place to monitor that.

CHAIR FELTON: Let me ask a clarifying question. I've worked in organizations where you have to project when you expect to spend the money -- a plan. I'm assuming we don't have that requirement.

MR. RICKFORD: Only broadly, we usually have to give them projections.

CHAIR FELTON: The departments?

MR. RICKFORD: The departments, no. There are no --

TRUSTEE SHELTON: For the record, we've had a history of freezing the assets -- this is Jerome Shelton - freezing the assets or making it subtly clear that you can't anything because we were holding it for whatever reasons as we tried to make sure that we were not over budget. At the end of each budget year, we would almost have a moratorium on spending from the dean from the schools whereas all of the executive spending would be done from one office basically is what I
observed.

So the staff and the personnel used to not having full access -- I think -- full access to their funds because at some point someone will stop it or some emergency will supersede the direction of the funding.

CHAIR FELTON: Another comment before we move on?

DR. LYONS: Yes. There's -- and I don't want to open this up -- but there's another issue implicit in your question. And that is if we can ever get ourselves on a true budget process -- institutional budget process cycle -- you can deal with that because if you're not spending your money, you don't need it the next time around.

CHAIR FELTON: Right.

DR. LYONS: And so, we have to develop a budget process that will allow us to sit down and talk about that so that I can look you in the eye and say well, look, last year you didn't send all that money or you
didn't spend it until August and you sat on it until October.

But we don't have that kind of process in place. And I know we're talking about it and we've got to get there.

CHAIR FELTON: Any more comments before we move on? I appreciate that discussion. Can we move to the next item, please?

MR. RICKFORD: The next item is the raw numbers for the FY 15 budget submission. And for the local funding, the city has notified us that they're allocating $66.7 million. Tuition-estimated budget this year is around $28.7 million. And for post-secondary education, there was a shifting of some of those funds into tuition. So the post-secondary is $3.275 million this year. The endowment fund is the same as it was last year -- $750,000. The indirect costs we're budgeting at $1.649 million for a total budget for us of unrestricted budget of $101.2
TRUSTEE SHELTON: Would you explain the deficit of $3.778 million in post-secondary?

MR. RICKFORD: Okay. That was just the shifting of -- we record those funds. Then we report them. You may recall that I mentioned earlier that in 2014, the tuition budget was overestimated by approximately $4 million.

TRUSTEE SHELTON: Okay.

MR. RICKFORD: Effectively, we have shifted some of the post-secondary revenue into tuition -- tuition and fees. There were fees that were previously recorded as post-secondary. We put it in the tuition and fees category.

So if you take the reduction of the $4 million that was overstated in '14 -- it was overestimated in '14 -- and we shift over the difference from the post-secondary fund and the additional amount that we reduced
that to come up with the tuition revenue that we took into consideration a collection factor that we do not collect 100 percent of what we charge the students.

CHAIR FELTON: Other questions?

TRUSTEE CASTILLO: Just a quick question. So a federal grant -- Pell Grant -- excluded/included, am I to interpret this as a Pell Grant? Federal grants?

MR. RICKFORD: Yes. Okay. In '14 because of I would label it as misinformation that was given to the Council, they removed the Pell Grant budget -- the amount for Pell Grants. And we now have to go back to get that budget reinstated because according to the rules that the governmental accountant standards boards have, we have to record it as a grant revenue and expense in the grant area and allow provision for a Pell Grant. We cannot record it as a pass-through as is done in private universities. And under the GASBY rules, we cannot use it. We're under the
GASBY rules, and there was a misinterpretation during the budget approval process last year. And as a result, the Council reduced the budget by the amount of the Pell Grant.

CHAIR FELTON: And they should not have.

MR. RICKFORD: They should not have. Yes.

CHAIR FELTON: So it's an accounting issue?

MR. RICKFORD: Yes.

CHAIR FELTON: Other questions?

(No audible response.)

CHAIR FELTON: I guess my comment, of course, is again our local subsidy continues at the $66 million in spite of our discussion.

Okay? Let's move forward.

Tuition and fees?

DR. LYONS: Yes. Mr. Chairman, that general topic is related to the letter that I sent to you.
One of the things that has caused so many strategic plans to end up as shelf documents -- well, there are two major reasons -- one, the lack of an implementation plan after we do all that good work, and second, funds to support the plan. And so as we developed and went through the strategic plan process, we did build in some financials so that we can really carry out the plan, take those dollars and really invest it in the plan.

And so, we are proposing -- and we haven't settled on all of the specifics -- but we just wanted to make it clear that we're going to be coming back to you proposing that the Board adhere to its own policy of tuition increase and that you would consider this policy -- implementing your tuition policy -- over the next five years -- 2015 to 2020.

And then there are some new fees -- a new fee that we're proposing which would support the expanded career and professional
development programming that we're going to
really ramp up, and in addition to fee
increases in the area of athletics and the
University Student Center fees.

Now, we realize that we're trying
to grow the enrollment. And so, we've got to
look at the total fees because clearly we
don't get anywhere if we increase the fees by
X dollars and we lose 300 students. So as we
put this plan together looking at in a given
year would it look like if we increased the
tuition based on the Board's model, increase
the athletic fee, Student Center fee, et
cetera, how will students recoup those
dollars, would we expect the Pell Grant to
pick up some of that, what do we discount in
terms of putting some of that money back into
student scholarships. We'll have to look at
the package because as I said we don't want to
drive students toward having to borrow more
money to stay here nor do we want to run
students away because we're putting more of a
burden on them than they can handle.

    But I did want to say to you that
we are looking at all of these items as a part
of now implementing the strategic plan. And
there is a process for tuition increases in
conversation. We have to obviously interact
with our students and faculty and staff, et
cetera. So we just want you to know that
that's our thinking, that's what we're
planning. And we will be coming back to you
with specific dollar amounts and presenting
this.

    CHAIR FELTON: Well, this is
certainly consistent with what the Board
approved.

    Any comments?

    (No audible response.)

    CHAIR FELTON: Okay. Well, I
think you must continue to remind us of our
commitment.

    DR. LYONS: But seriously though,
we want to.
If the reality is -- and we all understand that -- that you can produce the best looking document and the best worded document and the most visionary document that's ever been produced. So if you don't have an implementation plan and strategy and if you don't have the resources to put behind it, it will go on the shelf with the others.

CHAIR FELTON: I think we do understand that. As a Board, I think the concern continues to be the local subsidy.

DR. LYONS: Right.

CHAIR FELTON: And politically, we get this gee, you shouldn't raise tuition and you shouldn't charge more fees. But these are with the increases in subsidy. And that's where we're in finances.

TRUSTEE SHELTON: I'm sorry. We just have to be more dynamic in the areas that we control. We're going to have to squeeze more blood out of a turnip, if you will. We're just going to have to look at where we
can make money and start making money in those areas. That's why I consistently ask what is the parking doing. I mean, eventually we'll know.

But those kinds of revenue makers -- we had an event at the gymnasium where it was a boxing match. There is a lot of need for large spaces that help generate outside income.

I was in a discussion today is we ought to start talking to Gold's Gym about using the pool, negotiating co-habitation on this hill. Those are things that get us money. And we have to start looking that way so that we begin to control our own destiny.

CHAIR FELTON: I guess the larger question is is that the message that's going out from your office.

DR. LYONS: Well, there are two --

CHAIR FELTON: Identifying opportunities. That's not specific, in other words.
DR. LYONS: Well, yes. I don't know about the co-habitation.

(LAUGHTER.)

TRUSTEE SHELTON: I was talking about using the same space.

DR. LYONS: Oh.

(LAUGHTER.)

DR. LYONS: I just wanted to be sure.

TRUSTEE SHELTON: You all have large vocabularies. Those of us with small vocabularies have other definitions of co-habitation.

DR. LYONS: I just wanted to be sure we're on the same page.

But we are talking about -- and in the strategic plan and before the strategic plan, we have been talking about how we can generate additional revenue. The reason that Ms. Jumper and her staff and the principal education people moved to have that boxing match here was to get in the direction to move
into the notion and help people understand that we have facilities, we can do great events. We didn't make any money on that one but we have invited them to come back.

Now, you can have issues with boxing. But aside from that, the purpose was to show that we can do some things and generate revenue.

We have the new facility coming on line. There are definite plans, and we talk about those plans. So it is consistent. We have to exercise more control over what we can do. And we've got a big facility here strategically located. We have a lot of events here. And we're talking about stepping up those events. We had a national pageant here.

One of the challenges you have, of course, is people don't want to pay. But we'll have to work through that. And they want to come in your facilities and don't want to pay but so much. They don't want to pay
market rates. But I had a lady tell me well, if I was going to pay that, I could go to the Washington Hilton. Well, that's true. But we can do some things for you. You can save money and we can make money. But that is definitely part of our strategy.

TRUSTEE CASTILLO: Dr. Lyons, quick question. I would have responded to that woman that said I can go to the Hilton, she could, but it may not be available because there's so much demand for space in this town.

Under whose portfolio would that fall under -- the concept of looking at ways to generate funds? Is it a facility? Is it a committee? Is it something that comes out of your office? Where does that live?

DR. LYONS: I think that it's really institution-wide. There's no single portfolio. Probably the facilities area -- that's Jumper's area -- talks about it more than anyone else. But I think that's for obvious reasons. It's over the space and is
involved in it.

But I think there's a general understanding as again expressed in the strategic plan and before the strategic plan that we've got to do more to raise money. That's why we're looking at expanding our continuing education operation, for example -- getting into training and customized training before we can generate revenue.

But it isn't housed in a single unit or division specifically.

CHAIR FELTON: But I guess added to that is where is the push coming from?

DR. LYONS: From all of us. I mean, I think it's part of the culture. Everybody knows that we need to do more. And we talk about it all the time. And so, it isn't any single person's -- well, let me back up -- in university advancement. If you look at a university organization, university advancement would be the place where that's driven. I misspoke. That's where you have
the university advancements. They're responsible for fund raising, in many places grants and contracts, alumni relations, et cetera. So that would be the portfolio person.

But again, we all talk about it.

CHAIR FELTON: Yes.

DR. LYONS: Housing, you've heard our Vice President of Student Affairs stand up talking about doing things in the residence halls during the summer. You heard our Vice President for Facilities. So everybody understands that. But the person whose job this is -- whose job is on the line in that arena would be the Vice President for University Advancement.

CHAIR FELTON: Along with that -- probably not tonight -- but we'd be interested in what are some of the things that are going on and what are some of the incentives that are planned so that people not only are personally committed but they see that their
program or their department could benefit through some revenue sharing. I mean, I just thought that wouldn't be that significant an option.

DR. LYONS: Well, it is an option. And again, we recognize that and accept that for the main reason that Trustee Shelton pointed out. I mean, it's been made very clear to us that the local subsidy is not going to change in the immediate future. I mean, so you can't even ask for more of a local subsidy if the budget process tells you what your mark is for the next year. So we recognize that and understand that.

And as I said, at least at the top leadership level, everybody is talking about that. And I think you'll see results.

CHAIR FELTON: Okay. Thank you. Again, I want to express my appreciation of the kind of discussion we've had up until this point. We'll now entertain a motion to move into Executive Session.
Okay. Can I have a motion of a Committee member to move into Executive Session?

TRUSTEE CASTILLO: Motion to move into Executive Session.

CHAIR FELTON: Is there a second?

(No audible response.)

CHAIR FELTON: All right. I'll second it.

Roll call, please. Well, let's wait until the General returns. He's on a phone call.

MS. FRANKLIN: Okay. Mr. Felton?

CHAIR FELTON: Yes.

MS. FRANKLIN: General Schwartz?

TRUSTEE SCHWARTZ: Here. Yes.

MS. FRANKLIN: Ms. Castillo?

TRUSTEE CASTILLO: Yes.

MS. FRANKLIN: Mr. Vradenburg?

(No audible response.)

MS. FRANKLIN: Dr. Lyons?

DR. LYONS: Yes.
MS. FRANKLIN: Mr. Isaacs?

(No audible response.)

MS. FRANKLIN: Mr. Shelton?

TRUSTEE SHELTON: Yes.

CHAIR FELTON: The Budget and Finance Committee of the Board of Trustees has voted to enter Executive Session in accordance with Section 2-575(a)(b) of the D.C. Code for the purpose of discussing the appointment, employment, assignment, promotion, performance evaluation, compensation, discipline, demotion, removal or resignation of government appointees, employees or officials.

The Committee will now begin the Executive Session.

TRUSTEE CASTILLO: I have an 8:00 o'clock conference call.

CHAIR FELTON: We will not be coming back.

(Whereupon, at 7:24 p.m., the hearing was adjourned.)

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In the matter of: Budget and Finance Committee

Before: UDC

Date: 011-15-14

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was duly recorded and accurately transcribed under my direction; further, that said transcript is a true and accurate record of the proceedings.

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