APPROVED BY BOARD 4/27/17

OLD DOMINION UNIVERSITY

BOARD OF VISITORS
Friday, February 3, 2017

M I N U T E S

The Board of Visitors of Old Dominion University held its annual retreat on Friday, February 3, 2017, at 12:30 p.m. in the Board Room of the Kate and John R. Broderick Dining Commons on the Norfolk campus. Present from the Board were:

Carlton F. Bennett, Rector
Yvonne T. Allmond
R. Bruce Bradley
Richard T. Cheng
Alton J. Harris
Larry R. Hill
Toykea S. Jones
Mary Maniscalco-Theberge
Ross A. Mugler
Frank Reidy
Donna L. Scassera
William D. Sessoms, Jr.
Lisa B. Smith
Robert M. Tata
Fred J. Whyte
Petra Szonyegi *(Student Representative)*

Absent were: Michael J. Henry
Kay A. Kemper

Also present were:

John R. Broderick, President
Austin Agho
David F. Harnage
Elizabeth Kersey
Donna W. Meeks
Earl Nance
Ellen Neufeldt
September Sanderlin
Doug Smith, Interim Norfolk City Manager
Keith Curtis, The Curtis Group
Abby Weber, The Curtis Group

The Rector called the meeting to order at 12:45. President Broderick welcomed the Board to the new Broderick Dining Commons and noted that reactions from the students have been very positive. He encouraged the members to walk around downstairs to see the dining options that are available to students.

DISCUSSION WITH DOUG SMITH, INTERIM NORFOLK CITY MANAGER

Before introducing Mr. Smith, President Broderick stated that governmental relations are a primary focus at Old Dominion University. In response to feedback he received last year that we needed to increase communications with the City, he asked Elizabeth Kersey to take on the additional responsibility as the direct liaison with the City to develop regular communications and exchange of information. Ms. Kersey reviewed the efforts that have been undertaken since taking on this role. Meetings were held with the Mayor and former City Manager to discuss the University's priorities and its Strategic Plan and she has developed a working relationship with the City's new legislative relations manager. She and Giovanna Genard initiated a monthly counterparts meeting with University and City employees, an informal meeting usually held over lunch on a Friday, where they can discuss how the University can share its initiatives with the City through formal meetings or work sessions.

Mr. Smith delivered prepared remarks to the Board. He shared his background and some of the new initiatives planned for the City and the employment opportunities associated with them, including the grand opening of the Waterside District, the Main Hotel and Conference Center, the Norfolk Premium Outlet Mall, and ADP. He commented that the partnership between the City and ODU continues to grow stronger on the shared belief that as the University grows and prospers, so does the City. He noted that ODU is one of Southeastern Virginia's most valued and respected educational assets and is recognized by the City as one of its crown jewels. The City values ODU and is interested in advancing that value through continued partnerships that will engage students in the community, increase local student participation in Norfolk-based student internships and employment upon graduation, and build a more transformative economy that is resilient and innovative. The City of Norfolk's top three priorities are housing, education and safety; infrastructure, technology and resilience are the tools that will be used to address those priorities. The City is already engaged directly with ODU on some of these priorities, and looks to expand on this effort. He foresees leveraging ODU's expertise, resources and engaged student body to assist the City in developing and putting into action programs and strategies in the years to come. He cited as examples the coastal resilience initiative and the issuance of revenue bonds by the Norfolk Economic Development Authority to assist in financing construction and equipping the Barry Art Museum.

At the conclusion of Mr. Smith's remarks Rector Bennett thanked him for visiting with the Board. He noted the importance of strong partnerships with both Norfolk and Virginia Beach. Public safety, education and housing are also top priorities for the University and he looks forward to continued discussion on partnership opportunities.

There followed a brief discussion during which several comments were made. In response to a question from Dr. Maniscalco-Theberge, Mr. Smith said the City is seeking more intimate conference facilities rather than large convention centers. Mr. Reidy said extending The Tide to the University would be an excellent way to strengthen the partnership with the City. In response to a question from Mr. Bradley, Mr. Harnage noted that the University Village is the third largest tax paying entity in Norfolk. Vice President Brandon suggested that as the City recruits companies to the area, the earlier ODU can get involved the more it can help recruit graduates.

Rector Bennett commented on the negative publicity the University receives whenever a crime occurs within a five-mile radius of the campus, and stressed the need for a strong partnership between the University and City police departments. Mr. Smith responded that Norfolk's police chief has a good relationship with ODU's department, but agreed that the negative publicity is a challenge to both the City and ODU. Mr. Harnage affirmed the good relationship between the two police departments, noting that this has led to joint patrols, improved lighting and cameras, and has resulted in a reduction in crime and an increase in solving crimes that do occur.

The Rector asked if there are additional opportunities to collaborate. The President noted that Elizabeth is working on a plan to develop more formal collaboration opportunities between the Board and City Council. Mr. Bradley said that City Council meets off-site twice a year and President Broderick said they have been invited to hold meetings at the University.

President Broderick thanked Mr. Smith for visiting with the Board. Following Mr. Smith's departure, the Board continued to discuss other opportunities to increase public relations. Mr. Harnage noted that a contract was just executed with a marketing firm to assist with developing materials for admissions campaigns and to promote the University. The firm is owned by an Old Dominion University alumnus and they have a Virginia Beach office. In response to a question from the Rector, he noted that the marketing budget is currently $1.3M, a significant increase over the last ten years. Vice Rector Lisa Smith commented that we need to look at ourselves as more than just a university teaching college students and we should provide opportunities for the community. Mr. Harnage agreed and the University is using different outlets – traditional methods of communication as well as social media - to communicate that to the world. A marketing council has also been created that allows for coordination of marketing efforts.

INITIATIVE BASED FUNDRAISING CAMPAIGN

President Broderick welcomed Keith Curtis and Abby Weber from The Curtis Group. He stated that the University needs to be more specific in identifying fundraising targets and more engaged in plugging the gaps caused by decreasing State funding, so the University hired Keith's firm to assist in this effort.

Mr. Curtis shared the mission and background of his firm and discussed the University's philanthropic success, He noted that the University has raised a total of $170.5 million since 2008, not including the recent gift for The Barry Museum. Vice President Brandon provided more detail and noted that after the stock market crash in 2008, the University began initiative-based fundraising. He noted specific gifts and the impact of moving up to Conference USA in Athletics that contributed the significant increases in 2012-2014.

Under the initiative-based fundraising strategy, four priorities have been identified - student success, faculty enhancement, athletics and key college initiatives. Vice President Brandon discussed the initiatives identified that align with these priorities, noting that deans have been involved in identifying specific college initiatives.

Mr. Curtis described the process and stressed that this is not a comprehensive capital campaign that has a defined start and end time, but focuses rather on identifying funding for strategic initiatives. However, some best practices used in a capital campaign will be utilized. He will be meeting with the Provost, Vice President for Student Engagement and Enrollment Services,

Athletic Director and Deans in the next week. Based on feedback from those meetings, he will work with President Broderick, COO Harnage and Vice President Brandon to develop a case for support. He will then finalize the fundraising plan and timeline, identify donors, meet with potential lead and major gift donors, and increase the engagement of boards through giving and utilizing connections.

A brief discussion followed the presentation. Ms. Smith asked about student entrepreneurial and research initiatives and whether students receive any payment for their work. Vice President Brandon said that generally students involved in entrepreneurial initiatives do not but student researchers may, and Mr. Reidy provided examples of how the University and researchers have benefitted from registering patents in the Bioelectrics Center. In response to a question by Dr. Maniscalco-Theberge, Mr. Reidy noted that the State does not receive a portion of the funds from patents because it is private money. Provost Agho commented that the Deans will likely ask whether the Development Office has the infrastructure in place to assist in meeting their goals. Mr. Curtis responded that infrastructure will be examined during this process. Vice President Brandon stressed the importance of engaging department chairs as much as possible given that some have a longer tenure at the University than the deans. In response to a question from Ms. Jones, Mr. Curtis explained how identifying major donors requires extensive research and personal visits.

Vice President Brandon distributed a handout illustrating the number of potential donors who are capable of donating $1 million or more, explaining that capacity does not equate to willingness and it takes resources to try to bridge that gap. In response to a question from Dr. Maniscalco-Theberge, Mr. Curtis said that training is provided to deans and department chairs; the Provost suggested that they emphasize coaching vs. training. Vice President Brandon added that their office sends new deans to a CASE conference. He then described what is involved in prospect research.

Mr. Mugler asked about the difference between a capital "bricks and mortar" campaign and an initiative-based campaign, to which Mr. Curtis replied that an initiative-based campaign, which is more typical of higher education institutions, focuses on a vision. President Broderick provided as an example the University's focus on increasing scholarship funds and how that leads to student success. ODU has a very compelling message to sell with its significant improvement in retention rates that has resulted in higher graduate rates and recruitment success. Provost Agho added that this is where deans, department chairs and faculty can become excited and engaged in the campaign.

Mr. Bradley commented that, thanks to President Broderick's leadership, the image of the University is at an all-time high, so the timing of this campaign is very good. He asked, given the financial challenges facing the University, why endowments are not listed as a priority. Mr. Curtis said that increasing the endowment is the means to which to fund the listed priorities, Mr. Bradley noted that building the unrestricted endowment should also be a focus.

In response to a question from Mr. Whyte, it was noted that 6.5% of ODU graduates contribute on an annual basis with an average $300 donation, which is not unusual for a public institution of higher education. Mr. Whyte also commented that the $170.5 million raised over nine years does not seem like a large amount. Mr. Curtis explained that, not only was the recession a factor, but the University was not involved in a major campaign during that time. Focusing on strategic

initiatives will help grow that number and this is now a great time for this effort as more donors are moving to higher education. ODU also compares favorably with the other state universities.

Rector Bennett stated that there will be opportunities for further discussion between now and the April board meeting, as individual meetings will be arranged with the Board members in order to receive feedback and additional information, and the Board as a whole will be briefed at the meeting.

FY18 BUDGET REVIEW AND DISCUSSION

Vice President Neufeldt briefed the Board on current enrollment trends as a prelude to the budget presentation. She shared national and state enrollment trends and how it impacts the populations we recruit. Nationally, college enrollments have been declining by 1-2% for the last 3.5 years and in Virginia by 3%. High school graduates are also declining and have plateaued. The college-going rate has declined, especially for Caucasians. In Virginia the average increase in the number of high school graduates through 2030 is expected to be less than 0.1% and an increasing number of those graduates will be first-generation, low-income or from a minority race or ethnicity. African-American and Caucasian high school graduates – ODU's two largest populations – are declining, while the Hispanic population is growing. Virginia community college enrollments are also significantly declining. President Broderick pointed out that a significant number of community college students have no plans to progress beyond a two-year degree. National online growth trends have also fallen. ODU has outpaced the national growth in undergraduates over the past five years and are educating the most Pell eligible students in Virginia. In the last ten years, ODU's overall student population has grown by 2,000, graduate students have declined by 1,700 and undergraduate students have grown by 3,700.

Chief Operating Officer Harnage reported on the financial impact of tuition and fee revenue as a result of enrollment trends. The Board had approved a budget last April based on a projected 5% planned reduction in tuition revenue to reflect the changing enrollment pattern; however, the 5% projection was not enough. Budgeted undergraduate revenue was $131.9M, while actual revenue is projected to be $130,8M, a shortfall of $1.1M. The graduate revenue shortfall is projected at $870K, for a total projected shortfall of $2M for the current year. The financial impact of fee revenue has also been projected at $1,028,833. These shortfalls will not impact the current year because unspent resources will cover it on a one-time basis, but will impact next year's budget.

An increase of blended enrollments – on-campus students taking distance learning classes – further complicates the issue. Up until the end of last year, ODU's distance learning program was growing at a faster rate than the decline of traditional students on campus, so total revenue was not impacted. When the distance learning program began, a greater portion of the revenue was allocated to E&G than auxiliaries because the students did not use the services afforded on-campus students. The growth in blended enrollments is negatively impacting auxiliary revenue because students here on campus are consuming services and the revenue, equating to $47 per hour, was not distributed to the auxiliary side to make up for that. This now needs to be corrected. If the entire correction was done in one year, it would total a $2.5 million loss in E&G revenue, so the administration is proposing a phased correction with a $1 million transfer of revenue from E&G to Auxiliaries in the upcoming year.

President Broderick noted that public policy perception is that teaching through technology is less expensive than the more traditional classroom teaching, but this is not true. Chief Operating Officer Harnage added that, in his opinion, it is more expensive because of the need to refresh the technology more frequently. In response to a question from Ms. Smith, he said that the lower cost per credit hour for distance learning courses than other Virginia doctoral institutions is in keeping with the lower tuition costs in general. Ms. Allmond asked if we have students who live on campus but take all of their classes online. Vice President Neufeldt said that there may be a few who fall into this category, likely because they chose a program that is now offered online.

Chief Operating Officer Harnage reviewed the financial forecast for next year based on what is known today. For E&G, in addition to the $2 million revenue shortfall and the $1 million adjustment, the 5% reduction in the Governor's budget is $6 million, mandatory costs are projected to be $3.9 million, and another $2.1 million is needed for a 3% compensation increase, totaling $14.2 million. Unallocated base resources of $2.4 million reduces the total E&G resources needed to $12.8 million. $2.5 million in auxiliary resources are needed, but the %1 million transfer reduces the need to $1.5 million. He also reviewed the five-year business plan and the $47.7 million in investments that were made over the first two years of the plan. These include $30 million to support the academic enterprise, $5 million in campus infrastructure, $2.8 million in student support, $6 million in student recruitment and enrollment management, and $3.4 million in institutionally-funded need-based aid. This was accomplished by a combination of new money received from the state and from small tuition increases. This has resulted in lowering the student/faculty ratio from 21/1 to 18/1. However, because of the financial constraints described and the need to identify $12.8 million in E&G funds and $1.5 million in auxiliary funds, the administration is proposing to forego several initiatives in the upcoming year that were included in the five-year business plan.

The growth rate of tuition and mandatory E&G fees since 2009 for the Virginia doctoral institutions was shared with the Board. Mr. Harnage pointed out the years in which all other institutions except Old Dominion University chose to increase tuition and mandatory fees by double-digits, while ODU's increase averaged 5% per year. So as the other doctoral institutions are growing their tuition at a higher rate than ODU, the funding gap is accelerating. While we pride ourselves as an institution in being the lowest-cost doctoral institution in the Commonwealth, we are not generating comparable revenue to the other doctoral institutions and it impacts relative competitiveness.

In order to mitigate the mandated budget reduction and the need for new funding for mandatory costs and proposed salary increases, a 7.16% increase in tuition and fees would be needed without any additional reductions to the budget. The administration is proposing, however, a 3.24% tuition and fee increase, which equates to $324 per year, along with an additional $6 million reduction. No new increases in auxiliary fees are being proposed, but with the $1 million revenue transfer, the reduction to the auxiliary budgets is only $1.4 million. The vice presidents are currently engaged in developing budget reduction plans for their areas to meet these goals. The State is in the final stages of budget planning, and once that concludes we should know whether the mandated reduction will be the full 5% or something less. Any reduction in the state's mandated cut will reduce the amount of additional reductions necessary to meet the targets.

Following the presentation, a lengthy discussion followed during which members of the board expressed their concern that a 3.24% tuition increase is not enough to enable the University to

keep moving forward. Dr. Maniscalco-Theberge stated that it was her impression that the University runs a very tight ship and it's hard to imagine that an additional $6 million could be cut. Mr. Mugler added that he'd like to see the administration consider a larger tuition increase – perhaps 5% if the market will bear it – so that some of the goals included in the Strategic Plan and as outlined in the business model can still be achieved. Mayor Sessoms remarked that Old Dominion University should not be penalized because other institutions had much higher tuition increases in the past and he's heard nothing but praise in Richmond for the University and we should try to find the funds from an additional increases to maintain our momentum. Mr. Whyte observed that even with the 3.24% increase, Old Dominion's tuition would still be $1,200 less than George Mason's current tuition; it would be irresponsible of the Board to consider anything less than a 5% increase.

President Broderick stated that he has been making a case to legislators to mitigate Old Dominion's budget reductions and he is hopeful that will be considered. Today's presentation was intended to elicit this kind of dialogue and get a sense of the Board's appetite for a reasonable tuition increase that would enable the University continue to invest in strategic initiatives. The budget reduction exercise will continue and decisions will be made as to what could be given up and what funds could be reallocated for other initiatives. He reminded the Board, however, that he must continue to be mindful of the number of Pell-eligible students who attend ODU and the need to keep tuition as affordable as possible. Having had the benefit of this dialogue, and after learning what the state-mandated reduction will be, the administration will be in a better position to make its recommendation to the Board at the April meeting.

MOTION FOR CLOSED SESSION

The Rector recognized Ms. Allmond, who read the following motion: "Mr. Rector, I move that this meeting be recessed, and, as permitted by Virginia Code Sections 2.2-3711(A) (1), we reconvene in closed session for the purpose of discussing the mid-year evaluation of the President of the University." The motion was seconded by Mr. Mugler and unanimously approved by all members present and voting. *(Allmond, Bradley, Cheng, Harris, Hill, Jones, Maniscalco-Theberge, Mugler, Reidy, Scassera, Sessoms, Smith, Tata, Whyte)*

RECONVENE IN OPEN SESSION AND FOIA CERTIFICATION

At the conclusion of the closed session, the meeting was reconvened in open session, at which time the Rector called for the Freedom of Information Act certification of compliance that (1) only public business matters lawfully exempted from the open meeting requirements under the Freedom of Information Act were discussed and (2) only such public business matters as were identified in the motion by which the closed session was convened were heard, discussed or considered. The certification of compliance vote was 14 in favor and none opposed. *(Allmond, Bradley, Cheng, Harris, Hill, Jones, Maniscalco-Theberge, Mugler, Reidy, Scassera, Sessoms, Smith, Tata, Whyte)*

APPROVAL OF AMENDMENT TO PRESIDENT'S CONTRACT

Upon a motion duly made and seconded, the Board of Visitors unanimously approved an amendment to the President's contract extending the term of his contract to June 30, 2020. *(Allmond, Bradley, Cheng, Harris, Hill, Jones, Maniscalco-Theberge, Mugler, Reidy, Scassera, Sessoms, Smith, Tata, Whyte)*

With no further business to be discussed, the meeting was adjourned at 4:40 p.m.