GW | Faculty Senate

MINUTES OF THE REGULAR FACULTY SENATE MEETING
HELD ON NOVEMBER 10, 2017
AT 1957 E STREET NW/STATE ROOM

Present: President LeBlanc, Provost Maltzman, Parliamentarian Charnovitz, and Registrar Amundson; Dean Dolling; Executive Committee Chair Marotta-Walters; Professors Agca, Briscoe, Cordes, Corry, Costello, Dickinson, Esseesy, Galston, Griesshammer, Gutman, Harrington, Lipscomb, Markus, McDonnell, McHugh, Nau, Parsons, Pintz, Price, Roddis, Rohrbeck, Schumann, Sidawy, Tielsch, Wallace, Wirtz, and Zara.

Absent: Deans Akman, Brigety, Choudhury, Eskandarian, Feuer, Goldman, Jeffries, Morant, and Vinson; Professors Agca, Agnew, Bukrinsky, Cline, Cottrol, Gutman, Khoury, Lewis, Pelzman, Rehman, Roddis, Sarkar, Watkins, Wilson, and Zeman.

CALL TO ORDER

The meeting was called to order at 2:18 p.m.

APPROVAL OF THE MINUTES

The minutes of the October 13, 2017, Faculty Senate meeting were approved unanimously without comment.

REPORT: Annual Fiscal Planning and University Budget Report (Professor Joe Cordes, Chair, Senate Committee on Fiscal Planning and Budgeting)

Professor Cordes presented an update on the University budget following the content in the attached slides. The net worth of the university increased in FY17 relative to FY16. The endowment increased as well, due in large part to the recovery of the non-real estate investment component of the endowment; Professor Cordes stated he did not think that this endowment growth includes numbers from the recently completed capital campaign. Overall, the university has improved its operating surplus/deficit bottom line, from a deficit in FY15 to an unusually strong surplus in FY17 and a (projected) more steady state, sustainable surplus in FY18.

Professor Cordes noted the university's history of maintaining reserves and the success of this strategy in seeing GW through the recession relatively unscathed and in planning for future unforeseen difficulties. He noted that the Fiscal Planning and Budgeting committee is interested in discussing and determining what the optimal reserve level is for GW. The answer to this question will drive decisions about budgeting and spending going forward.

Professor Nau asked why the large budget surplus in FY17 was such an outlier. Professor Cordes responded that a combination of slowed expense growth (due in large part to the policy of delayed hiring) as well as the one-time infusion of funds from the medical center. These are not events that will repeat each year, which is why the surplus projections are not as high as that seen in FY17. Professor Nau followed up by asking why projections don't then expect a surplus more in line with FY16 rather than the growth projected in FY18. President LeBlanc noted that the $18 million associated with the medical school in FY17 is the one major piece that will not be in play in FY18, resulting in a surplus in line with what is currently projected. He noted that the norm in universities is not to break even because the enterprise is always growing. Therefore, the size of the reserve as a function of the size of the enterprise needs to keep growing. Every year, on an operating basis, GW will ideally produce some positives that will go into reserves for future investment, rainy days, etc., and should then expect to run on a 3-5% margin. The losses in FY13-FY16 were the anomaly at GW; that is not sustainable over time.

Professor Wirtz noted that the revenue projections for FY18 seem to be on the low side and asked for context behind this number. He also asked what is driving an apparently big jump in operating expenses in FY18. Finally, he asked whether the capital expense numbers are, while declining, still high at the expense of other investments such as financial aid.

Professor Cordes responded that he would pursue an answer to the revenue question with Deputy Treasurer Ann McCorvey's office. He noted that increased expense projections may be due to the backlog of delayed positions being filled at a quicker rate. President LeBlanc noted that the capital and debt service numbers are reversed on this slide (the presentation was corrected for inclusion with these minutes). He noted his appreciation for Professor Wirtz's on-the-spot precise questions and for Provost Maltzman's on-the-spot responses, as follows.

Provost Maltzman noted that FY17 expenses were lower than budget due to delayed hiring in the schools. The FY18 budget currently assumes that these positions will all be filled, but this is an unlikely event. In addition, online provider expenses can increase expenses rapidly. He then noted that the pace of revenue growth is impacted by a few different factors:

- Credit hour enrollment was lower a few years ago thanks to a lot of students going part-time; this began to turn around two years ago. GW is now bumping into the enrollment cap again, which will slow down some of the revenue growth from tuition.
- Tuition increases have slowed down significantly as families struggle to meet costs.

Professor Price asked about the impact of the capital campaign on the budget numbers presented today. President LeBlanc responded that capital campaigns are one of the most misunderstood tools in higher education. Funds are raised but are not immediately or fully visible in budget authority. $163 million of the campaign was in the form of capital, a significant portion of that the Corcoran and the Textile Museum. $256 million is in the form of endowment, but many of those gifts are pledged over time or as estate gifts and are not yet paid. $550 million is designated for current use, which permits the university to spend funds as they arrive. $57 million is designated as unrestricted, which is the best and most difficult kind of donation to obtain. The long-term effect of the campaign on GW's operating performance will be realized when the endowment dollars arrive and are generating returns. The near-term benefit of having the capital donations is immediate, but there are costs associated with this type of gift.

Provost Maltzman thanked Professor Cordes for his presentation. He noted that FY17 was an extraordinarily good year: enrollment was robust, and GW was careful with expenditures. There is extraordinary pressure on higher education, including the House of Representatives tax plan and the distribution of family income in the United States resulting in tremendous demand for financial aid. GW has a major challenge here and is not meeting the full need of its students. The Senate tax plan is much better for higher education, and GW's debt expenditures are fixed-rate and have gone to good and helpful assets to the University. The Science and Engineering Hall and the District House (and other residence hall investments) are drawing students. GW is a mission-based organization—educating students and conducting research—and its ability to perform this mission without the contributions from those able to work in the Science and Engineering Hall would be severely impacted. The Provost also noted that this is a heyday for urban education. Students want to be here, and application numbers are robust despite the high cost of attendance.

President LeBlanc also thanked Professor Cordes for his work on this presentation. He noted that there are many different ways to look at university finances. The Standard & Poors (S&P) report uses a different methodology and doesn't cross-walk with the numbers GW uses. Moody's uses another methodology entirely. S&P and Moody's are two pictures, and the GW audited financial statements and the change in balance sheet presented today provide two more. The change in balance sheet is likely providing the most fulfilling picture of what is happening financially on an annualized basis as it includes debt service and endowment payout as part of its picture. It's important, though, not to rely on just the audited statements or the rating agency reports, as they all tell different stories. GW's financial offices have done a lot of work to cross-walk these stories so that they be understood in the context of the other.

The President further noted that debt should not be viewed as an inherently bad thing; the focus should be on how it's used. As an example, GW has a mandate to house its students and therefore needs to build dormitories. If GW takes on debt to build or buy dormitories and then fills them with students whose rent covers the cost of construction or purchase, then that debt allows students to be housed and doesn't negatively impact GW's financial picture.

He further noted that GW relies upon real estate to support its mission. The difference in the endowment between Miami and GW is the real estate in DC. Every university has land under its buildings, but GW also has real estate holdings that it monetizes (through leases to developers, etc.). GW has a high fraction of activities that are real estate-supported and thus has been characterized as a real estate company. The leasing developers give GW funds each year, and GW can, in turn, borrow against those funds to finance university priorities. This occurred with Square 54 and is now happening with 2100 Pennsylvania Avenue.

The university then needs to decide how to use those funds on campus. One example is Thurston Hall, which needs renovation. There is always some degree of risk in this strategy, but it is low. In addition, low interest rates mean that now is an optimal time to borrow. Borrowing funds now against a revenue stream in hand allows priority projects to go forward much more quickly than waiting until all funds for a project are banked. The President noted that he has heard from many campus constituents that GW has too much debt, but no one seems to know what the right amount of debt is for the university. The key is thinking about the university's ability to service its debt over time, and GW is managing its debt responsibly.

The President spoke about limited growth in net tuition. He noted that the presentation shows a growth in net revenue of 1.4% and a growth in expense of 5.8%. This can be done once but is the definition of unsustainability. The drivers for this are the number of students and the amount of tuition per student. Unless they're online or at one of the Virginia locations, student numbers are capped, and GW is essentially capped in its ability to increase tuition. In the face of stagnant family incomes, tuition cannot be raised at 3 points over the Consumer Price Index. This is a challenge for GW, and if managing the budget versus the cap is its greatest challenge, its greatest opportunity is its real estate holdings.

Professor Griesshammer noted that saving money at GW often results in savings for central expenses with the expectation that schools and departments will absorb the burden of work cut from central offices. One example is hiring, which is no longer handled centrally but has been parceled out into individual units. He suggested that an interesting exercise would be asking department administrators what they now do that they did not do as recently as two years ago, all without additional resources. The decentralization of paperwork is inefficient and expensive, as end users without experience in enterprise systems take longer and make more errors in completing tasks. He noted his unequivocal support for schools' and departments' autonomy in making local decisions and determining how to focus their resources, but the central units should not abuse this in order to unload operations and strain departmental budgets to the benefit of central budgets. Any cost-benefit analysis at the university should include an assessment of the cost to the university due to faculty losing time to administrative tasks.

Professor Griesshammer also asked about the renovation of the Flagg Building. He supported the idea of going all-in on a one-time, high quality renovation to attract donors into a fully renovated space as opposed to one that is being patched as the leaks occur. There was much recent news about the low morale and health issues because students and staff have to work alongside major renovations right now. With this backdrop, a natural concern is GW's ability to attract donors to the project. The Provost responded that when the university was given the Corcoran institution, it was made clear that what came with it would be invested in the Corcoran; a decision was made that funds would not be taken from other areas of the university for this project. The Corcoran came with about $45 million that could be put toward renovation. In phase one of the renovation, basic structural needs are being addressed (e.g., heating and cooling, roofing). There are plans for additional renovations to the interior of the space. As the university gets more resources from philanthropy and enrollment, these plans would be a wonderful focus for these resources. However, the Provost noted that the space is sizable but not as intensively used as many other spaces on campus. He therefore wants the university to think carefully about where capital investments are placed so that they have the most impact for the most students and faculty. The phase one renovations are bringing the building into compliance, and the most intensely used spaces are being renovated with the initial funds available, meeting the needs of the students and faculty in the space. President LeBlanc noted that, to complete the full Corcoran plan, the entirety of GW's capital budget would have to be directed to this project. The entire cost of the renovation will require financial planning.

Professor Parsons noted that the discount rate on tuition is putting pressure on the budget. He worried that the reason for this is not correct, noting that incomes are not as depressed as they were in 2008. Times are now relatively prosperous domestically and internationally. Provost Maltzman responded that the distribution of income in a family as opposed to the growth in income nationally is the stronger driver here. More families are eligible for need-based aid; this is driven in part by the distribution of income and the relative scarcity of students who are full payers (and the competition for them). In addition, the federal government is ending programs like Perkins loans, placing additional pressure on the discount rate. Graduate students are also seeing increased need for a higher discount rate. GW simply won't attract top-tier students without a competitive discount rate.

Professor Cordes asked whether there are there plans for taking on additional debt at GW. President LeBlanc noted that it's under consideration.

Professor Agca asked what the average debt rate is for an institution like GW, noting that, on its own, it doesn't appear too high. Professor Cordes noted that S&P indicates GW is slightly above the norm, but this is not quantified. Vice Provost Stewart O'Neal noted that GW has a plan to service its debt in a smart way.

Professor Griesshammer notes that GW has been at the forefront of high tuition rates and can simply decrease tuition to become a more honest broker and less like a used car salesman showing a sticker price that isn't really what anyone pays. President LeBlanc suggested that GW is an aggressive, moralist purveyor of price discrimination on the basis of family income, in the economic sense, as it has a mission beyond profits. GW believes the diversity of its student body improves the overall education experience and therefore vigorously discriminates on family income, asking wealthy families to pay more. This formula is complicated by element like merit aid, which add factors beyond family income. GW also has to contend with the unfortunate practice of gapping students, but GW doesn't have the resources to be need-blind.

Professor Costello disagreed that no one pays the full rate, noting that the majority of the School of Medicine and Health Sciences' physical therapy students pay full tuition. Provost Maltzman noted that 20-25% of Foggy Bottom undergraduates are paying the full tuition rate, thereby helping to subsidizing students who need more aid.

Professor Rohrbeck noted that she thought a difference existed between need-based admissions and the gap issue. The Provost clarified the difference among merit-based aid (funds given to students based on their academic merit and independent of their income-based need), need-based aid (funds given to students based on asset/income-based need), and need blind admissions (admitting students without looking at their resources during the admissions process with the goal of admitting the strongest possible class of students).

INTRODUCTION OF RESOLUTIONS

None.

GENERAL BUSINESS

I. Nominations for election of new members to Senate Standing Committees
Two new student representatives were nominated for service on Senate Standing Committees: Imani Ross (Honors and Academic Convocations) and McKenzie Swain (Libraries). Both nominations were unanimously approved by the full Senate.

II. Reports of Senate Standing Committees:
None.

III. Report of the Executive Committee: Professor Sylvia Marotta-Walters, Chair:
Please see the attached full report of the Executive Committee (FSEC) presented by Professor Marotta-Walters. Professor Marotta-Walters highlighted the following sections of her report:

- Many thanks to the LeBlancs for hosting the Senate at a reception in their home on October 30th.
- Good representation by the faculty at the President's inauguration is important; please plan to attend on November 13th.
- Seven school bylaws reviews have been completed. Two more schools have submitted and are under review; only the School of Business still needs to be submitted.
- The guidelines for implementing academic freedom are very close to being made available. Professor Wilmarth is working with the Provost's office to finalize the language in the guidelines.
- Committee chairs are reminded to submit their interim reports for the December Senate meeting.

IV. Provost's Remarks:

- The Presidential Inauguration will be held on Monday, November 13th. The faculty reception will be held at the President's house on Tuesday, November 14th; please encourage colleagues to attend.
- A draft of the Middle States self-study is available on the Provost's office website.
- A series of town halls meetings designed to talk about the student experience will begin soon.
- As of October 15, the STEMWorks Center in Gelman has received 389 requests for help from 286 unique students, providing over 100 hours a week in tutoring. Econ 1011, Math 1051, Math, 1231, and Stats 1053 are the courses garnering the most requests for assistance.

V. President's Remarks:

- The Vice President for Development search is proceeding.
- As noted in various higher education publications, there are a number of high-profile cases regarding sexual harassment and assault occurring around the country. The university cannot afford to be loose about this and must have and implement a zero tolerance policy in this area. The Senate and its relevant committees should take this up and work closely with the President's office on revising GW's policies.
- Please attend the inauguration on Monday; President LeBlanc noted his mother would be in attendance and that he looked forward to introducing his GW colleagues to his family. This is the 17th time this has occurred in GW's 196-year history.

BRIEF STATEMENTS AND QUESTIONS

Professor Griesshammer asked whether there are any discussions happening to formulate best practices about diversity on discussion panels. Provost Maltzman responded that this issue recently arose in the Elliott School and that the Vice Provost for Diversity and Inclusion is working with the school on developing policies that encourage diverse panels while not impeding academic freedom. Although this is not a university-wide effort, this could be done on a school-by-school basis.

Professor Tielsch noted that many faculty members in the Milken Institute School of Public Health have raised a concern regarding the increasing backlog and difficulty managing the volume of human subject research reviews by the Institutional Research Board (IRB). There have been a number of personnel changes at the IRB, but this is a mission-critical function; the delays are having a huge impact on the time course of implementing human subjects research and are putting many faculty months behind schedule on research. President LeBlanc responded that, as the Senate knows, research support and structure is one of his five initiatives, and this sounds like something that needs to be assessed. He noted that he is conducting an assessment of research support this year, and IRB support would clearly fall under that. The President noted that a response shouldn't wait for that assessment report and stated that he would raise this question with the Vice President for Research, who will be reporting to the Senate at its January meeting.

ADJOURNMENT

The meeting was adjourned at 4:12 pm.

University Budget and Financial Update

Faculty Senate Committee on Fiscal Planning and Budgeting

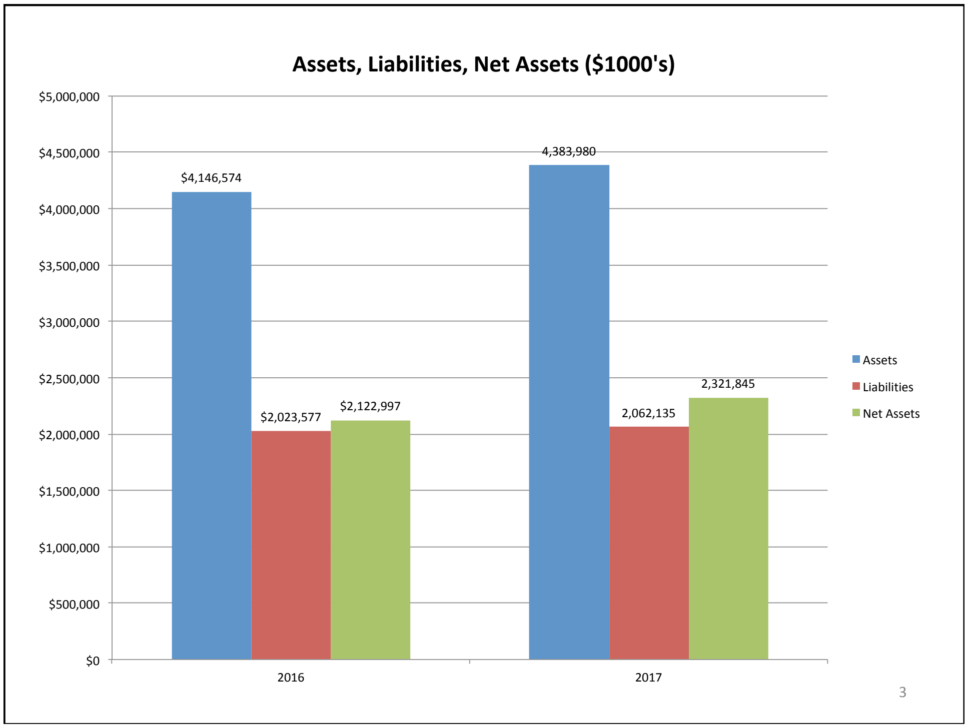
December 2017

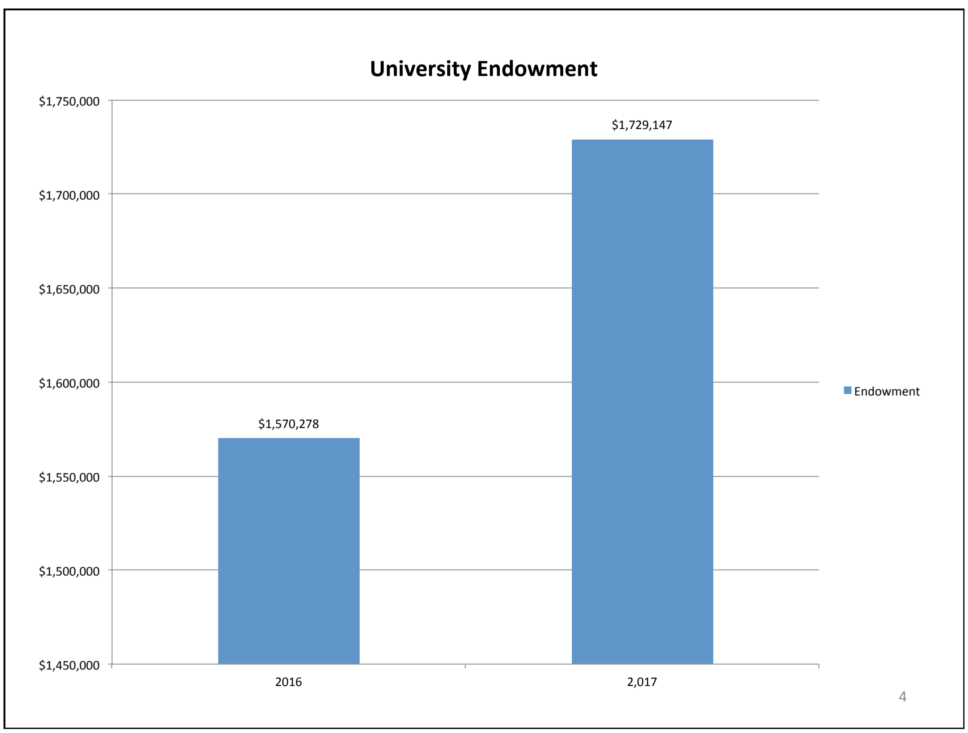
1

Outline

- Overall university finances: FYs 2016 & 2017
- Trends in Operating Performance
- Borrowing and Debt
- Issues and Challenges

2


Assets, Liabilities, Net Assets ($1000's)
$5,000,000
$4,500,000
$4,000,000
$3,500,000
$3,000,000
$2,500,000
$2,000,000
$1,500,000
$1,000,000
$500,000
$0
$4,146,574
$2,023,577
$2,122,997
4,383,980
2,062,135
2,321,845
2016
2017
Assets
Liabilities
Net Assets
3


University Endowment
$1,750,000
$1,700,000
$1,650,000
$1,600,000
$1,550,000
$1,500,000
$1,450,000
$1,570,278
$1,729,147
2016
2,017
Endowment
4

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Endowment Management Report - Year Ended June 30, 2017
(Amounts in thousands)

	Consolidated Pooled Endowment[1,3]	Real Estate[2]	Total[1,2]
Endowment Net Fair Value, June 30, 2016[1]	**$ 877,866**	**$ 692,412**	**$ 1,570,278**
Gifts	12,625	-	12,625
Other Additions (Transfers)[4]	38,788	(1,916)	36,872
Realized Gain on Sale of GW Inn[4]	-	6,196	6,196
Earnings & Asset Appreciation, net	109,262	73,110	182,372
Payout	(61,558)	(17,638)	(79,196)
Endowment Net Fair Value, June 30, 2017[1,2]	**$ 976,983**	**$ 752,164**	**$ 1,729,147**

[1] Per the books of the custodian, plus $4,479 comprised of operating cash held by the property managers and real estate earnings in excess of budgeted payout that will be used to fund costs associated with the repositioning of endowment real estate assets.

[2] The Debt allocated to the Endowment Real Estate is $255,400. The Gross Fair Values of the Real Estate and Total Endowment are $1,007,564 and $1,984,547 respectively.

[3] The Consolidated Pooled Endowment includes the total pooled endowment, plus the non-pooled funds: Cheney Cardiovascular Fund, Katzen Cancer Center Fund, Ramsey Student Investment Fund, Phillips Student Investment Fund, and Real Estate Student Investment Fund valued in total at $18,882 as of June 30, 2017.

[4] In December 2016, the GW Inn was sold for $29,596, which resulted in a realized gain of $6,196 over the property's June 30, 2016 fair market value of $23,400. $12,500 from the proceeds was used to pay off internal debt on the property. The remaining $17,096 was transferred into the pooled endowment.

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1Q 2018 Forecast

(*Dollars in thousands*)

	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY2018 Approved	FY 2018 1Q Forecast
REVENUES	890,775	941,969	1,019,581	1,068,420	1,069,420
Student Tuition & Fees	s (239,471)	(257,552)	(277,495)	(297,052)	(297,052)
Less: University Funded Scholarship					
Net Student Tuition & Fees	651,304	684,417	742,086	771,368	772,368
Indirect Cost Recoveries	25,286	26,756	29,323	29,072	29,072
Auxiliary Enterprises	98,651	103,394	116,102	116,628	116,628
Contributions Net	30,063	31,688	30,755	30,553	30,553
Medical Education Agreements	59,121	62,389	63,759	64,197	64,197
Other Income	25,354	30,622	51,744	38,147	38,147
Total Revenues	**889,779**	**939,266**	**1,033,770**	**1,049,965**	**1,050,965**
EXPENSES	496,882	497,751	502,711	532,550	525,593
Salaries & Wages					
Fringe Benefits	111,177	108,911	107,693	117,161	114,054
Purchased Services	142,617	152,153	166,181	175,986	175,436
Supplies	11,138	9,858	9,997	12,748	12,749
Equipment	10,476	11,862	9,173	12,094	12,314
Bad Debt	1,564	1,716	1,731	1,709	1,709
Occupancy	55,780	55,641	45,275	49,017	48,762
Scholarships & Fellowships	14,398	14,161	14,032	15,607	15,429
Communications	4,674	4,353	4,013	4,441	4,257
Travel & Training	21,502	21,514	21,400	23,231	22,233
Other	34,522	32,967	34,134	37,455	37,215
Total Expenses	**904,731**	**910,887**	**916,339**	**981,998**	**969,751**
OTHER CHANGES IN NET ASSETS	(76,707)	(88,840)	(103,185)	(94,683)	(94,683)
Debt Service & Mandatory Purposes					
Endowment Support	71,737	73,041	75,130	77,214	77,214
Capital Expenditures	(14,603)	(13,451)	(12,397)	(12,087)	(12,624)
Support/Investment	34,524	871	(76,978)	(38,410)	(51,120)
NET OPERATING RESULTS	-	-	-	-	-

6

Decisions

Sources
Revenue + Endowment Support

−

Uses
Operating Exp + Capital + Debt Service

Net Tuition = ~70% of resources

Auxiliary Enterprises – primarily housing

Medical Education Agreements - primarily payments for medical residents

Other Income – rental income, royalties, athletics, other misc.

Endowment support - set by board policy, stable

Compensation = ~60% Operating Exp.

Purchases Services: ~60% - Program Support, ~22% - IT, Facilities, & ER Contracts, and ~18% - Professional Services

Occupancy – cost of space

Other – special events, conferences, memberships, other misc.

Capital Expenditures – expenditures for operating equipment cash basis

Debt Service & Other Mandatory Purposes – external interest expense, & amortization, internal amortization

=

Support/Investment
[Balance Sheet Impact]

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Operating Margins

- **Operating Surplus/Deficit: = Revenue – Expenses**
  - 2015: 889,779 – 904,731 = -14,952
  - 2016: 939,266 – 910,887 = 28,379
  - 2017: 1,033,770 – 916,339 = 117,431
  - *2018: 1,050,965 – 969,751 = 81,214* (projected)
- **Δ in Balance Sheet = Sources-Uses = (Revenue + Endowment Payout) – (Operating Expense + Capital + Debt Service)**
  - 2015: (889,779+71,737) – (904,731+14,603 +76,707) = -34,254
  - 2016: (939,266+73,041) – (910,887+13,451+88,840) = -871
  - 2017: (1,033,770 +75,130) – (916,339+ 12,397+103,185) = 76,978
  - *2018: (1,050+77,214) – (969,751+12,624+94,683) = 51,120* (projected)

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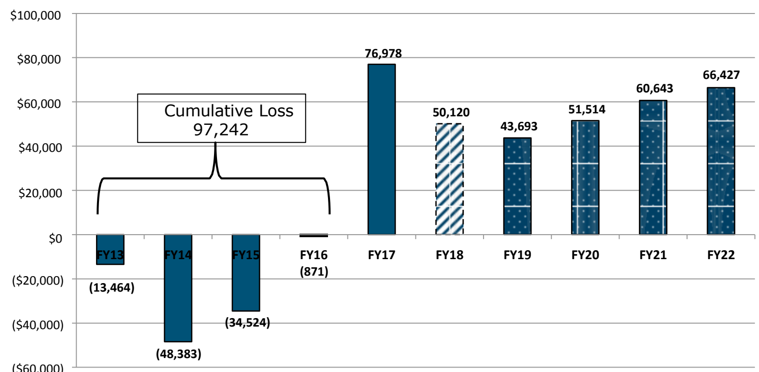
Support & Investment Net Change in Sources & Uses



- From FY 2013 through FY 2016 the cumulative excess uses above sources was $97.2M. This net usages was unsustainable.
- The improvement in FY 2016 and FY 2017 was primarily driven by cost management strategies to align expenses with revenues.
- The five-year plan assumed stable margins in the 4%-5% range from FY 2019 through FY 2022

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Trends

- University Net Assets
  - Increase of 8.9% from FY 2016 to FY 2017
- Student Tuition & Fees
  - Increase of 8.2% from FY 2016 to FY 2017
- Increase in financial aid spending
  - Increase of 7.7% from FY 2016 to 2017
- Net Student Tuition & Fees
  - Increase of 8.4% from 2016 to 2017
- Operating Expense
  - Increase of 0.6% from FY 2016 to FY 2017
  - Increase of 2% from FY 2014 to FY 2015

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Change from FY 2017 Actual to FY 2018 Forecast

- Projected Growth in Tuition Revenue:
  - Student Tuition & Fees: 4.9%
  - Financial Aid Spending: 7.0%
  - Net Tuition: 4.1%
- Projected total revenue growth
  - Total Revenue: 1.7%
- Projected expense growth
  - Total Expense: 5.8%
- Projected operating surplus (Revenue – Expense)
  - Reduced by (30.8)%*
- Projected Increase (decrease) in Balance Sheet
  - Reduced by(33.5)%*

Note that FY 2017 was a bit of an outlier. Expect to return to lower, but still positive path in 2018 and out years. See, slide above.

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Change from FY 2017 Actual to FY 2018 Forecast

- Projected Growth in Tuition Revenue:
  - Gross tuition: 4.9%
  - University Funded Scholarships: 7.0%
  - Net Tuition: 4.1%
- Projected revenue growth
  - Total Revenue: 1.7%
- Projected expense growth
  - Total Expense: 5.85%
- Projected operating surplus (deficit)
  - (30.8)%*
- Projected Increase (decrease) in Balance Sheet
  - (33.5)%*

* Note that FY 2017 was a bit of an outlier. Expect to return to lower, but still positive path in 2018 and out years. See, slide 4 above.

12

Debt and Borrowing

- With retirement of the 2012 $168 million bond issue in Sept. 2017, GWU total rated debt equals approximately $1.6 billion
- Both S&P and Moody's continue to affirm A+(S&P) and A1 (Moody's) ratings and maintained outlook as "Stable"
  - https://finance.gwu.edu/sites/finance.gwu.edu/files/downloads/S%20%26%20P%20DC%2C%20George%20Washington%20University%20FINAL.pdf
- Ratings continue to reflect both strengths and challenges

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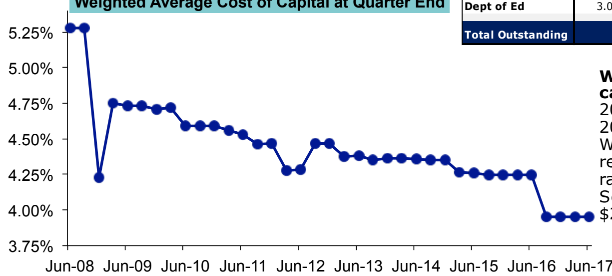
The Series 2012A Bonds were redeemed upon maturity on September 15, 2017. Redemption of the bonds will reduce interest expense by $3M annually. The weighted average years to maturity on the bond portfolio has increased from 18.2 years to 20.0 years, while the weighted average cost of capital increased slightly from 3.95% to 4.17%, as a result of the redemption.

		Outstanding As Of		
Obligation	Interest Rate	Mar 31, 2017	Jun 30, 2017	Sept 30, 2017
2015 Series	4.87%	350,000,000	350,000,000	350,000,000
2014 Series	4.30%	300,000,000	300,000,000	300,000,000
2012 Series	3.49%	300,000,000	300,000,000	300,000,000
2016 Series	3.55%	250,000,000	250,000,000	250,000,000
2013 Series	4.36%	170,000,000	170,000,000	170,000,000
2012A Series	1.83%	168,000,000	168,000,000	-
2011 Series	4.45%	100,000,000	100,000,000	100,000,000
2010 Series	4.81%	80,940,000	80,940,000	70,690,000
2011A Series	3.58%	50,000,000	50,000,000	50,000,000
Dept of Ed	3.00%	75,530	67,629	67,629
Total Outstanding		1,769,015,530	1,769,007,629	1,590,757,629

Weighted Average Cost of Capital at Quarter End



Weighted average cost of capital has declined since June 2008 from 5.28% to 3.95% at June 2017. Over the last several years, WACC has decreased as a result of refinancing several bonds at lower rates, including the issuance of the Series 2016 Bonds in July for $250M at 3.545%.

**The Weighted Average Cost of Capital (WACC) is calculated using the current interest rate for each debt issuance and weighted based on the current or projected amount outstanding. The Weighted Average Years to Maturity (WAYM) is calculated using the current number of days outstanding for each debt issuance and weighted based on the current or projected amount outstanding.*

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Standard and Poors: 1

Our rating reflects our belief that GWU's enterprise profile is extremely strong as a comprehensive research university, with more than half of its enrollment coming from its graduate and professional programs (law and engineering, among other disciplines), and with a total enrollment that has grown over the past five years.

Also, the rating reflects our view that the university's financial profile is strong, characterized by modest operating profitability in most years (although negative most recently), ample available resources, and moderate to high debt, with some susceptibility due to the frequent use of bullet maturities. The combined enterprise and financial profile lead to an initial indicative standalone credit profile of 'aa-'; however, as our criteria indicate, the final rating can be within one notch of the indicative rating.

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Standard and Poors: 2

In our opinion, the 'A+' rating better reflects the university's more limited expendable resources (ER) to operations and ER to debt in comparison with medians and those of peers.

The rating further reflects our view of the university's:

- Growing enrollment, with full-time undergraduate enrollment increasing over the past three years while full-time graduate enrollment has been more stable;
- Good revenue diversity, with tuition and fees accounting for slightly less than two-thirds of revenue, and with a quarter of revenue coming from grants and contracts, private gifts, and auxiliary operations;
- Sizable moneys received from its research programs (although like with many other universities, this funding source declined in fiscals 2015 and 2016); and
- Demonstrated successful fundraising capabilities and increasing amounts of annual fundraising support.

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Standard and Poors: 3

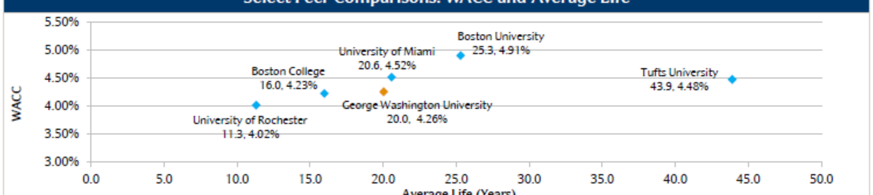
In our opinion, partially offsetting credit factors include:

- Only adequate available (expendable) resources to operating expenses and debt;
- High capital spending over the past three years to renovate and expand campus facilities, including a new, $275 million science and engineering facility that opened in early 2015; a new, $75 million public health building that opened in May 2014; and a 12-story, 900-bed student residence hall that opened in fall 2016;
- A moderate to slightly high 7.0% debt burden, with most debt typically issued as taxable debt and having bullet maturities (including several issues with 10-year bullet maturities), although more recent issues have carried longer-term bullet amortizations; and

THE GEORGE WASHINGTON UNIVERSITY

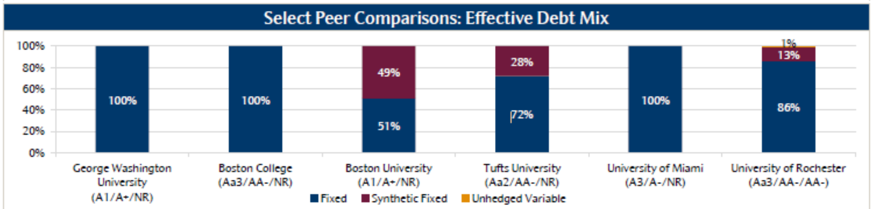
WASHINGTON, DC

Select Peer Comparisons: WACC and Average Life



Weighted Average Cost of Capital: *Barclays result of 4.26% uses a target blended discount rate that produced present value of debt service equal to outstanding par plus unamortized original issue premium and discount. This calculation differs slightly from the 4.17% calculated by GW, using a simple average methodology as of June 30, 2017.*

Select Peer Comparisons: Effective Debt Mix



Note: *Statistics as of 9/15/2017. Assumes interest rates of 1.70% and 2.30% for unhedged tax-exempt and taxable variable rate debt, respectively (20-year averages of SIFMA and 1-month LIBOR). Assumes swap rate for hedged variable rate debt. Excludes excess swap notional amounts and commercial paper.*

Information provided by: BARCLAYS

Budget/Finance Issues, Challenges, and Opportunities

- Issues
  - Budget and Financial Planning
    - Continued assessment of the new budget model
  - Enrollment & tuition revenue
  - Annual increases and tuition discount rate
  - Budgetary impact of integrating the Corcoran
  - Further expense saving
    - Monitoring effects of annual cuts in central admin. expenses scheduled to run until 2019
  - Health and Other Fringe benefits
    - Health Insurance Costs and Premiums
    - DC-mandated paid family leave
- Challenges and Opportunities
  - Other revenue sources
    - Capital campaign
    - Development of Pennsylvania Ave. Property
- Possible Effects of Tax "Reform"
    - General effects of rate changes on charitable giving + estate tax
    - Treatment of tuition waivers/fellows hips as taxable income
    - Repeal of deductibility of student loan interest
    - 20% excise tax on university salaries > $1 million

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Report of the Executive Committee

November 10, 2017

Sylvia A. Marotta-Walters, Chair

ACTIONS OF THE EXECUTIVE COMMITTEE

Faculty Senate Executive Committee (FSEC) Chair at the Board of Trustees. Board Chair Nelson Carbonell initiated a new process for the Board meetings by eliminating the closed sections of board meetings in favor of a longer and more inclusive open session. In the past board meetings had been a combination of open meetings, closed meetings, and executive sessions. This practice will now change to open session followed by executive session. For the first time this October, the FSEC Chair was invited to participate during the open session, instead of merely reporting. The Student Association President is also participating.

Faculty Assembly. The annual faculty assembly was held on October 24, 2017, under a new format that included a Question and Answer session with the President and the faculty. Remote viewing access was provided for faculty at the Virginia Science and Technology Center. As Faculty Senate Executive Committee Chair, I reported on the highlights of activities taken since the last assembly in October of 2016. These included the opening of a new Faculty Senate Website, and a decision to submit resolutions passed by the Senate as they occur rather than waiting until the end of the academic year. In this way actions following the resolutions can happen in a timely manner.

FSEC Chair Report to University Leadership Council. On November 8, 2017, I reported to the University Leadership Council a summary of ongoing senate projects through the various committees, and a summary of the projects we have in collaboration with the Office of the Provost.

Review of School Rules and Regulations (By-Laws)

As reported last month, the Provost is required to consult with the Faculty Senate Executive committee on the approval of bylaws from each school. He does this via a subcommittee comprised of the faculty member(s) writing the rules for each school, the Vice Provost for Academic Affairs, the Senate parliamentarian, the chair of the faculty senate executive committee, the EC representative from the appropriate school, and the co-chairs of the Professional Ethics and Academic Freedom (PEAF) committee of the senate. In the month since the last report to the Senate, the subcommittee has reviewed, commented, and met to resolve issues with SEAS and with the law school. Meetings have been scheduled for both of these schools in the upcoming weeks. As of today, seven of the 10 schools have been reviewed, one school (CPS) is currently under review, and two remain to be reviewed (SB and GSEHD). If you have questions or concerns about this process, please address them to the Senate EC Chair, and copy the Provost.

Among the issues that have arisen across the schools are voting procedures, what constitutes a quorum, decanal review processes, and the role of the School Wide Personnel Committees (SWPC). The provost will be reporting to the senate on the process of decanal reviews as these are currently being conducted in the School of Business and in SEAS. According to the *Faculty Code*, actual data arising from the reviews is provided to the dean, Provost, President, and Trustees. A summary of the review is provided to the school's faculty.

Resolution 17/4 on Guidelines for Implementing Academic Freedom. The provost's office is completing its review of the Guidelines to ensure that they are conforming to existing university policies. Art Wilmarth is finalizing language changes to the Guidelines and they should be available soon.

SENATE STANDING COMMITTEES

Chairs of senate committees who receive requests from anyone wanting to serve on a committee should forward those nominations to the Executive Committee so that they can be approved by the full senate. As a reminder, anyone can serve on a standing committee, faculty, staff, or students.

PRESIDENTIAL INAUGURATION

The Senate is reminded that Inauguration Week begins on Sunday, with the Inauguration itself being Monday morning. All are encouraged to attend. The FSEC Chair will greet the president on behalf of the faculty during Monday's inauguration ceremony.

FACULTY PERSONNEL MATTERS

There are four active grievances in CCAS, GWSB, GWSPH, and GSEHD. Three are in mediation and one has proceeded to the hearing stage.

ANNOUNCEMENTS

The next meeting of the Executive Committee is next Friday, November 17, 2017. Please submit any reports or drafts of resolutions to the FSEC by Monday, November 13.

Upcoming Agenda Items

December 8, 2017 Dean Morant, GW Law School

January 12, 2018 Annual Report on Research (Vice President for Research Chalupa)

Tentative: CARE Network (Dean of Students Peter Konwerski)

Thank you.