

## Faculty Budget Advisory Committee

### MINUTES

Meeting of Tuesday, December 17, 2002

3:30 – 5:00 p.m.

East Baltimore Campus

Hampton House, Room 461

Attendance: Dr. Donald Steinwachs (Chairman), Mr. Gordon Bodnar, Dr. Shelly Greenberg, Dr. Michael Paulaitis, Dr. Noel Rose, Ms. Shirley Van Zandt, Dr. Peyton Young; Provost Steven Knapp; Senior Vice President James McGill; Associate Vice Provost James Zeller; Mmes. Sally MacConnell, Karen Sollanek; Messrs. Frank Bossle, Larry Kilduff, Fred Puddester.

#### 1. APPROVAL OF MINUTES

Minutes of the meeting of October 22, 2002 were approved as distributed.

#### 2. PRESENTATION ON EAST BALTIMORE 10-YEAR CAPITAL PLAN

Sally MacConnell, Vice-President for Johns Hopkins Hospital Facilities Management, presented the East Baltimore capital plan. This master plan covers the next ten years and is estimated to cost approximately \$1.2 billion. The main focus of this plan is to replace hospital facilities and build new research buildings, along with providing additional parking, utilities and a loading dock.

Ms. MacConnell highlighted several key developments. Approximately 1.3 million square feet is designated for a Children's Maternal Hospital and a Cardiac & Critical Care Tower. The Children's Hospital will replace all the current pediatric areas.

#### 3. PRESENTATION ON HOMEWOOD CAMPUS DEVELOPMENT

Larry Kilduff, Executive Director of Homewood Facilities Management, discussed the Homewood Campus Master Plan with the Committee. The University, in conjunction with the planning firm Ayers Saint Gross, developed primary goals for the master plan, including: establish a context for future development, define specific locations and opportunities for the growth of academic and research programs, develop opportunities to resolve current and future parking issues, develop plans to rationalize pedestrian and vehicular circulation and develop a plan for open space improvements and landscape upgrades/renewals.

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Mr. Kilduff highlighted several outcomes since the master planning began in 1998. New campus buildings include the Recreation Center, the Arts Center, Clark Hall and Hodson Hall along with open space upgrades. The campus has already benefited by a substantial elimination of vehicles and trucks. The new Chemistry Building is currently in progress, along with a new parking deck.

Mr. Kilduff discussed future campus developments, particularly the Garland Quadrangle. Slated for this area in the near term is an Admissions/Visitor Center, a new Computer Science building and underground structured parking. Additionally, a mixed-use development project on 33<sup>rd</sup> and St. Paul Streets is contemplated. This project includes student housing, parking and a retail component including the University bookstore.

Dr. Rose asked if there are any improvement plans underway for the two lanes on Charles Street that are currently a pedestrian hazard. Mr. Kilduff responded that all of the stakeholders in this area (e.g., the University, the City and the community) have come to a consensus on how to deal with the particular area. The City hopes to begin improvements in fiscal 2005 or fiscal 2006, whenever funds become available.

In response to Dr. Greenberg's question on the plans for development of the Remington Street area, Dr. McGill stated that the new Vice President for Governmental Relations is coordinating and beginning discussions with the community. The University's focus for this area is not to just purchase the land but the University would like to re-establish the community.

4. FISCAL 2003 QUARTERLY OPERATING RESULTS AS OF SEPTEMBER 30, 2002

The University's financial situation as of the end of September 2002 is modestly better than budgeted and is slightly unfavorable compared to the same period as last fiscal year. The following key revenue indicators were reviewed by the Committee:

Tuition revenue is \$4.1 million (2.3%) higher than budget. There is variation among the divisions with several divisions experiencing higher than budgeted enrollment. Tuition revenues are 5.8% higher than last year at this time.

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Facilities & Administrative cost recoveries are about 2% less than budgeted but 8.8% ahead of last year. Both Arts & Sciences and Engineering are ahead of budget to date while the School of Medicine and the Bloomberg School of Public are slightly below budget. However, both of Medicine and Public Health are ahead of last year by 9.4% and 5.4%, respectively.

Organized research revenues are \$4.4 million (5.0%) less than budgeted. Two divisions account for most of this variance. The School of Medicine performed a comprehensive review of its organized research base after the FY2003 budget was developed and re-categorized several awards to other sponsored activity base. As a result, the School's organized research base will remain under budget throughout the fiscal year. The School of Public Health's organized research base is also below budget due principally to lower than budgeted attainment in one department.

Other sponsored revenues are slightly ahead of budget and significantly greater than last year with \$4.1 million (14.5%) growth primarily driven by the re-categorization of School of Medicine awards from the organized research base and growth at JHPIEGO.

Clinical services revenue is 5.1% higher than budgeted. The significant increase over prior year, 22.5%, is due to the merger of Bayview Physicians that occurred in January 2002. Data through September of last year did not include any of the Bayview clinical activities.

The Committee also reviewed the sources and uses of funds (Table 1). Through September, the total operating surplus is \$36.2 million compared to a budgeted surplus of \$35.7 million. The general funds operating surplus is \$45.0 million, \$6.8 million more than the projected surplus of \$38.2 million. This difference is due primarily to lower spending in plant, auxiliary enterprises and instruction and research. In the sponsored and designated funds, the University experienced an \$8.8 million operating shortfall instead of the projected \$2.5 million shortfall. Higher than anticipated grants and contracts and gift revenue was offset by additional research spending.

Through September, both revenues and expenditures have increased at double digits levels compared to last year (Table 2). Total revenue is up \$68 million (11.4%) and total expenditures are up \$72.8 million (13.1%).

## 5. FY2004 PLANNING ASSUMPTIONS

Dr. Knapp presented an update on the University's approved tuition rates for undergraduate, graduate and doctoral programs. The approved tuition for the Homewood schools undergraduate full-time programs (\$28,730) is consistent with the Trustees policy adopted three years ago. This policy, which originated from a recommendation from a tuition sub-committee of the Trustee Finance Committee in 1997, is to increase tuition at a rate of 0.1% below the median rate of increase of peer schools from the prior year in order to remain competitive by anticipating changes in peer tuition rates.

Dr. Young asked about the progression of discounted tuition over the past five years. Dr. Knapp responded that the net tuition is not growing faster and that a presentation on this topic was made to the Trustee Finance Committee at their October 2002 meeting. Dr. Knapp suggested that a similar presentation be made to the Faculty Budget Advisory Committee at a future meeting.

Mr. Puddester presented the budget and planning assumptions for fiscal year 2004 through 2008:

- Maryland State aid is at risk for a 25% reduction in fiscal 2003; therefore, the fiscal 2004 assumption is a 25% decrease from the original fiscal 2003 budget. Planning increases for state aid in the remaining years is 2.0% above the fiscal 2004 reduced base.
- Facilities and administrative cost recoveries for on-campus organized research will be budgeted at 57% for operations and 6.5% for one-time uses. Dr. McGill added that the cost proposal is scheduled to be submitted by December 31, 2002 and negotiations with the government on rates should begin shortly thereafter. Negotiations are expected to run six months or longer.
- Subject to approval by the Investment Committee, no increase in fiscal 2004 endowment payout and no growth in payout for the remaining years. Dr. Young asked if this proposed policy was consistent with Hopkins' peer institutions. Dr. McGill stated that most peer institutions were holding endowment payout flat, while some institutions were decreasing projected endowment payout.
- Salary budgets are generally not to exceed 2.5% and the personnel benefits at the previously negotiated rate of 29.0%.

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6. OTHER

Associate Provost Zeller reminded the Committee of the guidelines for this year's divisional faculty salary presentations. Both Mr. Zeller and Chairman Steinwachs are working on a draft letter to the schools and would like feedback from the Committee. At the March Committee meeting the following schools should be prepared to present: Arts & Sciences, Engineering, Professional Studies and Peabody.

The Committee discussed future topics for upcoming Committee meetings. The Committee agreed that, along with the routine financial update, endowment income payout and the four divisional faculty salary presentations would be on the agenda. Future Committee meetings will include a review of development financing and a historical analysis on discounted tuition.

7. The next committee meeting is scheduled for Friday, March 14, 2003 at 10:00 a.m.