

**FINANCE COMMITTEE
OF THE BOARD OF VISITORS
EASTERN VIRGINIA MEDICAL SCHOOL
MAY 17, 2022
Waitzer Hall Board Room – 11th Floor
2:00 P.M.**

PRESENT

Robert J. Bianchi, Rear Adm (Ret), SC, USN, Chair
Sarah M. Bishop
Paul D. Fraim, Esq.
Daun S. Hester
W. Ashton Lewis, Sr.
Mary C. Rubino, MD
Bruce D. Waldholtz, MD

ABSENT

Conrad M. Hall
Chester M. Hart, Jr.
T. Richard Litton, Jr.

EX OFFICIO MEMBERS PRESENT

Alfred Z. Abuhamad, MD
Tammy A. Chrisman
Brant M. Cox
Helen S. Heselius

STAFF PRESENT

Victoria C. Dean
Brian T. Mansfield
Linda S. Speers

CALL TO ORDER

Admiral Robert Bianchi, Chair, called the special meeting of the Finance Committee to order at 2:00 p.m.

APPROVAL OF MINUTES

Upon a motion made and seconded, the minutes of the March 15, 2022 Finance Committee meeting were approved as distributed.

FY 2023 PRELIMINARY OPERATING BUDGET

Mrs. Helen Heselius reminded the Committee that this meeting is to present the first draft of the FY 2023 operating budget and the final budget will be presented on June 21, 2022.

Mrs. Heselius stated the total FY 2023 budget is \$283 million, an increase over projected actual of \$14 million. She reviewed the budget highlights for next year:

Finance Committee Meeting
May 17, 2022
Page 2

State Funding: The State budget has not been approved yet and current draft reflects the following:

- Funding **included** in this budget is base adequacy (\$1.6 million), student scholarships (\$500,000), and additional maintenance reserves (\$885,000).
- Pending items **not included** in this budget is ONE School of Public Health (\$2.5 million), Waitzer Hall operations and maintenance (\$520,000), planning for the potential EVMS/ODU Partnership (\$250,000), and two capital projects: Lewis Hall HVAC (\$7.2 million) and security enhancements (\$1.1 million).

Sentara Affiliation Agreement: The budget does not include support from the Sentara Affiliation Agreement that ends this year. Negotiation of a new affiliation agreement is in progress and although revenues are expected, no revenues are budgeted due to unknown amount and restrictions. The current agreement provides annual operating support of \$17 million and the impact of not budgeting the recurring funding was discussed. After expense reduction efforts, the budget includes \$6.8 million from EVMS Reserves.

Merit Increases: Administration is prioritizing merit increases to staff to remain competitive in the market.

Mrs. Heselius reviewed the FY 2023 Preliminary Operating Budget by Mission, highlighting some of the major variances between FY 2022 projected actual and FY 2023 budget in each of the EVMS missions.

Core:

Mrs. Heselius reported the projected FY 2022 net excess is \$3.1 million. The break-even Core budget includes \$6.8 million operating support from EVMS Reserves and a contingency reserve of \$169,000. She informed the Committee that the MD student tuition will increase 2% for in-state and 0% for out-of-state students. The Physician Assistant tuition will increase 2% for in-state and 0% for out-of-state students. Most other Health Professions programs will have tuition increases of 2% and 4% for in-state and out-of-state students respectively.

Mrs. Heselius reported a State Appropriations increase of \$2.1 million due to \$1.6 million base adequacy and \$500,000 financial aid for in-state students. She again emphasized that the State Budget has not yet been approved.

Mrs. Heselius reported an increase of \$202,000 in Municipal Subsidies from the City of Norfolk. She noted that Management just received notice of a decrease of \$73,000 from the City of Chesapeake. Due to notification being received after the preliminary budget was prepared, this decrease is not reflected in the budget. Discussion ensued and several board members stated they will reach out to their contacts on the City Council and advocate for EVMS.

Mrs. Heselius stated that the Facilities and Administrative Cost Recoveries increase of \$846,000 is mostly due to the CONRAD program. CONRAD had new awards mid-year in FY 2022 and is now budgeting for a full year in FY 2023. This \$1.2 million is partially offset by \$260,000 increase

Finance Committee Meeting
May 17, 2022
Page 3

in cost match and seed funding that is provided to them. There is a \$403,000 decrease from projected actual in the non-CONRAD programs as no new awards are budgeted.

Mrs. Heselius reported an increase in Auxiliary Enterprises Income. The parking revenues increased by \$151,000 and an increase of \$353,000 in the Hague Club apartments rental income. The renovations are on schedule and expect that students will be able to start occupying the apartments in August 2022, with occupancy staggered through February 2023.

Mrs. Heselius reported that the FY 2023 clinical 20% support is flat compared to FY 2022 projected actual, and a \$13,000 decrease from the FY 2022 budget.

Mrs. Heselius reported an increase of \$475,000 in Other Sources, mostly due to resuming activities that were halted due to COVID-19.

Mrs. Heselius reiterated that it is a high priority for management to budget merit increases that would enable EVMS to remain competitive. The preliminary budget includes classified staff receiving a maximum of 5%, unclassified staff and non-clinical faculty receiving 3.5%, and clinical faculty and senior management receiving 2%. She reported that there was no health insurance rate increases for most of the plans.

GME:

Mrs. Heselius reported a 4% resident stipend increase in the budget that is funded by the affiliated hospitals. The number of budgeted FTE residents will increase from 374 in FY 2022 to 397 in FY 2023.

Clinical Enterprises:

Mrs. Heselius reported the Clinical Enterprises (Medical Group and the EVMS Pediatrics) are budgeting an increase of \$18 million compared to the projected actual, which is offset by salary and fringes of \$17.3 million for the vacant positions. This is an increase of \$12.9 million compared to the FY 2022 budget. Their operating margin is decreased by \$170,000 compared to projected actual due to EVMS Pediatrics, and an increase of \$933,000 from the FY 2022 budget.

Mr. Brant Cox added the \$18 million revenue increase is in anticipation of hiring additional clinical faculty. He stated that the Medical Group has operated this fiscal year with 30-40 vacant faculty positions. Recruitment has been ramping up and he fully expects a large component of those vacant positions to be filled during FY 2023. If the positions are not filled, the corresponding salary support will not be incurred and budgeted margins will not be impacted.

Sponsored Research:

Mrs. Heselius stated the increase of \$2.2 million in direct sponsored research includes \$4.5 for the CONRAD Program, and a (\$2.3 million) decrease in non-CONRAD direct costs that is mostly due to not budgeting any new awards.

Finance Committee Meeting
May 17, 2022
Page 4

Department Reserves:

Mrs. Heselius stated that the Department Reserves budgeted decrease of \$2.2 million is due to the timing of when the funds were received and when the money is spent. She reported that there was \$82 million available in Department Reserves as of March 2022. These funds are already committed.

EVMS Reserves:

Mrs. Heselius reported that the total institutional uncommitted reserves are projected to be \$57.1 million at the end of FY 2022 and \$50.3 million at the end of FY 2023. This is assuming that no additional funding or appropriations are received.

FINANCE REPORT

Due to time constraints, the Finance report was not reviewed but Admiral Bianchi noted it was available in the member's board books and Ms. Chrisman was available if there were any questions.

ADJOURNMENT

With no further business to discuss, the meeting was adjourned at 2:46 p.m. The next meeting will be held on Tuesday, June 21, 2022. The time and location will be determined at a later date. The FY 2023 Proposed Operating Budget will be voted on at that meeting.

Linda S. Speers

Linda Speers
Recording Secretary