

RESOLUTION

ADJUSTMENT OF ENDOWMENT MANAGEMENT FEE

WHEREAS, the University of South Alabama has an ongoing responsibility to build endowment assets to the financial benefit of the University, thereby strengthening its ability to enhance the quality of university programs, and

WHEREAS, the activities necessary to build and maintain the University's endowment require expenditures for costs associated with engaging financial management services; support for fundraising activities; management of the endowed gift process; liquidating of real property accepted as gifts where appropriate; and other such business-related expenditures, and

WHEREAS, the University has used the mechanism of a management fee on endowment assets to provide a stable source of funding for all such business activities related to acquisition of new assets and management for the growth of assets through prudent and strategic investment, and

WHEREAS, increasing the management fee assessed against the endowment assets from its current rate of 7/10 of one percent to one percent would provide a means of maintaining the momentum of development and alumni relations programming in the face of continuing declines in state appropriations, and be consistent with best practices among universities nationally,

THEREFORE, BE IT RESOLVED, the Board of Trustees, on the recommendation of its Development, Endowment and Investment Committee, authorizes the University to assess an annual management fee of up to one percent of total assets held in the endowment as of September 30 of each year and retroactive to September 30, 2012, and

BE IT FURTHER RESOLVED, the President is authorized to set the fee on various funds and designate the expenditure of resources generated by this management fee as appropriate through the University budgeting process for the purpose of supporting the university's development function.

UNIVERSITY OF SOUTH ALABAMA



OFFICE OF DEVELOPMENT
AND ALUMNI RELATIONS

REC'D
OFFICE OF THE PRESIDENT

NOV 26 2012

UNIVERSITY OF SOUTH ALABAMA

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November 26, 2012

Mr. V. Gordon Moulton
President
University of South Alabama
307 University Boulevard
AD 122
Mobile, AL 36688

Dear President Moulton:

Vice President Davis and I have reviewed the management costs and fund raising expenses relative to managing and growing significantly the University's endowment, especially in anticipation of our new endowed scholarship challenge. Further, we have reviewed the best practices of universities relative to funding mechanisms to address these costs detailed in the most recent April 2011 *Council for Advancement and Support of Education* (CASE) CASE 2010 Institutionally Related Foundation Funding Survey, and therefore recommend the attached resolution to you and the Board of Trustees for consideration. The resolution is grounded on the best practices cited in the survey results relative to "Endowment Management Fees".

Sincerely,

Joseph F. Busta, Jr.
Vice President
Development & Alumni Relations

JFBjr/sd

Attachments

C: Mr. Wayne Davis



Rationale for Endowment Management Fee

In recognition of the benefits that building a substantial endowment will bring to all parts of the university, the administration seeks an adjustment to the endowment management fee which is currently charged against net assets held in endowment for the purpose of providing a stronger and steady source of funding to support financial management of the endowment and costs associated with raising and administering new gifts.

In an environment of ongoing reductions in state appropriations, management fees against endowment assets offer an important opportunity for maintaining momentum of development and alumni programming and the consequent ongoing growth of endowment assets while reducing the demand on state resources, thereby helping the university address budget challenges.

According to the 2011 Council for Advancement and Support of Education (CASE), most recent 2010 institutionally related foundation survey among American universities, management fees on endowment have become *the most commonly used mechanism* for funding development programs. Endowment management fees employed nationwide range from less than 1 percent to more than 2 percent. The most common fee employed is 1 percent. Currently, 87.4 percent of institutions with a management fee used a 1 percent or higher fee. Fewer than 12 percent of institutions employing management fees use a fee lower than 1%.

Increasing the management fee on USA's endowment from 7/10 of one percent to one percent of asset value, will reduce demand on the university's state budget, promote the continued vigor of development programs, and are well within the established best practices of universities nationally.

The 2011-12 management fee of 0.7% generated \$886,952.70, on an asset balance of \$126,707,528.40. Given the September 30, 2012 preliminary figures, the total asset balance for the University endowment is approximately \$140,000,000, a one percent assessment would yield approximately \$1,400,000.