

Committee Minutes

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

Latham A/B, The Inn at Virginia Tech

November 15-16, 2020

Joint Closed Session with the Buildings and Grounds Committee

November 15, 2020

Board Members Present: Ed Baine, Shelley Barlow, Sharon Brickhouse Martin, Carrie Chenery, Greta Harris, C.T. Hill, Anna James, Eric Kaufman – Faculty Representative, Melissa Nelson, Camellia Pastore – Undergraduate Student Representative, Chris Petersen, Mehul Sanghani, Tamarah Smith – Staff Representative, Sabrina Sturgeon – Graduate Student Representative, Horacio Valeiras, Jeff Veatch (remote)

Virginia Tech Personnel: Mac Babb, Eric Brooks, Bob Broyden, Cyril Clarke, Al Cooper, Corey Earles, Kari Evans, Kevin Faust, Randal Fulhart, Bryan Garey, Mark Gess, Wendy Halsey, Kay Heidbreder, Mary-Ann Ibeziako, Frances Keene, Chris Kiwus, Sharon Kurek, Jamie Lau, Ken Miller, Liza Morris, Heidi Myers, Bob Muse, Justin Noble, Mark Owczarski, Kim O'Rourke, Dwayne Pinkney, Tim Sands, John Tarter, Dwyn Taylor, Jon Clark Teglas, Chris Yianilos, Tracy Vosburgh

*** 1. Approval of Resolution for a Capital Lease for the 3200 Commerce Street**

Property: The Committees reviewed for approval a resolution for a capital lease for the 3200 Commerce Street property.

The university vision to expand research and development under the Virginia Tech Transportation Institute (VTTI) is a key strategic initiative for the future. The acquisition of 3.29 acres of property with 10,434 square feet of additional office and garage space at 3200 Commerce Street is an essential asset for growth by housing VTTI's technical support operations and facilitate vehicle repairs and modifications, streamlining access to research vehicles, and promoting the expedient staging of research props and fixtures. This space also provides a conditioned area for sponsors and researchers to interact with vehicle systems and is a critical staging area for modified vehicles and equipment that are not fully weather rated.

The Virginia Tech Foundation (Foundation) acquired the property on behalf of the university for \$1.52 million on May 29, 2020. The funding plan calls for the university to enter a lease with the Foundation at a rate sufficient to retire the acquisition costs, normal operating costs, and property carrying costs. VTTI will fund the lease costs from its returned overhead revenues. The University Controller's Officer has reviewed the lease and determined that the terms and conditions meet the standard for a capital lease. Under the university's management agreement for capital projects

with the commonwealth, capital leases are defined as capital projects that require a capital project authorization, irrespective of their total value. While the asset acquisition costs are below the commonwealth's \$3 million capital project threshold, the lease meets the Generally Accepted Accounting Principles (GAAP) for a capital lease.

The university and VTTI are ready to proceed with entering a lease with the Foundation and have developed an entirely nongeneral fund resource plan sufficient to cover the \$1.52 million property acquisition costs, future property carrying, and maintenance costs.

This request is for authorization to move forward with a capital lease for the 3200 Commerce Street property.

The Committees recommended the Resolution for a Capital Lease for the 3200 Commerce Street Property to the full Board for approval.

* **2. Approval of Resolution to Supplement the New Upper Quad Residence Hall:**

The Committees reviewed for approval a resolution to supplement the New Upper Quad Residence Hall project.

The Board of Visitors approved the New Upper Quad Residence Hall project at its June 3, 2019 meeting. This approved project includes a program of 300 beds and will be located on the corner of Stanger Street and Old Turner Street adjacent to the site for the New Corps Leadership and Military Sciences Building. The program bed count ensures housing capacity to support the enrollment growth plans for the Corps of Cadets to reach 1,400 students. The original project authorization includes a \$33 million budget which is based on a university residential cost model of \$110,000 per bed. The project scope includes razing Femoyer Hall and the design, construction, and furnishings for the new residential facility.

Subcontractor pricing at the completion of preliminary designs (September 15, 2020) show the costs for the project are \$133,000 per bed, or \$40 million. The primary drivers that push the cost over \$110,000 per bed are associated with the site, a necessary feature for the Corps of Cadets, including the complexity and extensiveness of utility relocations, volume of contaminated soils remediation and hazardous materials handling for the demolition of Femoyer Hall, extensive grade changes to address ADA compliance, and market pricing. The costs above reflect the acceptance of value engineering alternatives.

The project includes the scope necessary to meet the needs of the Corps of Cadets, residential program, and campus requirements. The university reviewed the project

scope and established that the acceptance of any additional value engineering would be detrimental to the program requirements for the Corps of Cadets.

To ensure the project addresses its programmatic intent, the university is requesting a \$7 million supplement authorization for the New Upper Quad Residence Hall project. The university has developed a financing plan to support the additional \$7 million of costs necessary to complete the entire scope of work. The plan calls for the use of debt serviced from residential program auxiliary revenue. Any cash designated for the project accumulated prior to the issuance of permanent debt may be used directly for project costs and to lower the total debt issuance.

This request is for authorization move forward with a \$7 million supplement to adjust the total project authorization for the New Upper Quad Residence Hall project to \$40 million and to complete the project.

The Committees recommended the Resolution to Supplement the New Upper Quad Residence Hall to the full Board for approval.

There being no further business, the meeting adjourned at 4:43 p.m.

Joint Open Session with the Academic, Research, and Student Affairs Committee **November 16, 2020**

Board Members Present: Ed Baine, Shelley Barlow, Sharon Brickhouse Martin, Carrie Chenery, Greta Harris, C. T. Hill, Anna James, Eric Kaufman – Faculty Representative, Melissa Nelson, Camellia Pastore – Undergraduate Student Representative, Tamarah Smith – Staff Representative, Sabrina Sturgeon – Graduate Student Representative, Horacio Valeiras, Jeff Veatch (remote)

Virginia Tech Personnel: Callan Bartel, Eric Brooks, Cyril Clarke, Al Cooper (remote), Jack Finney, Bryan Garey, Kay Heidbreder, Nancy Meacham, Ken Miller, Kim O'Rourke, Dwayne Pinkney, Tim Sands, Dan Sui, Don Taylor

Guests: Henri Gendreau

- ◆ **1. Annual Report on Research:** The Committees received a comprehensive annual report on research highlighting university research expenditures and related trends and benchmarking information. This report also included an introduction of the new Vice President for Research and Innovation, Dr. Daniel Sui.

2. Critical Hiring and Compensation Exceptions First Quarter FY 2020-21: As a dimension of managing budget constraints, the university established a process for reviewing personnel actions. After review, only critical and essential hires and compensation actions are approved. The Committees reviewed personnel actions and data for the first quarter. While the commonwealth lifted restrictions on personnel actions in October 2020, the university maintains its review and approval processes.

- * **3. Approval of Resolution Delegating Authority for the Personnel Changes Report:** The Committees reviewed for approval the Resolution to Amend Delegation of Authority for Selected Faculty Personnel Actions. This resolution would allow the Board of Visitors to focus on high-level appointments and compensation; appointment and promotion of tenure-track or continued appointment-track faculty members who have permanent status with the institution; salary adjustments with more significant financial impact; deferred compensation; and appointment and compensation packages for athletic personnel.

The Committees recommended the Resolution Delegating Authority for the Personnel Changes Report to the full Board for approval.

Closed Session

Board Members Present: Ed Baine, Shelley Barlow, Sharon Brickhouse Martin, Anna James, Horacio Valeiras

Virginia Tech Personnel: Callan Bartel, Kay Heidbreder, Nancy Meacham, Ken Miller, Charles Phlegar, Dwayne Pinkney, Tim Sands

1. Motion for Closed Session: Motion to begin closed session.

- * **2. Ratification of Personnel Changes Report:** The Committee met in closed session to review and ratify the quarterly Personnel Changes Report.

The Committee recommended the Personnel Changes Report to the full Board for approval.

Open Session

Board Members Present: Ed Baine, Shelley Barlow, Sharon Brickhouse Martin, C.T. Hill, Anna James, Horacio Valeiras

Virginia Tech Personnel: Beth Armstrong, Callan Bartel, Eric Brooks, Bob Broyden, Al Cooper (remote), John Cusimano, Kay Heidbreder, Tim Hodge, Chris Kiwus, Nancy Meacham, Ken Miller, Charles Phlegar, Dwayne Pinkney, Tim Sands, Dwyn Taylor, Chris Yianilos

Guests: Henri Gendreau

1. **Motion to Reconvene in Open Session:** Motion to begin open session.
2. **Opening Remarks**
3. **Consent Agenda:** The Committee considered for approval and acceptance the items listed on the Consent Agenda.
 - a. **Approval of Items Discussed in Closed Session**
 - b. **Approval of Minutes of the August 25, 2020 Meeting**
 - c. **Annual Write-off of Delinquent Accounts:** As of June 30, 2020, the amount of write-offs of delinquent accounts totaled \$385,065 which represents 0.03 percent of the 2019 annual operating revenues of \$1.16 billion. The current year write-off is consistent with the total write-off amounts in recent years.
 - * d. **Approval of Pratt Fund Program and Expenditure Report:** The Pratt Fund provides funding for programs in both the College of Engineering and Department of Animal Nutrition in the College of Agriculture and Life Sciences. For fiscal year 2019-20, the College of Engineering had total expenditures of \$940,029 and the Animal Nutrition had total expenditures of \$1,157,032.

The Committee approved the items on the Consent Agenda and recommended the Pratt Fund Program and Expenditures Report to the full Board for approval.

4. **Update on Advancement:** University Advancement provided a quarterly report on their fundraising efforts including an update on the first months of fundraising in fiscal year 2021, a campaign update, an overview of the strategies for meeting the 22 percent participation rate by 2022 goal, and the outlook for fundraising.
5. **Annual Report on Investments and Quasi-Endowments:** The Committee received a report on university investments, investment performance and related benchmarks, estimated payouts for fiscal year 2021, and planned use of such funds. The university has two investment pools: a short to intermediate-term pool managed within the university and a long-term pool managed by the Virginia Tech Foundation, Inc. The report shows the purposeful growth of funds invested in the

endowment pool managed by the foundation, which consists of true endowments, quasi-endowments and nongeneral fund reserves and balances, and local funds owned by the university.

As of June 30, 2020, the market value of university funds invested in the short to intermediate-term pool was \$376.5 million and in the foundation was \$401.8 million. The short-term university investment income for fiscal year 2021 is estimated to be approximately \$6 million and the long-term university investment income for fiscal year 2021 is estimated to be approximately \$18.8 million. The university's investment income is budgeted for restricted and unrestricted purposes to support scholarships, professorships, graduate student assistantships, auxiliary enterprises, and the Virginia Tech Carilion School of Medicine, one-time or limited recurring commitments for strategic institutional goals and initiatives, and building adequate operating reserves (including the strategic plan milestone of growing net assets by \$20 million per year).

6. **Annual Report on the University's Financial Aid Resources:** The Committee received a comprehensive report on the university's scholarship and financial aid program. In its Management Agreement with the commonwealth, the university affirmed its commitment to increase the support for student financial aid. The university continues to work proactively to ensure access and affordability. The amount of total student financial aid awarded increased from \$511.9 million in fiscal year 2019 to \$538.4 million in fiscal year 2020.
7. **Update on the Special Session of the General Assembly:** The Committee received an update on the Special Session of the General Assembly including a summary of major budget actions from the Reconvened Session and the Special Session and the next steps for finalizing the budget revisions.
- *♦ 8. **Financial Update on COVID-19 and Approval of the 2020-21 Operating Budget Adjustment:** The Committee received an update on the financial impacts of the COVID-19 pandemic and reviewed for approval the 2020-21 Operating Budget Adjustment.

The preliminary 2020-21 Operating Budget was approved by the full Board at the June 2, 2020 meeting; however, adjustments are needed due to the impact of the outcome of the special legislative session and the confirmation of Fall 2020 enrollment levels on the current operational model. These adjustments include a \$29 million increase in revenue and expenditure budgets for the Educational and General program, and a \$77.4 million decrease in revenue and a \$16.8 million decrease in expenses for a net decrease adjustment of \$60.6 million for Auxiliary Enterprises.

In addition to the proposed budget adjustments, this update included an overview of the strategies that are being considered to manage the pandemic's impact on the university's finances.

The Committee recommended the 2020-21 operating budget adjustment to the full Board for approval.

- * **9. Approval of 9(d) Debt Restructuring and Refunding Resolutions:** The Committee reviewed for approval the proposed Virginia College Building Authority (VCBA) 9(d) Debt Restructuring Resolution and the Virginia Tech 9(d) Debt Restructuring and Refunding Resolution. As a result of the impact of COVID-19 on the university and its finances, the university is seeking approval to pursue the following restructuring and refunding initiatives.
 - a. VCBA 9(d) Debt Restructuring Resolution: Under the commonwealth's initiative, the VCBA will restructure a portion of the university's pooled VCBA bonds for debt service relief. The restructuring will result in having no principal payments in fiscal years 2022 and 2023. These deferred principal payments will be added to the end of the existing amortization schedules, thereby extending the final maturities by two years. The proposed VCBA resolution authorizes the university to participate in the restructuring program and to pledge the general revenues of the university to secure the debt.
 - b. Virginia Tech 9(d) Debt Restructuring and Refunding Resolution: Under the university's initiative, athletic VCBA bonds will be restructured, and other VCBA, 9(c) general obligation, and university Series 2015 bonds will be reviewed for additional restructuring and refunding opportunities. The 9(d) bonds will be issued directly by the university. The proposed resolution authorizes the issuance of the university's 9(d) bonds and pledges the general revenues of the university to secure the debt.

The Committee recommended the 9(d) Debt Restructuring and Refunding Resolutions to the full Board for approval.

- 10. Review and Acceptance of the Annual Report on University Debt Ratio and Debt Capacity:** The Committee received for acceptance a report on the university's debt ratio and debt capacity. At the conclusion of fiscal year 2019-20, outstanding long-term debt of the university totaled \$452.8 million with a debt ratio of 3.51 percent. The university proposed the continuation of the five percent cap on the debt ratio for future years and the Committee affirmed its support for continuation of the five percent internal debt ratio target.

- * **11. Approval of Year-to-Date Financial Performance Report (July 1, 2020 – September 30, 2020):** The Committee reviewed for approval the Year-to-Date Financial Performance Report for July 1, 2020 – September 30, 2020. For the first quarter, budget adjustments were made to reflect revisions to projected revenues and expenditures. The tuition and fee budget was increased by \$14.0 million for planned Fall 2020 enrollment growth and by \$8.1 million for higher than projected Summer 2020 enrollment. The University Division revenue budget was updated to remove the \$25 million revenue contingency established for potential impacts due to COVID-19. The corresponding expenditure budget increase includes the restoration of two percent of the preliminary expenditure budget reductions. A three percent budget reduction remains to manage cost escalation, unfunded mandates, the fall enrollment shortfall, and impacts of COVID-19. An additional two percent budget remains in non-college areas for critical needs. For the Cooperative Extension/Agriculture Experiment Station the five percent budget reductions were completely eliminated. Additional adjustments are anticipated in the second quarter of fiscal year 2021 to further align the budget for additional financial impacts of the pandemic.

For the quarter ending September 30, 2020, \$22.5 million was expended for Educational and General capital projects, and \$26.3 million was expended on Auxiliary Enterprises capital projects. Capital outlay expenditures for the quarter ending September 30, 2020 totaled \$48.8 million.

The Committee recommended the Year-to-Date Financial Performance Report to the full Board for approval.

- 12. Discussion of Future Agenda Topics and Closing Remarks:** The Committee discussed possible topics for future meetings and other topics as needed.

The Committee expressed appreciation for the good work of the finance team with their proactive planning and flexibility in response to these challenging times.

There being no further business, the meeting adjourned at 11:41 a.m.

- * **Requires full Board approval.**

Motion to Reconvene in Open Session

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

November 16, 2020

WHEREAS, the Finance and Resource Management Committee of the Board of Visitors of Virginia Polytechnic Institute and State University has convened a closed meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act; and

WHEREAS, §2.2-3711 of the Code of Virginia requires a certification by the Finance and Resource Management Committee that such closed meeting was conducted in conformity with Virginia Law;

NOW, THEREFORE, BE IT RESOLVED, that the Finance and Resource Management Committee of the Board of Visitors of Virginia Polytechnic Institute and State University hereby certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements by Virginia Law were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the closed meeting were heard, discussed or considered by the Finance and Resource Management Committee.

Welcome and Opening Remarks

ED BAINE

CHAIR, FINANCE AND RESOURCE MANAGEMENT COMMITTEE

Consent Agenda

- a. Approval of Items Discussed in Closed Session
- b. Approval of Minutes of the August 25, 2020 Meeting
- c. Annual Write-off of Delinquent Accounts
- * d. Approval of Pratt Fund Program and Expenditures Report

**Requires full Board approval*

Items Discussed in Closed Session

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

November 16, 2020

Ratification of Personnel Changes Report

Recommendation: That the Committee ratifies the Personnel Changes Report as submitted.

Committee Minutes

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

Latham A/B, The Inn at Virginia Tech

August 25, 2020

Joint Closed Session with the Academic, Research, and Student Affairs Committee

Board Members Present: Ed Baine, Carrie Chenery, Greta Harris, Anna James, Tish Long, Melissa Nelson, Horacio Valeiras, Preston White

Virginia Tech Staff: Callan Bartel, Cyril Clarke, Jack Finney, Rachel Gabriele, Bryan Garey, Kay Heidbreder, Nancy Meacham, Ken Miller, Kim O'Rourke, Charlie Phlegar, Dwayne Pinkney, Ellen Plummer, Tim Sands

1. **Motion for Closed Session:** Motion to begin closed session.
2. **Discussion of Changes to and Ratification of Personnel Changes Report:** The Committees met in closed session to discuss proposed changes to the Personnel Changes Report and to review and ratify the quarterly Personnel Changes Report.

The Committees recommended the Personnel Changes Report to the full Board for approval.

Open Session

Board Members Present: Ed Baine, Shelley Barlow, Sharon Brickhouse Martin, Carrie Chenery, Greta Harris, C. T. Hill, Anna James, Eric Kaufman – Faculty Representative, Tish Long, Melissa Nelson, Camellia Pastore – Undergraduate Student Representative, Mehul Sanghani, Tamarah Smith – Staff Representative, Sabrina Sturgeon – Graduate Student Representative, Horacio Valeiras, Preston White

Virginia Tech Staff: Callan Bartel, Bob Broyden, Cyril Clarke, Al Cooper, John Cusimano, Kari Evans, Corey Earles, Bryan Garey, Kay Heidbreder, Tim Hodge, Lisa Lee, Nancy Meacham, Ken Miller, Justin Noble, Kim O'Rourke, Charlie Phlegar, Dwayne Pinkney, Menah Pratt-Clarke, Trudy Riley, Brandy Salmon, Tim Sands, Don Taylor, Tracy Vosburgh

Guests: Henri Gendreau

1. **Motion to Reconvene in Open Session:** Motion to begin open session.
2. **Opening Remarks**
3. **Consent Agenda:** The Committee considered for approval and acceptance the items listed on the Consent Agenda.
 - a. Approval of Items Discussed in Closed Session
 - b. Approval of Minutes of the May 29, 2020 Meeting
 - c. Report on Higher Education Restructuring Performance Measures: This report focused on finance and administrative performance standards results for fiscal year 2019. In July 2020, the university reported on the performance of the finance and administrative measures for fiscal year 2019 to the Secretaries of Finance, Administration, and Education. The assessment of the academic measures is conducted by State Council for Higher Education of Virginia (SCHEV).
 - * d. Approval of Creativity and Innovation District Living Learning Community 9(c) Debt Financing Resolution: The Committee reviewed for approval a debt financing resolution for the Creativity and Innovation District Living Learning Community through the state's 9(c) pooled bond program.

The Creativity and Innovation District Living Learning Community has been authorized by the state to be financed for up to \$89.62 million plus amounts needed to fund issuance costs, reserve funds, and other financing expenses. The university has used commercial paper as short-term financing to date and will reimburse itself from the 9(c) bond proceeds.

- * e. Approval of Resolution to Adjust VT-ARC Affiliation Agreement: The Committee reviewed for approval a Resolution to add language to the Virginia Tech Applied Research Corporation (VT-ARC) Affiliation Agreement approved at the June 2, 2020 full board meeting allowing VT-ARC to request an exception to the requirement to provide a benefits and compensation plan for its employees that, as nearly as practical, matches that of the university. Such exceptions may be authorized by the Senior Vice President and Chief Business Officer of the university.

The Committee approved the items on the Consent Agenda and recommended the Creativity and Innovation District Living Learning Community 9(c) Debt Financing Resolution and the Resolution to Adjust VT-ARC Affiliation Agreement to the full Board for approval.

4. **Comprehensive Update on Advancement:** The Committee received a comprehensive presentation from University Advancement providing an update on the fiscal year 2020 giving results and giving trends since the launch of the Advancement Model. This report also included an update on the philanthropic participation rate; the impact of COVID-19 on fundraising and advancement; the work of University Relations in response to the pandemic; and a summary of near-term focus areas for fundraising priorities, athletics, and participation goals.

The Rector requested that all Board members consider making donations to University Advancement, if they are able, so the 100% Board member philanthropic participation continues in fiscal year 2021.

5. **Update on Research:** The Committee received an update on research including an update on goals from fiscal year 2020 and notable achievements and results, a summary of the impact of COVID-19 on research, and leadership testimonials.
- ◆ 6. **Financial Update on COVID-19:** The Committee received an update on the financial impacts of the COVID-19 pandemic. The presentation included an overview of the university's response to the pandemic; the allocation of the Coronavirus Aid, Relief, and Economic Security (CARES) Act funds; and the remaining unknown impacts related to the pandemic for Fall semester of fiscal year 2021.
- * 7. **Approval of Resolution for Additional Lines of Credit:** The Committee reviewed for approval a resolution identifying authorized officers; approving the terms of proposals and the form of a credit agreement and promissory note; and authorizing the authorized officers to negotiate, execute, and deliver all necessary documents to obtain up to \$210 million of additional lines of credit.

The Committee recommended the Resolution for Additional Lines of Credit to the full Board for approval.

- * 8. **Approval of Year-to-Date Financial Performance Report (July 1, 2019 – June 30, 2020):** The Committee reviewed for approval the Year-to-Date Financial Performance Report for July 1, 2019 – June 30, 2020. The university successfully closed its fiscal year in accordance with guidance and requirements of the commonwealth. The Education and General budgets were balanced at year-end, with no operating deficit incurred. The Auxiliary Enterprises revenues were higher than projected due to interest earnings, orientation participation, student fees from higher than budgeted enrollments, and software sales. Auxiliary Enterprises expenditures were lower than projected due to the university holding back

expenses in response to the COVID-19 pandemic and the timing of incomplete projects.

For year-ended June 30, 2020, \$117.7 million has been expended for Educational and General capital projects, and \$66.6 million has been expended for Auxiliary Enterprises capital projects. Total capital outlay expenditures for year-ended June 30, 2020 was \$184.3 million against an annual budget of \$173.9 million.

The Committee recommended the Year-to-Date Financial Performance Report to the full Board for approval.

- * 9. **Approval of Resolution Establishing University Policy 12111, Acceptance of Terms and Conditions Associated with Donations, Gifts, and Other Private Support:** The Committee reviewed for approval a resolution establishing University Policy, 12111, Acceptance of Terms and Conditions Associated with Donations, Gifts, and Other Private Philanthropic Support. This policy was developed in response to the new provisions of Code of Virginia §23.1-1304.1 that requires boards of visitors to establish a policy for the acceptance of terms and conditions and implement administrative processes for specific types of philanthropic support.

The Committee recommended the Resolution Establishing University Policy, 12111, Acceptance of Terms and Conditions Associated with Donations, Gifts, and Other Private Philanthropic Support to the full Board for approval.

- 10. **Update on the Implementation of the JLARC Recommendations:** The Committee received an update on the implementation of JLARC recommendations for broader spans of control. This update also provided an overview of the human resources milestones reached in 2019 and outlined human resources goals and objectives for 2020.
- 11. **Discussion of Future Agenda Topics and Closing Remarks:** The Committee discussed possible topics for future meetings and other topics as needed.

Joint Open Session with the Buildings and Grounds Committee

Board Members Present: Ed Baine, Shelley Barlow, Sharon Brickhouse Martin, Carrie Chenery, Greta Harris, C.T. Hill, Anna James, Eric Kaufman – Faculty Representative, Tish Long, Melissa Nelson, Camellia Pastore – Undergraduate Student Representative, Mehul Sanghani, Tamarah Smith – Staff Representative, Sabrina Sturgeon – Graduate Student Representative, Horacio Valeiras, Preston White

Virginia Tech Staff: Callan Bartel, Bob Broyden, Cyril Clarke, Al Cooper, John Cusimano, Corey Earles, Kevin Foust, Kay Heidbreder, Tim Hodge, Chris Kiwus, Nancy Meacham, Ken Miller, Liza Morris, Justin Noble, Kim O'Rourke, Mark Owczarski, Charlie Phlegar, Dwayne Pinkney, Menah Pratt-Clarke, Tim Sands, Dwyn Taylor, Jon Clark Teglas, Tracy Vosburgh

Guests: Henri Gendreau

1. **Approval of Resolution for Temporary Supplement for Planning the Undergraduate Science Laboratory Building:** The Committees reviewed for approval a resolution for a temporary supplement for planning the Undergraduate Science Laboratory Building. The university infused \$3.084 million of temporary nongeneral funds to complete preliminary designs in September 2017; these designs were completed and the funds were exhausted by January 2020. During fiscal year 2020, the university infused \$2.432 million of additional temporary funds to ensure continuity of the A/E design team and to complete working drawings, bringing the adjusted total budget to complete planning to \$5.516 million. The state has requested that Virginia Tech hold the \$2.432 million supplement authorization locally using its restructuring authority.

The entire \$5.516 million of temporary resources will be reimbursed by General Fund resources when the state appropriates construction funding for this project.

This request is for a capital planning authorization to hold a \$2.432 million supplement to adjust the temporary budget and funding for the Undergraduate Science Laboratory Building project to \$5.516 million.

The Committees recommended the Resolution for Temporary Supplement for Planning the Undergraduate Science Laboratory Building to the full Board for approval.

There being no further business, the meeting adjourned at 11:24 a.m.

*** Requires full Board approval.**

**Accounts Receivable and the Write-off of Delinquent Accounts
For the Fiscal Year Ended June 30, 2020**

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

September 25, 2020

Overview

Current accounts receivable are generated by several components as part of the annual operating activities of the university. Student accounts receivable and the receivables generated through the sponsored research program represent the largest components of the total receivables. Current and noncurrent notes receivable are comprised of both federal and institutional student loans administered by the university. To properly account for and control these assets, the university uses a combination of centralized and decentralized systems.

The Bursar's Office is responsible for the centralized accounts receivable system operation and monitoring the activities of the decentralized operations through reviews of reports and discussions with personnel who have been delegated the responsibility for billing and collecting accounts. The Bursar's Office is also responsible for managing the collection process for all delinquent accounts.

The Controller's Office consolidates information from the receivable systems on a quarterly basis and reports to senior management and the State Comptroller. The quarterly report uses a combination of narratives, tables, and graphs to report receivables, analyze trends, and identify areas where emphasis or action is needed. The Controller's Office is responsible for the implementation of corrective action to ensure that receivables are properly managed.

Composition and Aging of the Receivables

Accounts receivable: Attachment A provides the composition of the current gross receivables at June 30, 2020, with comparative data for the previous year. Attachment B provides a graph for the aging analysis of the gross receivables at June 30, 2020, with comparative data for the previous three years. In addition, the total current receivables write-offs for these four years are overlaid on this graph to demonstrate the small proportion of write-offs to total receivables.

Notes receivable – from students: Federal and Institutional Loans (issued by Virginia Tech from gifts and donated funds designated to be used for loans) to students require the execution of a promissory note. These loans receivable are repaid over 10 or more years after a student's last enrollment at the university and the amount due in the next 12 months is classified as a current notes receivable for the university's financial statements.

Attachment A also provides the composition of the total gross federal and institutional student loans receivable at June 30, 2020, with comparative data for the previous year.

Federal loans receivable will continue to decrease in future years with the wind down of the Perkins loan program required by the federal government.

Collection Efforts and Write-offs

Because of the nature of the accounts receivable, their impact on the university's operating budget, and the university's assertive policy for collecting delinquent accounts, the annual write-off of uncollectible accounts is relatively small. The average annual write-off for accounts receivable for the past three years is \$509,875. **The fiscal year 2020 write-off total of \$385,065 represents only 0.03 percent (less than one tenth of one percent) of the annual operating revenues¹ per the audited financial statements for fiscal year 2019.**

Various techniques are used for collecting delinquent accounts receivable depending on the customer and type of account. For example, students must pay past due amounts before they are allowed to enroll for the next school term. Other delinquent accounts are placed with commercial collection agencies and the State Attorney General's Office for collection. The State Comptroller provides guidance on collection policies and procedures, and the university generally complies with the State Comptroller's recommendations, except where improved practices have been implemented under the Restructuring Act.

Accounts Receivable Written Off at June 30, 2020

As authorized by a resolution passed by the Board of Visitors on August 13, 1976, the Vice President for Finance and the Assistant Vice President for Finance and University Controller periodically review the university's accounts and notes receivable to determine those delinquent accounts that are deemed uncollectible. Subsequently, the accounts are written off the university's records in accordance with generally accepted accounting practices. However, such accounts are not discharged or forgiven (with limited exceptions such as bankruptcies, death, etc.), and the university continues to track these accounts and sometimes collects portions of these accounts after being written off.

Normally, accounts are written off at the close of the fiscal year. For the fiscal year ended June 30, 2020, the accounts receivable written off totaled \$385,065. The increase in write-offs of \$786 over the prior year is primarily due to increases of \$62,945 in Student Account write-offs due to failed payment plans, and third-party sponsors retracting their payment agreement. There was an increase of \$10,329 in Parking Services write-offs due to the delay in billing and collections caused by a temporary disruption in the ability to identify vehicle owner and registration information. There was an off-setting decrease of \$46,816 in Sponsored Program write-offs and a decrease of \$27,295 in Veterinary Medicine. See Attachment C for a summary of the accounts receivable written off at June 30, 2020, with comparative data for the two previous fiscal years.

For each accounts receivable written off, appropriate collection procedures were utilized. Further collection efforts were not justified for various reasons such as bankruptcies, inability to locate the debtor, and cost versus benefit for small receivable amounts.

¹ Operating revenues for FY19 of \$1,160,443,000 was used for this calculation.

As shown in Attachment D, the \$385,065 write-off total consists of 992 customers with an average account value of \$388. In fact, of the total number of accounts written off, 65.32 percent (648) were valued at less than \$100, and these low dollar accounts represent only 7.72 percent of the total dollar value of the write-offs.

Notes Receivable – From Students Written Off at June 30, 2020

The total notes receivable written off at the close of fiscal year 2020 included \$94,443 of the institutional student loan portfolio. Institutional student loans are subject to the same collection techniques as other university receivables. For each loan written off, appropriate collection procedures were utilized. The notes receivable write-off consists of 33 loans, past due 900 or more days, with an average loan balance of \$2,862. Institutional student loans are most often awarded to students with financial need who have exhausted other avenues of financial aid. Since these are long-term loan programs issued to borrowers with limited resources, the university generally has allowed more time before deeming the loan uncollectible and subsequently writing these amounts off.

Federal notes receivable are issued from funds received from the federal Departments of Education and Health and Human Services over many previous years for the Perkins and Health Professions Student Loan programs, and from required matching contributions from the university. Again, the same collection procedures are followed for these loans. When loans are deemed uncollectible, federal regulations allow the Perkins loans to be assigned and returned to the Department of Education for additional collection efforts and final resolution.

State Management Standards

The university's Management Agreement under the Restructured Higher Education Financial and Administrative Operations Act includes several financial and administrative performance standards. The university must achieve compliance with all of these performance standards to retain the financial benefits provided under the Management Agreement. There are two management standards related to accounts receivable and both are calculated annually and reported to the state biennially. The two standards are:

- a. A four quarter average past due rate of 10 percent or less on receivables 121 days or more past due as a percentage of all current receivables.
- b. An average past due rate of 10 percent or less on Federal student loans.

The university is currently in compliance with both standards. As of June 30, 2020, the average past due rate on current receivables 121 days or more past due is 1.42 percent for the applicable four quarters and the Federal Perkins Student Loan default rate is 1.69 percent.

**Composition of Gross Accounts and Notes Receivable
As of June 30, 2019 and 2020
(Dollars in Thousands)**

	<u>June 30, 2020</u>		<u>June 30, 2019</u>	
	<u>Receivable</u>		<u>Receivable</u>	
	<u>Balance</u>	<u>Percent</u>	<u>Balance</u>	<u>Percent</u>
<u>Accounts Receivable:</u>				
Student Accounts	\$ 4,548	6.3%	\$ 2,663	3.4%
Sponsored Programs	47,584	66.5%	52,047	65.6%
Electric Service	871	1.2%	915	1.2%
Parking Service	83	0.1%	121	0.1%
Telecommunications (NIS)	56	0.1%	11	0.0%
CPE and IVTSCC ¹	258	0.4%	465	0.6%
Veterinary Medicine	354	0.5%	375	0.5%
Equine Medical Center	621	0.9%	515	0.6%
Short Term Loans/Notes	1	0.0%	5	0.0%
Other Receivables ²	17,130	24.0%	22,162	28.0%
Total Accounts Receivable	\$ 71,506	100.0%	\$ 79,279	100.0%
<u>Notes Receivable:</u>				
Federal Loans - Perkins & HPSL ³	\$ 10,120	86.3%	\$ 12,379	87.6%
Institutional Loans	1,602	13.7%	1,751	12.4%
Total Notes Receivable	\$ 11,722	100.0%	\$ 14,130	100.0%

¹ Continuing and Professional Education / Inn at Virginia Tech & Skelton Conference Center

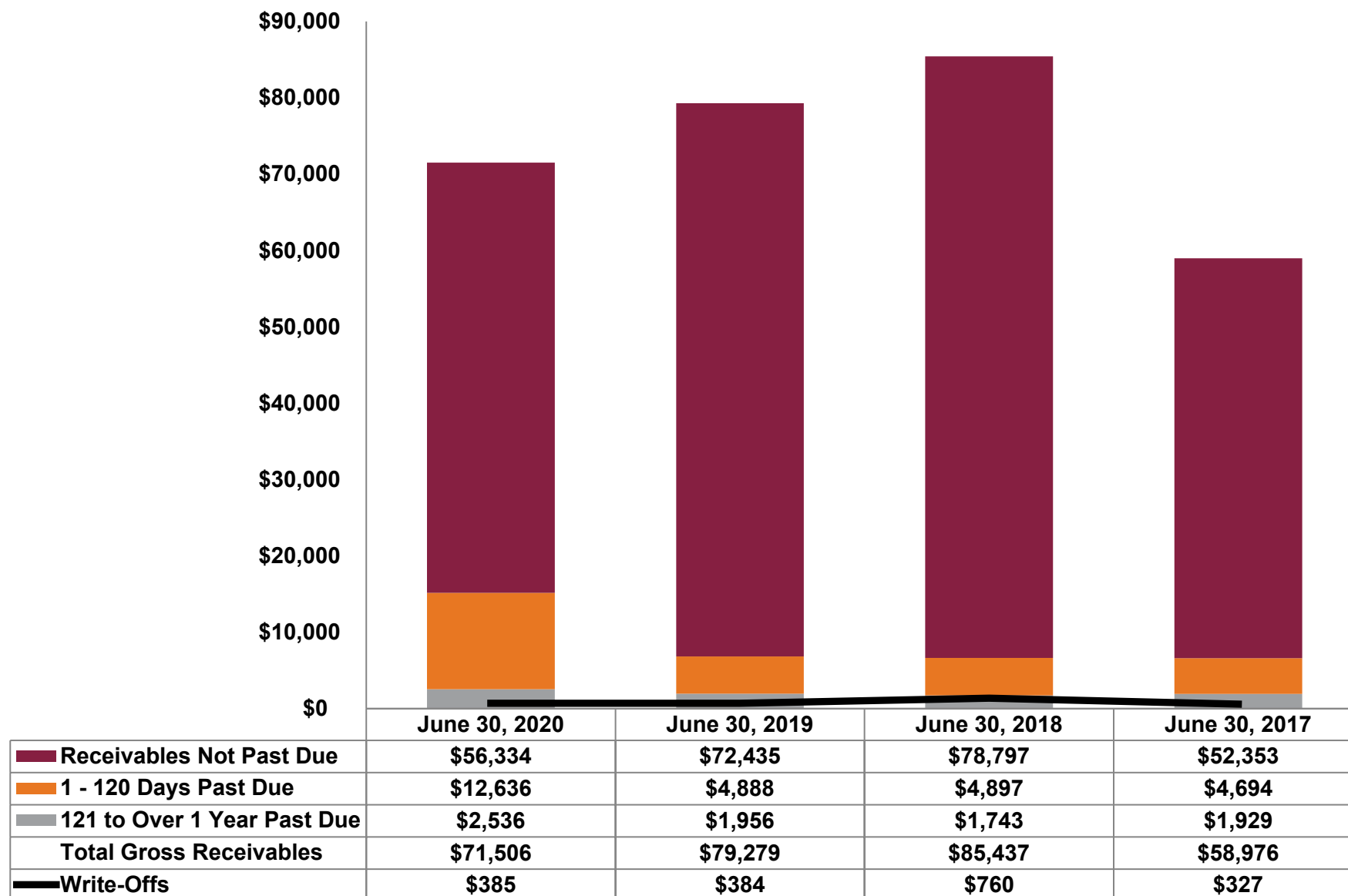
² One-time receivables are included in Other Receivables category

\$8,763 Athletics

\$5,267 Carilion commitment toward the construction of second Fralin Biomedical Research Institute at VTC building

³ Health Professions Student Loan

**Aging of Current Gross Accounts Receivable
From June 30, 2017 to June 30, 2020
(Dollars in Thousands)**



Presentation Date: November 16, 2020

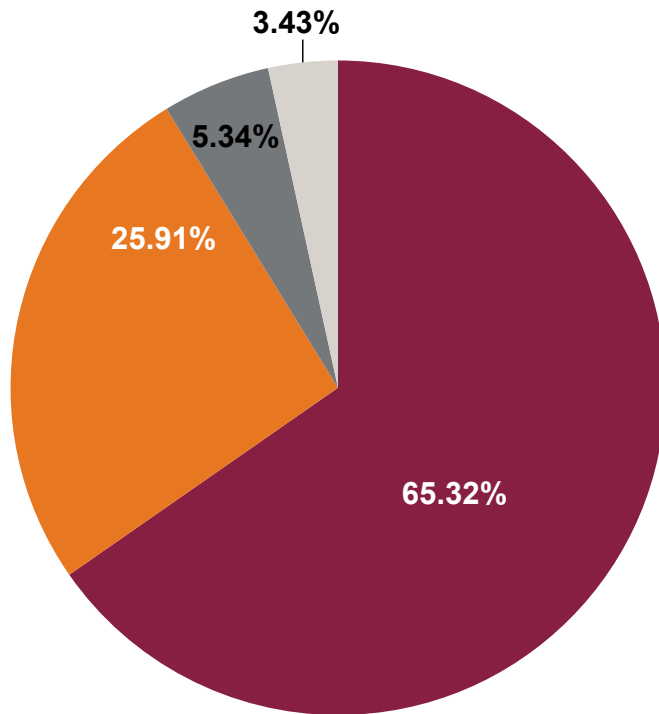
Current Accounts Receivable Write-Offs for June 30, 2020 with Comparison to 2019 and 2018
(In whole dollars)

Accounts Receivable	June 30, 2020	June 30, 2019	June 30, 2018	Three Year Average
Student Accounts	\$ 203,309	\$ 140,364	\$ 388,787	\$ 244,153
Sponsored Programs	19,495	66,311	64,201	50,002
Electric Service	15,673	16,170	12,553	14,799
Parking Services	27,874	17,545	19,007	21,475
CPE and IVTSCC ¹	708	-	13,312	4,673
Veterinary Medicine	52,726	80,021	93,765	75,504
Equine Medical Center	15,154	22,442	78,880	38,825
Short Term Loans/Notes	1,375	5	-	460
Other Receivables	48,751	41,421	89,779	59,984
Total Write-Offs	\$ 385,065	\$ 384,279	\$ 760,284	\$ 509,875

¹ Continuing and Professional Education / Inn at Virginia Tech & Skelton Conference Center

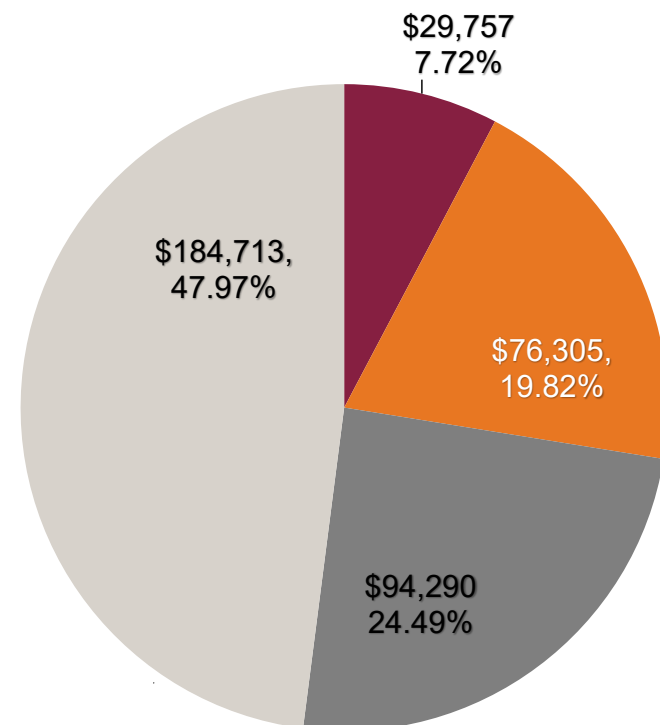
Stratification of Write-Offs for Fiscal Year 2020

Total Number of Accounts = 992



■ \$0-\$99 ■ \$100-\$999
■ \$1,000-\$2,999 ■ > \$3,000

Total Dollar Value = \$385,065
Average Dollar Value = \$388



■ \$0-\$99 ■ \$100-\$999
■ \$1,000-\$2,999 ■ > \$3,000

UPDATE ON ADVANCEMENT

Finance & Resource Management
Committee - Board of Visitors

NOVEMBER 16, 2020

CHARLES D. PHLEGAR
VICE PRESIDENT FOR ADVANCEMENT



Annual Report on Investments and Quasi-Endowments

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

October 14, 2020

Background

Since July 1, 2006, the university has had the authority to invest its resources in a wide array of financial securities. Consequently, the university has implemented an investment program to fully utilize its resources by maximizing investment earnings, maintaining prudent levels of liquidity, and ensuring compliance with applicable state laws and university policies.

As part of the university's investment program, the university manages two investment pools. The first pool is the short to intermediate-term investment pool, which is composed of university operating funds from generated cash flow and all investment activities for these funds are handled directly within the university. The investments in this pool are subject to the *Investment of Public Funds Act* (§ 2.2-4500). The second investment pool is the long-term investment strategies pool, which consists of the university's remaining resources. These remaining resources include endowment principal and income funds, gifts, all other nongeneral fund reserves and balances, and local funds held by the university. These funds are invested in a broader array of assets in the Virginia Tech Foundation Endowment in accordance with Section § 23.1-2604 of the Code of Virginia and the *Uniform Prudent Management of Institutional Funds Act* (§ 64.2-1100 et seq.).

This report will detail the university's investment activities which are authorized and guided by the enabling legislation and further guided by the university's *Policy Governing the Investment of University Funds*, approved by the Board of Visitors' Finance and Resource Committee on June 3, 2019. This report will also provide an overview of the university's approach to managing its allocation of short-term and long-term investments, its overall liquidity strategy, and its strategy for using long-term investments to achieve university strategic goals and milestones. These strategies coupled with other financial planning and budget processes have contributed towards a \$173 million increase in total cash and investments since fiscal year 2015. Additionally, the composition of the cash and investments has changed – cash and cash-equivalents and other investments have decreased due to the university's purposeful growth of investments in the Virginia Tech Foundation's (VTF) endowment pool. Net investments in the VTF endowment pool have grown by \$301 million during this period, and have grown from 15 percent of the total cash and investments in fiscal year 2015 to 50 percent of the total at June 30, 2020. This shift is a direct result of prudently managing the university's available funds to increase investments and build financial capacity for the future.

See Attachments A and B for additional information about the university's cash and investments. Attachment A shows the changes in cash and investments between fiscal years 2015 and 2020 and the growth of long-term investments in the VTF endowment.

Attachment B shows the components of university's cash and investment balances as of June 30, 2020, and includes information related to the investment vehicles and the durations of the investments. It also identifies which pools contain auxiliary system funds and separates the other types of investments with unique restricted purposes, such as unspent bond proceeds, custodial funds, federal loan programs, and deferred compensation.

Liquidity Strategy and the Short to Intermediate-Term Investment Pool

As part of the university's investment program, the Investment Management Team (IMT) comprised of the University Treasurer, Assistant Vice President for Finance and University Controller, and the Associate Vice President for Budget and Financial Planning, are responsible for development of recommendations regarding the university's overall investment strategies and to provide ongoing monitoring, assessment, and adjustments to the investment program during the fiscal year to achieve the university's overall investment strategies. The recommendations are presented to the Vice President for Finance who approves the annual allocation decisions to ensure a prudent level of liquidity to fund current operations. The Vice President for Finance coordinates these decisions with the Senior Vice President and Chief Business Officer. The IMT manages the university's total liquidity position with a combination of internal and external liquidity. Currently, the IMT targets the level of total liquidity prescribed in the *Virginia Tech Liquidity Management Procedures* of 90 days. This target consists of 45 days of internal liquidity and 45 days of external liquidity, where each day of liquidity is equal to the university's annual budget divided by 365.

The university's short to intermediate-term investment pool represents the university's internal liquidity. The university holds these funds in bank balances in the primary Wells Fargo Demand Deposit Account (DDA) and liquid investment balances with external managers Standish Mellon and Merganser. The investment objectives of this pool are to yield the highest investment return while ensuring the safety of principal, availability to meet the university's daily cash flow needs, and compliance with the *Investment of Public Funds Act* (§ 2.2-4500).

Lines of Credit from Wells Fargo, Truist, and The First Bank & Trust are the external liquidity component of the university's total liquidity. These lines of credit allow the university to cost-effectively leverage limited resources, pursue its long-term investment strategy, and meet its operating obligations. Current Board of Visitors approval authorizes external lines of credit up to the greater of \$200 million or 45 days of liquidity. The Board of Visitors also authorized additional temporary external lines of credit of up to \$210 million for the possibility of a major demand on cash due to the rapidly changing nature of the COVID-19 pandemic at the August 25, 2020 full board meeting.

See Attachment C for information for short to intermediate-term investment pools performance for the most recent fiscal year and longer-term periods.

Virginia Tech Foundation and the Long-Term Investment Strategies Pool

The university places its long-term investments in the VTF endowment pool. These funds are tracked and reported separately from the private gifts and endowments normally received and invested by the VTF. The VTF invests these funds under an agency agreement that was approved by the Board of Visitors on August 31, 2009. This placement meets the requirements of the *Uniform Prudent Management of Institutional Funds Act* (§ 64.2-1100) and the university's investment policy.

Management of the VTF's endowment program includes a value approach to investing, as value investing has enjoyed a historical dominance over growth-style investing. Over the past two years, however, the exuberance of the technology sector has severely challenged value investing, and the pandemic has further heightened the outperformance of many growth stocks. See Attachment C for the VTF endowment pool performance for the most recent fiscal year and longer-term periods.

In response to this changing investment environment and to enhance investment performance, the VTF endowment management team began developing and implementing a ten-year strategic plan with the concurrence of the VTF Investment Committee. To-date, approximately 60% of the plan has been implemented.

Key aspects of the plan include increasing passive index funds to ~40% of the endowment, concentrating active management relationships to less than 15 managers, and enhancing risk management monitoring of sector, geographic, and other factor differences relative to the benchmark. The goal of the strategic plan is to achieve a better balance within the portfolio, more capacity for the team to focus efforts on the initiatives where it excels, and improved performance relative to the benchmark.

Utilization of Investment Income

Funds invested in the endowment pool managed by the VTF consist of true endowments, quasi-endowments, and unrestricted investments. As of June 30, 2020, the market value of university funds invested in the long-term investment strategies pool managed by the VTF was \$401.8 million. See Attachment D for additional information on the purpose of these various true and quasi-endowments and the restrictions on these funds.

The university's investment program is designed to generate recurring supplemental revenue streams to advance university goals. Accordingly, the university has developed two sets of principles regarding the use of these funds that are consistent with state guidance and accounting principles and maximize support for university programs.

The first set of overarching principles relates to the goal of supporting major university goals, such as reducing the need for increases in tuition and fees, building adequate operating reserves (including the strategic plan milestone of growing net assets by \$20 million per year), and investing in strategic academic programs and initiatives. This set of

principles also emphasizes the preservation of capital and building capacity to preserve and enhance the university's purchasing power over time.

The second set of overarching principles relates to the appropriate allocation of investments based on the restricted or unrestricted nature of funds in the university's long-term investment strategies. In the case of restricted funds or funds that are clearly identified to an operating activity that operates separately in the university's program structure, the proportionate share of earnings will be returned to those purposes or programs. This practice is best demonstrated in the case of the university's true endowments, quasi-endowments, and funds that come from specific programs such as auxiliary enterprises.

Alternatively, in the case of non-auxiliary unrestricted funds, the earnings will be allocated to a resource pool available for allocation to strategic institutional goals and initiatives. These allocations will be made primarily as one-time or limited recurring commitments, and will rarely be used to provide ongoing support to a strategic activity.

See Attachment E for more information on the university's utilization of the earnings on the invested funds based on their restricted or unrestricted character.

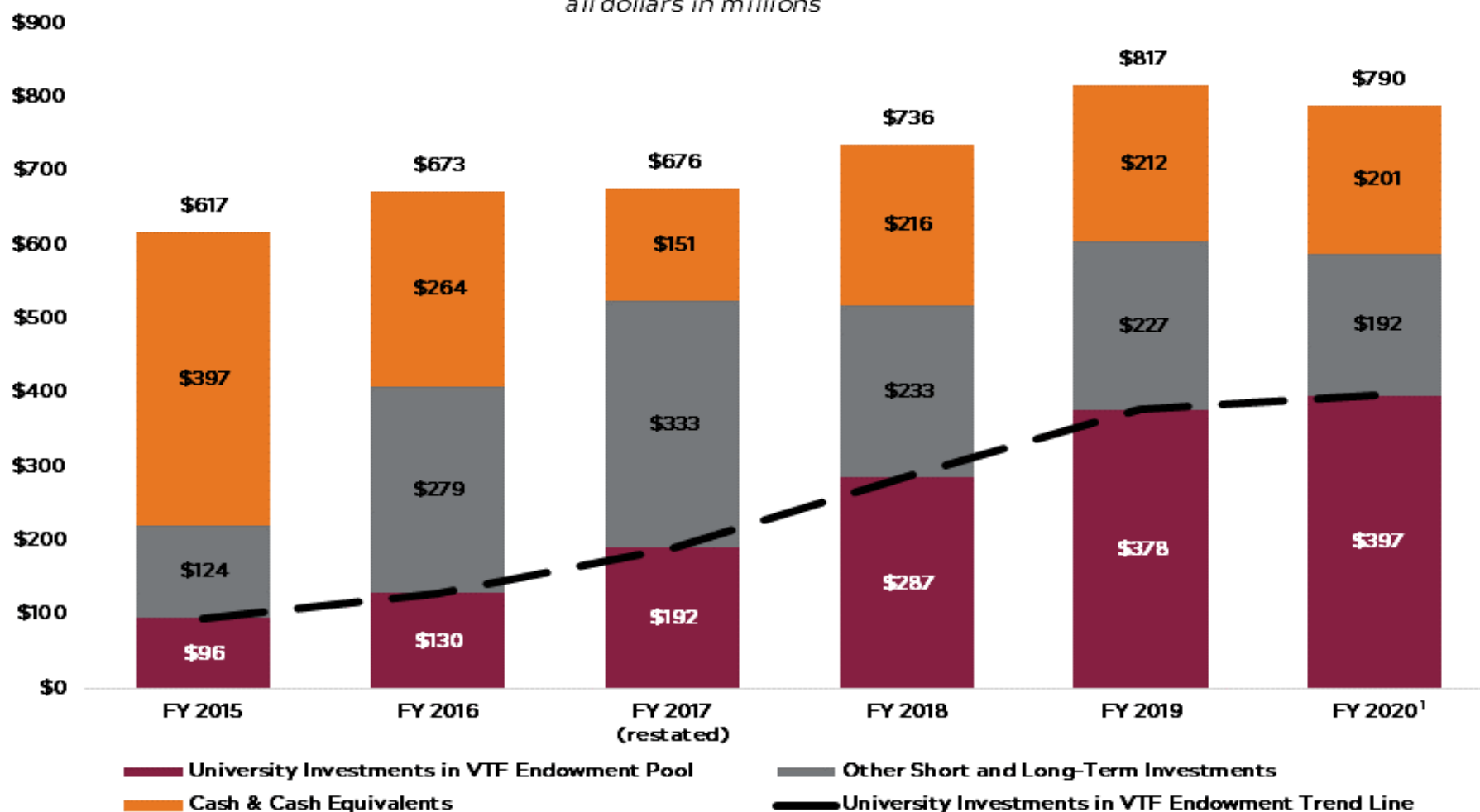
Finally, Attachment F is provided to put the university's liquidity in perspective with respect to several of its peers plus the University of Virginia. Peer bond ratings are included in the chart for enhanced comparability. The cash on hand calculation presented in Attachment F is provided by Moody's® and shows the number of days of budget that can be supported by liquid cash on hand. This chart shows Virginia Tech ranking low among its peers and demonstrates the university's need to continue improving its financial position and to manage its external liquidity proactively to navigate the pandemic.

Conclusion

The university has implemented an investment program designed to promote the attainment of the university's goals, such as keeping down tuition and fees, growing unrestricted net assets by \$20 million a year, and investment in strategic academic programs. The investment program helps achieve these goals through a liquidity strategy that incorporates external lines of credit and expert management of internal funds, and through the prudent deployment of investment earnings as one-time or limited recurring commitments to strategic goals and objectives. Despite the challenges presented by the pandemic, this investment program, along with the temporary authorization for additional external liquidity, will help the university maintain strong investment balances with earnings that will preserve and enhance the university's spending power, financial stability, and bond rating.

Total Cash & Investments

For the years ended June 30, 2016 - 2020
all dollars in millions



¹In FY2020 Cash and Cash Equivalents and other investments decreased primarily due to additional investments in the VTF endowment pool. This increased investment was partially offset by losses in the market value at June 30, 2020.

University Cash and Investment Balances at June 30, 2020

all dollars in millions

		Cash & Cash Equivalents	Short-Term Investments	Long-Term Investments	Total Cash & Investments
Wells Fargo	Main Operating Bank	\$ 55.5	\$ -	\$ -	\$ 55.5
Standish Mellon ¹	90-Day Cash Manager	135.4	-	13.1	148.5
Merganser ¹	1-3 Year Credit Manager	0.4	-	172.1	172.5
VTF Endowment ¹	Long-Term Pool	4.8	-	397.0	401.8
Operating & Long-Term Investment Strategies		196.1	-	582.2	778.3
Other ²	Miscellaneous Restricted	4.6	3.7	3.5	11.8
	Total Investments	\$ 200.7	\$ 3.7	\$ 585.7	\$ 790.1

¹Includes Auxiliary System Funds

²Includes Unspent Bond Proceeds, Agency Funds, Deferred Compensation, etc.

Short, Intermediate, & Long-Term Investment Performance Report at June 30, 2020

	1-Year	3-Year	5-Year	10-Year	Inception
Standish Mellon (General & System):	1.5%	1.7%	1.2%	0.6%	0.8%
<i>FTSE 3-Month US T-BILL</i>	1.6%	1.7%	1.2%	0.6%	0.8%
Merganser (General & System):	4.2%	3.0%	2.3%	1.8%	2.5%
<i>BofAML 1-3 Yrs Gov/Corp</i>	4.2%	2.9%	2.1%	1.7%	2.3%
VTF Endowment:	-5.0%	1.7%	3.6%	7.3%	N/A
<i>CEF Benchmark</i> ¹	1.8%	5.4%	5.6%	7.6%	N/A

¹ 60% MSCI All Country World Equity Index; 30% Bloomberg Barclays Global Aggregate Bond Index; and 10% Global Financial Times Stock Exchange National Association of REITs Global Real Estate Index.

True Endowments

True endowments are funds received from a donor with the restriction that the principal is not expendable. This allows for the gift to have an impact over a longer period than if it were spent all at once. Endowments may also come with stipulations regarding usage. As a result, an endowment payout may be restricted to a specific purpose such as a scholarship, professorship, or program.

Rolls Royce Endowments

The Rolls Royce Endowments are true endowments created by the Commonwealth in 2010 as part of the incentive package to recruit the company to Virginia. The endowment is restricted to support chaired professorships and graduate students in Engineering. The endowment value of the Rolls Royce Endowments as of June 30, 2020 was \$12.2 million.

Pouring Rights Scholarship

The Pouring Rights Scholarship is a true endowment established according to the terms of the 2012 Coca-Cola Pouring Rights contract. The funds are restricted for scholarships. The endowment value as of June 30, 2020 was \$0.3 million.

Quasi-Endowments

Quasi-endowments represent university funds designated by the Board of Visitors rather than a donor. They carry the same intent to provide ongoing income from a long-term investment; however, the governing board retains the authority to repurpose such funds and to remove funds from the quasi-endowment asset category at any time.

Pratt Estate

The \$11 million restricted gift from John Lee Pratt in 1977 supports Animal Nutrition and the College of Engineering. This fund was established as a quasi-endowment by the Board of Visitors in the 1970s and reaffirmed on June 4, 2018 for its restricted purpose. The total investment and cash endowment value of the Pratt Estate funds as of June 30, 2020 was \$41.6 million.

Donaldson Brown Scholarship

During the 1940s, the late Mr. Donaldson Brown made gifts to the university designated for student loans or scholarship. In 1992, the funds were focused to provide scholarships. The Board of Visitors reaffirmed/designated the fund as a quasi-endowment on June 4, 2018 designated for scholarships consistent with the terms of the gift. The endowment value as of June 30, 2020 was \$0.8 million.

Nationwide Scholarship

A 2014 settlement agreement with Nationwide Life Insurance Company related to student medical insurance premiums included the establishment of a scholarship fund in their name from any residual or unclaimed funds. The Board of Visitors authorized this fund as a quasi-endowment on June 4, 2018 designated for scholarships. The value as of June 30, 2020 was \$8.1 million.

Chinese Endowed Geosciences Scholarship

In 2002, the Department of Geological Sciences established a scholarship fund to support Chinese graduate students from funds provided by the People's Republic of China. The endowment value as of June 30, 2020 was \$0.1 million.

Gloria Smith Professorship

In August 2000, the university approved an allocation from the Athletic Department's Sugar Bowl proceeds to serve as a base that would provide ongoing support for the Gloria Smith professorship. The professorship, named in honor of the late Gloria D. Smith, a counselor and advocate of minority students on campus before her retirement, is awarded for a period of two years to an outstanding faculty member who contributes significantly to the growth and development of minority students, student-athletes, and scholarly pursuits. The Board of Visitors authorized this fund as a quasi-endowment on June 4, 2018 designated for the professorship. The endowment value as of June 30, 2020 was \$0.3 million.

Licensing & Trademark Scholarship

Over the last two decades, the University's Licensing & Trademark agreements have created one-time resources that have been invested to create ongoing income for scholarships. The Board of Visitors authorized this fund as a quasi-endowment on June 4, 2018 designated for scholarships. The endowment value as of June 30, 2020 was \$13.2 million.

Multicultural Affairs Scholarship

In August 2000, the university approved an allocation from the Athletic Department's Sugar Bowl proceeds to serve as a base that would provide ongoing support for scholarships for Multicultural Affairs. The Board of Visitors authorized this fund as a quasi-endowment designated for scholarships on June 4, 2018. The value as of June 30, 2020 was \$0.1 million.

Student Health Insurance Fund

In 1997, the university received a stock conversion settlement from Trigon when the company went public. The Board of Visitors authorized this fund as a quasi-endowment on June 4, 2018 to support the health care insurance program, including the administration of student insurance programs. The value as of June 30, 2020 was \$0.4 million.

Unrestricted Investments

Unrestricted investments consist of university nongeneral fund reserves, balances, and local funds. These investments are meant to create a revolving set of resources generating an annual, recurring revenue stream to make one-time or limited recurring commitments to pursue the university's strategic goals. The value of these other university funds as of June 30, 2020 was \$324.7 million.

2020-21 Utilization of Investment Income

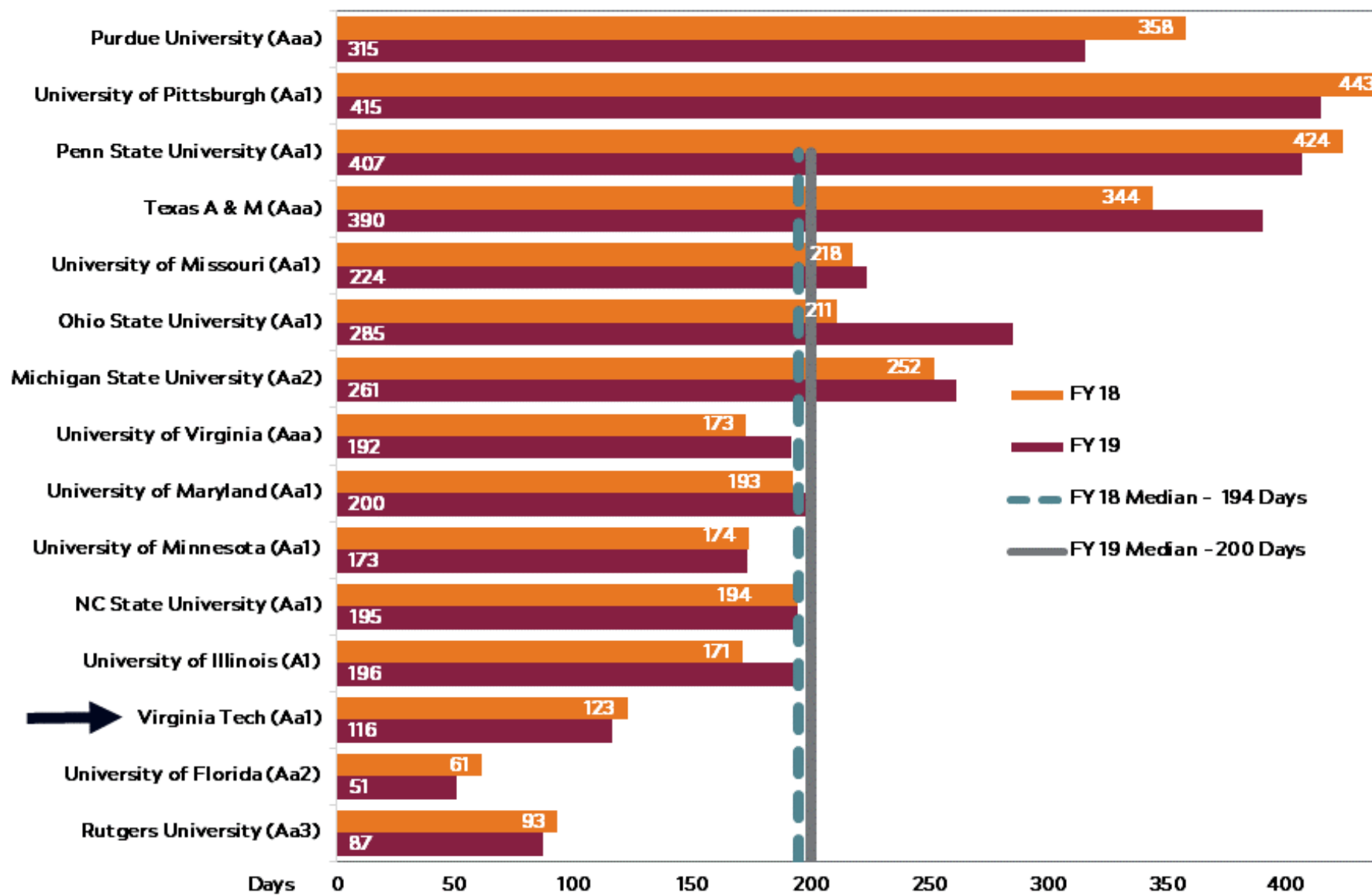
all dollars in thousands

Description	Utilization	2020-21 Estimate ¹	
		Short-Term Investments	Long-Term Investments
True Endowments			
Rolls Royce Endowment	Engineering Chaired Professorships & Grad Students		\$571
Pouring Rights Endowment	Scholarships		\$13
Donor Restricted Quasi-Endowments			
Pratt Estate Funds	Animal Nutrition & Engineering programs		1,969
Donaldson Brown Endowment	Scholarships		37
Nationwide Scholarship Fund	Scholarships		385
BOV Designated Quasi-Endowments			
Chinese Endowed Geosciences Scholarship	Scholarships		4
Gloria Smith Professorship	Professorship support		14
Licensing & Trademark Scholarship	Scholarships		630
Multicultural Affairs Scholarship	Scholarships		4
Student Health Insurance Fund	Support student health insurance program		17
Unrestricted Investments			
State Escrow ²	Support E&G Programs, subject to state appropriation	\$1,087	
Auxiliary Enterprises	Auxiliary operations, maintenance reserve program, help to limit increases to comprehensive fees	1,809	4,154
Other University Funds	VTCSOM, banking fees, scholarships and university initiatives	3,141	11,018
Total University Investment Income		<u>\$6,037</u>	<u>\$18,816</u>

¹Estimates are prior to impact of COVID-19 and decisions for managing the impact.

²Reflects amount estimated to be returned to E&G Programs. \$1.5M was escrowed to the Commonwealth but has not been appropriated.

FY 2018 and FY 2019 Monthly Days Cash on Hand



Annual Report on Investments and Quasi-Endowments

KEN MILLER, VICE PRESIDENT FOR FINANCE

JOHN CUSIMANO, UNIVERSITY TREASURER

TIM HODGE, ASSOCIATE VICE PRESIDENT FOR BUDGET
AND FINANCIAL PLANNING

NOVEMBER 16, 2020



Annual Report on Investments and Quasi-Endowments

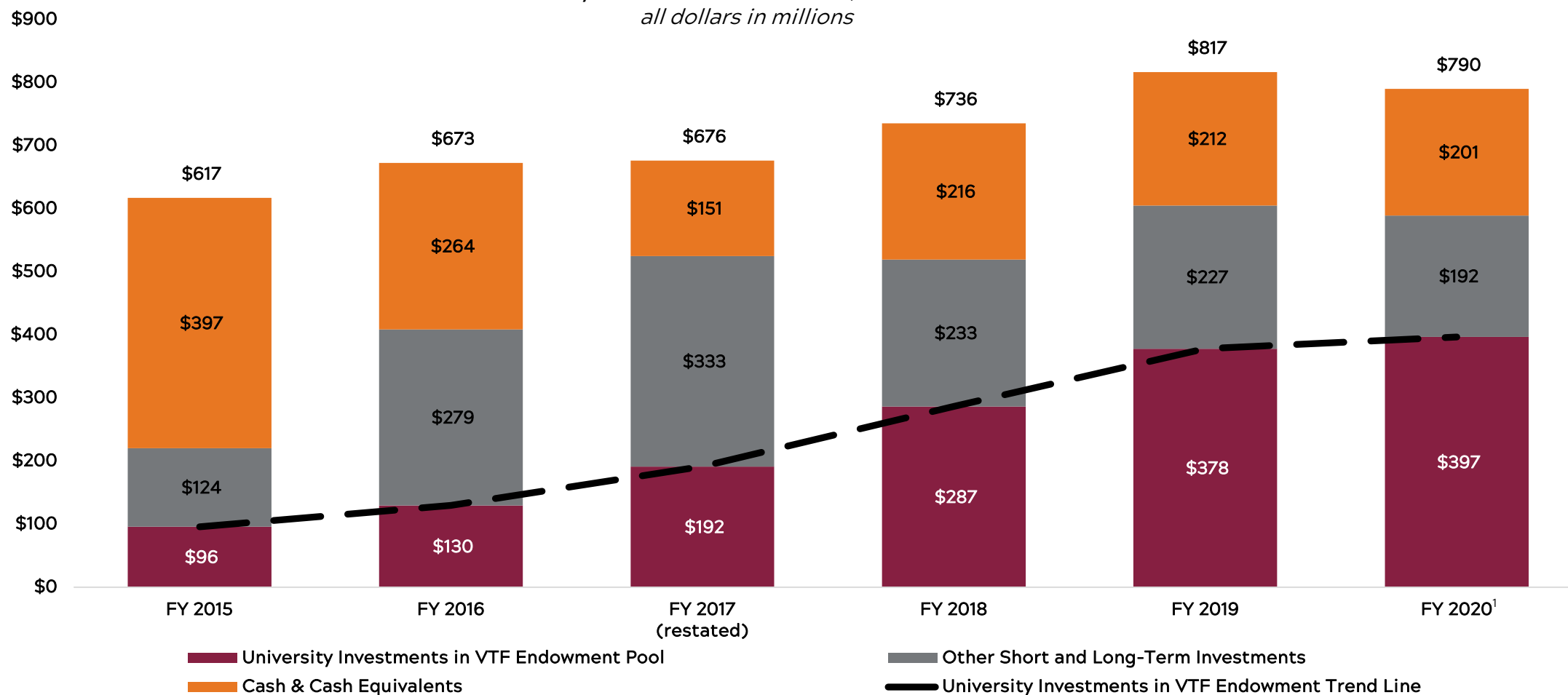
- The Investment Policy aims to maximize investment earnings and ensure prudent levels of liquidity
- There are two investment pools:
 - Short to intermediate-term investment of university operating funds: must meet Public Funds Act requirements
 - Long-term investment strategies of endowments and non-general fund reserves: Virginia Tech Foundation Endowment
- Current liquidity targets:
 - Ongoing 45 days of internal liquidity through operating cash reserves (excluding funds in VTF endowment)
 - Ongoing 45 days of external liquidity through operating lines of credit
 - One-time additional \$210 million of external lines of credit until operations return to normal
- Two key principles for the allocation of earnings:
 - Return designated or restricted earnings to their respective programs to pursue current and future activities
 - Deploy unrestricted earnings¹ for one-time or limited recurring commitments to pursue strategic initiatives, and to build capacity by growing unrestricted net assets by \$20 million per year to achieve the strategic plan milestone

¹Earnings on E&G funds must be escrowed with the Commonwealth of Virginia in accordance with the management agreements of the Restructuring Act and are used to support the E&G budget once appropriated by the Commonwealth in the following year.

Total Cash & Investments

For the years ended June 30, 2016 - 2020

all dollars in millions



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Endowment Update and Ten-Year Strategic Plan

- Virginia Tech Foundation's (VTF) endowment investment philosophy:
 - Value investors
 - Contrarian
 - Believe in reversion to the mean
 - Biased to small-cap stocks

- To outperform your peers you must look different than your peers:
 - Top decile ranking against peers for FY17 and FY18
 - Prior to the pandemic the endowment was positioned:
 - Overweight in energy
 - Underweight in technology
 - Underweight in U.S. Treasury securities
 - Then came a black swan event

Endowment Update and Ten-Year Strategic Plan

- About 18 months ago, the endowment team, in conjunction with the VTF Investment Committee, developed a ten-year strategic plan to enhance the long-term performance of the fund. Changes include:
 - Reducing the number of active managers from mid-20s to mid-teens
 - Increasing the percentage allocated to policy benchmark index funds
 - Developing a risk management process to review sector weighting variances versus the benchmark
 - Enhancing the due diligence process for the underwriting of investments
- The plan is about 60% complete. Once fully implemented the overall fund allocation will be:
 - 40% allocated to active managers
 - 40% allocated to index funds, and
 - 20% allocated to co-investments with the endowment's top-tier managers

2020-21 Utilization of Investment Income

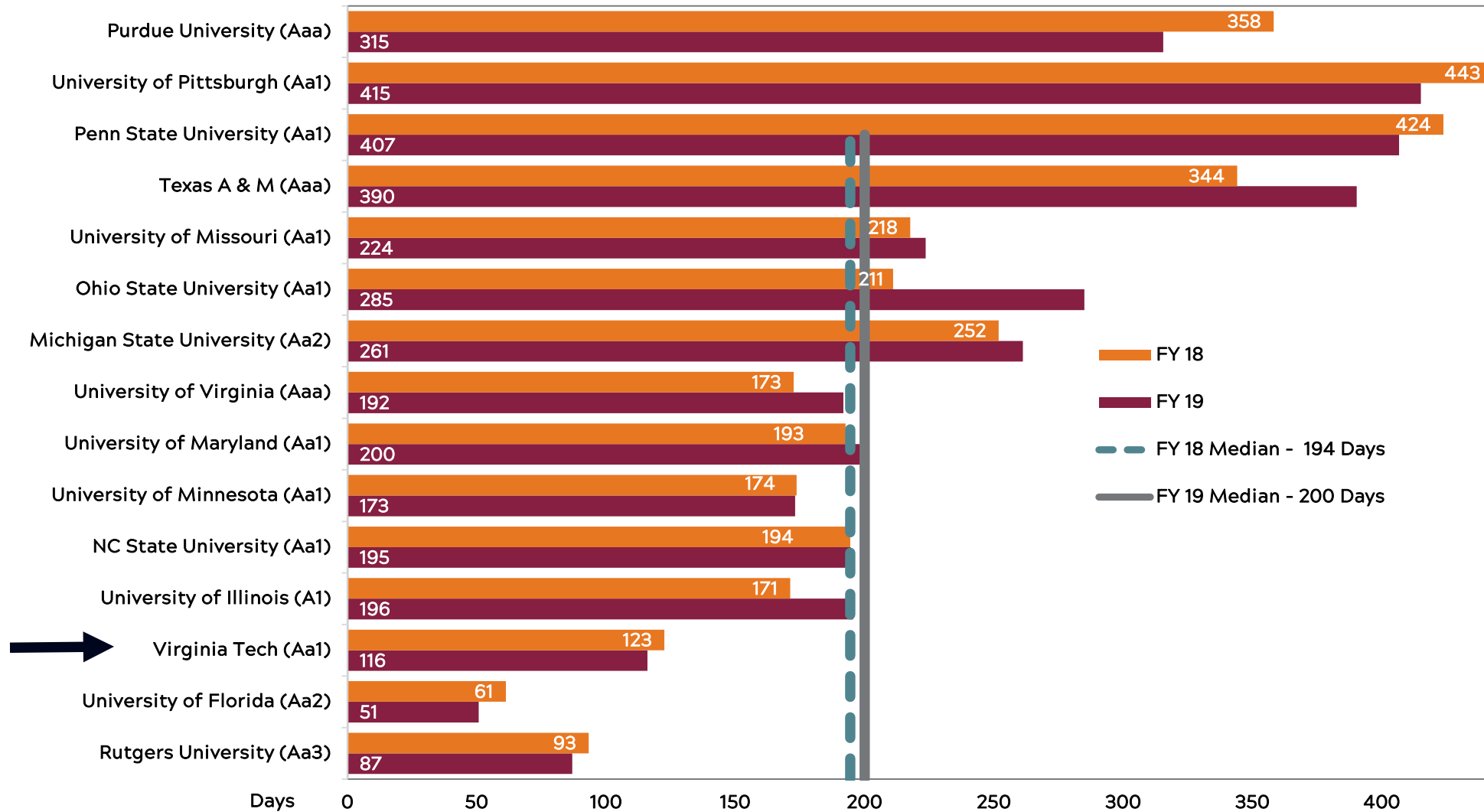
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Unrestricted Investments			
State Escrow ²	Support E&G Programs, subject to state appropriation	\$1,087	
Auxiliary Enterprises	Auxiliary operations, maintenance reserve program, help to limit increases to comprehensive fees	1,809	4,154
Other University Funds	VTCSOM, banking fees, scholarships and university initiatives	3,141	11,018
Total University Investment Income		\$6,037	\$18,816

¹Estimates are prior to impact of COVID-19 and decisions for managing the impact.

²Reflects amount estimated to be returned to E&G Programs. \$1.5M was escrowed to the Commonwealth but has not been appropriated.

FY 2018 and FY 2019 Monthly Days Cash on Hand



Summary

- Investment program designed to maximize investment earnings and ensure liquidity
- Investment strategies contribute towards:
 - Advancing university goals
 - Preserving and enhancing university's spending power
 - Providing financial stability

Discussion

University Support for Student Financial Aid
FINANCE AND RESOURCE MANAGEMENT COMMITTEE
October 20, 2020

Consistent with prior years, the university is providing the Finance and Resource Management Committee of the Board of Visitors with an update on the university's Student Financial Aid program. This annual report provides an overview of the types of student financial assistance programs available at the university, sources of funding for these programs, and a review of the institutional undergraduate aid programs that are controlled or influenced by the university.

This report is an integral part of the information flow to the Board of Visitors to assist in the assessment and approval of the university's tuition and fee rate proposals.

Funding Environment

Virginia Tech is experiencing an ongoing shift in the types of resources available to support its instructional programs. These changes are driven by a combination of increasing costs, the requirement to maintain the quality and integrity of the instructional programs, enrollment growth to support additional Virginia students, increasing competitiveness for students in high demand both in Virginia and nationally, and the inability of the state to maintain its historic level of financial support.

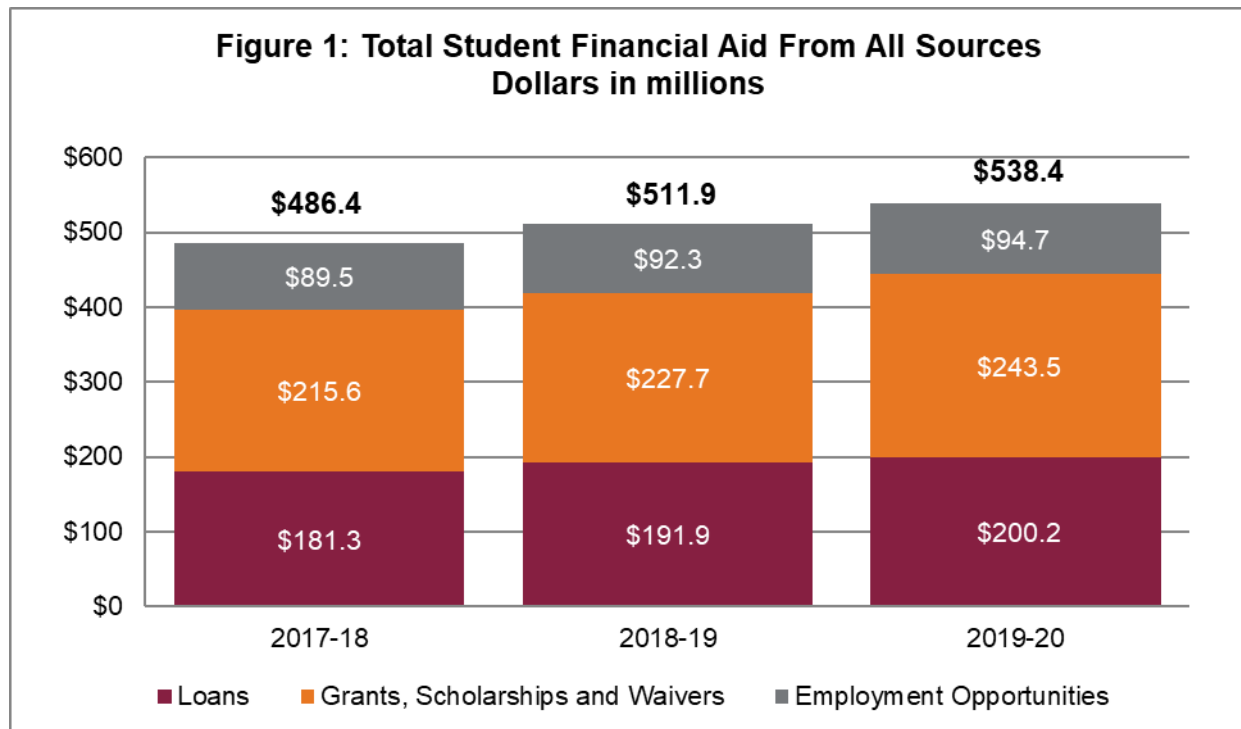
The state-funded share of support per student is impacted by limited General Fund resources at the state level, mandatory cost increases such as health care benefits, enrollment growth of Virginia resident students, and inflation; as a result, increases in tuition and fees were increasingly relied upon to support the university's instructional activities. In this environment, the role of student financial assistance of all types has become a more critical element of financial planning in the university's efforts to ensure access and affordability. Financial aid programs are critical to support those goals, as well as promoting the recruitment, retention, and graduation of students. The university's financial aid efforts seek to ensure that qualified students can access a Virginia Tech education and help to promote a diverse and inclusive community in support of the university's goals and objectives.

The funding mix of higher education continues to evolve. As the state share of a student's cost has fallen significantly over time, the student's share of their cost of education has grown. Understanding this shift, the university has proactively focused its efforts to increase support for student financial aid. These efforts are specifically designed to ensure access and affordability and meet the goals of the university as described in its Management Agreement with the commonwealth.

Types of Student Financial Aid

The university facilitates a multifaceted scholarship and financial aid program that provides assistance to undergraduate students through grants and scholarships,

employment opportunities, loans, and payment strategies. Graduate students are supported through graduate assistantships, which provide tuition remission and a stipend in exchange for university service. Fund sources for this assistance are varied as are their accompanying eligibility protocols. For fiscal year 2019-20, total aid reached \$538.4 million, as seen in Figure 1 below.



Financial assistance to students is provided in the four main categories of grants and scholarships, employment, loans, and payment options:

1. **Grants and Scholarships** provide aid based on academic or extracurricular achievement, or financial need, and require no exchange of service. Some of these are need-based, while others are merit-based. No repayment is expected.

Need-based awards are offered to students who demonstrate financial need as determined by federal and institutional standards. Such standards involve the computation of the cost of attendance including estimated books and supplies, transportation, personal expenses, and room and board whether on or off campus, in addition to tuition and required fees. From this total cost of attendance, the university subtracts the Expected Family Contribution (standardized through the Free Application for Federal Student Aid, the FAFSA), and any outside aid the student has obtained from sources other than the university to determine the student's financial need.

Non-need-based awards may be merit-based and offered to students who demonstrate exceptional aptitude and academic and/or extracurricular achievement.

2. **Employment** includes wage employment, student work-study opportunities at the undergraduate level, and graduate assistantships at the graduate level. In 2019-20, 36 percent (12,430) of Virginia Tech students participated in an employment opportunity.

Federal Work-Study – provides eligible students a financial aid allotment and a wage employment position. This program is subsidized by the federal government and is supported in part by the university. Federal Work Study (FWS) participants are employed both on and off-campus; gaining valuable work experience along with financial assistance. Award amounts, generally between \$1,500 and \$2,500 are based on a student's Free Application for Federal Student Aid (FAFSA) filing. In 2019-20, 624 students participated in FWS programs; 614 at the undergraduate level and 10 at the graduate/professional level.

Wage employment opportunities – provide university employment to students based upon individual qualifications subject to departmental needs and resources. The university employed 7,323 students in wage positions during 2019-20; 6,371 at the undergraduate level and 952 at the graduate/professional level.

Assistantships – offer tuition remission and a stipend in return for the student's (typically graduate-level) effort through research, service, or teaching. This funding supports both the graduate student and the university's programs. The university employed 3,782 individual graduate students, or 3,318 full-time equivalent students, as graduate assistants in administrative, teaching, and research positions in 2019-20. This represents 78 percent of the full-time graduate student population.

3. **Loans** are offered through institutional, federal, and private lenders and provide financial assistance. These loans have repayment requirements. Loans may be subsidized or unsubsidized.

Subsidized loans: generally from the federal government, carry a lower interest rate, and do not accrue interest or require payment during qualifying enrollment and deferment periods.

Unsubsidized loans: generally accrue higher, market-based interest rates from the date the loan is disbursed, and may not require repayment during qualifying enrollment and deferment periods.

4. **Payment Options** include prepaid tuition plans offered by the Commonwealth of Virginia (such as tax-sheltered savings plans) and the Budget Tuition Plan operated by the university. The Budget Tuition Plan is an installment payment plan which provides students and families the opportunity to spread the cost of tuition and fees over the course of the semester.

The university is involved in the administration and distribution of each of these types of financial aid. Many programs are administered outside of the university, and students arrive with financial aid arrangements (which are generally termed "outside aid" in this

report) that the university facilitates on their behalf. Other programs are developed within the institution.

Sources of Funding for Grants and Scholarships

A wide range of resources support grants and scholarships including federal, state, institutional, and outside aid. These sources are described below and a trend of annual expenditures of each category is detailed in Table 1.

Federal Support comes from the federal government and is provided through Pell Grants and Federal Supplemental Educational Opportunity (FSEOG) support. These programs are administered by, and flow to the student through, the university. The appropriations for these programs are often congressionally approved and, in the case of Pell Grants, follow the student to their university. In 2019-20 the university also received federal support through the CARES Act in response to the COVID-19 pandemic; these one-time special resources are excluded from Table 1 and detailed in Table 7 later in this report.

State Support is provided by the commonwealth from the state General Fund in several ways. The bulk of the commonwealth's appropriation is directed to the university in support of Virginia resident undergraduate need-based scholarships. Funding is also appropriated to support graduate student assistantships. Additionally, the commonwealth directs a small portion of funding to the university to fund students in the Soil Sciences and students participating in the Multicultural Affairs and Opportunities Program. Other state funding may flow to the university on behalf of students, and is not under the university's control.

Institutional Support is the area of financial aid that the university can impact directly, providing financial assistance in the form of scholarships and grants at the undergraduate level and assistantships at the graduate level. Institutional support comes through six main categories: unfunded scholarships, Tuition & Fee Revenue Used for Financial Aid, internal resources, codified waivers, graduate tuition remission, and private funding. In 2019-20, institutional support provided \$61.6 million to 12,484 undergraduate students; an average of \$4,938 per student.

Unfunded Scholarships: Section §23-1-612 of the Code of Virginia authorizes institutions of higher education to create need-based scholarships through the remission of tuition and fees up to certain limits at both the student and institutional level. These programs are supported by the tuition budget and are reflected in the net tuition revenue collected by the university.

Tuition & Fee Revenue Used for Financial Aid: the 2014 General Assembly session added language in Section §4-5.01 b.1.a of the Appropriation Act that authorizes institutions of higher education to create nongeneral fund appropriations for student financial assistance, as follows: (i) funds derived from in-state student tuition will not subsidize out-of-state students, (ii) students receiving these funds must be making satisfactory academic progress, (iii) awards made to students should be based primarily on financial need, and (iv) institutions

should make larger grant and scholarship awards to students taking the number of credit hours necessary to complete a degree in a timely manner. These programs are supported by the tuition budget and are reflected in the net tuition revenue collected by the university.

Internal Resources: some institutional support is available from specific resources. Given the public nature of much of the university's resources, the university is limited in its ability to generate resources for flexible scholarship support. Examples of this type of support are revenue from Virginia Tech license plate sales and net revenues from licensing and trademark activities.

Codified Waivers: while the university is generally unable to waive student charges, codified waivers are specific programs that are enacted in the Code of Virginia that authorize the waiver of charges to support specific groups targeted by the commonwealth. These groups include:

- Dependents and spouses of military personnel such as members of the United States Armed Forces or Virginia National Guard who were killed or severely disabled in action,
- Surviving spouses and children of Virginia public safety personnel such as law-enforcement officers, campus police officers, and firefighters killed or disabled in the line of duty,
- Senior citizens with income less than \$23,850 per year, as long as tuition paying students are not displaced.

Because the costs of these programs are managed by the institution, these programs are considered institutional support. The university also supports graduate students on assistantship through the waiver of the nonresident differential (the difference in the tuition rate between resident and nonresident graduate students) as authorized by the Appropriation Act for significantly employed graduate students.

Graduate Tuition Remission: the most common source of support for graduate students is the graduate assistantship. An assistantship is comprised of a stipend, health insurance, and graduate tuition remission. Assistantships support teaching, research, or other service within the university. The university funds a portion of the graduate tuition remission program, as do grants and contracts tied to specific externally sponsored activities, primarily research.

Private Funding: University Advancement supports the vision of Virginia Tech by raising private resources for student scholarships and endowments. These privately-funded scholarships resources are received, managed, and disbursed by the Virginia Tech Foundation on behalf of the institution. While some resources are managed by the university, the university's individual colleges and departments are responsible for awarding a significant portion of the private support and administering restricted scholarships to eligible students based upon

donor intent. Utilization of these departmentally administered resources is detailed later in this report.

Outside Aid is aid which normally comes with a student from private external parties. This could include private organizations, nonprofit organizations, businesses, governmental entities, international organizations, and other special-interest groups. The university does not control this fund source but works to facilitate and coordinate the delivery of such support. Often these awards are tied to academic progress eligibility which the university may monitor on behalf of the awarding entity.

Table 1: Grants, Scholarships, & Waivers
(Dollars in Millions)

	2017-18	2018-19	2019-20
<u>Undergraduate</u>			
Federal⁽¹⁾	\$ 20.5	\$20.8	\$21.2
State	16.0	16.4	17.9
Institutional			
Unfunded Scholarships	16.7	17.4	18.8
Tuition/Fee Funded Aid	5.4	5.1	6.3
Internal Resources	0.8	1.2	1.7
Other Undergraduate ⁽²⁾	6.2	6.8	8.1
Private (Foundation)	25.7	26.9	26.8
<i>Subtotal Institutional</i>	54.8	57.4	61.7
Outside	30.8	34.2	37.1
<i>Subtotal Undergraduate</i>	122.1	128.8	137.9
<u>Graduate</u>			
Graduate Tuition Remission⁽³⁾	79.3	83.4	88.5
Institutional Aid			
Tuition/Fee Funded Aid	0.1	1.4	1.5
Other Graduate ⁽⁴⁾	3.1	3.9	4.1
Private (Foundation)	3.2	3.5	4.3
<i>Subtotal Institutional Aid</i>	6.4	8.8	9.9
Outside	7.8	6.7	7.2
<i>Subtotal Graduate</i>	93.5	98.9	105.6
Total Grants, Scholarships, & Waivers	\$215.6	\$227.7	\$243.5

(1) One-time federal stimulus (CARES Act) support is excluded from this table. The university's utilization of CARES Act funding is detailed in Table 7 of this report.

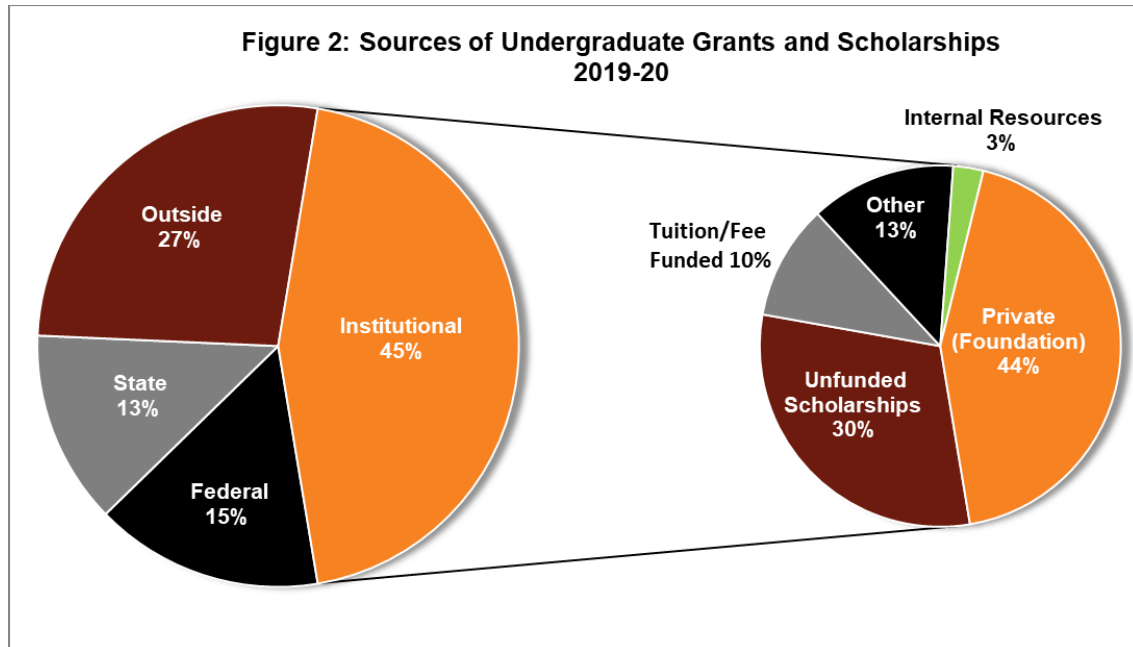
(2) Other Undergraduate includes resident advisor housing benefits, Virginia Military Survivor and Dependent Educational Program and other waivers codified in the Code of Virginia, and educational benefits for employees.

(3) Graduate tuition remission is funded by several sources based on the nature of the work including institutional, state, and externally sponsored contracts.

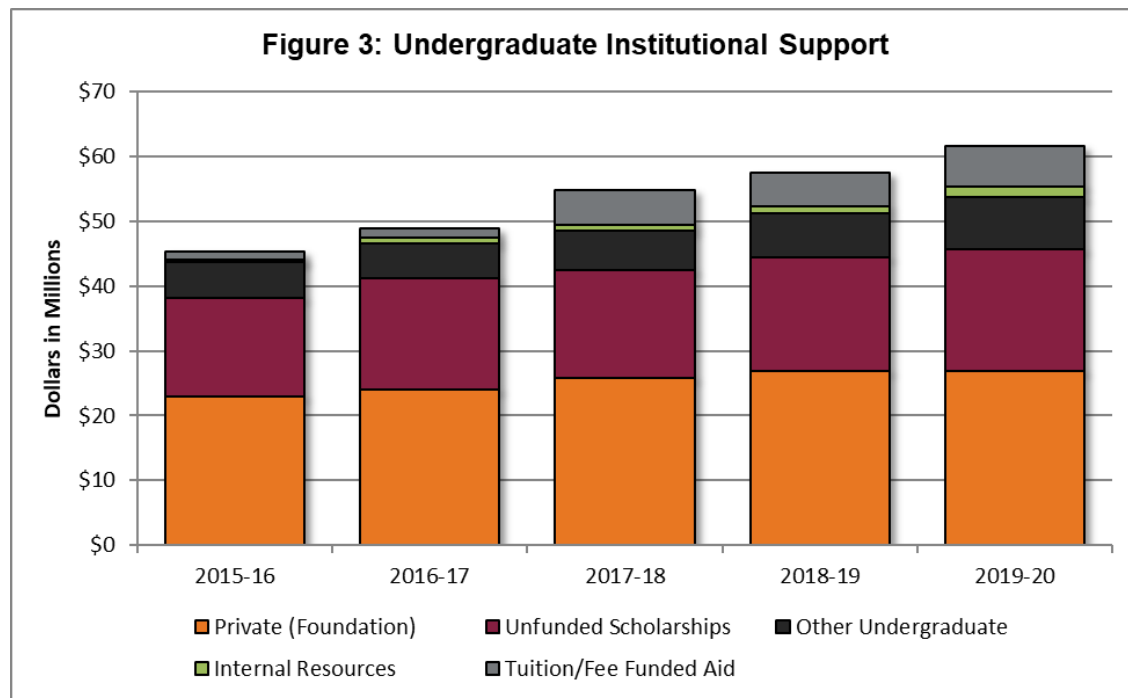
(4) Other Graduate includes waivers codified in the Code of Virginia, educational benefits for employees, and internal resources used to support graduate students.

Undergraduate Scholarships

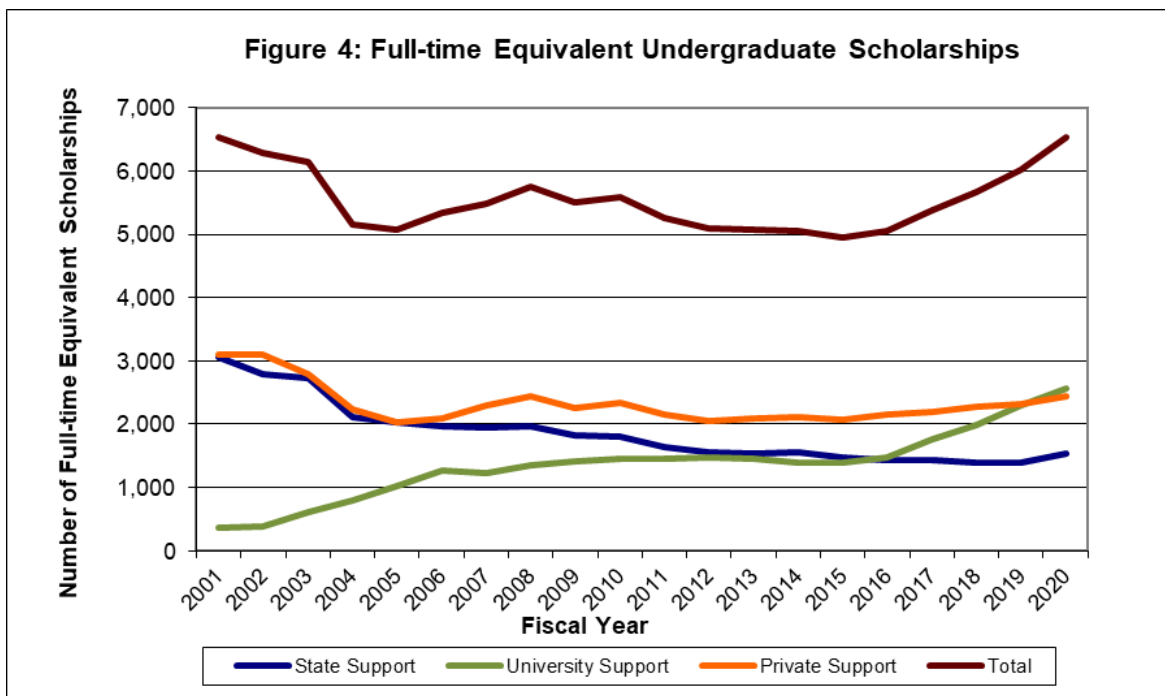
Of the sources of undergraduate scholarships and grants, 45 percent are derived from institutional sources, as seen in Figure 2.



Institutional resources to support undergraduate student financial aid awards have increased over time, as seen in Figure 3.



Though resources have increased over time, tuition increases and enrollment growth often have outpaced increases in state and private sources, and in most years resulted in a declining number of theoretical tuition and E&G fee scholarships that could be supported by these budgeted resources. In recent years, the university has been able to make measured progress in the total number of Full-Time Equivalent number of awards budgeted for undergraduates. Moving forward, the university intends to continue to exert additional emphasis on raising additional funds to further increase the university's capacity to help with student affordability. Figure 4 displays the trend of this scholarship analysis from these budgeted sources.



Uses of Funds

The university leverages institutional support to advance access and affordability and has also created several innovative, very successful programs. Two major undergraduate Grant and Scholarship programs, which the university committed to as part of the Higher Education Restructuring Act, are:

Funds for the Future –This is an important university undergraduate financial aid program, designed to assist returning students with financial need by mitigating increases in tuition and required fees based on level of family income. For students from low to middle-income families, the Funds for the Future program provides pricing predictability and the mitigation of annual increases while avoiding the institutional risk and potential for overpricing inherent in “fixed-price” models. The program was enhanced in 2019-20 by extending protection of 100 percent of tuition and fee increases to all families with financial

need up to \$99,999 of income. Table 2 shows the number of resident and nonresident students receiving this aid in 2019-20.

Table 2: 2019-20 Funds for the Future Award Recipients

Family Income (AGI)	VA Residents		Non-Residents		Total FFF Program	
	No. Awards	Dollar Amount	No. Awards	Dollar Amount	No. Awards	Dollar Amount
\$0-99,999	2,973	1,691,427	497	779,766	3,470	2,471,193

Virginia Tech Grant – In addition to protecting students with financial need from tuition and required fee increases, the university has also been methodically working to expand its total aid program, with the goal of reducing unmet need. Additional funds have been allocated to this program annually with the goal of reducing unmet need at a measured pace over time.

Other programs that have been designed to offset the costs of attendance, achieve enrollment goals, and recognize academically talented students include:

- Presidential Scholarship Initiative to assist low-income and first-generation Virginia students with significant financial need;
- VT Scholars award to recruit academically talented students and advance university first generation enrollment goals;
- Emerging Leaders Scholarship for participants in the Corps of Cadets;
- Presidential Campus Enrichment Grants and Alumni Presidential Scholar Program that serve both students with need and students who demonstrate merit to achieve university enrollment goals;
- Yellow Ribbon program for military veterans and dependents (university support for federal matching program);
- Scholarships to defray a portion of a student's costs to study at the Steger Center for International Scholarship; and
- Scholarship support to help offset the higher costs of study abroad programs.

These programs help address the commitment to access and affordability that the university undertook as part of the Restructured Higher Education Financial and Administrative Operations Act initiative. Further, these programs have been well-received by students, families, and the commonwealth and help to advance strategic goals.

Trends in Student Indebtedness

Loans

The university continues to monitor students' borrowing behavior. Table 3 below displays the average borrower debt of the graduation class at Virginia Tech and nationally for the past 5 years, as well as the percentage of each class who carried student loan debt upon graduation. According to the Institute for College Access and Success, 62 percent of 2019

graduates of public and nonprofit four-year colleges had student debt averaging of \$28,950 per borrower. At Virginia Tech, only 48 percent of the class of 2019 graduated with debt. Of those who did graduate with debt, the average was \$32,386. For Virginia residents in the class of 2020, 52 percent graduated with debt; the average debt for this cohort was \$27,812. Though the use of student loans remains a personal decision, the university provides students and parents with information and counseling to understand the benefits and responsibilities of student loan resources. Moving forward, the university envisions making enhanced aid and loan counseling programs in an effort to help reduce student debt.

Table 3: Loan Statistics of Virginia Tech Graduates

Class Of:		2016	2017	2018	2019	2020
VT- All	\$	\$28,884	\$30,221	\$30,741	\$32,386	31,121
	%	51%	49%	49%	48%	49%
National Average	\$	\$28,350	\$28,650	\$29,200	\$28,950	Not Yet Known
	%	66%	65%	65%	62%	
VT- Virginia Resident	\$	\$26,273	\$27,162	\$26,890	\$29,258	27,812
	%	53%	50%	51%	52%	52%

Default Rate

Virginia Tech's 2016 cohort default rate for the Federal Direct Loan (FDL) and Federal Family Education Loan (FFEL) programs was 1.6 percent, compared with a 2.5 percent average default rate among the university's peer group. While default rates are linked to the national economy, Virginia Tech has consistently had a default rate below the national average, as seen in Table 4 below.

Table 4: Cohort Default Statistics of Virginia Tech Borrowers

	2015	2016	2017
National Peer Average	2.7%	2.5%	2.7%
VT	1.8%	1.6%	1.6%

Net Price

When all available financial aid resources are applied to the overall Cost of Attendance (including tuition and fees, room and board, books, travel, and other costs), a "Net Price" can be derived to represent the remaining cost to the student. Due to various discounting strategies across institutions, the Net Price can be a helpful comparison point of the choice faced by students and their families. The National Center for Educational Statistics (NCES) compiles Net Price data across five student income categories. Table 5 below compares the university's net price with national and state peers for a first year full-time Virginia undergraduate (or resident student within another state). This analysis finds that while the university remains competitive in terms of the average Cost of Attendance (sticker price), the university has an opportunity to enhance the net price competitiveness

for low and middle-income students. As a result, the university is working diligently to make progress.

Table 5: Comparison of Net Price for Undergraduate Residents

	Cost of Attendance (Sticker Price)	Average Net Price by Income (2018-19 Data)				
		\$0-30,000	\$30,001-48,000	\$48,001-75,000	\$75,001-110,000	\$110,001+
Virginia Tech	\$ 26,834	\$ 11,138	\$ 14,010	\$ 19,067	\$ 23,808	\$ 26,200
National Peer Average	31,976	9,632	11,536	15,801	21,980	27,717
Advantage (Disadvantage)	5,142	(1,506)	(2,474)	(3,266)	(1,828)	1,517
Virginia Tech	\$ 26,834	\$ 11,138	\$ 14,010	\$ 19,067	\$ 23,808	\$ 26,200
Select VA Doctorals	36,357	6,797	8,330	13,196	21,031	31,651
Advantage (Disadvantage)	9,523	(4,341)	(5,680)	(5,871)	(2,777)	5,451

Unmet Need

A student's need is determined using the federal Free Application for Federal Student Aid (FAFSA). This calculation begins with the cost of attendance (tuition, fees, room, board, books and travel), subtracts the expected family contribution (EFC) along with any aid provided (including loans), and the remaining amount is considered "unmet need". While external factors such as state budget reductions and student family income significantly effect this calculation, reducing the percentage of unmet need over time is a goal of the university's student financial aid program. Table 6 below displays the unmet need of resident and nonresident undergraduates over time.

Table 6: Trend of Unmet Need

	2017-18	2018-19	2019-20
Virginia Undergraduate	\$6,264	\$6,561	\$6,332
% Average Unmet Need	35.3%	35.9%	33.3%
Nonresident Undergraduate	\$11,445	\$12,026	\$11,882
% Average Unmet Need	43.2%	43.2%	41.6%

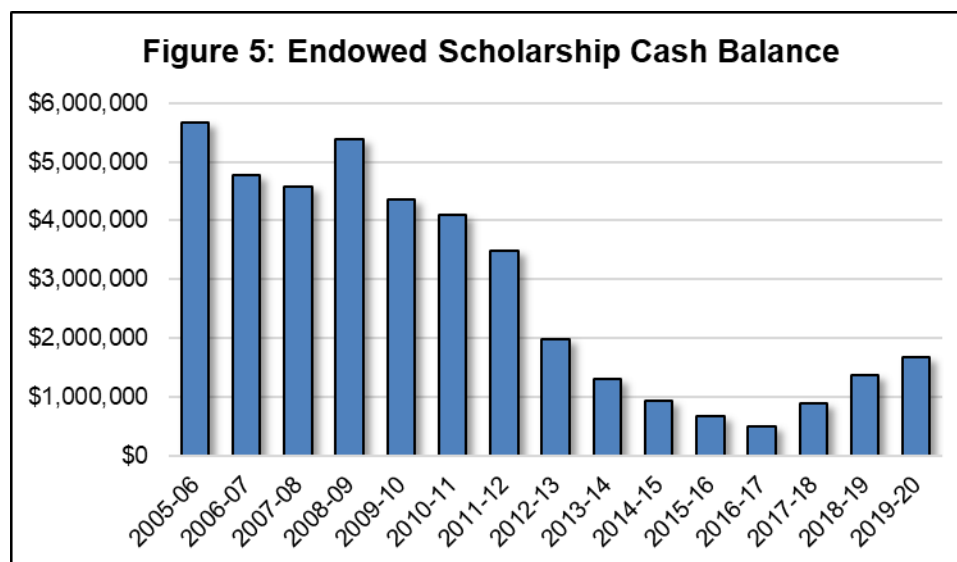
Utilization of Private Support

University colleges and departments are responsible for awarding and administering much of the university's private support for student financial aid. In past years, the university provided an annual report to the Committee to outline endowment scholarship utilization and scholarship expenditure plans. Over the years, unspent endowment

scholarship balances had accumulated due to lack of oversight of departmental allocations, leading to a remediation strategy to ensure maximum utilization of departmentally allocated private scholarships. Due the success of these actions, and the significant reduction in unspent balances, pertinent information from the prior report is now incorporated into this report to provide one comprehensive report on Student Financial Aid.

The Office of the Vice Provost for Enrollment and Degree Management provides guidance to scholarship-managing units through procedures, reports, and data analysis. Each college's annual expenditure plan of endowed scholarships is reviewed and approved to ensure that these resources are utilized effectively. Enrollment and Degree Managements efforts have resulted in enhanced utilization and significant reductions in unallocated cash balances. To continue this success, the Office of University Scholarships and Financial Aid provides an annual management report to the Vice President of Finance to affirm scholarship utilization and the status of funding.

Figure 5 below displays the trend of accumulated departmental private scholarship cash balances. The university believes that the year-end cash balances are at acceptable levels, and will continue to monitor performance in future years to ensure that the cash balances remain at acceptable levels and that resources are used to advance the strategic enrollment goals of each college.



2019-20 COVID-19 Pandemic and Federal CARES ACT

In response to the COVID-19 pandemic, Congress negotiated a relief package known as the Coronavirus Aid, Relief, and Economic Security Act, or CARES Act. Enacted on March 27, 2020, the CARES Act provided Virginia Tech a direct allocation of \$19.4 million through the Higher Education Emergency Relief Fund (HEERF). Section 18004 of the CARES Act directed institutions to use no less than 50 percent of its allocation to provide

emergency financial aid grants to students for expenses related to the disruption of campus operations due to COVID-19. The remaining resources were available to offset institutional expenses incurred as a result of the pandemic. Virginia Tech implemented a multi-dimensional approach to award emergency financial aid grants as outlined in Table 7 below.

Table 7: VT CARES Act Utilization

<u>Use of University Allocation of CARES Funding</u>	<u>Amount (Dollars in Millions)</u>
Emergency Grants to Students	
Off-Campus Students impacted by pandemic	\$ 0.9
Pell Grant Recipients with subsidized or alternative loans	2.7
Pell Grant Recipients without loans	0.7
Non-Pell Undergraduates with subsidized loans	2.1
Graduate/Professional students with unsubsidized/alternative loans	0.5
Other graduate students with unsubsidized/alternative loans	0.4
Direct Aid for individual emergency needs	2.4
Subtotal Emergency Grants	9.7
Institutional Support	
Backstop 41% of housing and dining refunds to students for interrupted spring and summer	9.7
Total CARES Act (18004) Direct Allocation	\$ 19.4

Current Events

The university continues to explore opportunities with the state to provide student financial aid to meet the university and the commonwealth's goals of enrolling traditionally underserved and underrepresented students. The university will also need to continue to explore all possible opportunities to enhance access and affordability for Virginia undergraduates through increased institutional sources, with an emphasis on private fundraising.

The university is currently developing strategies to raise significant additional funding for scholarships and financial aid, specifically to reduce the net price for Virginia undergraduates in the lowest three income quintiles. Enhancing the resources available to these students through the university's student financial aid program is an important goal to advance Virginia Tech.

In addition to supporting resident student financial need, the university's scholarship program is integral to the achievement of enrollment targets, particularly of nonresident undergraduates. This enrollment strategy is designed to provide net resources to the

institution to allocate towards support of resident students and university strategic initiatives. Aid to attract and retain students in targeted disciplines is a focus.

The university will continue to work to assist students and families with managing the cost of education in the future. For 2019-20, 11,710 full-time Virginia Tech undergraduate students (41 percent of the university's undergraduate full-time population) were determined to have financial need. The university also froze in-state undergraduate tuition while increasing the allocation of unfunded scholarship support for undergraduates. This plan ties into the university's commitment in its Management Agreement to increase support for need-based student financial aid to help ensure access and affordability.

The university has increased its institutional funding of student financial aid each year since expanding the program in 2001-02, primarily through the use of unfunded scholarships. While the university has been leveraging the unfunded scholarship authority to expand need-based aid, the use of unfunded scholarships has legal and practical limits. As a result, it will be important for the university to continue to work to expand funding from other sources in the future, especially by increasing private fundraising and endowed scholarships, and work to create new innovative sources.

University Support for Student Financial Aid

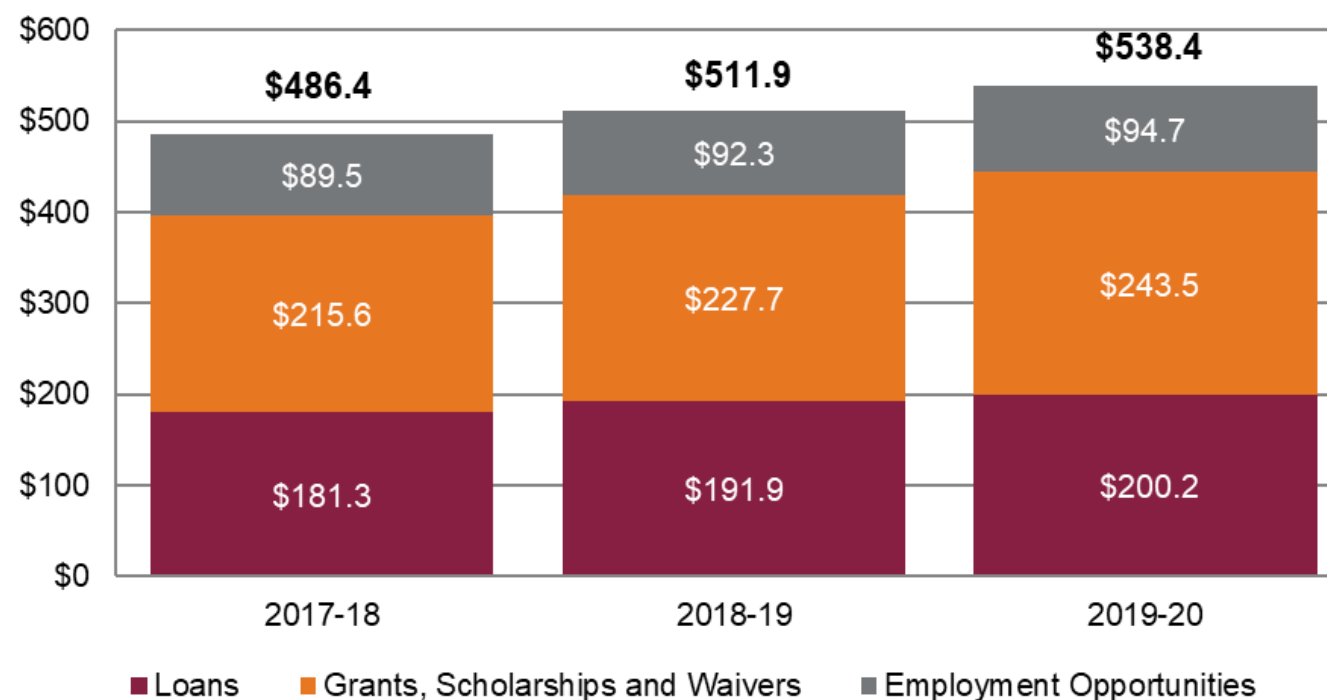
TIM HODGE, ASSOCIATE VICE PRESIDENT FOR
BUDGET AND FINANCIAL PLANNING

NOVEMBER 16, 2020



Student Financial Aid at Virginia Tech

Figure 1: Total Student Financial Aid From All Sources
Dollars in millions



Undergraduate Grants and Scholarships

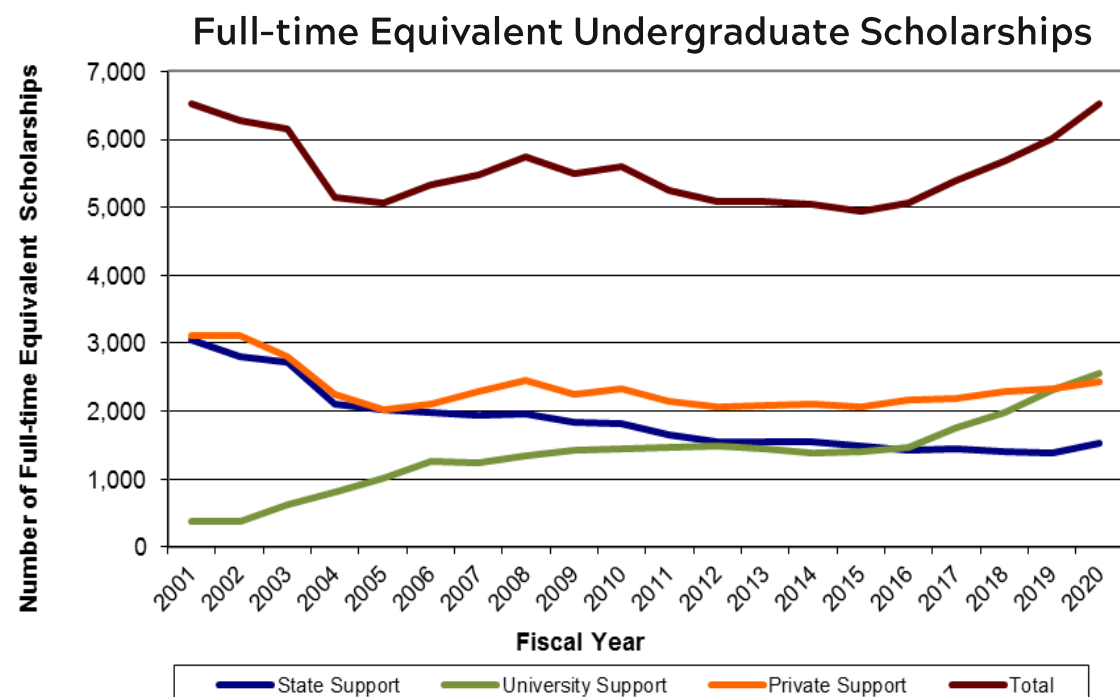
(Dollars in Millions)

	2017-18	2018-19	2019-20
<u>Undergraduate</u>			
Federal ⁽¹⁾	\$ 20.5	\$ 20.8	\$ 21.2
State	16.0	16.4	17.9
Institutional			
Unfunded Scholarships	16.7	17.4	18.8
Tuition/Fee Funded Aid	5.4	5.1	6.3
Internal Resources	0.8	1.2	1.7
Other Undergraduate ⁽²⁾	6.2	6.8	8.1
Private (Foundation)	25.7	26.9	26.8
<i>Subtotal Institutional</i>	54.8	57.4	61.7
Outside	30.8	34.2	37.1
<i>Total Undergraduate</i>	\$ 122.1	\$ 128.8	\$ 137.9

(1) One-time federal stimulus (CARES Act) support is excluded from this table. The university's utilization of CARES Act funding is detailed in Table 7 of this report.

(2) Other Undergraduate includes resident advisor housing benefits, Virginia Military Survivor and Dependent Educational Program and other waivers codified in the Code of Virginia, and educational benefits for employees.

Analysis of State & Institutional Support for Undergraduate Scholarships



Examples of university-funded scholarship priorities include:

Virginia Tech Grant: *reduction of unmet need.*

Presidential Scholarship Initiative: *“full-ride” with enhanced advising and support for underrepresented and first-generation Virginians.*

College Access Collaborative: *for underrepresented Virginians in the K-12 pathway program.*

Beyond Boundaries: *matches private giving in support of underrepresented and high-achieving students.*

Enrollment Management Scholarships: *support strategic enrollment goals, including underrepresented and academically talented students.*

Funds for the Future: Mitigating Tuition Increases

- For 2019-20, all families with need and income up to \$99,999 Adjusted Gross Income were eligible for 100% coverage of tuition and fee increases.
- Includes Virginia and non-resident undergraduates.
- Effectively guarantees tuition and fee levels to first year of eligibility

Family Income	VA Residents		Non-Residents		Total	
	#	\$	#	\$	#	\$
\$0-99,999	2,973	\$1,691,427	497	\$ 779,766	3,470	\$2,471,193

Average Debt Per Borrower and Percentage of Students Graduating with Debt

Class Of:		2016	2017	2018	2019	2020
VT - All	\$	\$28,884	\$30,221	\$30,741	\$32,386	31,121
	%	51%	49%	49%	48%	49%
National Average	\$	\$28,350	\$28,650	\$29,200	\$28,950	Not Yet Known
	%	66%	65%	65%	62%	
VT-Virginia Resident	\$	\$26,273	\$27,162	\$26,890	\$29,258	27,812
	%	53%	50%	51%	52%	52%

National data from the Project on Student Loan Debt, an aggregator of Common Data Set submissions.
www.projectonstudentdebt.org

Net Price Comparisons

- Net price is the cost remaining after financial aid has been applied to the total cost of attendance (tuition, fees, room and board, and other expenses).*
- The university remains competitive with “sticker” price, but has an opportunity to enhance the “net” price competitiveness for resident students from low- to middle-income families.*

	Cost of Attendance (Sticker Price)	Average Net Price by Income (2018-19 Data)				
		\$0-30,000	\$30,001-48,000	\$48,001-75,000	\$75,001-110,000	\$110,001+
Virginia Tech	\$ 26,834	\$ 11,138	\$ 14,010	\$ 19,067	\$ 23,808	\$ 26,200
National Peer Average	31,976	9,632	11,536	15,801	21,980	27,717
Advantage (Disadvantage)	5,142	(1,506)	(2,474)	(3,266)	(1,828)	1,517
Virginia Tech	\$ 26,834	\$ 11,138	\$ 14,010	\$ 19,067	\$ 23,808	\$ 26,200
Select VA Doctorals	36,357	6,797	8,330	13,196	21,031	31,651
Advantage (Disadvantage)	9,523	(4,341)	(5,680)	(5,871)	(2,777)	5,451

Federal CARES Act Support

- In response to COVID-19, Congress provided Virginia Tech with \$19.4 million in one-time aid.*



Use of University Allocation of CARES Funding

Amount
(Dollars in Millions)

Emergency Grants to Students

<i>Off-Campus Students impacted by pandemic</i>	\$ 0.9
<i>Pell Grant Recipients with subsidized or alternative loans</i>	2.7
<i>Pell Grant Recipients without loans</i>	0.7
<i>Non-Pell Undergraduates with subsidized loans</i>	2.1
<i>Graduate/Professional students with unsubsidized/alternative loans</i>	0.5
<i>Other graduate students with unsubsidized/alternative loans</i>	0.4
<i>Direct Aid for individual emergency needs</i>	2.4
Subtotal Emergency Grants	9.7

Institutional Support

<i>Backstop 41% of housing and dining refunds to students for interrupted spring and summer</i>	9.7
Total CARES Act (18004) Direct Allocation	\$ 19.4

Current Events

- *University continues to raise additional funding for student financial aid, specifically to reduce the net price for Virginia undergraduates in the lowest three income quintiles and enhance support for underrepresented student populations.*
- *Financial aid is integral to achieving enrollment targets, particularly nonresident undergraduate, which provides overall resources to support resident students and university strategic initiatives.*
- *In an era of modest and frozen tuition levels, institutional support for financial aid is significantly constrained and has practical limits.*
- *The university must continue to support institutional financial aid programs, with an emphasis on expanding support through private philanthropy.*

Discussion

**2020 Special Legislative Session
Review of 2020-22 Budget Actions**

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

October 16, 2020

2020 Special Session

Due to the state revenue and expenditure impacts of the ongoing COVID-19 pandemic, Governor Northam called the General Assembly into Special Session on August 18, 2020. In addition to considering policing and criminal justice reform, the focus of the Special Session was to review the Governor's proposed adjustments to the 2020-22 biennial budget.

During the reconvened session in April, the Governor worked with legislators to unallot or suspend approximately \$2.2 billion in new spending contained in the 2020-22 biennial budget. Anticipating the need for future adjustments, the approved budget from the spring also included language stipulating that the General Assembly could make final decisions regarding these unallotted appropriations following adoption of a revised revenue forecast for the biennium. On August 18, 2020, the Northam Administration presented a reforecast of revenues which projected a \$2.7 billion revenue shortfall for the biennium, and introduced a revised biennial budget proposal that permanently eliminated most of the previously suspended spending.

Each chamber of the General Assembly reviewed the Executive Budget proposal and offered its own amendments. These amendments were reconciled by a Conference Committee consisting of members from each legislative body. Once approved by the legislature, this "Conference Budget" will be sent to Governor Northam for final approval.

A summary of actions included in the final Conference Budget of the 2020 Special Session that impact Virginia Tech and the higher education operating environment can be found in Attachment 1. Direct financial impacts of the Conference Budget to Virginia Tech are detailed in Attachment 2.

2020-22 BUDGETS AS OF SPECIAL SESSION

As of Friday, October 16, 2020

Analysis based on Half Sheets

The Reconvened Session column reflects incremental adjustments to the 2020-22 biennial budget (Chapt.1289) approved by the General Assembly in April 2020.

The Special Session columns reflects changes to the 2020-22 biennial budget proposed by the Governor and the final Conference Budget.

	Reconvened Session – Spring 2020	Special Session – Fall 2020	
	Approved Budget	Executive Proposal	Conference Proposal
Operating Budget			
Unallotment/Reduction of Previously Funded Items	<p>Reconvened Session “unallotted”, or suspended funding for the following approved items for VT:</p> <ul style="list-style-type: none"> • Student Financial Aid <ul style="list-style-type: none"> • Undergraduate: <ul style="list-style-type: none"> • \$811,000 in 1st year • \$1.6 million in 2nd year • Graduate: <ul style="list-style-type: none"> • \$285,000 in 1st year • \$427,000 in 2nd year • Tuition Moderation Support <ul style="list-style-type: none"> • \$2.7 million in 1st year to freeze in-state undergraduate tuition rates • Agency 229: <ul style="list-style-type: none"> • \$250,000 in first year for infrastructure upgrades at the Holiday Lake 4-H Center. (Amendment 12) • \$50,000 in both years for Richmond County Extension Agent 	New funding (unallotted in the spring) is eliminated.	

"Maintain Affordable Access" Funding	N/A	N/A	<p>Statewide: Proposes \$60 million in General Funds (GF) in the first year as flexible funding which institutions may utilize for operations, financial aid, or other COVID-19 costs;</p> <ul style="list-style-type: none"> • VT Allocation: \$4 million
Coronavirus Relief Funds (CRF)	N/A	N/A	<p>Statewide: Language authorizes the Governor to allocate up to \$120 million of Coronavirus Relief Funds to higher education institutions for reimbursement of identified eligible expenses.</p> <ul style="list-style-type: none"> • VT Allocation: \$13.3 million
Auxiliary Support Flexibility	N/A	N/A	<p>"a. Institutions of higher education shall have the authority to use available fund balances from other fund sources, to include educational and general program reserves, to support operations, increased costs or revenue reductions, for auxiliary enterprise programs for the 2020-2022 biennium. However, with the exception of transfer payments, educational and general program reserves may not be used to directly support intercollegiate athletics.</p> <p>b. Any use of available fund balances pursuant to these temporary provisions shall be subject to approval by the Board of Visitors of the institution, provided that the Board has also reviewed the measures of financial status included in the most recent Auditor of Public Account Higher Education Comparative Report. Prior to any transfer, the institution shall provide the approval resolution to the Chairs the House Appropriations and Senate Finance and Appropriations Committees."</p>

Financial Sustainability Review	N/A	N/A	<p>“During the 2020-2022 biennium, the Council shall coordinate (i) the dissemination to the institutions the measures of financial status included in the most recent Auditor of Public Accounts Higher Education Comparative Report, and (ii) collection of institutions' resulting financial sustainability reviews and possible action plans, to include if warranted discussion of a full range of potential structural options to improve long-term financial health. The six-year plan review group identified under § <u>23.1-306</u> shall review such submissions.”</p>
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Employee Compensation & Benefits			
Faculty and Staff Compensation	<p><u>Unallotment</u></p> <p><u>2020-21:</u></p> <p><u>Contingent upon the lack of a downward revenue revision for FY21/FY22:</u></p> <ul style="list-style-type: none"> • Bonus: <ul style="list-style-type: none"> • Effective December 1, 2020: • 3% for all full-time employees employed on April 1, 2020 and remaining through November 24, 2020. <p><u>2021-22</u></p> <ul style="list-style-type: none"> • Salary Increase: <ul style="list-style-type: none"> • <u>All full-time employees:</u> 3% increase effective June 10, 2021. • Bonus and salary increases may be based on performance as long as increases do <u>not exceed</u> 3% on average. 	New funding (unallotted in the spring) is eliminated.	<p><u>2021-22:</u></p> <p><u>Contingent upon the achievement of FY21 revenue projections:</u></p> <ul style="list-style-type: none"> • One-time bonus <ul style="list-style-type: none"> • \$1,500 for all full-time state employees • \$750 for adjunct faculty • Effective September 1, 2021 • Must have been employed on April 1, 2021 and remain employed until at least August 24, 2021.
Law Enforcement Officers Bonus	N/A	N/A	Proposes a one-time \$500 bonus on December 1, 2020 for state law enforcement officers who were employed as of November 24, 2020.
Health Insurance	<p>FY21: Eliminated proposed increase for due to cash balance in the Health Insurance Fund.</p> <p>FY22: 6.7% increase in health insurance premiums.</p>	No change from Reconvened Session.	<p>FY21: In addition to avoiding an increase, further proposes one-month health insurance premium holiday (two pay periods in December 2020).</p> <p>FY22: Proposes a reduction in the health insurance premium increase to 3.35%</p>

<p>Health Insurance, <i>continued</i></p>			<p>(from 6.7%) due to excess reserve balance.</p> <p>Language amendment requires Department of Human Resources Management to contract with an actuarial firm to review the actuarial process and assumptions used to calculate the employee health insurance premiums and provide a recommendation regarding the appropriate target level of cash reserves in the fund; report due by October 15, 2021.</p>
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Statewide Initiatives & Adjustments			
Virginia Innovation Partnership Authority	Reduction of \$11.2 million in the first year and \$2.4 million in the second year.	No change from Reconvened Session.	Language amendment provides authority to the President and CEO to approve funds provided to Centers of Excellence including Virginia Center for Unmanned Systems, Virginia Biosciences Health Research Corporation, Commonwealth Center for Advanced Manufacturing, and Commonwealth Cyber Initiative.
SCHEV Studies	<p>Requires SCHEV to develop a plan for implementing a statewide survey on institutional expenditures by program and academic discipline with a report and recommendations by November 1, 2020</p> <p>Authorizes SCHEV to continue a review of Financial Aid, including institutional award policies.</p> <p><u>Unallotment</u></p> <p>\$150,000 in each year for review of higher education costs, funding needs, appropriations, and efficiencies.</p>	New funding (unallotted in the spring) is eliminated.	New funding (unallotted in the spring) is eliminated.
Innovative Internship Fund and Program	<p><u>Unallotment</u></p> <p>Increase of \$300,000 in the first year and \$1.3 million in the second year to support the Innovative Internship Fund and Program, including access and affordability of internship opportunities.</p>	New funding (unallotted in the spring) is eliminated.	New funding (unallotted in the spring) is eliminated.

BOV Virtual Meeting Authority	Provides authority for public bodies to conduct electronic meetings during a declared state of emergency.	No change from Reconvened Session.	Provides additional authority to include joint meetings of public bodies.
Virtual Library of Virginia (SCHEV)	<u>Unallotment</u> \$400,000 GF in each year to support the Virginia Library of Virginia	New funding (unallotted in the spring) is eliminated.	Restores \$400,000 in first year only.
Virginia Biosciences Health Research Corporation	Retains elimination of proposed increase of \$1.25 million in the second year.	No change from Reconvened Session.	Authorizes \$5 million the first year to be allocated to the Virginia Biosciences Health Research Cooperation from the sale of the CIT building to administer a one-time grant program designed to support the acceleration of clinical testing of a therapeutic drug that treats clinical symptoms caused by COVID-19.
Title IX Training (SCHEV)	<u>Unallotment</u> \$100,000 GF in each year to support statewide training and professional development for institutional staff in the area of Title IX compliance.	New funding (unallotted in the spring) is eliminated.	New funding (unallotted in the spring) is eliminated.
State Employee Contact Information	N/A	N/A	Proposes requiring DHRM to communicate to all executive branch agencies the requirement that all employee with state email addresses and/or state cell phones to include contact information in their email signature which shall include, at a minimum, an office phone number and state cell phone number.

Items Unchanged from Spring Reconvened Session				
Enhanced Enrollment Flexibility	Language allowing enrollment of additional nonresident undergraduates beyond existing caps, as long as they support workforce development goals and in-state undergraduate enrollment does not fall below fall 2018 levels. Also requires that any such increase shall be limited to no more than one percentage point increase over the prior year.			No change from Reconvened Session.
Auxiliary Indirect Cost Recoveries Flexibility	Includes language allowing flexibility from recovering 100% of the full indirect cost of auxiliary enterprise programs to the E&G program for 2020-22.			No change from Reconvened Session.
Fringe Rate Increase		Prior Rate	2020-22 Rate	No change from Reconvened Session. See health insurance proposal above.
	VRS	13.52%	14.46%	
	VaLORS	21.61%	21.88%	
	Group Life	1.31%	1.34%	
	VSDP	0.62%	0.61%	
	Retiree Health	1.17%	1.12%	
Institutional Reserve Amount	Provides authority to increase the percentage of E&G unexpended balances that may carry over as a reserve from 3% to 6%.			No change from Reconvened Session.

Tech Talent Investment Fund	<ul style="list-style-type: none"> • Operating Support: Provides total funding of \$31.8 million in each year of the biennium to support final MOUs within the Tech Talent Investment Fund; an increase of \$15.2 million per year over the 2019-20 funding level. • Faculty Startup / Equipment: \$13.6 million Virginia College Building Authority (VCBA) bond pool to be allocated according to the finalized MOUs. 	<p>No change from Reconvened Session.</p>
Minimum Wage Adjustment	<p>Delayed enactment of minimum wage increase from January 1, 2021 to May 1, 2021.</p> <p>Provides \$1.4 million in the first year and \$4.6 million in the second year statewide to support the state's share of SB7, which would increase the state minimum wage as follows:</p> <p>FY21: \$9.50/hour FY22: \$11.00/hour FY23: \$12.00/hour</p> <p>FY25: State to study impact of further increases to the minimum wage and the potential for regional differentiation.</p>	<p>No change from Reconvened Session.</p>
Procurement	<p>Expands access to the Virginia Association of State College and University Purchasing Professionals (VASCUPP) contracts to non-VASCUPP institutions regardless of the level</p>	<p>No change from Reconvened Session.</p>

	of purchasing delegated authority. (Item 4-5.04 #1c)	
Commonwealth Cyber Initiative	<p><u>2020-21:</u></p> <p>Hub: Partially restores Executive Budget reduction, providing funding of \$7.5 million (\$2.5 million base and \$5 million one-time from sale of CIT building).</p> <p>Nodes: Fully restores funding to \$10 million (\$5 million base, \$5 million one-time from sale of CIT building).</p> <p><u>2021-22:</u></p> <p>Hub: Partially restores Executive Budget reduction, providing funding of \$7.5 million base in year 2.</p> <p>Nodes: Fully restores funding to \$10 million base in year 2.</p>	No change from Reconvened Session.
BOV Training (SCHEV)	Allows SCHEV to use on-line training modules to expand training beyond the initial orientation for Boards of Visitors members.	No change from Reconvened Session.

Virginia Center for Unmanned Systems	<p>Reduces proposed funding by \$0.5 million in the second year.</p> <p>Executive Budget had proposed Proposes a \$0.5 million increase in the first year and \$1.0 million increase in the second year to establish collaboration between businesses, investors, universities, entrepreneurs, and government organizations to increase the commonwealth's position as a leader of the Autonomous Systems Community.</p>	<p>No change from Reconvened Session.</p>
Virginia Management Fellows Program	<p>Program is moved from Central Appropriations to a new agency within the Department of Human Resource Management titled Virginia Management Fellows Program (VMFP) Administration Agency. Current funding of \$1.2 million annually is increased to \$1.5 million.</p> <p>Proposed funding for an internship program is eliminated.</p> <p>Virginia Tech currently delivers the instructional component of the VMFP program on behalf of the commonwealth.</p>	<p>No change from Reconvened Session.</p>

Capital Budget		
Maintenance Reserve	<p>Provided \$13.725 million in each year of the biennium to support E&G facilities; an increase of \$151,357 per year over the 2019-20 funding level.</p> <p>This is a 1.1% increase over the current budget from the previous 2018-20 biennium.</p> <p>The Higher Education Maintenance Reserve (MR) funding for 2020-22 is \$260 million total, with Virginia Tech taking the largest allocation at \$27.5 million for the biennium; a \$303,000 increase from the previous biennium.</p> <p>Budgetary Technical adjustment: Shifted funding within the biennium to \$65 million of GF to Bond proceeds for year 1 of biennium (has no effect on Virginia Tech MR funding level).</p>	No change from Reconvened Session.
Capital Equipment Pool	<p>Provided additional \$93 million of VCBA authorization for FF&E Pool for 13 previously authorized capital projects, three of which are Higher Education projects, including \$23.76 million the following Virginia Tech projects:</p> <ul style="list-style-type: none"> • \$5.1 million for Renovate Holden Hall (18267) • \$18.1 million for Fralin Biomedical Research Institute 	No change from Reconvened Session.

<p>Capital Equipment Pool, <i>continued</i></p>	<ul style="list-style-type: none"> • \$.5 million for Livestock and Poultry Research Facilities Phase I (229-18277) <p>The Equipment Pool was increased by \$15.5 million to \$108.5 million of VCBA authorization for FF&E for 16 previously authorized projects.</p>	
<p>Capital Detailed Planning Pool</p>	<p>Proposed \$11 million nongeneral fund (NGF) Authorization to plan Randolph Hall Replacement project.</p> <p>No planning documents shall be submitted to the Governor or the General Assembly prior to July 1, 2022.</p> <p>Language: GF amounts were unallotted until re-enacted.</p>	<p>No change from Reconvened Session.</p>
<p>Capital Construction Pool</p>	<p>Provided \$701 million of state funding for 20 Higher Education Projects. The Undergraduate Lab Building was NOT included in this funding pool.</p> <ul style="list-style-type: none"> • Projects in the Capital Planning Pool from Chapter 759 of the 2016 Act were advanced. This pool includes the Undergraduate Laboratory Building that is currently in design (not yet funded for construction). <p>Defers three VCCS projects from the funding pool -- worth \$79.2 million.</p>	<p>No change from Reconvened Session.</p>

Capital Infrastructure / Umbrella Project Pool	<p>Provides \$62 million of state funding for eight Higher Education Projects including the following for Virginia Tech:</p> <ul style="list-style-type: none"> • \$3.1 million for the Life, Health, Safety, Accessibility and Code Compliance project (18478) • Deferred \$10 million General Fund for the System-wide AREC project (229-18477). 	<p>No change from Reconvened Session.</p>
9(c) Debt Authorization	<p>Provided authorization to issue debt through the state's NGF pooled bond program which reduces the costs of capital compared to stand-alone debt.</p> <ul style="list-style-type: none"> • \$89.62 million of 9(c) Debt Authority for the Construct Creativity and Innovation District LLC project (18412) • \$84 million of 9(c) Debt Authority for the Construct GBAC Residence Halls project (18458) • \$33 million of 9(c) Debt Authority for the Construct New Upper Quad Residence Hall project (18459) <p>Technical correction to 9(c) bond table to show the correct amount of 9(c) debt appropriated for construction of the Creativity and Innovation District Living Learning Community.</p>	<p>No change from Reconvened Session.</p>

9(d) Debt Authorization	<p>Provided authorization to issue debt through the state's NGF pooled bond program which reduces the costs of capital compared to stand-alone debt.</p> <ul style="list-style-type: none"> • \$107 million of 9(d) Debt Authority for the Innovation Campus Academic Facility project 18412. • \$10 million of 9(d) Debt Authority for the Data and Decision Sciences Building project 18427. • \$31.35 million of 9(d) Debt Authority for the Construct Corps Leadership and Military Sciences Building project 18460. • \$11.08 million of 9(d) Debt Authority for the Acquire Falls Church Property project 18461. • Adds \$9.5 million of 9(d) debt authority to supplement the Student Wellness Improvements project 18357 	<p>No change from Reconvened Session.</p>
Debt Capacity Advisory Committee	<p>Directs the Secretary of Finance to convene stakeholders to examine process by which various state component units authorizes to issue state tax-supported debt must report to the Debt Capacity Advisory Committee (DCAC) prior to the issuance of any such debt. The working group's recommendations should be delivered to both DCAC and General Assembly committees by November 1, 2020.</p>	<p>No change from Reconvened Session.</p>

2020-2022 Biennial Budget
PROPOSED APPROPRIATIONS FROM THE EXECUTIVE BUDGET AND EACH HOUSE OF THE GENERAL ASSEMBLY

Attachment 2
Attachment E

	Spring 2020 Legislative Session		Fall 2020 Special Session		
Operating Budget	Approved Budget		Executive Budget		Conference Budget
General Fund	2020-21	2021-22	2020-21	2021-22	2020-21 2021-22
University Division E&G					
Technical Adjustments (fringe rate changes, annualization of prior year costs, etc.)	12,822,747	12,822,747	12,822,747	12,822,747	12,822,747 12,822,747
Maintain Affordable Access (One-Time Coronavirus support)	-	-	-	-	4,000,000 -
Employee Compensation (estimated state share)					
Contingent \$1,500 Employee Bonus in FY22	-	-	-	-	- 2,907,945
State Police Officer \$500 Bonus in FY21	-	-	-	-	11,200 -
<i>Subtotal E&G Budget</i>	12,822,747	12,822,747	12,822,747	12,822,747	16,833,947 15,730,692
Tech Talent Investment Program					
Virginia Tech State Operating Funding	12,957,304	12,957,304	12,957,304	12,957,304	12,957,304 12,957,304
Virginia Tech Startup & Equipment Funding (state debt funding)	8,237,000	7,540,800	8,237,000	7,540,800	8,237,000 7,540,800
<i>Subtotal Tech Talent Investment Program</i>	21,194,304	20,498,104	21,194,304	20,498,104	21,194,304 20,498,104
Commonwealth Cyber Initiative (CCI)					
Hub Leasing, Operations, Faculty, & Internships	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000) (2,500,000) (a)
Scale Initiative at Hub & 4 statewide Node Sites	-	-	-	-	- - (b)
<i>Subtotal CCI</i>	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000) (2,500,000)
Higher Education Equipment Trust Fund					
Traditional Allocation	10,331,639	10,331,639	10,331,639	10,331,639	10,331,639 10,331,639
Research Allocation	5,240,458	5,240,458	5,240,458	5,240,458	5,240,458 5,240,458
<i>Subtotal Equipment Trust Fund</i>	15,572,097	15,572,097	15,572,097	15,572,097	15,572,097 15,572,097
Subtotal - University Division	47,089,148	46,392,948	47,089,148	46,392,948	51,100,348 49,300,893
Cooperative Extension/AES Division (CE/AES)					
Technical Adjustments (fringe rate changes, annualization of prior year costs, etc.)	1,862,864	1,862,864	1,862,864	1,862,864	1,862,864 1,862,864
Employee Compensation (estimated state share)					
Contingent \$1,500 Employee Bonus in FY22	-	-	-	-	- 1,028,063
Subtotal CE/AES	1,862,864	1,862,864	1,862,864	1,862,864	1,862,864 2,890,927
Total Operating Budget State Support	\$ 48,952,012	\$ 48,255,812	\$ 48,952,012	\$ 48,255,812	\$ 52,963,212 \$ 52,191,820
Allocation of One-time Federal Stimulus (from Virginia share of CARES Act)					
Governor's Direct Allocation	\$ -	\$ -	\$ 3,465,283	\$ - (c)	\$ 3,465,283 \$ - (c)
Governor's Student Financial Aid Support	-	-	-	-	841,600 -
Legislative Allocation	-	-	-	-	13,296,727 -
	\$ -	\$ -	\$ 3,465,283	\$ -	\$ 17,603,610 \$ -

- (a) Resultant proposed funding for CCI Hub Operations is \$7.5 million in each year. 2020-21 comprised of \$2.5 million base and \$5 million one-time from the sale of the CIT facility. 2021-22 base funding of \$7.5 million.
- (b) Resultant proposed funding for scaling CCI Hub and Nodes is \$10 million in each year. 2020-21 comprised of \$5 million base and \$5 million one-time from the sale of the CIT facility. 2021-22 base funding of \$10 million.
- (c) Governor Northam distributed \$3,465,283 to VT in June 2020, which was utilized by VT primarily in 2019-20.



Update on the Special Session of the General Assembly

TIM HODGE,
ASSOCIATE VICE PRESIDENT FOR BUDGET AND FINANCIAL PLANNING

NOVEMBER 16, 2020



General Assembly Timeline

Jan 8 - Mar 12

Revenues ahead of
forecast

\$284 million for
higher education

Regular Session

April 22

Revenue shortfall
concern

\$2.2 billion of new
spending
unallotted

Reconvened

Aug 18- Current

Forecast \$2.7 billion
biennial shortfall

Revision of 2020-22
Budget

Special Session

Special Session Update

- The focus of the Special Session of the General Assembly was policing and criminal justice reform and updating the biennial budget for the impact of pandemic.
- The Northam Administration presented a reforecast of revenues which projected a \$2.7 billion revenue shortfall for the biennium.
- The Governor introduced a revised biennial budget proposal that permanently eliminated most of the spending previously suspended at the April reconvened session.
- Both chambers considered amendments to the Governor's revised budget proposal.

Summary of Major Budget Actions

		Special Session	
Budget Item	Reconvened Session	Executive Budget	Conference
Unallot New Allocations	Unallotted: financial aid and tuition moderation	Permanently eliminate previously unallotted items.	
Budget Reduction	No reduction in state support proposed		
“Maintain Affordable Access” Funding	N/A	N/A	Statewide pool of \$60 million; VT share: \$4 million
Federal Coronavirus Relief Funds	N/A	N/A	Statewide pool of \$120 million; VT share: \$13.3 million
Auxiliary Support Flexibility	N/A	N/A	Additional flexibility to use funds, with limits on athletics, to respond to pandemic
Faculty & Staff Compensation	Unallotted Dec. 2020 bonus and 3% salary increase in June 2021 for all full-time employees	Eliminated	\$500 Police Officer bonus, Dec. 2020 <u>Revenue contingent</u> \$1,500 bonus for full-time state employees and \$750 for adjunct faculty, Sept. 2021
Health Insurance	FY21: no increase FY22: 6.7% increase	No change	FY21: December premium holiday FY22: 3.5% premium increase (52% of previously planned increase)

Next Steps

- Conference Budget will be reported to Governor Northam for approval or veto.
- 2021 General Assembly Session begins on January 13, 2021.
 - Governor will present revised revenue estimate and Executive Budget Amendments in December 2020.

Discussion



Approval of 9(d) Debt Restructuring and Refunding Resolutions

KEN MILLER, VICE PRESIDENT FOR FINANCE

JOHN CUSIMANO, UNIVERSITY TREASURER

NOVEMBER 16, 2020



Debt Resolutions

- Due to the financial impact of COVID-19 on higher education, both the commonwealth and the university have developed restructuring and refunding initiatives to improve the university's short-term cash flow.
- The commonwealth will restructure Virginia College Building Authority (VCBA) 9(d) debt in fiscal year 2021 and, after approval by the General Assembly and the Governor, will restructure 9(c) debt in fiscal year 2021. Although they will help improve cash flows for the next two fiscal years, they will actually cost more in interest expense over the revised term of the debt.

Debt Resolutions

- The university received permission to make modifications to the commonwealth's VCBA program and still participate in the program as follows:
 - Exclude the Athletics Department debt to allow further flexibility in restructuring their debt
- Therefore the university is requesting authorization to participate in the commonwealth's initiative to restructure ~\$21.0 million of the university's Virginia College Building Authority (VCBA) 9(d) pooled bonds (except for the Athletic Department).
- Further, the university is requesting authorization to initiate a university program to restructure all ~\$30.9 million of the Athletic Department's outstanding 9(d) debt, as well as to review all university issued 9(d), VCBA 9(d), and 9(c) outstanding bonds for additional restructuring and refunding opportunities.

VCBA 9(d) Debt Restructuring Resolution

- Highlights of the VCBA 9(d) restructuring given current estimates:
 - The principal portion of the VCBA debt service will be deferred for two years.
 - ~\$10.6 million will be deferred in fiscal year 2022 and ~\$10.4 million deferred in fiscal year 2023 freeing up ~\$21 million of cash over those two years.
 - The deferred principal payments will then be paid over two additional years added to the end of the respective issues. The new debt will be taxable.
 - Authorized officers are the Vice President for Finance and the University Treasurer, in consultation with the Senior Vice President and Chief Business Officer.
 - The additional debt service as a result of the restructuring is ~\$5 million (present value of ~\$400,000).
 - The rating agencies consider the restructuring ...“a credit positive considering the circumstances.”

Virginia Tech 9(d) Debt Restructuring and Refunding Resolution

- Highlights of the university's 9(d) estimated restructuring and refunding for the Athletic Auxiliary:
 - Fiscal year 2021 interest payments will be deferred and both principal and interest payments in fiscal year 2022 and fiscal year 2023 will be deferred. The combined cash freed up through fiscal year 2023 is ~\$10 million.
 - An additional \$11.3 million will be deferred for debt service from fiscal year 2024 through fiscal year 2029.
 - Debt totaling ~\$35 million will be issued to achieve level debt service payments over 20 years with payments beginning in fiscal year 2024.
 - Authorized officers are the Vice President for Finance and the University Treasurer, in consultation with the Senior Vice President and Chief Business Officer.
 - The additional debt service as a result of the restructuring is ~\$6.5 million (present value of ~\$500,000).

Virginia Tech 9(d) Debt Restructuring and Refunding Resolution

- Highlights of the university's 9(d) restructuring and refunding initiative, continued - All other debt:
- All remaining university debt will be reviewed for restructuring and refunding opportunities, as well.
 - Parameters of the university 9(d) bond sale(s) include:
 - The final maturity of any bonds shall not exceed 35 years from their date of issuance.
 - The maximum principal amount of bonds shall not exceed \$350,000,000.
 - The bonds shall have a true interest cost that does not exceed 5% per annum.
 - The bonds shall be issued on or before June 30, 2022.

Approval of 9(d) Debt Restructuring and Refunding Resolutions

RECOMMENDATIONS:

- 1) That the resolution authorizing participation in the Virginia College Building Authority Debt Restructuring Program; identifying the authorized officers; and authorizing the authorized officers to negotiate, execute, and deliver all necessary documents, be approved.
- 2) That the resolution authorizing the university 9(d) bond sale(s) for Athletics restructuring and other refinancing opportunities; identifying the authorized officers; and authorizing the authorized officers to negotiate, execute, and deliver all necessary documents, be approved.

November 16, 2020

University Debt Ratio and Debt Capacity**FINANCE AND RESOURCE MANAGEMENT COMMITTEE****October 26, 2020****Background:**

The university has provided an annual debt capacity report to the Board of Visitors since 2006. The Restructuring Act and the university's debt policy require that the university maintain a debt service to operations ratio of no greater than seven percent. In addition to the seven percent limitation, and based on guidelines provided by the Board of Visitors, management internally targets a five percent benchmark for planning purposes and subsequent recommendations to the Board.

The management of debt is critical to the success of the university's capital program and to meeting one of the conditions of eligibility for restructured operational authority with the commonwealth. The required condition is that the university maintain an unenhanced bond rating from Moody's, Standard and Poor's, or Fitch of at least AA- or its equivalent.

An established committee including representatives from Capital Assets and Financial Management, Investments and Debt Management, the Controller's Office, and the Budget Office meets regularly to review debt activities and the timing of debt issuances to ensure compliance with the five percent debt ratio and potential impacts to credit ratings. The Vice President for Finance provides oversight of these activities.

Status:

The university currently has a Aa1 rating from Moody's and a AA rating from S&P. At the conclusion of fiscal year 2020, the university had outstanding long-term debt of \$452.8 million with a debt ratio of 3.51 percent.

Planning for Capital Projects:

As part of the university's capital outlay planning and debt management program, the university maintains a six-year forward-looking plan of debt issuances for projects. The projected university debt ratio and debt capacity based on expected debt issuances are shown in Attachment A. This planning supports the development of capital outlay plans that advance projects within the debt policy and restructuring conditions. Each project is carefully reviewed in consideration of the university's debt capacity before submitting project authorizations for debt to the Board. Based on the current placeholders and projections, shown in Attachment B, debt consumption pushes the university's debt ratio to 5.12 percent in fiscal year 2027. As part of management's ongoing activities, the university will monitor each project and work to refine its funding plan and timing as necessary for the overall program to remain within performance requirements.

Planning for Governmental Accounting Standards Board Statement No. 87:

The Governmental Accounting Standards Board (GASB) issued Statement No. 87 on June 28, 2017 which revises governmental lease accounting effective fiscal year 2022. Operating lease

payments are currently recognized as operating expenses and not included on the balance sheet as long-term liabilities. The revision eliminates the distinction between operating and capital leases resulting in the recognition of operating lease commitments as long-term liabilities and is expected to result in higher debt ratios. The standard will apply to all leases with a term limit that exceeds 12 months. The university will continue to monitor GASB 87 implementation and actively consult with rating agencies regarding potential impact on credit ratings.

Debt Restructuring by the Commonwealth of Virginia:

The commonwealth is restructuring outstanding debt issued since 2011 through the Virginia College Building Authority (VCBA) and the Commonwealth General Obligation Bond programs. The debt restructuring removes principal payments in fiscal years 2021, 2022 and 2023 and places those payments at the end of the respective issuance term thereby extending the applicable term by two years. Interest payments continue to be made during those fiscal years. Debt related to Athletics is not included in the state restructuring programs, but will be handled separately through a university general revenue pledge restructuring issuance. This will allow the university to conserve liquidity during the COVID-19 pandemic.

Attachments:

Attachment A includes the outstanding long-term debt and debt ratio calculation for the current fiscal year and a summary of estimated potential issuances through fiscal year 2026, along with future debt ratios and related capacity for each year. The schedule includes a three-year trailing period through fiscal year 2029 to show the full impact of loading principal and interest payments.

Attachment B shows an illustration of the estimated timing of potential debt issuances for certain projects.

Attachment C shows a trend line of the university's debt ratio from fiscal year 2002 to 2029. The debt ratio is calculated as debt service over operating expenditures. Management routinely examines, prioritizes, and adjusts the allocation plan to ensure the debt ratio remains within five percent.

Attachment D shows a trend line of the university's debt ratio adjusted to reflect the impact of the debt restructuring implemented by the commonwealth and the university.

Attachment E shows a benchmark comparison of fiscal year 2019 debt ratios from Moody's for Virginia Tech and 23 other peer institutions and systems, which are calculated as debt service over operating expenditures.

RECOMMENDATION:

That the report on University Debt Ratio and Debt Capacity for fiscal year 2020, including the ongoing guidance to manage debt issuances at a level that ensures that the debt ratio does not exceed five percent of operating expenditures, be accepted.

November 16, 2020

University Debt Ratio and Debt Capacity Based on Expected Debt Issuances
FINANCE AND RESOURCE MANAGEMENT COMMITTEE
As of October 26, 2020
(Dollars in Thousands)

Fiscal Year	Actual	Estimated Issuances						Trailing Period		
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Long-Term Debt Outstanding, Start of Year	\$ 478,260	\$ 452,804	\$ 515,809	\$ 630,695	\$ 844,481	\$ 932,777	\$1,003,533	\$ 953,774	\$ 887,168	\$ 822,205
Net New Long-Term Debt Issuance	11,462	79,075	149,989	255,200	139,435	128,737	15,000	-	-	-
Current Year Bond Premium	928	16,024								
Current Year Refunding Bonds	1,010									
Current Year Refunded / Defeased Bonds										
Net Long-Term Debt Repayment	(38,856)	(32,095)	(35,104)	(41,414)	(51,139)	(57,982)	(64,759)	(66,607)	(64,964)	(62,711)
Total Long-Term Debt Outstanding, End of Year	\$ 452,804 ⁽¹⁾	\$ 515,809	\$ 630,695	\$ 844,481	\$ 932,777	\$ 1,003,533	\$ 953,774	\$ 887,168	\$ 822,205	\$ 759,493
Total Debt Service	\$ 54,374 ⁽¹⁾	\$ 51,567	\$ 60,673	\$ 64,461	\$ 71,308	\$ 82,827	\$ 90,132	\$ 94,069	\$ 90,535	\$ 86,043
Total Operating Expenditures	1,550,000 ⁽¹⁾	1,550,000	1,600,375	1,652,387	1,706,090	1,748,742	1,792,461	1,837,272	1,883,204	1,930,284
Debt Ratio ⁽²⁾	3.51% ⁽²⁾	3.33%	3.79%	3.90%	4.18%	4.74%	5.03%	5.12%	4.81%	4.46%
5% of Operating Expenditures	\$ 77,500	\$ 77,500	\$ 80,019	\$ 82,619	\$ 85,304	\$ 87,437	\$ 89,623	\$ 91,864	\$ 94,160	\$ 96,514
Additional Allowable Debt Service	23,126	25,933	19,346	18,158	13,997	4,610	(508)	(2,205)	3,626	10,471
Additional Debt Capacity (at 5%)	\$362,224	\$431,079	\$293,213	\$272,664	\$208,237	\$67,952	(\$7,461)	(\$32,361)	\$53,200	\$153,645

Assumptions:

* Total Operating Expenditures for FY20 through FY28 are estimated based on the following growth rate: 5.83% for FY20, 0% for FY21, 3.25% for FY22-FY24, and 2.5% for FY25 and thereafter.

* Estimated Cost of Capital includes: 2.45% for FY20; 1.83% for FY21, 2.80% for FY22, 2.90% for FY23, 3.00% for FY24, and 3.15% thereafter.

Notes:

(1) Unaudited actual.

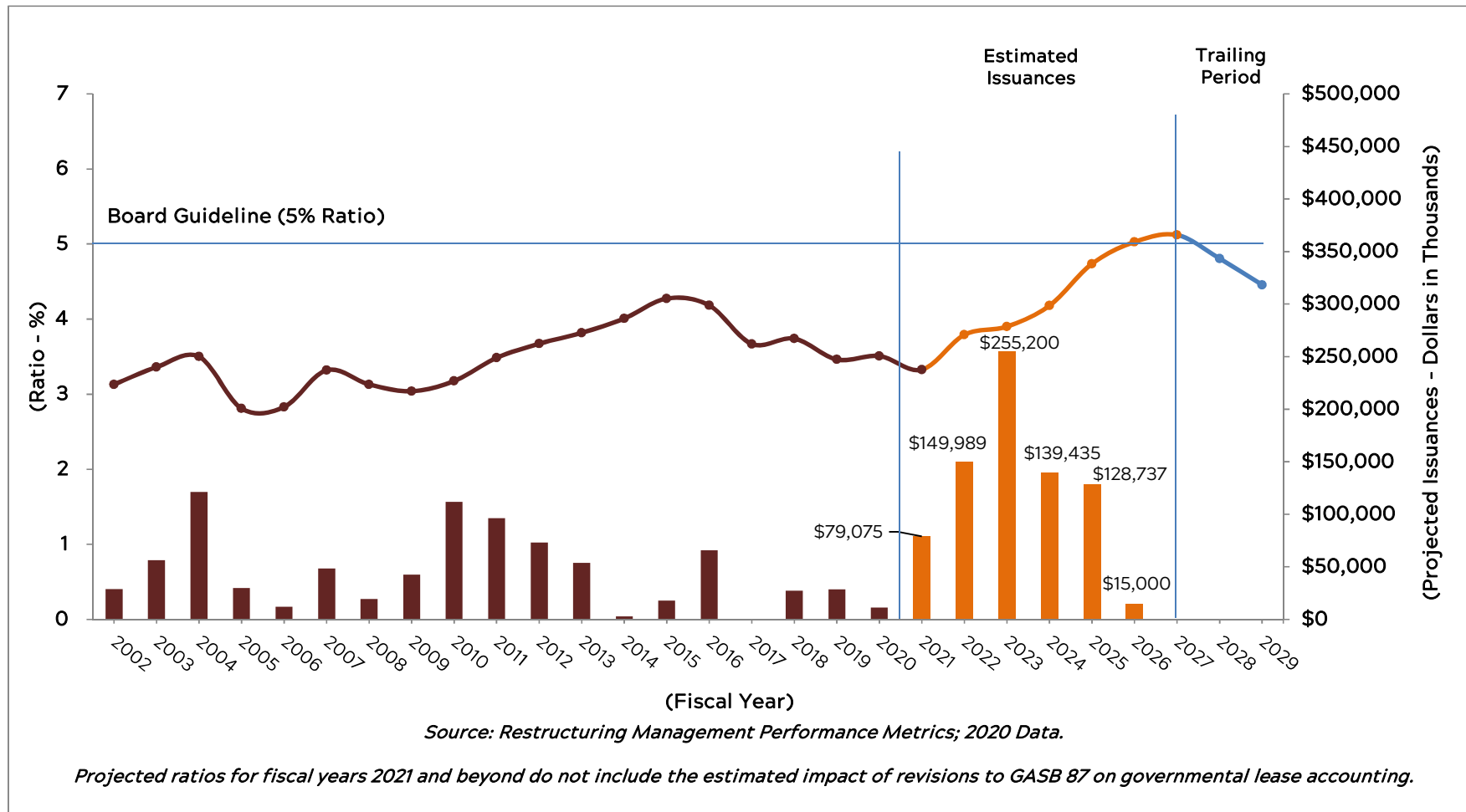
(2) Debt ratio projections for fiscal years 2021 and beyond do not include the estimated impact of revisions to GASB 87 on governmental lease accounting.

Illustration of Debt Allocations Within a Five Percent Ratio
FINANCE AND RESOURCE MANAGEMENT COMMITTEE
As of October 26, 2020
(Dollars in Thousands)

	Actual	Planning Projections						Trailing Period			Total
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	
<u>Authorized Projects</u>											
<u>Scheduled Issuances</u>											
Holden Hall Renovation	\$ 7,920										\$ 7,920
Creativity & Innovation District Residential Community		\$ 77,525									77,525
Dietrick First Floor & Plaza Renovation			\$3,300								3,300
Falls Church Property Acquisition			11,100								11,100
Student Wellness Services			42,589								42,589
Data and Decision Sciences				\$ 10,000							10,000
New Upper Quad Residence Hall				33,000							33,000
Corps Leadership & Military Science				31,350							31,350
Innovation Campus - Academic Building I				87,000							87,000
Global Business and Analytics Residence Halls					\$ 69,145						69,145
<u>Capital Leases</u>											
Ardmore Property	\$3,542										3,542
Commerce Street Acquisition		\$1,550									1,550
	11,462	79,075	56,989	161,350	69,145	-	-	-	-	-	378,021
<u>Placeholder Issuances for High Priority Planning Items</u>											
<u>Projects</u>											
Building Envelope Repairs					\$ 15,000		\$ 15,000				30,000
Falls Church Redevelopment			\$ 11,000								11,000
Food Processing Center & Warehouse				\$ 10,000							10,000
Hitt Hall				6,250							6,250
New Dining Hall				52,000							52,000
Parking Structure at Innovation Campus				25,600							25,600
Veterinary Teaching Hospital Expansion					12,100						12,100
Parking Structure at Blacksburg Campus					20,000						20,000
Engineering Renewal - Randolph Hall					23,190						23,190
Business School						\$ 51,737					51,737
Residential Renewal - Slusher Hall						77,000					77,000
<u>Capital Leases</u>											
Research Swing Space			\$ 20,000								20,000
Seafood AREC			2,000								2,000
Gilbert Street Project			60,000								60,000
	-	-	93,000	93,850	70,290	128,737	15,000	-	-	-	400,877
Total Authorized and Placeholder Issuances	\$ 11,462	\$ 79,075	\$ 149,989	\$ 255,200	\$ 139,435	\$ 128,737	\$ 15,000	\$ -	\$ -	\$ -	\$ 778,898
<u>Net Capacity at five percent ratio</u>	\$362,224	\$431,079	\$293,213	\$272,664	\$208,237	\$67,952	(\$7,461)	(\$32,361)	\$53,200	\$153,645	

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

As of October 26, 2020

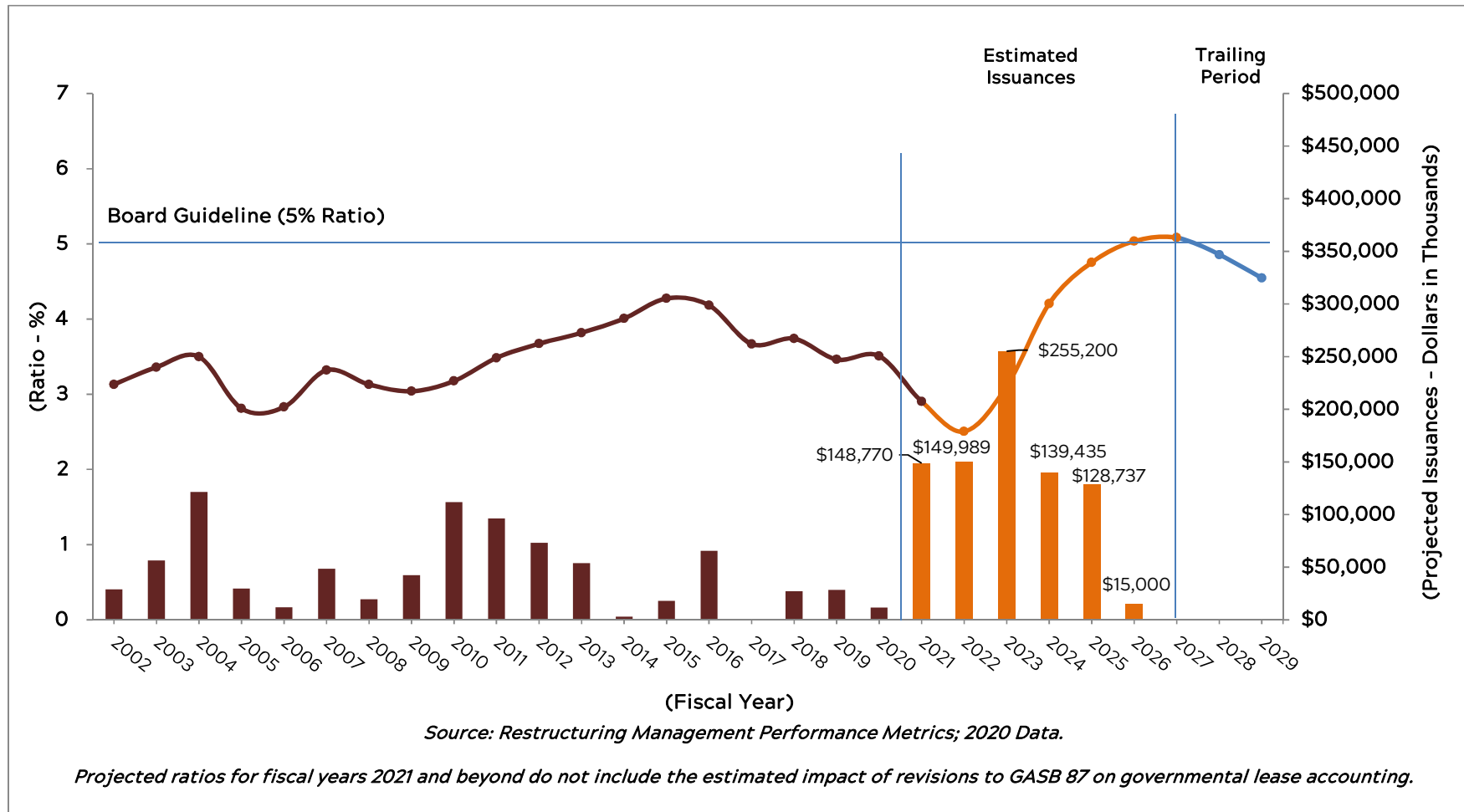


Maroon = Actual Debt Burden Ratio
 Orange = Projected Debt Burden Ratio
 Blue = Trailing Period Debt Burden Ratio
 Bar = Actual and Planned Issuances

**University Debt Ratio Trend
Projected Impact of Commonwealth Debt Restructuring**

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

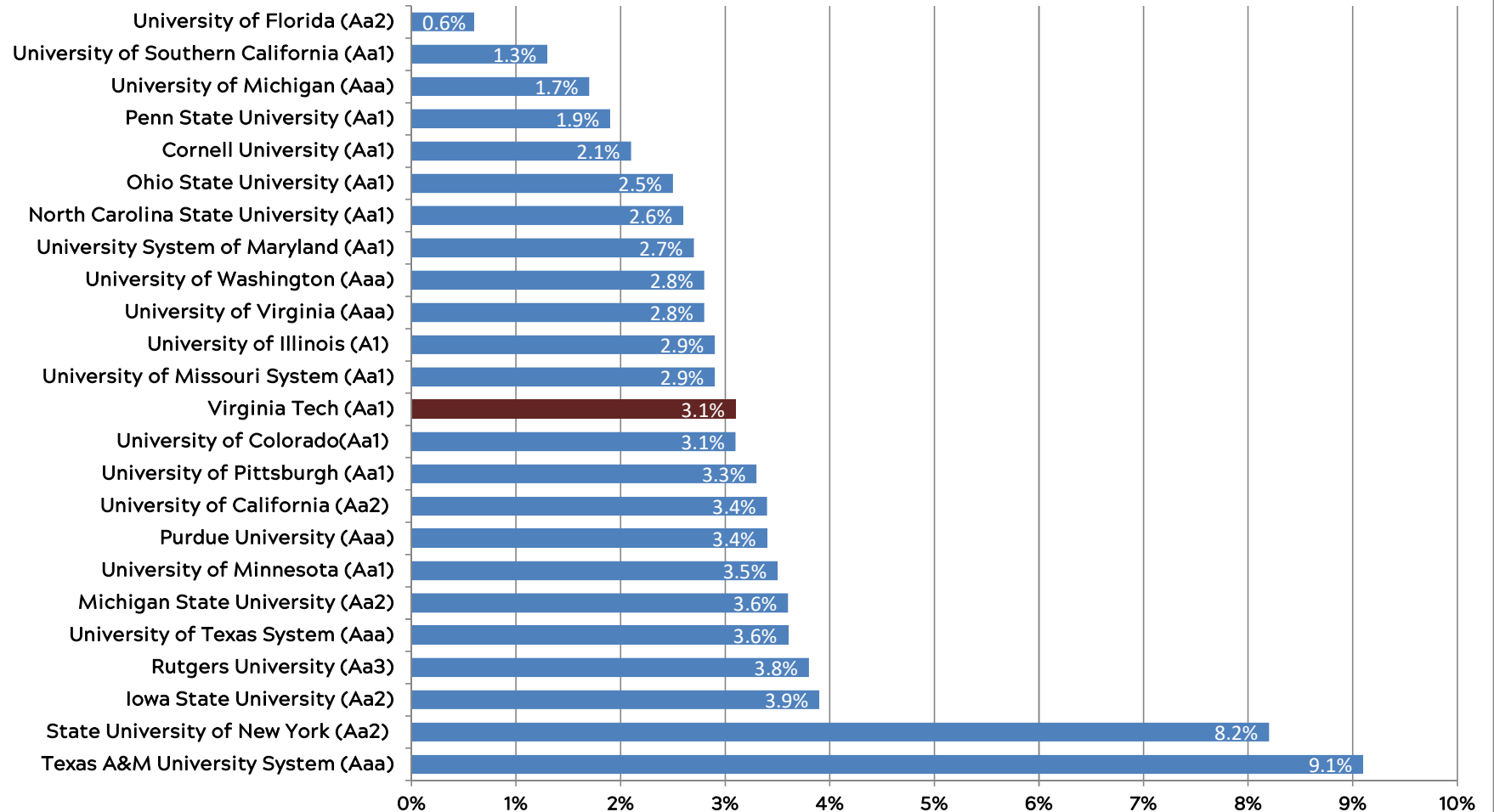
As of October 26, 2020



Maroon = Actual Debt Burden Ratio
 Orange = Projected Debt Burden Ratio
 Blue = Trailing Period Debt Burden Ratio
 Bar = Actual and Planned Issuances

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

October 26, 2020



Based on SCHEV Peer Group and UVA

Source: Moody's Performance Metrics, Moody's Investors Service, August 30, 2020 ; 2019 Data.

Annual Report on University Debt Ratio and Debt Capacity

BOB BROYDEN, ASSOCIATE VICE PRESIDENT FOR
CAPITAL PLANNING AND CAPITAL FINANCING

JOHN CUSIMANO, UNIVERSITY TREASURER AND
ASSOCIATE VICE PRESIDENT FOR FINANCE-VT
FOUNDATION

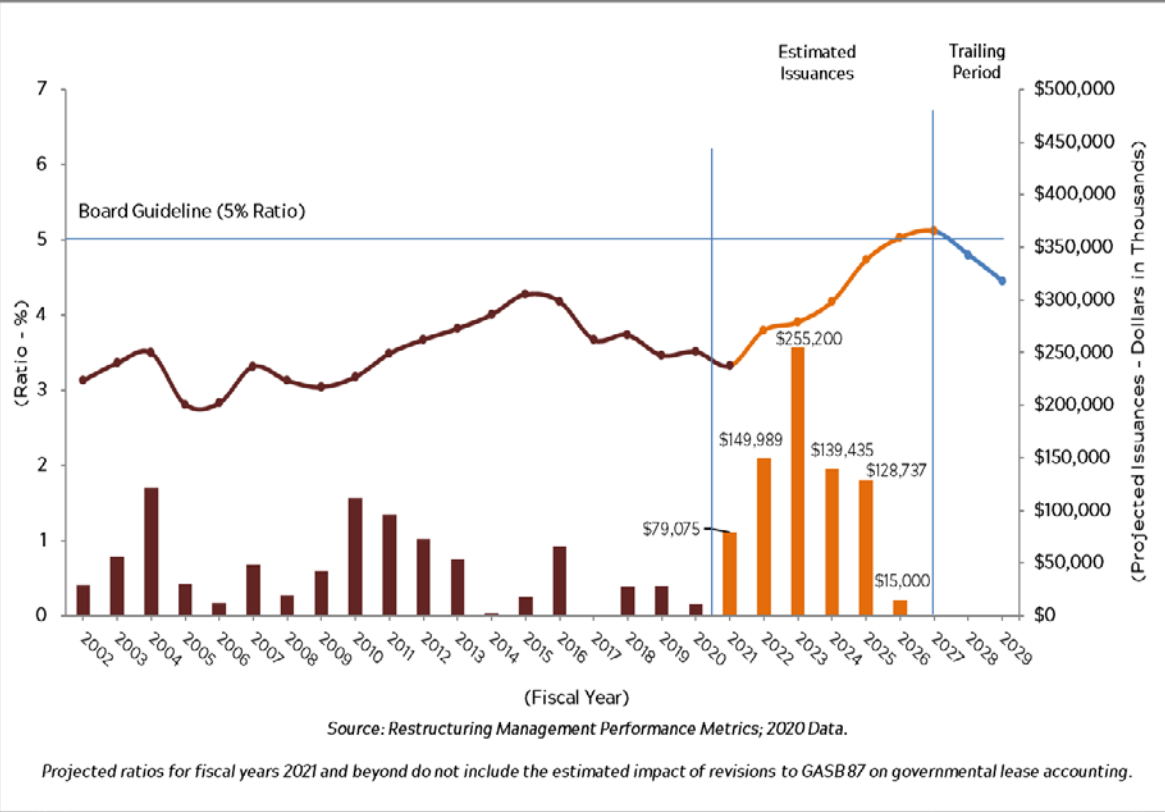
NOVEMBER 16, 2020



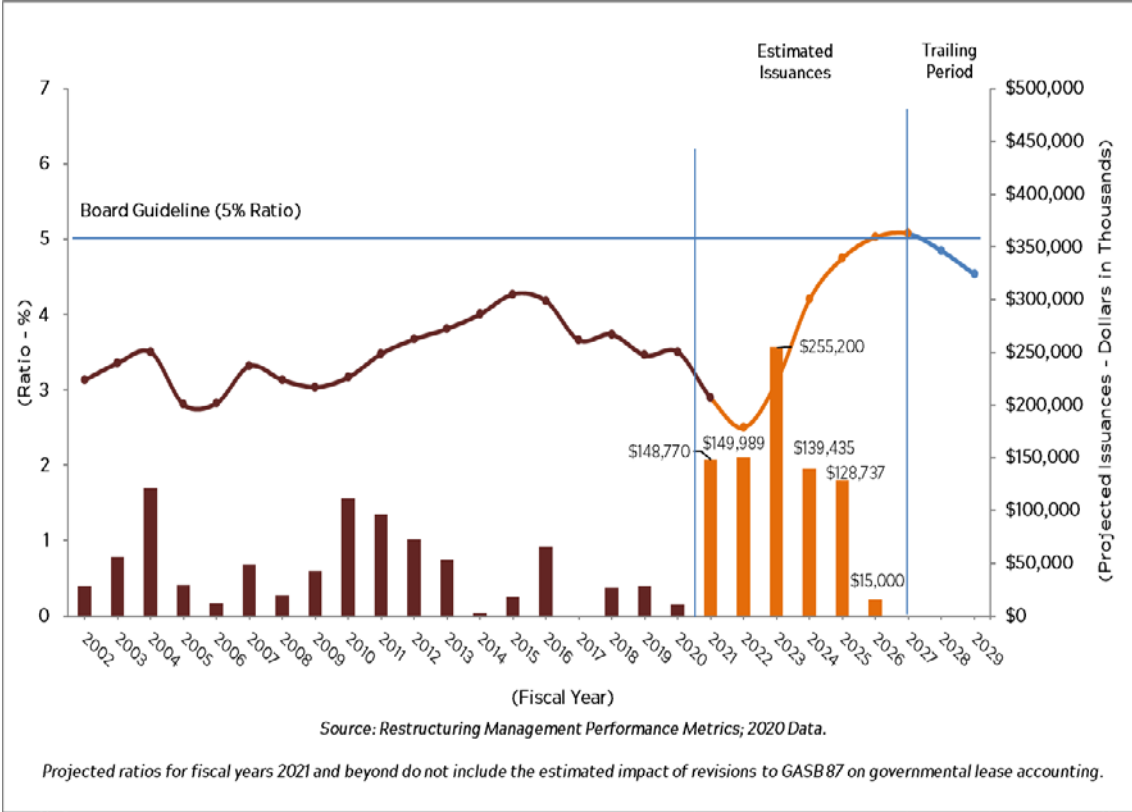
Debt Ratio & Credit Ratings

	<u>Requirement</u>	<u>Performance: FY20</u>	
■ Debt Ratio	$\leq 5\%$	3.51%	✓
■ Credit Ratings	AA- S&P Aa3 Moody's	AA S&P Aa1 Moody's	✓

University Debt Ratio Trend Original



University Debt Ratio Trend With Restructuring



Maroon = Actual Debt Burden Ratio
Orange = Projected Debt Burden Ratio

Blue = Trailing Period Debt Burden Ratio
Bars = Planned Issuances

Illustration of Debt Restructuring Impact

Original Debt Ratio Projections:

	Actual	Estimated Issuances						Trailing Period		
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Fiscal Year										
Total Debt Service	\$ 54,374	\$ 51,567	\$ 60,673	\$ 64,461	\$ 71,308	\$ 82,827	\$ 90,132	\$ 94,069	\$ 90,535	\$ 86,043
Total Operating Expenditures	1,550,000	1,550,000	1,600,375	1,652,387	1,706,090	1,748,742	1,792,461	1,837,272	1,883,204	1,930,284
Debt Ratio	3.51%	3.33%	3.79%	3.90%	4.18%	4.74%	5.03%	5.12%	4.81%	4.46%

Debt Ratio Projections with Restructurings

	Actual	Estimated Issuances						Trailing Period		
	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Fiscal Year										
Total Debt Service	\$ 54,374	\$ 44,832	\$ 39,661	\$ 50,875	\$ 71,771	\$ 83,137	\$ 90,263	\$ 93,346	\$ 91,527	\$ 87,855
Total Operating Expenditures	1,550,000	1,543,665	1,583,438	1,638,801	1,706,553	1,749,052	1,792,593	1,836,549	1,884,196	1,932,096
Debt Ratio	3.51%	2.90%	2.50%	3.10%	4.21%	4.75%	5.04%	5.08%	4.86%	4.55%

Annual Report on University Debt Ratio and Debt Capacity

RECOMMENDATION:

That the report on University Debt Ratio and Debt Capacity for fiscal year 2020, including the ongoing guidance to manage debt issuances at a level that ensures that the debt ratio does not exceed five percent of operating expenditures, be accepted.

November 16, 2020



QUESTIONS?

Discussion of Future Agenda Topics and Closing Remarks

ED BAINE

CHAIR, FINANCE AND RESOURCE MANAGEMENT COMMITTEE