

## **FINANCE AND RESOURCE MANAGEMENT COMMITTEE MINUTES**

### **BOARD OF VISITORS**

May 7, 2020

The Finance and Resource Management Committee of the Board of Visitors of Virginia Polytechnic Institute and State University met on Thursday, May 7, 2020, at 4:00 p.m. On this date, the Commonwealth of Virginia was operating under a state of emergency as declared by Governor Northam due to the COVID-19 pandemic. This was an entirely electronic meeting held via Zoom videoconference to conduct regular business as permitted by legislation passed by the General Assembly on April 22, 2020, and signed into law by Governor Northam. A quorum of the Finance and Resource Management Committee was present on the videoconference.

#### **Finance & Resource Management Committee**

#### **Absent**

##### **Members Present**

Horacio Valeiras (Rector)  
Ed Baine  
Anna James  
Letitia Long (Committee Chair and Vice Rector)  
Melissa Nelson

##### **Other Board members present:**

Shelley Butler Barlow  
Greta Harris  
C. T. Hill  
L. Chris Petersen  
Dennis Treacy  
Jeff Veatch  
Preston White

##### **Constituent Representatives present:**

John Ferris (Faculty Representative)  
Ryan King (Graduate Student Representative)  
Tamarah Smith (Staff Representative)  
Madelynn Todd (Undergraduate Student Representative)

Also present on the Zoom videoconference were the following: President Timothy Sands, Kim O'Rourke (Secretary to the Board), Callan Bartel, Bob Broyden, Cyril Clarke, Al Cooper, John Cusimano, John Dooley, Corey Earles, Kari Evans, Tim Hodge, Kay Heidbreder, Elizabeth Hooper, Nancy Meacham, Ken Miller, Kim O'Rourke, Charlie Phlegar, Dwayne Pinkney, Tim Sands, Ken Smith, Anthony Trujillo (captioner), Chris Yianilos

In addition, 77 members of the university community and public viewed a live stream of the videoconference on YouTube Live.

**1. Welcome and Opening Remarks**

**2. Consent Agenda:** The Committee considered for approval and acceptance the items listed on the Consent Agenda.

- a. Approval of Minutes of the November 18, 2019 Meeting
- b. Adjustment to VTT, LLC Loan: The Committee reviewed the adjustment to the VTT, LLC Loan. The Board of Visitors passed a resolution on September 10, 2012 authorizing the university to underwrite a \$4 million loan, from nongeneral fund sources, to VTT, LLC to finance the acquisition of the equipment and leasehold improvements and to support the initial startup and operations of a new National Tire Research Center. This report provided the Finance and Resource Management Committee with an update on the university's restructuring of the loan under the authority granted by the existing resolution.

The Committee approved the items on the Consent Agenda.

**3. Report on the 2020 Legislative Session:** The Committee received a report on the results of the 2020 Legislative Session. The General Assembly opened on January 8, 2020, adjourned on March 7, 2020, and reconvened on April 22, 2020. This report presents the major elements of the Conference Budget Amendments and General Assembly actions for the 2020-2022 biennium. However, the impact of COVID-19 on the budget for the 2020-2022 biennium remains unclear. The Committee also received a Federal Funding Update including the \$19 million provided to Virginia Tech from the Education Stabilization Fund of which at least half will be used for emergency financial aid for students.

◆ **4. Update on 2020-21 Tuition and Fee Rate Development:** The Committee received an update on the development of tuition and fee rates for 2020-21. This update included comments from the Undergraduate and Graduate Student Representatives to the Board of Visitors, an update on budget development under the uncertainty due to COVID-19, and discussions of potential tuition and fee rates and the associated compensation for Graduate Assistants.

**5. University's Annual Financial Statements:** The Committee received an overview of the university's annual financial statements for the fiscal year ending June 30, 2019.

The financial statements have been prepared in accordance with generally accepted accounting principles, and the Auditor of Public Accounts (APA) issued an unmodified (or clean) opinion. The APA reported one written audit comment for improperly identifying employees required to complete a statement of economic interest and conflict of interest training. The university is in the process of implementing a corrective action plan to address the audit comment.

At June 30, 2019, the university had total net position of approximately \$1.4 billion, an increase of \$131.0 million or 10.4 percent since fiscal year 2018. Total unrestricted net assets increased by \$75.7 million or 33.4 percent to negative \$150.7 million. The increase in the unrestricted net position is due to growth in returned overhead balances, increases in the unrestricted portion of the auxiliary system funds, and an overall decrease in the actuarially determined pension and Other Post-Employment Benefits expenses.

Total revenues for fiscal year 2019 were \$1.6 billion, an increase of \$83.2 million or 5.5 percent over fiscal year 2018. This increase was due to student population growth and the rise in tuition and fee rates, growth in auxiliary enterprise revenues, and an increase in sponsored grants and contracts. Total operating expenses for fiscal year 2019 were \$1.5 billion, an increase of \$44.5 million or 3.1 percent. The increase was primarily in the compensation and benefits category, with an increase of \$19.9 million.

#### **6. Intercollegiate Athletics Programs Report for Year Ended June 30, 2019:**

The Committee received a report on the Auditor of Public Accounts (APA) Intercollegiate Athletics Program review for fiscal year 2019. The APA performed certain agreed-upon procedures to evaluate whether the Schedule of Revenues and Expenses of the Intercollegiate Athletics Program for fiscal year ended June 30, 2019, is in compliance with the National Collegiate Athletic Association (NCAA) bylaws. During the APA review, no matters were brought to the APA's attention that would lead them to believe the amounts on the Schedule of Revenues and Expenses should be adjusted. This review does not constitute an audit and therefore no opinion is issued. Revenues exceeded expenses resulting in a net operating income of \$2.8 million for fiscal year 2019.

#### **7. Closing Remarks**

There being no further business, the meeting adjourned at 6:08 p.m.

**\* Requires full Board approval.**

**◆ Discusses Enterprise Risk Management topic(s).**

## **FINANCE AND RESOURCE MANAGEMENT COMMITTEE MINUTES**

### **BOARD OF VISITORS**

May 29, 2020

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#### **Finance & Resource Management Committee members present**

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Ed Baine  
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In addition, 234 members of the university community and public viewed a live stream of the videoconference on YouTube Live.



## 1. Welcome and Opening Remarks

## 2. **Consent Agenda:** The Committee considered for approval and acceptance the items listed on the Consent Agenda.

a. Approval of Minutes of the May 7, 2020 Meeting

\* b. Approval of 2020-21 Pratt Fund Budget: 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 2020-21, the College of Engineering proposes expenditures of \$999,333 and the Department of Animal Nutrition proposes expenditures of \$969,833.

\* c. Approval of 2020-21 Hotel Roanoke Conference Center Budget: The Hotel Roanoke Conference Center Commission was established by resolutions adopted by Virginia Tech and the City of Roanoke, under Commonwealth of Virginia enabling legislation. The enabling legislation provided that the Commission shall annually prepare and submit to both the City of Roanoke and Virginia Tech a proposed operating budget showing its estimated revenues and expenses for the forthcoming fiscal year, and, if the estimated expenses exceed the estimated revenues, the portion of the unfunded balance is to be borne by each participating party for the operation of the conference center. The funds for Virginia Tech total \$80,000 for the fiscal year 2020-21 and will come from the Fralin endowment which was established to assist with the project.

\* d. Approval of 2020-21 Virginia Tech-Wake Forest University School of Biomedical Engineering and Science Budget: The collaboration agreement, which outlines the relationship and responsibilities of Virginia Tech and Wake Forest University School of Biomedical Sciences, requires the governing boards of each university to approve the annual operating budget for the School of Biomedical Engineering and Sciences. The Virginia Tech financial commitment for fiscal year 2020-21 is \$5.5 million.

\* e. Approval of Resolution to Rescind the August 31, 2015 Distribution of Nike Contract Revenue Resolution: The resolution seeks to rescind the Distribution of Nike Contract Revenue Resolution, approved by the Board of Visitors on August 31, 2015. The rescension of this resolution is required due to the establishment of Bylaw 11.3.2.2 of the National Collegiate Athletics Association that prohibits an outside source from paying or supplementing the salary of an athletics department staff member.

- \* f. Notification of Provisions of the Appropriation Act Relating to Indebtedness of State Agencies (Unauthorized Deficits): This is the university's annual notification to the Board of Visitors detailing the provisions of the Appropriation Act relating to indebtedness of state agencies, or unauthorized deficits.

The Committee approved the items on the Consent Agenda.

- \* 3. **Resolutions Delegating Authority and Reaffirming Human Resources Policy:** The Committee reviewed for approval the proposed resolutions to delegate authority to the president to temporarily reduce pay or implement furloughs for faculty and university staff through June 30, 2021 with the goal of preserving the university's workforce to the extent possible. The proposal requires the president to consult with the Rector and share with the Board a plan before enacting this authority. The plan will be part of a comprehensive budget reduction strategy to address temporary and permanent budget reductions needed to address the fiscal crisis caused by the COVID-19 pandemic. Additionally, the Committee reviewed for approval the reaffirmation of a human resources policy, University Policy 4240: Layoff Policy for Staff.

The Rector expressed the Board of Visitors' support for retaining and recruiting exceptional faculty and said the Board would look at all options before reducing compensation. The Committee echoed this statement, adding that these mitigation strategies are essential to provide the university leadership with all options to navigate the current financial situation, emerging from the pandemic financially strong and intact.

The Committee recommended the Resolution Delegating Authority to the President and the Resolution Reaffirming Human Resources Policy for Classified and University Staff to the full Board for approval.

- \*♦ 4. **Resolution for Approval of Tuition and Fee Rates for 2020-21:** The Committee reviewed for approval the proposed tuition and fee rates for 2020-21.

The 2004 General Assembly authorized "The Board of Visitors . . . of institutions of higher education may set tuition and fee charges at levels they deem to be appropriate for all resident student groups based on, but not limited to, competitive market rates..."

The university proposes to maintain tuition and mandatory educational & general (E&G) fees for in-state undergraduate students at the same levels as 2019-20. This tuition and fee package is recommended in response to the negative financial implications of the COVID-19 pandemic on the students.

Consistent with this, this package proposes to hold 2020-21 in-state and out-of-state undergraduate tuition and mandatory E&G fees at 2019-20 levels of \$11,595 for in-state and \$30,739 for out-of-state students. For on-campus graduate programs, this package proposes to hold 2020-21 in-state and out-of-state graduate tuition and mandatory E&G fees at 2019-20 levels of \$13,876 for in-state and \$28,393 for out-of-state students. For off-campus graduate programs, this package proposes to hold 2020-21 in-state and out-of-state tuition and mandatory E&G fees at 2019-20 levels of \$15,342 for in-state and \$30,338 for out-of-state students.

Additionally, this package proposes to hold 2020-21 Virginia/Maryland and out-of-state, non-Maryland Veterinary Medicine tuition and mandatory E&G fees at 2019-20 levels of \$22,081 for Virginia/Maryland students and \$51,214 for out-of-state, non-Maryland students.

For Virginia Tech Carilion School of Medicine students, this package proposes to hold 2020-21 tuition and mandatory E&G fees at 2019-20 levels of \$53,288.

Furthermore, the university recommends an increase of \$58 or 2.8 percent to total comprehensive fees for a total of \$2,154 for both in-state and out-of-state undergraduate and graduate students. An average 2.3 percent increase in room and board is recommended.

The Committee expressed appreciation for the university listening to the needs of the students and the Board and adjusting the tuition and fee rate proposal accordingly.

The Committee recommended the Resolution for Tuition and Fee Rates for 2020-21 to the full Board for approval.

- \* **5. Approval of 2020-21 Compensation for Graduate Assistants:** The Committee reviewed for approval the proposed 2020-21 schedule of stipends and support for the health insurance program for graduate students. To be competitive in the recruitment and retention of high-quality graduate students, it is important for the university to provide compensation packages that are comparable with those offered by peer institutions. The key components of the graduate student compensation package include competitive stipends, tuition assistance, and health insurance. The report also includes a revised listing of the proposed stipend compensation pay ranges with the addition of \$58 to the academic year Stipend Supplement of \$400, resulting in a total academic year Stipend Supplement of \$458 to help mitigate university assigned costs.

The Committee requested that the Commission of Graduate and Professional Studies present their recommendations on compensation for graduate assistants at future Finance and Resource Management Committee and Academic, Research, and Student Affairs Committee meetings.

The Committee recommended the 2020-21 Compensation for Graduate Assistants to the full Board for approval.

- \* **6. Approval of 2020-21 Faculty Compensation Plan:** The Committee reviewed for approval the 2020-21 Faculty Compensation Plan. The report defines the qualification criteria for teaching and research faculty and administrative and professional faculty, provides guidance on the authorized salary average for full-time teaching and research faculty positions, and requires board approval. The key elements of the 2020-21 plan are consistent with the current plan.

For Fall 2018, Virginia Tech's Actual Salary Average was \$104,132. This placed Virginia Tech at the 29<sup>th</sup> percentile of its peer group, based on the most recent peer salary data available from the Integrated Postsecondary Education Data System (IPEDS). Based on SCHEV's forecast of salary escalation at peer institutions, the university estimates that the Actual Salary Average will rank in the 25<sup>th</sup> percentile of peer institutions for Fall 2019.

Recognizing the critical nature of faculty compensation, the university's standing relative to the 60<sup>th</sup> percentile of the university's peer group average salary, the higher levels of competing offers being received by key faculty, and to minimize the high cost of turnover, the university will continue to explore opportunities to improve the competitiveness of Virginia Tech faculty compensation. However, due to the lack of a statewide salary program in 2020-21 and budget uncertainty resulting from the COVID-19 pandemic, no university merit process is currently planned for the 2020-21 fiscal year.

However, the plan does include the proposed increases for faculty members approved for promotion and tenure.

The Committee requested that the university share a comparison of compensation in similar departments at peer institutions in order to illustrate where the gaps in faculty pay are the largest at a future meeting.

The Committee recommended the 2020-21 Faculty Compensation Plan to the full Board for approval.

- \*♦ **7. Approval of 2020-21 University Budgets:** The Committee reviewed for approval the 2020-21 University Budgets. The University Budgets are comprised of the Operating and Capital Budgets.

Due to the dynamic and uncertain environment resulting from the COVID-19 pandemic, it is prudent for the university to establish preliminary budgets for fiscal year 2020-21 that address the strong possibility that the university will be required to operate with fewer resources in 2020-21. Because of these unknown impacts, the university proposes that the 2020-21 preliminary budgets be a continuation of the 2019-20 budgets with adjustments for the uncertainty including a 5 percent reduction in discretionary spending for the Auxiliary Systems Budgets and the Operating Budget. The university is undergoing contingency planning by conducting a university-wide 5 and 10 percent budget reduction exercise and will commence a process to update budgets once the COVID-19 pandemic's financial impact on state funding, enrollment and various university operations is better understood.

- a. **Auxiliary System Budgets:** The auxiliary systems are a component of the overall operating budget. In accordance with the resolutions authorizing and securing the Dormitory and Dining Hall System, Electric Service Utility System, University Services System, and Athletic Facilities System revenue bonds, the Board of Visitors is required to separately adopt an annual budget for each system. All budgets are balanced and designed in accordance with bond covenants including maintenance and reserve requirements. The annual budgets, including debt service, for the period July 1, 2020 to June 30, 2021 for the four systems are:
  - i. Dormitory and Dining Hall System Budget: \$130.3 million
  - ii. Electric Service System Budget: \$33.7 million
  - iii. University Services System Budget: \$52.9 million
  - iv. Athletics Facilities System Budget: \$74.7 million

The Committee recommended each of the four Auxiliary Systems Budgets for 2020-21 to the full Board for approval.

- b. Operating Budget and Capital Budget: The university envisions the 2020-21 budget development occurring in phases, proposing that the fiscal year opens with a preliminary budget constructed in anticipation of constrained resources with a hedge for initial revenue estimates. As additional information becomes known, the university will adjust the revenue budgets and update operating assumptions.

For 2020-21, the recommended internal budget for all operations is \$1.63 billion. This is a decrease of \$40 million, approximately 2.5 percent, under the adjusted 2019-20 budget.

The capital outlay program for 2020-21 is comprised of 18 Educational and General projects and 10 Auxiliary Enterprise projects for a total of 28 projects. The total capital outlay budget for fiscal year 2020-21 includes total project authorizations of approximately \$1.05 billion and a projected unspent balance for these projects of \$823 million. The 2020-21 expenditure budget for those projects is approximately \$194 million.

The Committee recommended the 2020-21 Operating Budget and Capital Budget to the full Board for approval.

- \* **8. Approval of Revisions to and Renewal of Related Corporations Affiliation Agreements:** The Committee reviewed for approval revisions to and renewal of Related Corporations Affiliation Agreements. As approved by the Board of Visitors, the university has entered into affiliation agreements with the following university-related corporations for the purpose of defining the relationship and requirements of university-related corporations: Virginia Tech Alumni Association, Inc., Virginia Tech Athletic Fund, Inc., Virginia Tech Applied Research Corporation, Virginia Tech Corps of Cadets Alumni, Inc., Virginia Tech Foundation, Inc., Virginia Tech Innovation Corporation (formerly Virginia Tech Technology Services and Operations Corporation), Virginia Tech Intellectual Properties, Inc., Virginia Tech India Research & Education Forum, and Virginia Tech Services, Inc.

The terms of these agreements end on June 30, 2020. It is recommended that the agreements be renewed at this time to be extended to a term ending June 30, 2024.

The Committee recommended the Revisions to and Renewal of Related Corporations Affiliation Agreements to the full Board for approval.

- \* **9. Approval of Year-to-Date Financial Performance Report (July 1, 2019 – March 31, 2020):** The Committee reviewed for approval the Year-to-Date Financial Performance Report for July 1, 2019 – March 31, 2020. For the third quarter, budget adjustments were made to reflect revisions to projected revenues and expenditures. In the Educational and General Budget, the Tuition and Fee revenue budget was increased by \$4.4 million because of program fee revenues and graduate enrollments in the greater Washington, D.C., metro area. In the Auxiliary Enterprises Budget, the Residential & Dining expense budget was increased by \$1.3 million for Residential Mail Delivery Program and decreased by \$3.1 million for one-time relief of the university's scholarship cost assignment; the Athletics revenue budget decreased by \$5.1 million for lower than anticipated ACC conference distributions and timing of ACC Network revenues, and the expense budget was increased by \$0.4 million for NCAA and capital projects.

Due to COVID-19, self-generated revenues in Veterinary Teaching Hospital and Equine Medical Center are anticipated to be lower during the 4<sup>th</sup> quarter of 2019-20. Additionally, lower than projected revenues in Residential and Dining are anticipated due to residential rebates and lower dining business volume; higher than projected revenue performance through March at the Inn at Virginia Tech are expected to be offset by 4<sup>th</sup> quarter COVID-19 impacts. The university continues to manage and monitor these expenses, and a 4<sup>th</sup> quarter budget adjustment for the financial impacts of COVID-19 is still in development

Through the quarter ending March 31, 2020, \$86 million was expended for Educational and General capital projects, and \$47 million was expended on Auxiliary Enterprises capital projects. Capital outlay year-to-date expenditures through March 31, 2020 totaled \$133 million.

The COVID-19 pandemic has led to market slowdowns due to the deferment of construction jobs. It is also creating potential for the market to lean toward the buyers.

The Committee discussed the need for future Year-to-Date Financial Performance Reports to provide a detailed explanation of the restrictions on state funds designated for specific capital projects.

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

- 10. Closing Remarks:** President Sands stated that the future of the university remains bright even during these uncertain times. He expressed thanks to the Board of Visitors for providing flexibility to ensure that the university comes out of these uncertain times as a stronger Virginia Tech, and he committed to avoiding lay-offs, furloughs, and short-term salary reductions to the extent possible, pledging not to invoke any of these mitigation strategies in a cavalier way.

The Committee expressed their gratitude for the university's hard work and dedication developing the strategies and programs shared at this Committee meeting.

There being no further business, the meeting adjourned at 3:34 p.m.

**\* Requires full Board approval.**

**◆ Discusses Enterprise Risk Management topic(s).**



# *Welcome and Opening Remarks*

**TISH LONG**

**CHAIR, FINANCE AND RESOURCE MANAGEMENT COMMITTEE**

# Consent Agenda

- a. Approval of Minutes of the May 7, 2020 Meeting
- \* b. Approval of 2020-21 Pratt Fund Budget
- \* c. Approval of 2020-21 Hotel Roanoke Conference Center Budget
- \* d. Approval of 2020-21 Virginia Tech-Wake Forest University School of Biomedical Engineering and Science Budget
- \* e. Approval of Resolution to Rescind the August 31, 2015 Distribution of Nike Contract Revenue Resolution
- \* f. Notification of Provisions of the Appropriation Act Relating to Indebtedness of State Agencies (Unauthorized Deficits)

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**7. Closing Remarks**

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**\* Requires full Board approval.**

**◆ Discusses Enterprise Risk Management topic(s).**

# Resolutions Delegating Authority and Reaffirming Human Resources Policy

*KEN MILLER, VICE PRESIDENT FOR FINANCE AND UNIVERSITY CONTROLLER*

MAY 29, 2020





# Resolution Delegating Authority to the President



# Background

- In winter 2020, the COVID-19 pandemic prompted Governor Northam to declare a state of emergency for the commonwealth, followed by a declaration of emergency for the university
- The university transitioned all classes to on-line delivery after spring break for the remainder of the Spring 2020 semester, extended through summer 2020
- On June 12, 2006, the Board of Visitors (the Board) approved resolutions to implement the Restructured Higher Education Financial and Administrative Operations Act, which includes a human resources resolution that:
  - Affirmed existing personnel policies would continue to be in place for newly hired university staff until such time that a new human resources system is adopted by the Board
  - Established severance policies comparable to those already in place for eligible faculty and newly hired university staff until such time as new severance policies are developed and approved by the Board



# Background

- The Board recognizes that the dramatic impact of the pandemic on the state's economy has the potential to result in reductions in general fund support and other sources of revenues
- The Board recognizes that the president of the university needs multiple strategies to address the financial impacts including:
  - Delegation of authority to the president for a finite period of time to take exceptional measures to reduce expenditures in order to preserve the Virginia Tech workforce to the greatest extent feasible
- The Board recognizes the financial strain and other stresses caused by the pandemic on students and their families, which impacts the Board's decision on increases in tuition and fees as a mitigation strategy for potentially significant reductions in revenues

# *Delegation of Authority*

- The Board is very mindful of the disruption and stress that the pandemic has created in the professional and personal lives of the university's employees
- The Board expresses its deep appreciation for the commitment to Ut Prosim exhibited by staff and faculty and their flexibility, adaptability, and tireless efforts to protect the university community and continue to carry out the university's missions in this extraordinary period
- Suspending any provisions outlined in the Faculty Handbook pertaining to furloughs or salary reductions for the timeframe specified in the recommendation to temporarily enable flexibility in implementing budget reduction strategies

# *Delegation of Authority*

- Authority to institute furloughs and/or temporary base salary reductions, or a combination of both, affecting faculty and university staff for the timeframe specified in the recommendation
  - Based on employment category and in a sum not to exceed 20 percent of base salary
- The plan for furloughs or temporary base salary reductions is to be included as potential one-time mitigation strategy that would be a component of the comprehensive budget planning process that will also include necessary permanent base budget reductions to personnel and operating expenditures for the university
- Such furloughs or salary reductions shall not be considered grievable issues under the grievance procedures for faculty and university staff

# *Provisions of the Delegation of Authority*

- The Board requires that the president consult with the Rector and share with the Board a plan for enacting this authority before the delegation of authority can take effect
- Incorporate key guiding principles that reflect the university's commitments to the health and safety of personnel and students, and to teaching, research, and outreach
- Implementation is transparent and shared with the broader university community
- The university will provide to the Board a report at least quarterly on the actions taken and corresponding financial and programmatic impacts

# *Provisions of the Delegation of Authority*

- The president will review and revise the plan to ensure compliance with any subsequent orders issued by the General Assembly or the Governor of Virginia that affect Virginia Tech's workforce
  - Actions already taken will be reviewed to determine if adjustments are warranted
- The delegation of authority and any temporary actions implemented in accordance with this delegation of authority will expire no later than June 30, 2021

# *Summary & Recommendation*

- The Resolution Delegating Authority to the President and the resulting temporary actions:
  - Are enacted in response to the COVID-19 pandemic
  - Exist to preserve the Virginia Tech workforce to the greatest extent feasible
  - Must abide by the provisions established in the resolution
  - Will expire no later than June 30, 2021

## **RECOMMENDATION:**

That the resolution delegating special time-limited authority to the president of the university to address the fiscal impacts of the COVID-19 pandemic be approved, to become effective at the time specified within the resolution.

May 29, 2020



# Resolution Reaffirming Human Resources Policy for Classified and University Staff



# *Background*

- In winter 2020, the COVID-19 pandemic prompted Governor Northam to declare a state of emergency for the commonwealth, followed by a declaration of emergency for the university
- The university transitioned all classes to on-line delivery after spring break for the remainder of the Spring 2020 semester, extended through summer 2020
- The Board recognizes that the dramatic impact of the pandemic on the state's economy has the potential to result in reductions in general fund support and other sources of revenues



# *Background*

- The Board recognizes that the president of the university needs multiple strategies to address the financial impact of the pandemic
- The Board recognizes the financial strain and other stresses caused by the pandemic on students and their families, which impacts the Board's decision on increases in tuition and fees as a mitigation strategy for potentially significant reductions in revenues

# *Reaffirming Human Resources Policy*

- The Board is very mindful of the disruption and stress that the pandemic has created in the professional and personal lives of the university's employees
- The Board expresses its deep appreciation for the commitment to Ut Prosim exhibited by staff and faculty and their flexibility, adaptability, and tireless efforts to protect the university community and continue to carry out the university's missions in this extraordinary period
- The Board reaffirms University Policy 4240: Layoff Policy for Staff

# *Provisions of the Reaffirmation of the Human Resources Policy*

- The potential implementation of Policy 4240 would be considered a mitigating strategy that would be a component of the comprehensive budget planning process that will also include any necessary permanent base budget reductions to operating and personnel expenditures for the university to respond to reductions in university resources
- Said implementation would be conducted in a transparent manner
- The university will provide to the Board a report at least quarterly through FY2021 on the actions taken under Policy 4240 and corresponding financial and programmatic impacts

# *Summary & Recommendation*

- The Resolution Reaffirming the Human Resources Policy for Classified and University Staff:
  - Is enacted in response to the COVID-19 pandemic
  - Expresses appreciation for the commitment to Ut Prosim exhibited by staff and faculty, and their efforts to protect the university community and carry out the university's missions
  - Reaffirms University Policy 4240: Layoff Policy for Staff
  - States that the university must abide by the provisions established in the resolution

## RECOMMENDATION:

That the resolution reaffirming University Policy 4240 be approved.

May 29, 2020

# Resolution for Approval of Tuition and Fee Rates for 2020-21

*DWAYNE PINKNEY, SENIOR VICE  
PRESIDENT AND CHIEF BUSINESS OFFICER*

*MAY 29, 2020*





# Tuition & Fee Development Considerations



# Current Environment

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- Traditionally, the university would develop tuition and fee rates informed by several factors:
  - Level of state support
  - Known costs
  - Strategic initiatives
  - Market competitiveness
- However, COVID-19 changes the approach to be even more sensitive to potential financial challenges that the pandemic may have created for students and families.
- While Virginia Tech always sought to advance access and affordability, this is increasingly important in response to the pandemic

# Advancing Affordability and Access

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- \$3.3 million increase planned for 2020-21
- Funds for the Future
  - Offsets tuition and fee increases for returning undergraduates with family income of up to \$100,000
- Financial aid model seeks to reduce unmet need of incoming students and provide multi-year awards
- Specific aid programs provide targeted support to strategic populations
  - Presidential Scholarship Initiative, Beyond Boundaries, Provost Excellence Scholarship



# *Efforts to Mitigate Risks of Tuition Dependency*

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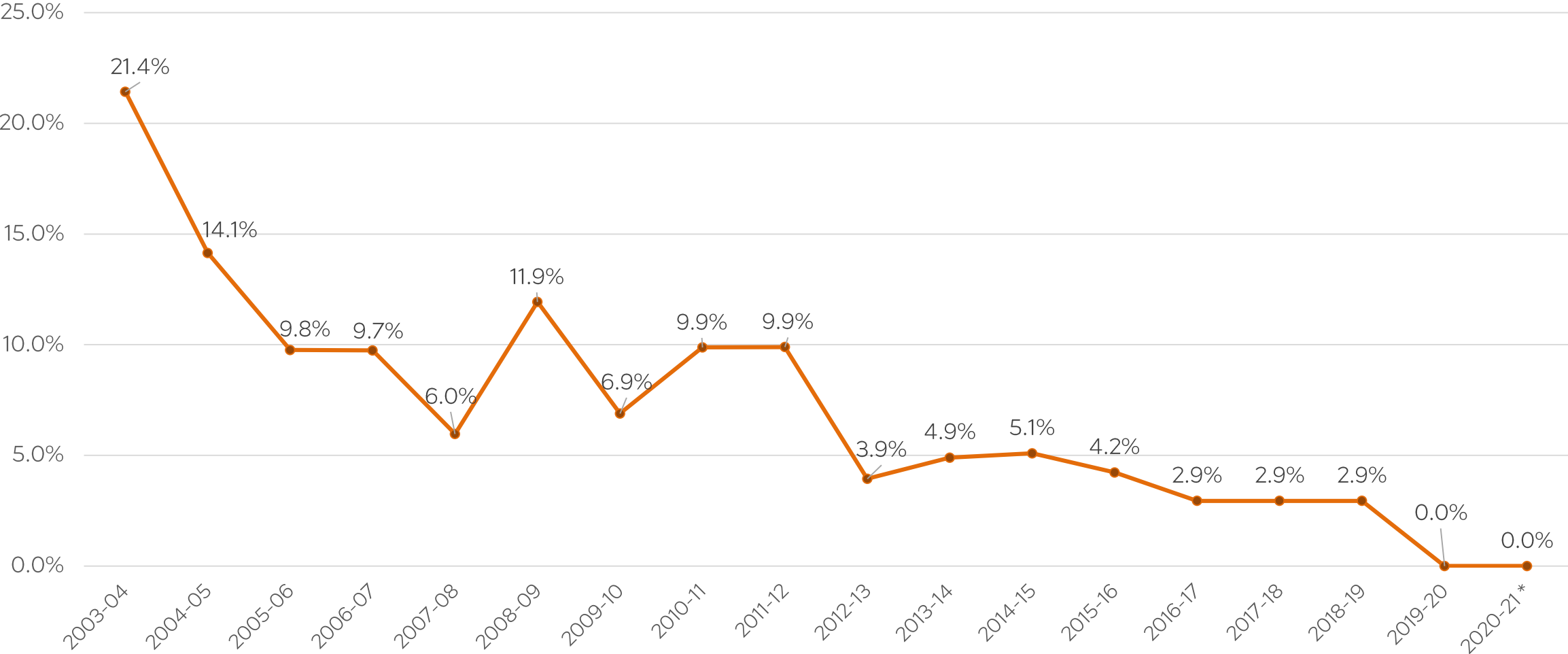
- As a higher education institution, the university is inherently dependent upon tuition revenue. However, several strategies have been implemented to mitigate risks to this primary resource:
  - Strategic enrollment plans for high-demand areas
  - Enhanced enrollment management flexibility provided by General Assembly
  - Program and quality investments in high-demand degree programs
  - Structurally balanced budget
  - Diversification of revenue sources
    - Philanthropy
    - Professional graduate programs that address market demand



# Tuition & Fee Rate Proposals



# Virginia Undergraduate Tuition & E&G Fee Increases



# Resident Undergraduate

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	2019-20	Proposed	Increase	
	Charge	2020-21	\$	%
Tuition	\$11,420	\$11,420	\$0	0.0%
E&G Fees	175	175	0	0.0%
<i>Tuition &amp; E&amp;G Fees</i>	<b>11,595</b>	<b>11,595</b>	<b>0</b>	<b>0.0%</b>
Comprehensive Fee	2,096	2,154	58	2.8%
<i>Tuition &amp; Mandatory Fees</i>	13,691	13,749	58	0.4%
<i>Room and Board</i>	9,342	9,556	214	2.3%
<i>Total Cost</i>	<b>\$23,033</b>	<b>\$23,305</b>	<b>\$272</b>	<b>1.2%</b>

# Nonresident Undergraduate

	2019-20	Proposed	Increase	
	Charge	2020-21	\$	%
Tuition	\$29,960	\$29,960	\$0	0.0%
E&G Fees	779	779	0	0.0%
<i>Tuition &amp; E&amp;G Fees</i>	<b>30,739</b>	<b>30,739</b>	<b>0</b>	<b>0.0%</b>
Comprehensive Fee	2,096	2,154	58	2.8%
<i>Tuition &amp; Mandatory Fees</i>	<b>32,835</b>	<b>32,893</b>	<b>58</b>	<b>0.2%</b>
Room and Board	9,342	9,556	214	2.3%
<i>Total Cost</i>	<b>\$42,177</b>	<b>\$42,449</b>	<b>\$272</b>	<b>0.6%</b>

# Graduate

	2019-20 Charge	Proposed 2020-21	Increase	
			\$	%
<b><u>Resident Tuition</u></b>	\$13,701	\$13,701	\$0	0.0%
E&G Fees	175	175	0	0.0%
<i>Tuition &amp; E&amp;G Fees</i>	<b>13,876</b>	<b>13,876</b>	<b>0</b>	<b>0.0%</b>
Comprehensive Fee	2,096	2,154	58	2.8%
<i>Total Resident Graduate</i>	\$15,972	\$16,030	\$58	0.4%
<b><u>Nonresident Tuition</u></b>	\$27,614	\$27,614	\$0	0.0%
E&G Fees	779	779	0	0.0%
<i>Tuition &amp; E&amp;G Fees</i>	<b>28,393</b>	<b>28,393</b>	<b>0</b>	<b>0.0%</b>
Comprehensive Fee	2,096	2,154	58	2.8%
<i>Total Nonresident Graduate</i>	\$30,489	\$30,547	\$58	0.2%

# Veterinary Medicine

	2019-20 Charge	Proposed 2020-21	Increase	
			\$	%
<b>Virginia/Maryland Students</b>				
Tuition	\$ 21,906	\$21,906	\$0	0.0%
Educational and General Fee	175	175	0	0.0%
Comprehensive Fee	2,096	2,154	58	2.8%
Vet Med Facility Fee	1,200	1,200	0	0.0%
Total Cost for Virginia/Maryland Students	<u>\$ 25,377</u>	<u>\$25,435</u>	<u>\$58</u>	<u>0.2%</u>
<b>Out-of-State Students</b>				
Tuition	\$ 50,435	\$50,435	\$0	0.0%
Educational and General Fee	779	779	0	0.0%
Comprehensive Fee	2,096	2,154	58	2.8%
Vet Med Facility Fee	1,200	1,200	0	0.0%
Total Cost for Out-of-State Students	<u>\$ 54,510</u>	<u>\$54,568</u>	<u>\$58</u>	<u>0.1%</u>

# Virginia Tech Carilion School of Medicine

	2019-20 Charge	Proposed 2020-21	Increase	
			\$	%
Tuition	\$ 53,113	\$53,113	\$0	0.0%
Educational and General Fee	175	175	0	0.0%
VTCSOM Student Services Fees (a)	768	1,132	364	47.4%
Total Cost	<u>\$ 54,056</u>	<u>\$54,420</u>	<u>\$364</u>	<u>0.7%</u>

(a) Includes VTCSOM Student Services, Health Services, Recreational Sports, and Student Government/Activities fees that apply to all Medical students. Recreational Sports Fee being in 2020-21 as part of a multi-year plan.



# Comprehensive Fee Components for 2020-21

	2019-20 Charge	Proposed 2020-21	Increase	
			\$	%
<u>Comprehensive Fee</u>				
Student Activity Fee	\$ 330	\$ 330	\$0	0.0%
Health Service Fee	471	508	37	7.9%
Athletic Fee	326	326	0	0.0%
Transportation Services Fee	171	192	21	12.3%
Recreational Sports Fee	327	327	0	0.0%
Student Services Fee	298	298	0	0.0%
Student Cultural Activities Fee	173	173	0	0.0%
<b>Total Comprehensive Fee</b>	<b>\$ 2,096</b>	<b>\$2,154</b>	<b>\$58</b>	<b>2.8%</b>

*Comprehensive fees at the other Virginia doctoral institutions range from \$2,349 to \$6,058.*

# Average Cost of Education

	2019-20		Estimated 2020-21	
	Amount	% of Average	Amount	% of Average
Average Cost of Education	\$19,680		\$19,706	
<u>Undergraduates</u>				
Residents	11,595	59%	11,595	59%
Nonresidents	30,135	153%	30,135	153%
<u>Graduates</u>				
Residents	13,876	71%	13,876	70%
Nonresidents	27,789	141%	27,789	141%
<u>Residency</u>				
Residents		60%		60%
Nonresidents		150%		150%

# └ *Proposed 2020-21 Tuition and Fee Rates*

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## RECOMMENDATION:

That the proposed tuition and fee rates be approved, effective Fall Semester 2020.

May 29, 2020



# DISCUSSION





# ADDITIONAL INFORMATION



# Virginia Public Four-Year Institutions, 2019-20

<b>Institutions</b>	<b>Tuition and E&amp;G Fees</b>		<b>Non-E&amp;G Mandatory Fees</b>		<b>Room &amp; Board</b>		<b>Total Cost</b>	
	<b>\$</b>	<b>Rank</b>	<b>\$</b>	<b>Rank</b>	<b>\$</b>	<b>Rank</b>	<b>\$</b>	<b>Rank</b>
<i>William and Mary (Freshmen)</i>	\$ 17,570	1	\$ 6,058	2	\$ 12,926	1	\$ 36,554	1
<i>Virginia Military Institute</i>	9,284	5	9,834	1	9,766	13	28,884	2
<i>University of Virginia (First Year)</i>	14,148	2	2,484	13	11,703	4	28,335	3
<i>Christopher Newport University</i>	9,100	6	5,824	3	11,760	2	26,684	4
<i>Virginia Commonwealth University</i>	12,247	3	2,349	14	10,823	10	25,419	5
<i>Longwood University</i>	7,940	10	5,580	4	11,668	5	25,188	6
<i>George Mason University</i>	9,060	7	3,504	10	11,705	3	24,269	7
<i>University of Mary Washington</i>	8,678	8	4,532	7	10,730	12	23,940	8
<i>James Madison University</i>	7,250	11	4,956	5	10,938	7	23,144	9
<b>Virginia Tech</b>	<b>11,595</b>	<b>4</b>	<b>2,096</b>	<b>15</b>	<b>9,342</b>	<b>15</b>	<b>23,033</b>	<b>10</b>
<i>Old Dominion University</i>	7,047	12	3,973	8	10,868	8	21,888	11
<i>University of Virginia's College at Wise</i>	5,694	15	4,558	6	10,751	11	21,003	12
<i>Radford University</i>	7,980	9	3,370	12	9,637	14	20,987	13
<i>Virginia State University</i>	5,769	13	3,385	11	11,544	6	20,698	14
<i>Norfolk State University</i>	5,752	14	3,870	9	10,844	9	20,466	15

# Market Considerations for Tuition and fees 2019-20

	Average	VT Rank
<i>In-state Undergraduate</i>		
Virginia Tech	\$13,691	
Public SCHEV Peers	\$12,528	10 out of 24
Virginia Institutions	\$13,700	6 out of 15 (b)
UVA	\$16,632	
CWM	\$23,628	
<i>Out-of-state Undergraduate</i>		
Virginia Tech	\$32,835	
Public SCHEV Peers	\$34,873	15 out of 24
Virginia Institutions	\$32,614	6 out of 15
Regional Competitive Peers (a)	\$33,270	4 out of 7

(a) Regional competitive peers: Pennsylvania State, Rutgers University, University of Maryland, Ohio State, University of Pittsburgh, and North Carolina State.

(b) Behind W&M, VMI, UVA, CNU, and VCU

# *Student Service Enhancements*

- **Health Services:** Cook Counseling Center additional counselors (7 FTEs), Counseling Outreach Coordinator, Nurse Practitioner to meet student demand for services.
- **Transit:** Enhanced Service on High Volume Routes to meet student demand.
- **Dining Services:** Inflation of Food Costs, VRS rate increase, and unfunded changes made to accommodate enrollment growth last fall
- **Residence Halls:** Residential Mail Delivery Enhancements, previous facility commitments (CID), managing costs associated with enrollment surge



# Approval of 2020-21 Compensation for Graduate Assistants

*TIM HODGE, ASSOCIATE VICE PRESIDENT FOR BUDGET AND FINANCIAL  
PLANNING*

MAY 29, 2020



Graduate Assistants provide valuable services to the university, including teaching and support of scholarly and research activities.

Successful recruitment of high quality graduate students requires the university to offer competitive compensation packages.

## Components of Total Compensation Package

- Stipend
- Tuition assistance
- Health insurance benefit

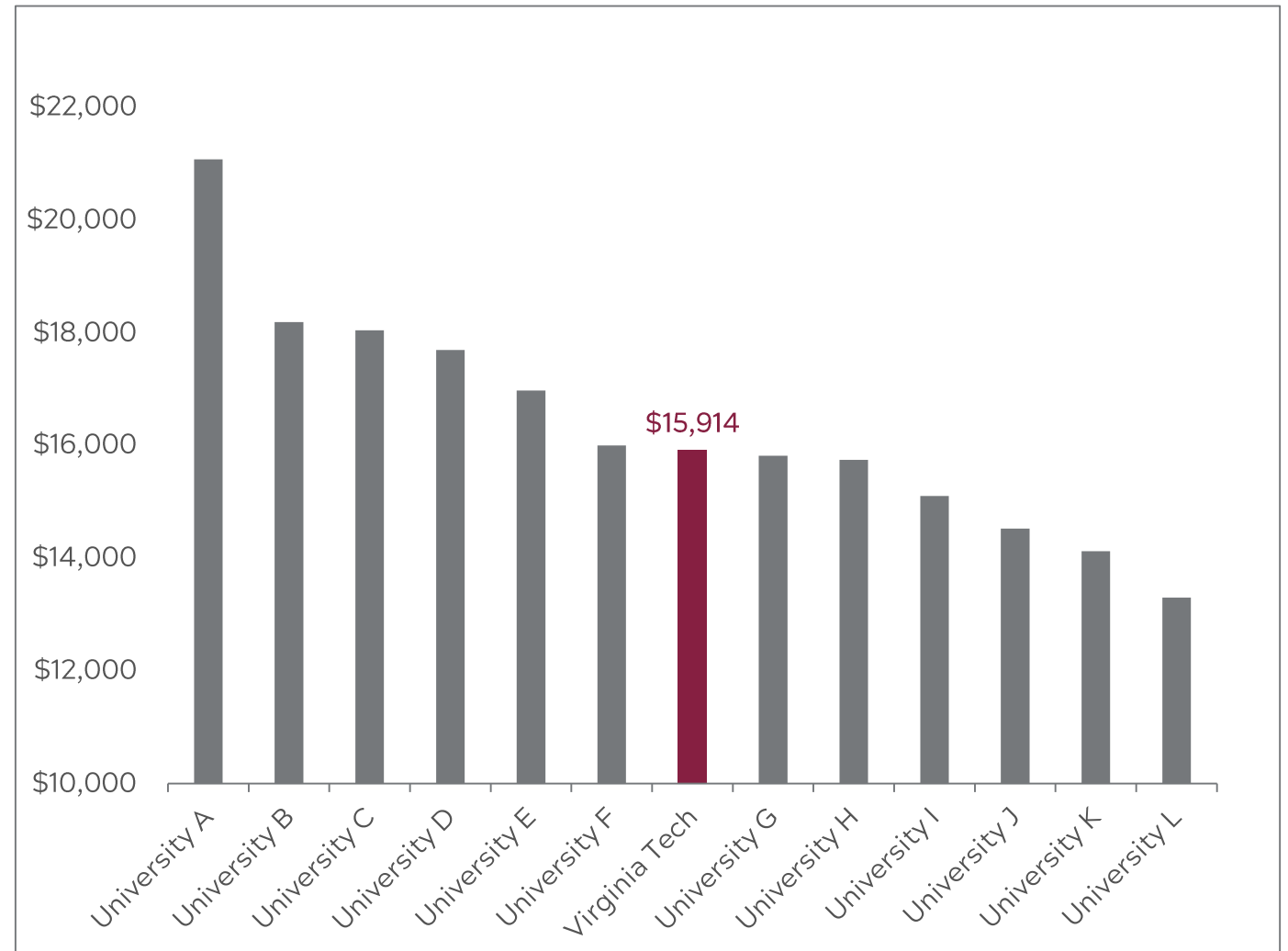
# Benchmarking Graduate Assistant Net Stipend

Attachment I

Net stipend reflects the gross stipend less any university charges for tuition, fees, health insurance, and other university services.

This approach results in a normalized comparison of the total compensation package.

Source: Respondents to a Virginia Tech survey of Peer Institutions for FY18.



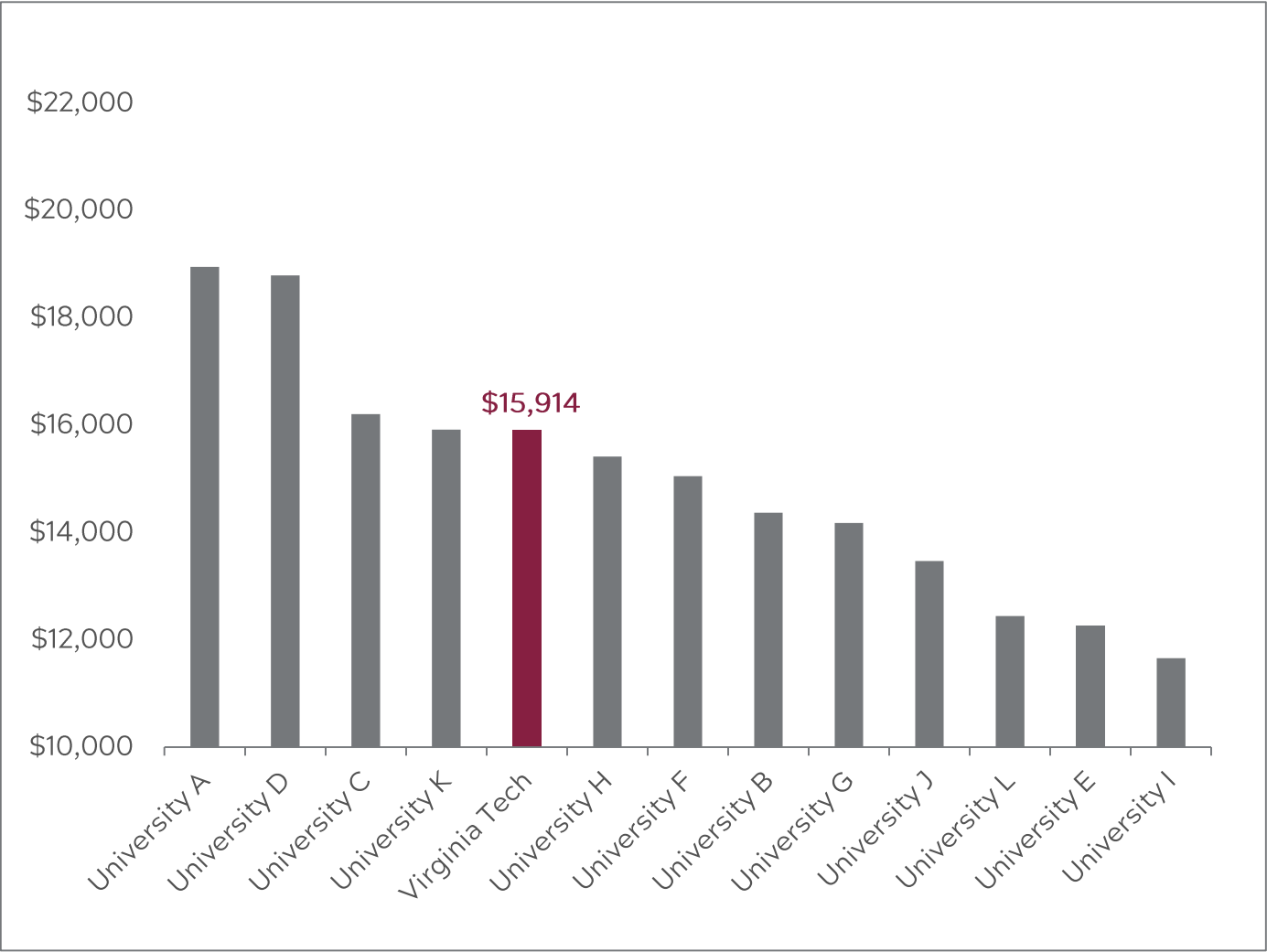
# Assistantship Net Stipend Adjusted for Cost of Living

Attachment I



Net stipend amounts  
adjusted to reflect cost of  
living adjustments,  
normalized to New River  
Valley.

Source: Respondents to a Virginia Tech survey of  
Peer Institutions for FY18. Survey responses  
adjusted based on Salary.com cost of living  
calculator which uses the Consumer Price Index  
(CPI) to estimate cost of living based on total cost  
of energy, food, healthcare, housing and  
transportation in a location.

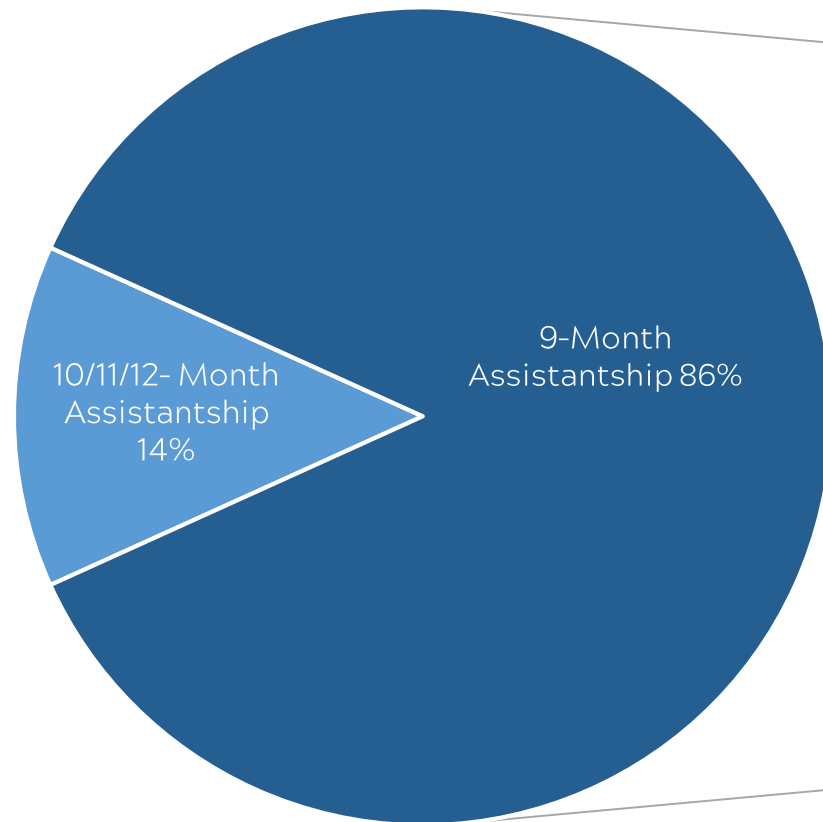


# Summer Employment

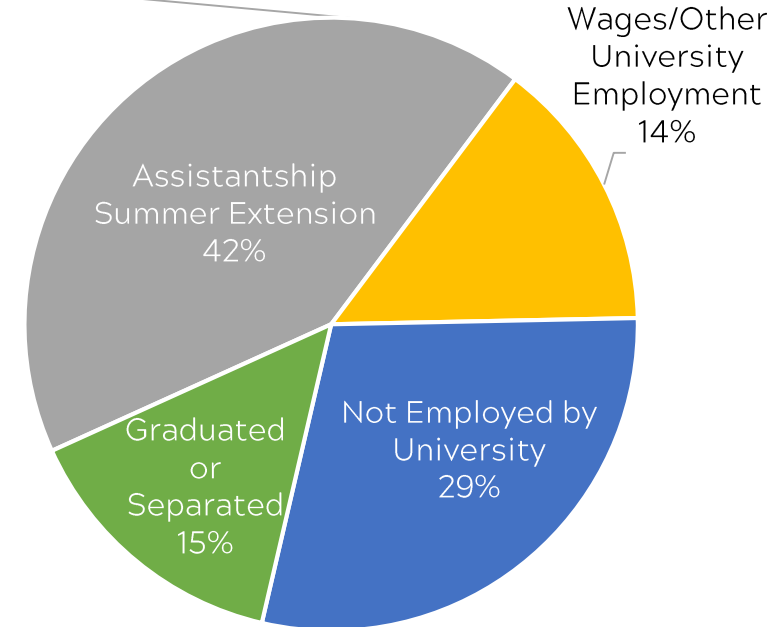
Attachment I

- Analysis of 2019 graduate assistantship appointments found:
  - Most university graduate assistantship are 9-month (87%)
  - Just over half of those were also employed in summer (56%)

Spring Appointments



Summer Status of 9-Month Assistantships



- Summer employment is the purview of the hiring department



# Multi-Year Assistantships

Attachment I

- The Provost previously commissioned a review of the graduate program.
- While the committee's work is ongoing, the group indicates that the topic of multi-year assistantships is being discussed.
- Preliminary indications are that the final report will include a recommendation supporting expanded use of multi-year assistantships.

# Graduate Assistant Compensation Plan for 2020-21

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Attachment L

Consistent with the framework discussed on May 7:

- Continuing the 2019-20 base stipend amount.
- Enhancing the total stipend by increasing the academic year Stipend Supplement of \$400 by \$58, resulting in a total academic year Stipend Supplement of \$458 to help mitigate university assigned costs.
- Continuing the university share of the graduate assistant health insurance coverage at 88 percent.
- Continuing the tuition remission program.

## RECOMMENDATION:

That the graduate assistant compensation program for 2020-21 be approved.

May 29, 2020



# 2020-21 Faculty Compensation Plan

*KEN MILLER, VICE PRESIDENT FOR FINANCE AND UNIVERSITY  
CONTROLLER*

*TIM HODGE, ASSOCIATE VICE PRESIDENT FOR BUDGET AND  
FINANCIAL PLANNING*

MAY 29, 2020





# *2020-21 Faculty Compensation Plan Elements*

- Authorized - Actual Salary Average
- 2020-21 pay structure
- Promotion and tenure process
- Annual evaluation and salary adjustment process
- Other salary adjustments

# Peer Salary Benchmarking

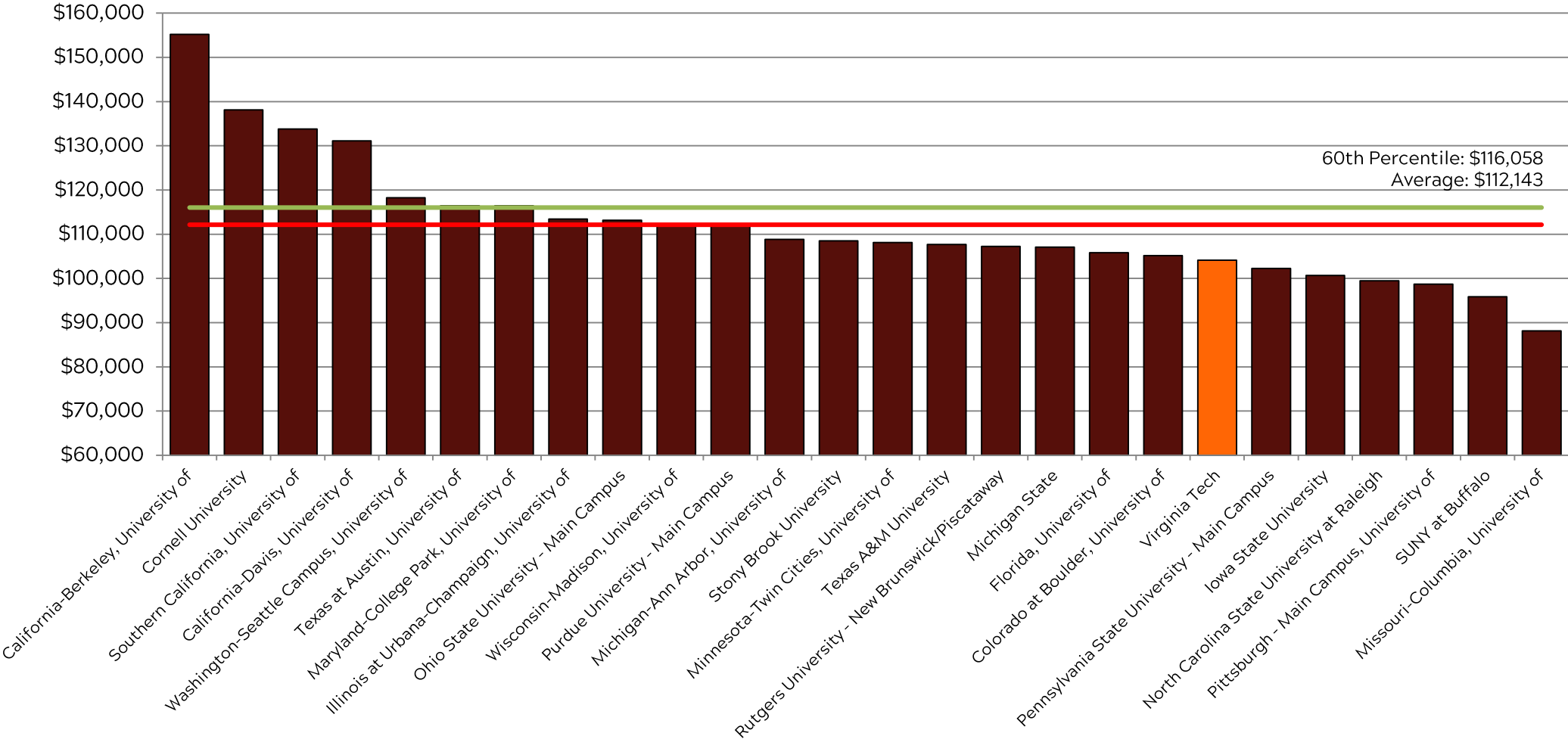
	Fall 2018	Fall 2019	Change
60th Percentile	\$116,058	\$119,191*	2.7%*
Actual Average Salary	\$104,132	\$105,262	1.1%
Rank - Actual	20 of 26	20 of 26*	N/C*
Percentile - Actual	29 <sup>th</sup>	25 <sup>th</sup> *	(4)*

*\*IPEDS peer salary data for Fall 2019 is not yet available. Estimates are based on the State Council of Higher Education's forecast of 2.7% salary escalation at peer institutions.*

(a) Computed in accordance with traditional consolidated salary average guidelines provided by the Secretary of Education.

# National Salary Benchmarking

Average Faculty Salaries at Peer Institutions



\*IPEDS peer salary data for Fall 2019 is not yet available.

# 2020-21 Pay Structure

- Establishes entrance salaries for each faculty rank
- Summarizes distribution of faculty across ranks

	9-Month Faculty	12-Month Faculty	Distribution of Approximate % of Total Faculty By Rank
	Entrance	Entrance	
Professor	\$93,419	\$113,398	29%
Associate Professor	71,450	86,578	28%
Assistant Professor	59,107	71,896	30%
Senior Instructor	50,693	65,961	3%
Advanced Instructor	45,196	58,633	2%
Instructor	41,425	53,898	8%

# Promotion & Tenure



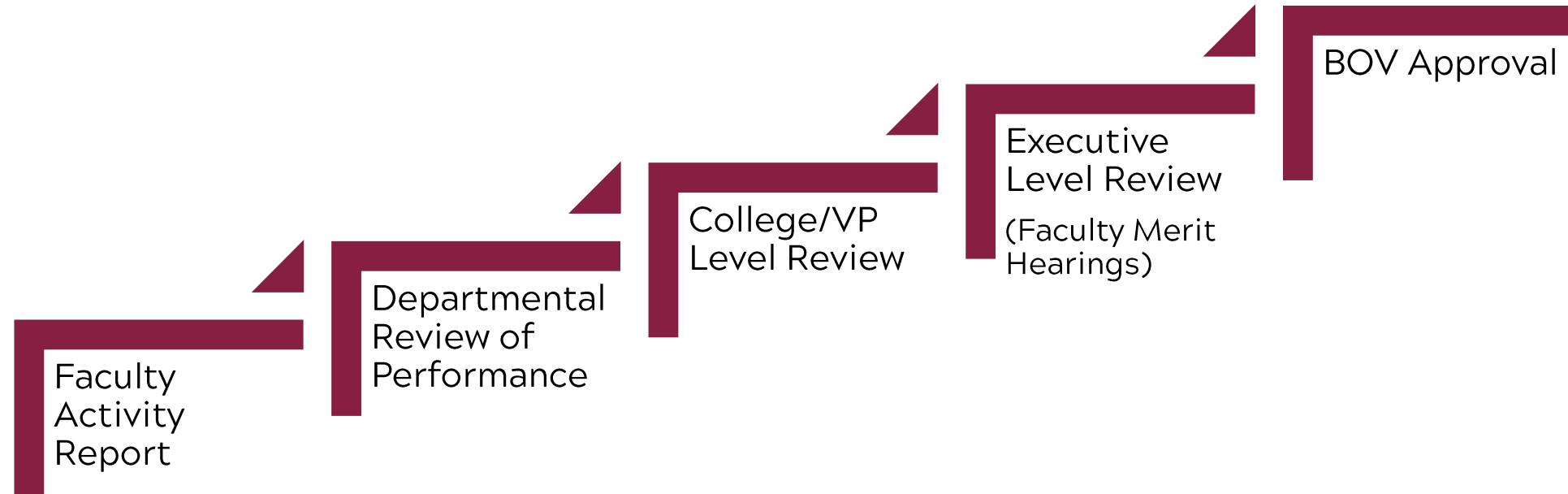
- Promotion to a higher rank and appointment with tenure may be granted to faculty members on a regular faculty appointment who have demonstrated outstanding accomplishments
- Each candidate for promotion or tenure will be evaluated in light of the tripartite mission of the university: instruction, research, and outreach

# *Annual Evaluation and Salary Adjustments*

- Faculty Activity Report (FAR)
  - Teaching/Research Faculty: instructional activities, creative scholarship, outreach and service contributions, and other professional activities and recognitions
  - Administrative/Professional faculty: activities in support of their specific job goals as they relate to the broader mission of the university
- FAR forms the basis of faculty evaluations conducted annually by departments independent of the faculty merit process

# Annual Evaluation and Salary Adjustments

## Faculty Merit Process



- Salary adjustments in the faculty merit process are based on performance, not automatic
- All merit recommendations are reviewed at three levels before presenting to Board of Visitors for approval

# *Merit Review and Compensation Process*

- Due to the impact of COVID-19, no 2020-21 merit process is currently envisioned
- Other adjustments may happen for changes in duties or special assignments but are expected to be limited due to COVID-19
- Off-cycle adjustments are submitted, appropriated, for ratification to the Board of Visitors on a quarterly basis on the Faculty Personnel Changes Report



# *Summary & Recommendation*

- Effectively continue the prior year Faculty Compensation Plan
- No 2020-21 faculty merit process is envisioned at this time

## **RECOMMENDATION:**

That the proposed 2020-21 Faculty Compensation Plan be approved.

May 29, 2020

# *Additional Information*

# Promotion & Tenure

Faculty	Clinical Faculty	Collegiate Faculty	Professor of Practice	Instructor	Cooperative Extension	Amount <sup>(1)</sup>
Professor	Clinical Professor	Collegiate Professor	Professor of Practice			\$7,000
Associate Professor	Clinical Associate Professor	Collegiate Associate Professor	Associate Professor of Practice	Senior Instructor	Senior Agent	\$5,000
Assistant Professor	Clinical Assistant Professor	Collegiate Assistant Professor	Assistant Professor of Practice	Advanced Instructor	Agent	\$3,000

(1) No change to amounts from 2016-17 Faculty Compensation Plan

# *Virginia Tech Carilion School of Medicine Faculty*

- Two Types of Faculty
  - Employees of Virginia Tech
  - Employed by affiliated entity (in most cases Carilion Clinic)
- Tenure-to-Title
  - Granted to individuals not employed by Virginia Tech
  - Recognition of a faculty member's significant accomplishments in teaching, clinical care (if relevant), scholarship, and service to the school.
  - Awarded without any right to, interest in, or expectation of any compensation or guarantee for compensation or future employment.
- Faculty may also be promoted to ranks within other faculty categories

**Dormitory and Dining Hall System  
2020-21 Operating Budget**

**FINANCE AND RESOURCE MANAGEMENT COMMITTEE**

**April 30, 2020**

The resolution authorizing and securing the Dormitory and Dining Hall System revenue bonds requires the adoption of an annual budget by the Board of Visitors. The budget presentation to the Board of Visitors provides documentation that the revenues to be received during the fiscal year will be sufficient to meet the operating costs of the System, the principal and interest requirements, and usual expenses of maintenance, repair, and operation.

Subject to approval by the Board of Visitors, the annual budget will be the basis for making payments from the revenue fund to meet the operating costs of the System during the fiscal year. In compliance with Section 5.1 and 5.5 of the resolution authorizing and securing the Dormitory and Dining Hall System revenue bonds, the estimate of the resources to be used for the operation of the System during the fiscal year July 1, 2020 to June 30, 2021 and a recommended budget of current expenses for the System for the same period are summarized below. The rates and charges for the next fiscal year are sufficient for the current expenses, debt service, and reserve requirements set forth in Section 5.1 of the resolution.

	<u>Residential</u>	<u>Dining</u>	<u>Total</u>
<u>Estimated Revenues</u>			
Student Fees	\$57,181,228	\$59,331,767	\$116,512,995
Other Income	2,984,998	14,339,692	17,324,690
Contingency	(984,754)	(2,528,668)	(3,513,422)
Total Revenues	\$59,181,472	\$71,142,791	\$130,324,263
<u>Current Expenses</u>			
Personnel Services	\$14,088,688	\$29,826,698	\$43,915,386
Operations	14,304,828	30,905,728	45,210,556
Administrative Charge	2,222,750	4,993,326	7,216,076
Maintenance Reserve	5,094,632	973,039	6,067,671
Debt Service	13,354,672	3,414,369	16,769,041
One-Time Projects	6,537,698	3,346,769	9,884,467
Contingency	(984,754)	(2,528,668)	(3,513,422)
Total Expenses	\$54,618,514	\$70,931,261	\$125,549,775
Reserve Contribution (Draw)	\$4,562,958	\$211,530	\$4,774,488
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**Electric Service Utility System  
2020-21 Operating Budget**

**FINANCE AND RESOURCE MANAGEMENT COMMITTEE**

**April 30, 2020**

The resolution authorizing and securing the Electric Service Utility System revenue bonds requires the adoption of an annual budget by the Board of Visitors. The budget presentation to the Board of Visitors provides documentation that the revenues to be received during the fiscal year will be sufficient to meet the operating costs of the System, the principal and interest requirements, and usual expenses of maintenance, repair, and operation.

Subject to approval by the Board of Visitors, the annual budget will be the basis for making payments from the revenue fund to meet the operating costs of the System during the fiscal year. In compliance with Section 5.1 and 5.5 of the resolution authorizing and securing the Electric Service Utility System revenue bonds, the estimate of the resources to be used for the operation of the System during the fiscal year July 1, 2020 to June 30, 2021 and a recommended budget of current expenses for the System for the same period are summarized below. The rates and charges for the next fiscal year are sufficient for the current expenses, debt service, and reserve requirements set forth in Section 5.1 of the resolution.

Estimated Revenues

Sales to University Departments	\$19,833,760
All Other Sales	14,051,787
Investment Income	31,747
Contingency	(264,166)
Total Revenues	<u>\$33,653,128</u>

Current Expenses

Personnel Services	\$4,154,711
Purchase of Electricity	22,905,174
Operating Expenditures	4,550,778
Capital Maintenance Reserve Projects	910,000
Debt Service	775,553
Contingency	(264,166)
Total Expenses	<u>\$33,032,050</u>

Reserve Contribution (Drawdown)	\$621,078
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Net	<u><u>\$0</u></u>
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**University Services System  
2020-21 Operating Budget**

**FINANCE AND RESOURCE MANAGEMENT COMMITTEE**

**April 30, 2020**

The resolution authorizing and securing the University Services System\* revenue bonds requires the adoption of an annual budget by the Board of Visitors. The budget presentation to the Board of Visitors provides documentation that the revenues to be received during the fiscal year will be sufficient to meet the operating costs of the System, the principal and interest requirements, and usual expenses of maintenance, repair, and operation.

Subject to approval by the Board of Visitors, the annual budget will be the basis for making payments from the revenue fund to meet the operating costs of the System during the fiscal year. In compliance with Section 5.1 and 5.5 of the resolution authorizing and securing the University Services System revenue bonds, the estimate of the resources to be used for the operation of the System during the fiscal year July 1, 2020 to June 30, 2021 and a recommended budget of current expenses for the System for the same period are summarized below. The rates and charges for the next fiscal year are sufficient for the current expenses, debt service, and reserve requirements set forth in Section 5.1 of the resolution.

Estimated Revenues

Student Fees	\$47,468,365
Sales and Services	4,311,126
Other Income	2,848,614
Contingency	<u>(1,745,064)</u>
Total Revenues	\$52,883,041

Current Expenses

Personnel Services	\$26,103,985
Operating	15,704,518
Debt Service	4,487,472
Capital Maintenance Reserve	2,165,534
Non-Capital Maintenance Reserve	286,800
Student Organization Allocation	1,528,774
One-Time Expenses	3,607,982
Contingency	<u>(1,745,064)</u>
Total Expenses	\$52,140,001

Reserve Contribution (Drawdown)	\$743,040
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Net	<u><u>\$0</u></u>
-----	-------------------

\* University Services System includes Career and Professional Development, Center for the Arts, Health Services, Recreational Sports, Student Engagement and Campus Life, Cultural and Community Centers, Student Organizations, and Rescue Squad.

**Athletic Facilities System  
2020-21 Operating Budget**

**FINANCE AND RESOURCE MANAGEMENT COMMITTEE**

**April 30, 2020**

The resolution authorizing and securing the Athletic Facilities System revenue bonds requires the adoption of an annual budget by the Board of Visitors. The budget presentation to the Board of Visitors provides documentation that the revenues to be received during the fiscal year will be sufficient to meet the operating costs of the System, the principal and interest requirements, and usual expenses of maintenance, repair, and operation.

Subject to approval by the Board of Visitors, the annual budget will be the basis for making payments from the revenue fund to meet the operating costs of the System during the fiscal year. In compliance with Section 5.1 and 5.5 of the resolution authorizing and securing the Athletic Facilities System revenue bonds, the estimate of the resources to be used for the operation of the System during the fiscal year July 1, 2020 to June 30, 2021 and a recommended budget of current expenses for the System for the same period are summarized below. The rates and charges for the next fiscal year are sufficient for the current expenses, debt service, and reserve requirements set forth in Section 5.1 of the resolution.

Estimated Revenues

Student Fees	\$10,870,605
Sales and Services	63,722,092
Other Income	2,907,014
Contingency	<u>(2,759,703)</u>
Total Revenues	\$74,740,008

Current Expenses

Personnel Services	\$34,949,042
Operations	23,392,328
Administrative Charge	4,885,461
Capital Maintenance Reserve	1,762,189
Maintenance, Repairs, & Equipment Replacement	2,290,149
Debt Service	5,922,561
One-Time Projects	38,063
Contingency	<u>(2,759,703)</u>
Total Expenses	\$70,480,090

Reserve Contribution (Drawdown)	\$4,259,918
---------------------------------	-------------

Net	<u><u>\$0</u></u>
-----	-------------------



# 2020-21 Auxiliary System Budgets

*May 29, 2020*

**TIM HODGE**

ASSOCIATE VICE PRESIDENT FOR BUDGET AND FINANCIAL PLANNING



# *System Budget Overview*

- Virginia Tech has four master resolution bond covenants securing debt issues referred to as Systems:
  - Dormitory and Dining System
  - Electric Service System
  - University Services System
  - Athletic Facilities System
- The resolutions authorizing and securing each system requires the adoption of an annual budget by the Board of Visitors.

# 2020-21 Budget and COVID-19

- While the university expects an environment of constrained resources, the impact of the pandemic on university budgets is currently uncertain.
- To begin the fiscal year, *preliminary* budgets were developed. In general: continuation of existing budgets reduced by 5% of discretionary expenditures.
- Once the financial impact of the pandemic on various university operations is understood, the university will commence a process to update budgets accordingly.

# Preliminary System Budgets

(Dollars in Millions)

	Dormitory & Dining	Electric Service	University Services	Athletic Facilities
Revenues	\$130.3	\$33.6	\$52.8	\$74.7
Expenses	125.5	33.0	52.1	70.5
Contribution/ (Draw)	\$4.8	\$0.6	\$0.7	\$4.2

# *Summary & Recommendation*

- Preliminary budgets be utilized to open the fiscal year
- Budgets be updated as additional information become available

## RECOMMENDATION:

That the recommended preliminary budget for fiscal year July 1, 2020 to June 30, 2021 for the operation of the Dormitory and Dining Hall System, Electric Service Utility System, University Services System, and the Athletic Facilities System be approved.

May 29, 2020

# 2020-21 Operating and Capital Budgets

*May 29, 2020*

*TIM HODGE, ASSOCIATE VICE PRESIDENT FOR  
BUDGET AND FINANCIAL PLANNING*

*BOB BROYDEN, ASSOCIATE VICE PRESIDENT FOR CAPITAL  
ASSETS AND FINANCIAL MANAGEMENT*





# *Operating Budget*

# Budget Development Uncertainties Resulting from COVID-19

- State operating model
- University operating model
- Fall 2020 Enrollment - expect differential impacts on various segments
- Level of State Support
  - State revenue will be reforecast at a later date
    - Federal funding will temporarily help commonwealth
  - Level of support for higher education
- Level of Self-generated revenues
- In response, the university envisions 2020-21 budget development in phases. The first phase would be a *preliminary* operating budget.



# Operating Budget Assumptions for 2020-21 Preliminary Budget Attachment I

- Development of 2020-21 budget started with current revenue budget
- Updated for known changes
  - State allocation for the Tech Talent Investment Program
  - Commonwealth Cyber Initiative Hub - decrease of \$2.5 million based on outcome of 2020 General Assembly.
  - Expired program fee rates rolling off with graduating class
  - Estimated state support for share of fringe benefit rate increases
- Revenue hedge that lowers the overall revenue budget
  - \$25 million in 208 E&G, \$3 million in 229 E&G
  - Each Auxiliary Enterprises has a similar revenue hedge

# *Phases of Operating Budget Development for 2020-21*

- Open the fiscal year with preliminary budget for 2020-21, units will start with 5% less
  - In anticipation of constrained resources, the campus underwent 5% and 10% budget reduction planning exercises in preparation for 2020-21.
  - It will be made clear that this is a temporary budget until additional information becomes available.
- Update operating assumptions as information becomes available
  - June/July - Fall operating model will be better quantified
  - August - anticipate having a better understanding of the level of state support
  - Fall - actual enrollment is known
- Once these factors and other impacts are understood, the university will adjust the revenue budgets and update operating assumptions
  - Determine if impacts are one-time or ongoing
  - Determine unit specific impacts
  - Update the campus allocations
  - Continue to update the Board

# Revenue Contingency for 2020-21 Preliminary Operating Budget

(Dollars in Millions)

	<u>Continuing Budget</u>	<u>Revenue Contingency</u>	<u>Preliminary Budget</u>
<u>Educational and General</u>			
University Division	\$824.5	(\$25.0)	\$799.5
CE/AES Division	91.7	(3.0)	88.7
Subtotal E&G	\$916.2	(\$28.0)	\$888.2
Auxiliary Enterprises	\$360.4	(\$10.3)	\$350.1
Sponsored Programs	352.4		352.4
Financial Aid (Appropriated)	31.7		31.7
UMA and Other Activities	10.4	(0.2)	10.2
Total	\$1,671.0	(\$38.5)	\$1,632.5

# 2020-21 Preliminary Operating Budget

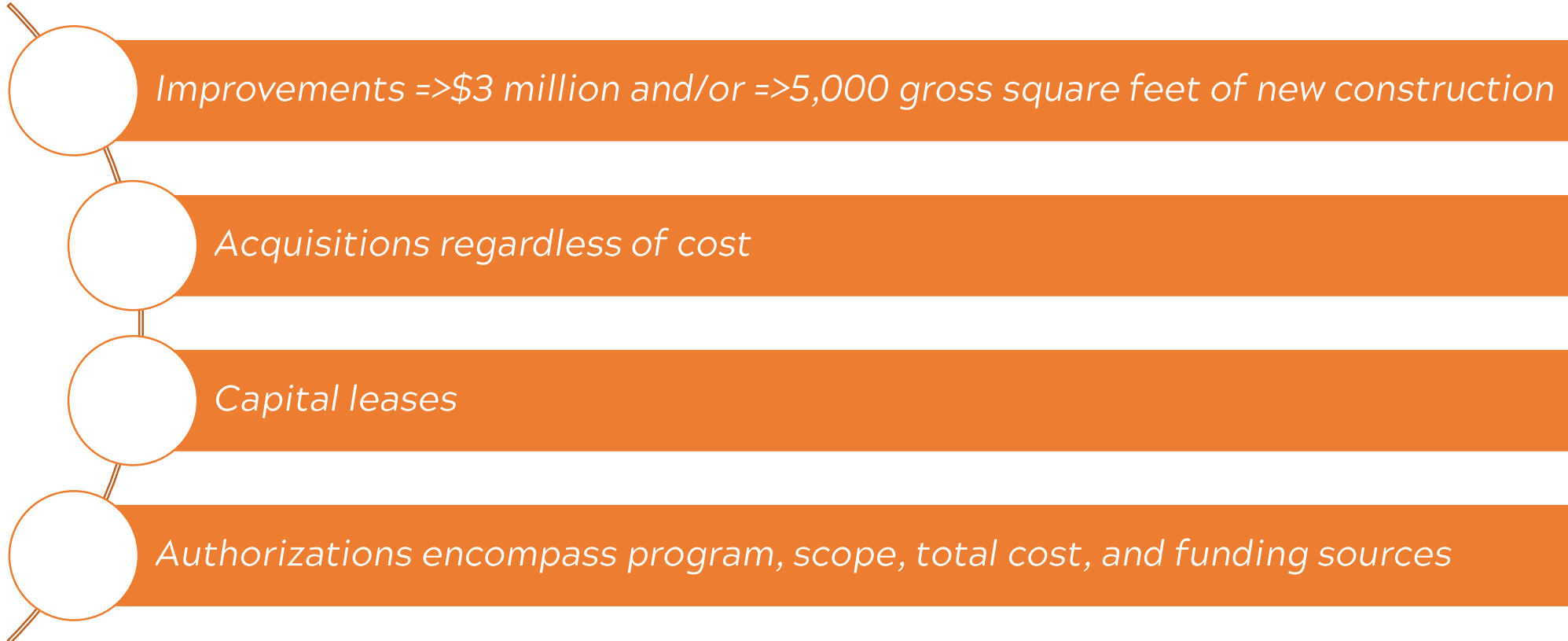
(Dollars in Millions)

	2019-20 Adjusted Budget	2020-21 Proposed Budget	Change	
			\$	%
<b><u>Educational and General</u></b>				
University Division	\$822.2	\$799.5	(\$22.7)	-2.8%
CE/AES Division	90.9	88.7	(2.2)	-2.4%
Subtotal	\$913.1	\$888.2	(\$24.9)	-2.7%
Auxiliary Enterprises	\$361.7	\$350.1	(\$11.6)	-3.2%
Sponsored Programs	354.9	352.3	(3)	-0.7%
Financial Aid (Appropriated)	32.1	31.7	(0.4)	-1.2%
UMA and Other Activities	10.7	10.2	(0.5)	-4.7%
Total	\$1,672.5	\$1,632.5	(\$40.0)	-2.4%

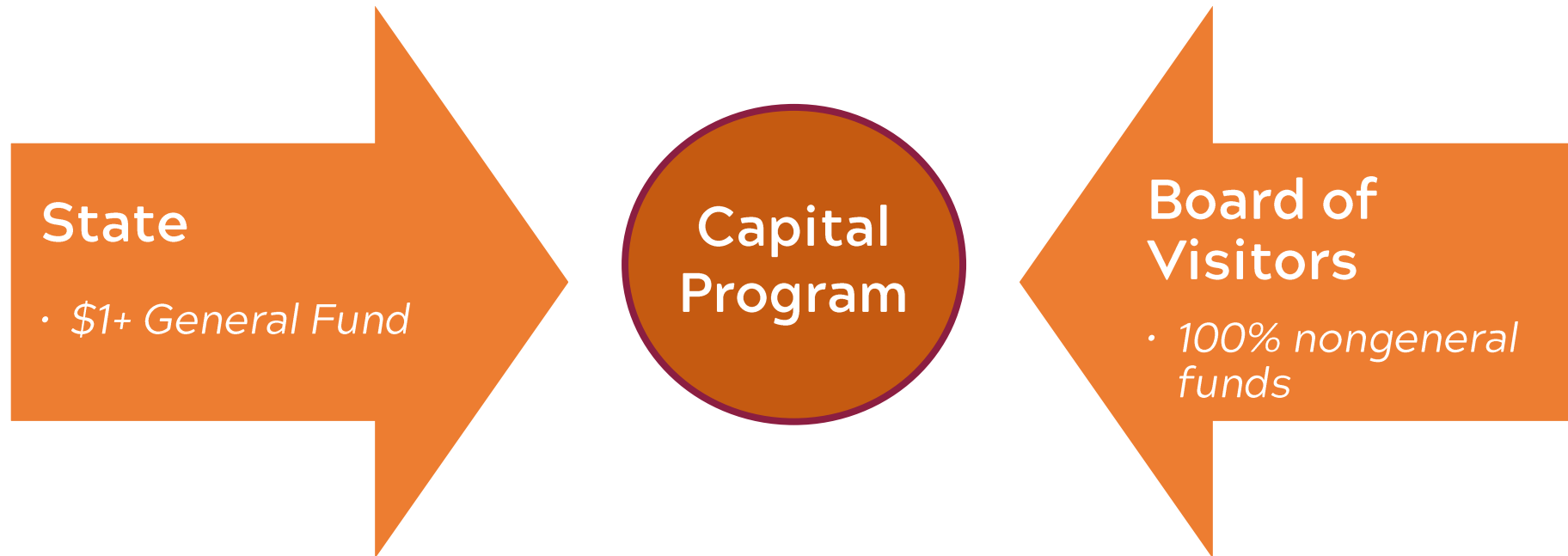


# *Capital Budget*

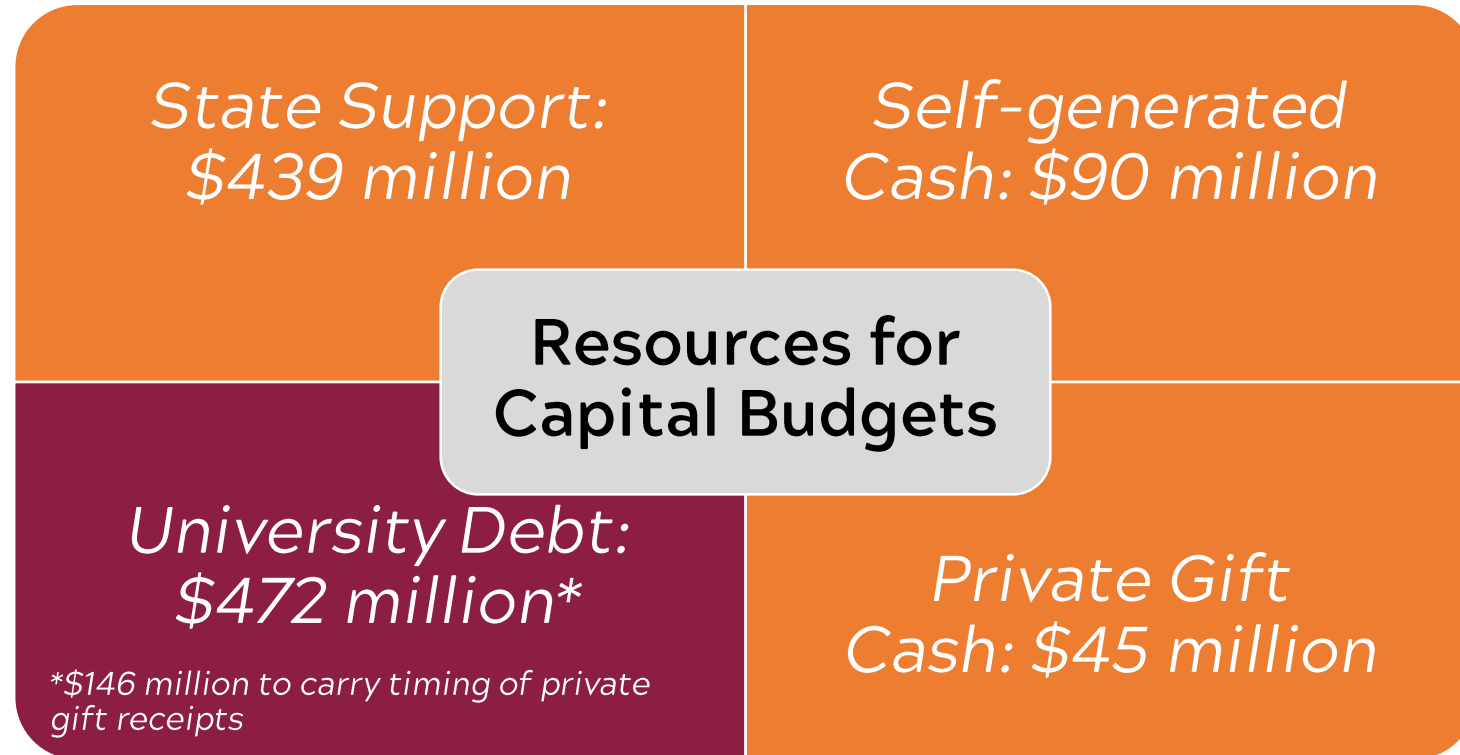
# Capital Project Authorization Levels



# Capital Project Authorization Providers



# Capital Authorization Fund Sources



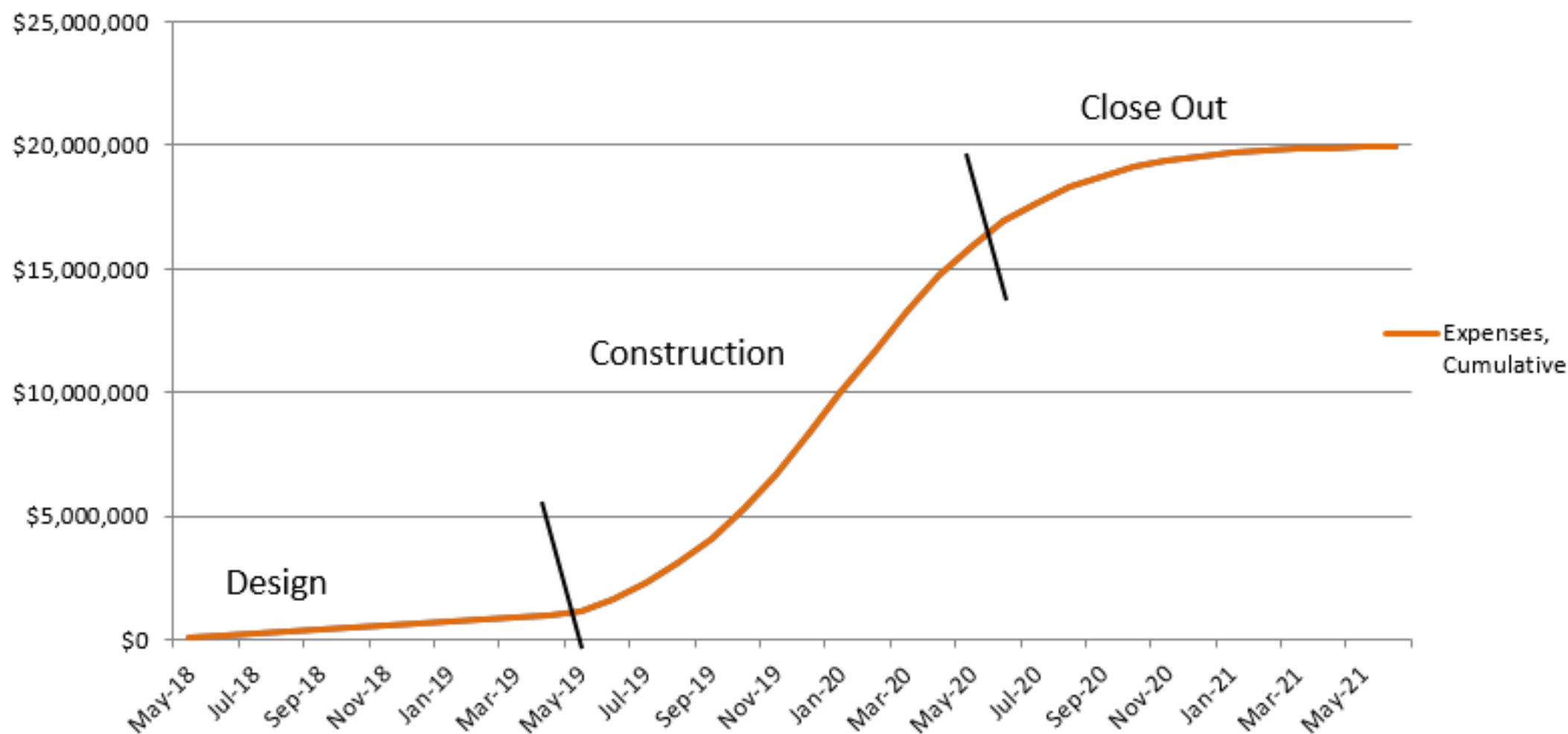


# *Fiscal Year 2021 Capital Projects*

<i>End FY20</i>	<i>33</i>
<i>Projects closed June 30<sup>th</sup></i>	<i>- 7</i>
<i>New projects effective July 1<sup>st</sup></i>	<i><u>2</u></i>
<b>Start FY21</b>	<b>28</b>

- 14 in design
- 9 in construction
- 5 in close-out

# Estimating Capital Project Spend Rate



Most sensitive to construction start dates

# *Fiscal Year 2021 Capital Budget*

(Dollars in millions)

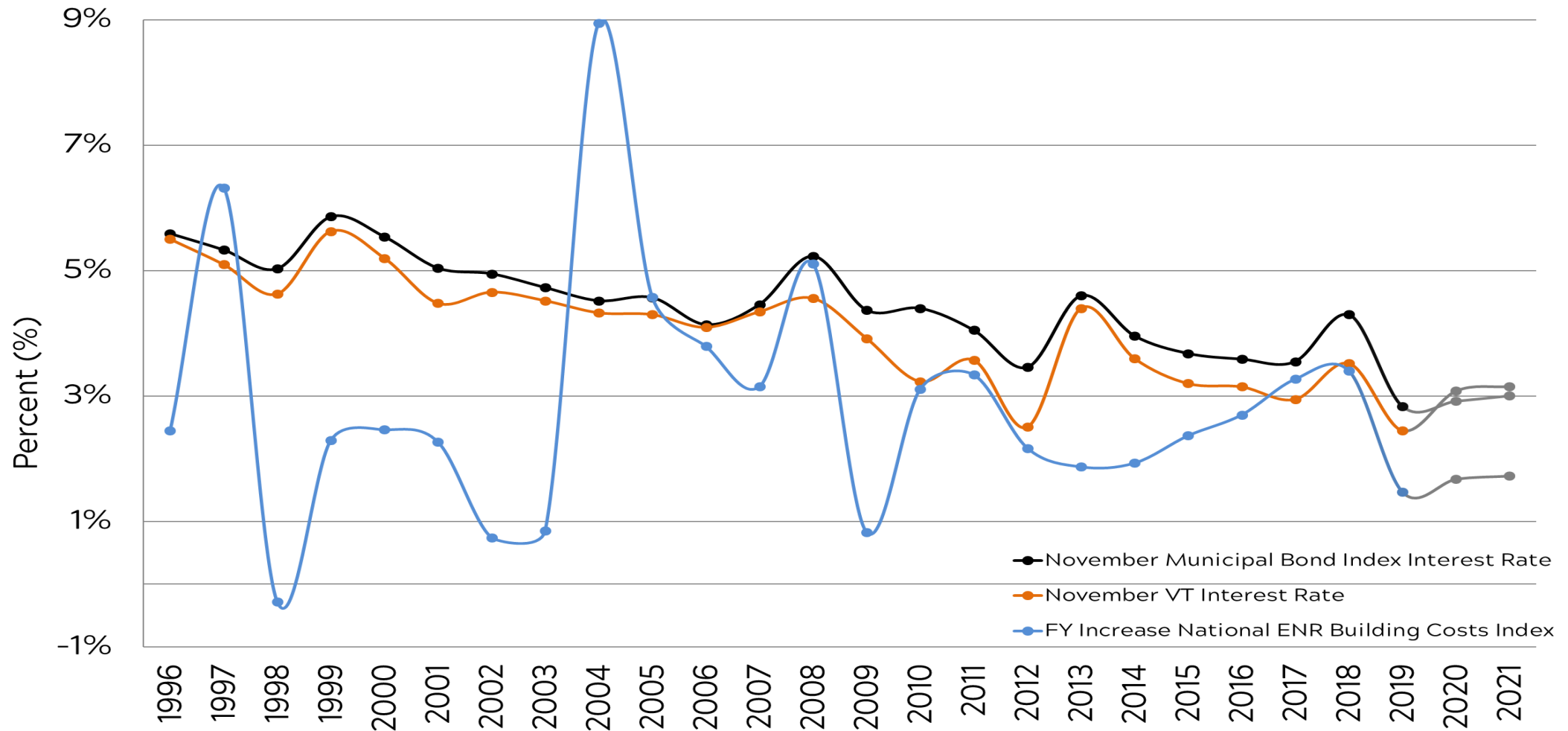
<i>FY21 starting total capital budget</i>	<i>\$1,045.6</i>
<i>Less project to-date expenditures as of June 30th</i>	<i>- <u>222.2</u></i>
<i>Budget available for FY21</i>	<i>\$823.4</i>
 <i>Estimated capital expenditures for FY21</i>	 <i><u>\$193.7</u></i>

# Major Construction Pricing for Fiscal Year 2021

- |   |                      |
|---|----------------------|
| ■ <i>Student Wellness</i>                                 | <i>July 2020</i>     |
| ■ <i>Dietrick First Floor and Plaza Renovation</i>        | <i>October 2020</i>  |
| ■ <i>Data and Decision Science</i>                        | <i>October 2020</i>  |
| ■ <i>Corps Leadership &amp; Military Science Building</i> | <i>December 2020</i> |
| ■ <i>New Upper Quad Residence Hall</i>                    | <i>December 2020</i> |
| ■ <i>Innovation Campus-Academic Building</i>              | <i>May 2021</i>      |

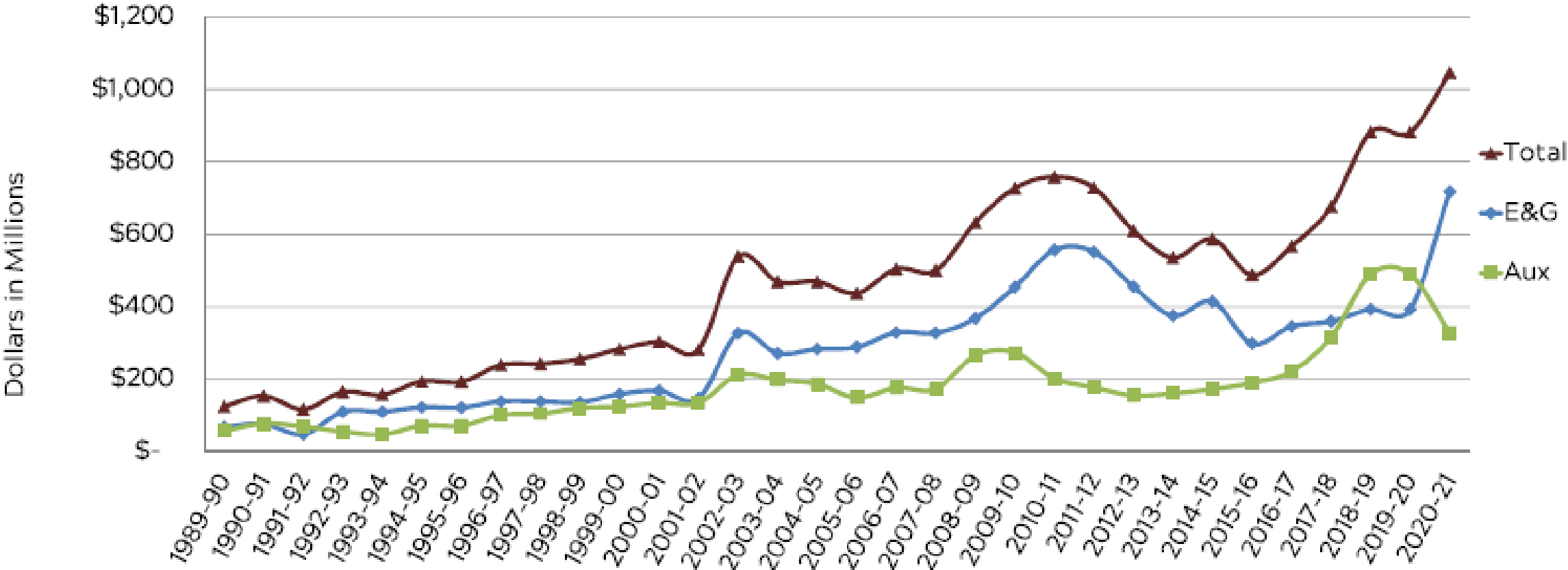
# Escalation and Interest Rates

- Each project budget escalated to the mid-point of construction during development



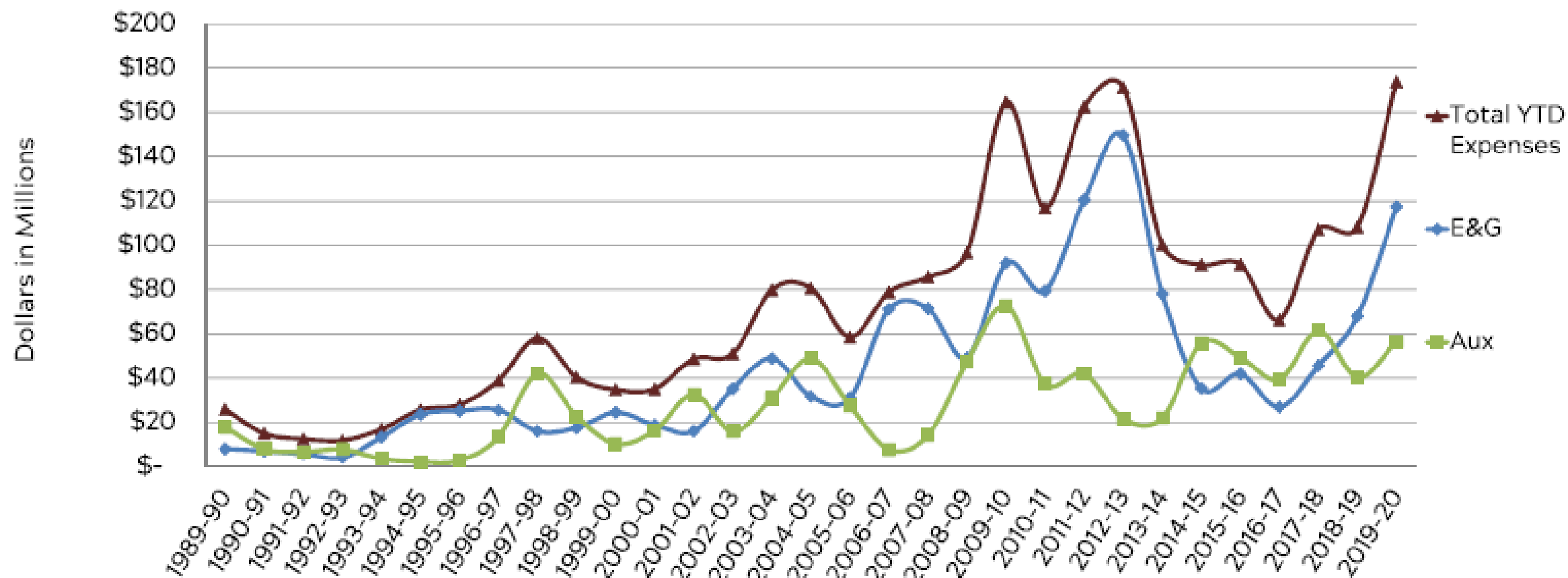
# Trend of Total Capital Program Budget

Fiscal Year 1990 - Fiscal Year 2021



# Trend of Capital Program Expenses

Fiscal Year 1990 - Fiscal Year 2020



# Recommendation

## RECOMMENDATION:

*That the proposed 2020-21 Operating and Capital Budgets, as displayed on Schedules 1, 2, and 3 be approved.*

*May 29, 2020*



# Approval of Revisions to and Renewal of Related Corporations Affiliation Agreements

*KEN MILLER, VICE PRESIDENT FOR FINANCE AND UNIVERSITY CONTROLLER*

*JOHN DOOLEY, CHIEF EXECUTIVE OFFICER AND SECRETARY-TREASURER,  
VIRGINIA TECH FOUNDATION*

MAY 29, 2020



# *Related Corporations Affiliation Agreements*

As approved by the Board of Visitors, the university has entered into affiliation agreements with the following university-related corporations for the purpose of defining the relationship and requirements of university-related corporations.

- Virginia Tech Alumni Association, Inc.
- Virginia Tech Athletic Fund, Inc.
- Virginia Tech Corps of Cadets Alumni, Inc.
- Virginia Tech Foundation, Inc.
- Virginia Tech Intellectual Properties, Inc.
- Virginia Tech Services, Inc.
- Virginia Tech Applied Research Corporation, Inc.
- Virginia Tech Innovations Corporation, Inc.
- Virginia Tech India Research & Education Forum

The terms of these agreements end on June 30, 2020. It is recommended that the agreements be renewed at this time to be extended for a term ending June 30, 2024.

# *Background*

- The corporations were established to support and benefit the university and exist and operate as separate entities with their own officers and governing boards
- The corporations are tax-exempt charitable organizations
- The university acknowledges the contributions of the corporations, desires the affiliation, and makes available certain facilities, resources, and services for their use
- Affiliation Agreements are revised and renewed by the Board of Visitors every four years
- Affiliation Agreements were updated in the context of recent state and federal regulations to establish and assure the independence of the university-related corporations

# *Overview of the Affiliation Agreements*

- Generally the provisions of the agreements are similar across all the affiliated organizations
- Exceptions include the following:
  - Special provisions for the Virginia Tech Foundation, Inc. related to funds from private donors
  - Exemption from external audit for affiliated corporations without separately held assets

# *Provisions of the Affiliation Agreements*

- Defines the relationship between the parties
  - Virginia Tech is a state agency and a Virginia public corporation
  - Corporations are a separately incorporated Virginia nonstock corporations
  - Each party is separately responsible for the compensation and evaluation of their personnel
  - Corporations have the authority to appoint the directors to their board
  - The president of the university, or designee, shall serve as a corporation director and member of the Corporation's Executive Committee

# *Provisions of the Affiliation Agreements*

- Fundraising Activities (included in all the agreements)
  - University is responsible for fundraising activities with corporation's support of these activities
  - Solicitation of governmental grants and research contracts by corporations not considered to be fundraising activities
- Dealings with Third Parties
  - Both the university and the corporation agree to take reasonable measures to ensure that third parties understand that the university and the corporation are separate and independent entities and neither shall hold itself out as being part of, controlled by, or acting on behalf of the other

# *Provisions of the Affiliation Agreements*

- Liability and Insurance
  - University is not liable for corporation's contracts, actions or omissions
  - Corporations are not protected by university or state insurance policies or provided legal defense by the university
- Non-Discrimination
  - The corporation agrees that it shall maintain a non-discrimination policy that is consistent with the university's Equal Opportunity/Affirmative Action Statement
- Charges for Service
  - Both parties agree to reimburse each other for the cost of services provided

# *Provisions of the Affiliation Agreements*

- Use of Facilities, Resources, Services, and Marks
  - The corporation is eligible to use the university's facilities, resources, and services (other than legal counsel)
  - Both parties have a non-exclusive, non-transferrable royalty-free right and license to use the other's names and marks and will comply with university brand standards
  - The licensed marks remain the sole property of each party



# *Provisions of the Affiliation Agreements*

## ■ Audit

- The corporations shall have an annual audit performed by an independent auditor at their expense, and shall provide copies of its financial statements and related documents produced in connection with the audit to the Senior Vice President and Chief Business Officer of the university
- The corporation agrees to participate in the university-related corporation internal audit program
- All costs of both the annual audit and the internal audit work performed for the corporation shall be paid by the corporation

# *Provisions of the Affiliation Agreements*

- Audit Exemptions - *Virginia Tech Alumni Association*  
*Virginia Tech Corps of Cadets Alumni*  
*Virginia Tech Athletic Fund*
- The corporation will be exempted from the requirement for an annual external audit provided that:
  - the corporation has not held any financial assets for the twelve month period preceding the fiscal year ending date
  - the officers of the corporation certify annually that no financial activities or transactions have occurred or are occurring outside those reflected in the records of the corporation
  - the corporation agrees to provide separate unaudited financial schedules providing information on the activities of the corporation recorded in its records as needed
  - the corporation continues to participate in the university-related corporation internal audit program

# *Provisions of the Affiliation Agreements*

- Funds from Private Donors - *Virginia Tech Foundation Only*
  - (a) The University recognizes that the Foundation is a private corporation with the authority and obligations to keep its records and data confidential and private, consistent with donor intent and the requirements of applicable law. When distributing gift funds to the University, the Foundation shall disclose any terms, conditions, or limitations imposed by the donor or applicable law on the use of the contributed funds. The University shall abide by such restrictions and provide appropriate documentation of such use, to the extent permitted by law, including but not limited to the Virginia Freedom of Information Act. The Parties acknowledge that the University receives and utilizes funds from the Foundation in accordance with University policies and procedures.

# *Provisions of the Affiliation Agreements*

- Funds from Private Donors - *Virginia Tech Foundation Only*
  - (b) The Foundation accepts and manages gifts and disburses funds for the benefit of the University and for the benefit of designated departments or programs within the University, or entities affiliated with the University, in compliance with applicable laws, policies, and donor intent as set forth in applicable gift instruments. The Foundation's disbursements for the benefit of the University must be (i) for reasonable expenses that support a University purpose or program, (ii) consistent with donor intent as expressed in an applicable gift instrument, and (iii) not in conflict with any applicable law.

# *Provisions of the Affiliation Agreements*

- Funds from Private Donors - *Virginia Tech Foundation Only*
  - (c) The Foundation, upon request, will provide the University with its financial records related to the expenditure of funds held by it to or for the benefit of the University.
  - (d) Any gift agreements between and the Foundation and a donor that commit the University must be approved by the University to the extent required under policies and procedures adopted by the University. The Foundation acknowledges that the University may choose to reject a gift, and the University acknowledges that the Foundation may choose to reject a gift to it, due to the terms of any conditions or restrictions imposed by the donor.

# *Summary & Recommendation*

- The University-Related Corporation Affiliation Agreements approved by the Board of Visitors requires that each foundation or corporation
  - exist for the benefit of Virginia Tech
  - support the programs and goals of the university and are operated with appropriate accountability and control

## **RECOMMENDATION:**

That the affiliation agreements listed above be approved as revised for a four-year period, expiring on June 30, 2024.

May 29, 2020

# Financial Performance Report

July 1, 2019 - March 31, 2020

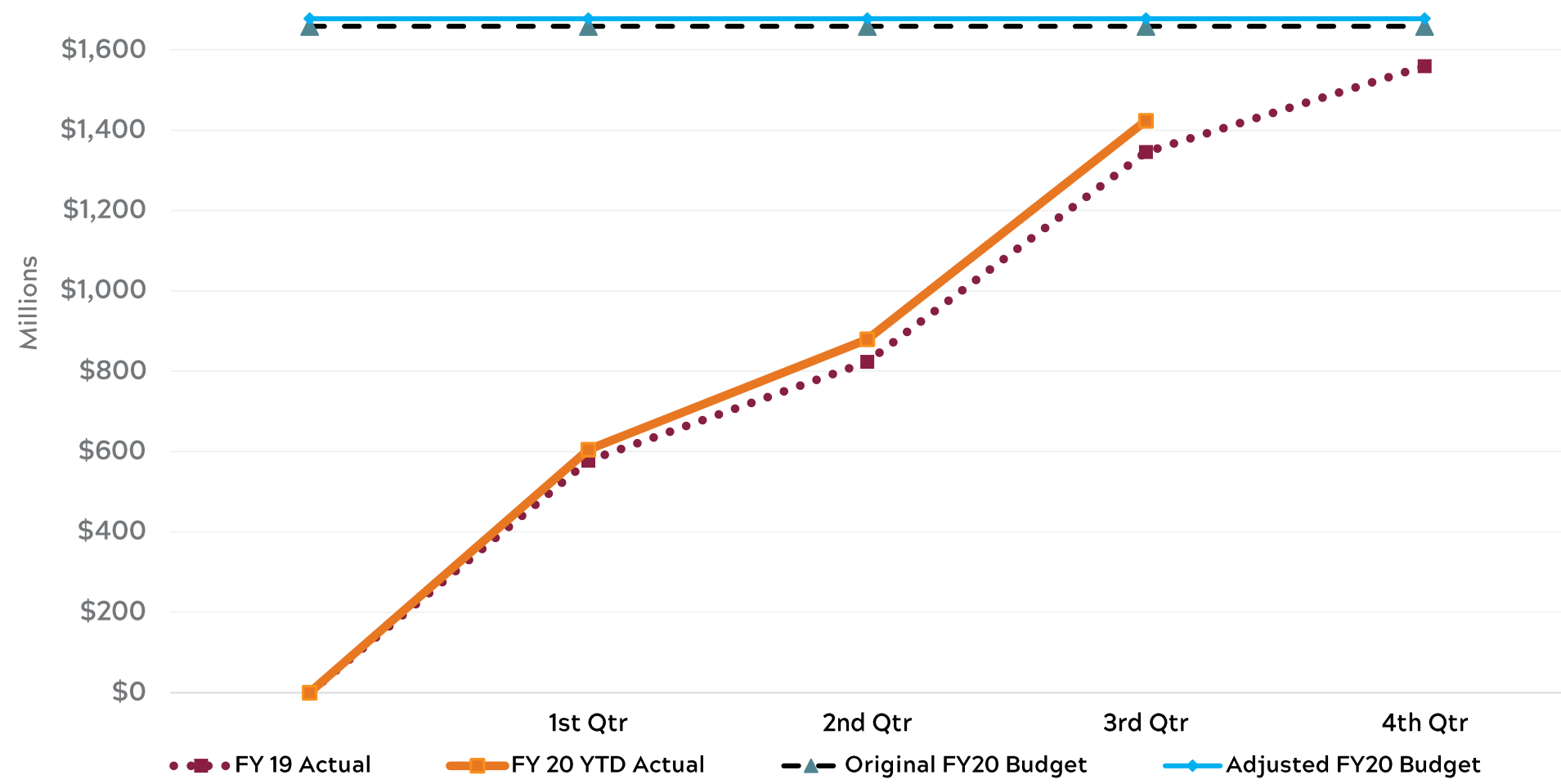
*TIM HODGE, ASSOCIATE VICE PRESIDENT FOR  
BUDGET AND FINANCIAL PLANNING*

*BOB BROYDEN, ASSOCIATE VICE PRESIDENT FOR  
CAPITAL ASSETS AND FINANCIAL MANAGEMENT*

MAY 29, 2020



# Operating Revenue





# University Budget

## 3<sup>rd</sup> Quarter - 2019-20

### Annual Budget Changes

#### Educational and General

- Tuition and Fee revenue budget increased \$4.4 million driven primarily by program fee revenues (enrollment surge) and graduate enrollments in the greater Washington, D.C. metropolitan area (Computer Science, Computer Engineering, and Electrical Engineering).

#### Auxiliary Enterprises

- Residential & Dining: expense budget increased \$1.3 million for Residential Mail Delivery Program, decreased (\$3.1 million) for one-time relief of the university's scholarship cost assignment.
- Athletics: revenue budget decreased (\$5.1 million) for lower than anticipated ACC conference distributions and timing of ACC Network revenues. Expense budget increased \$0.4 million for NCAA & capital projects.

### Financial Performance

#### Educational and General

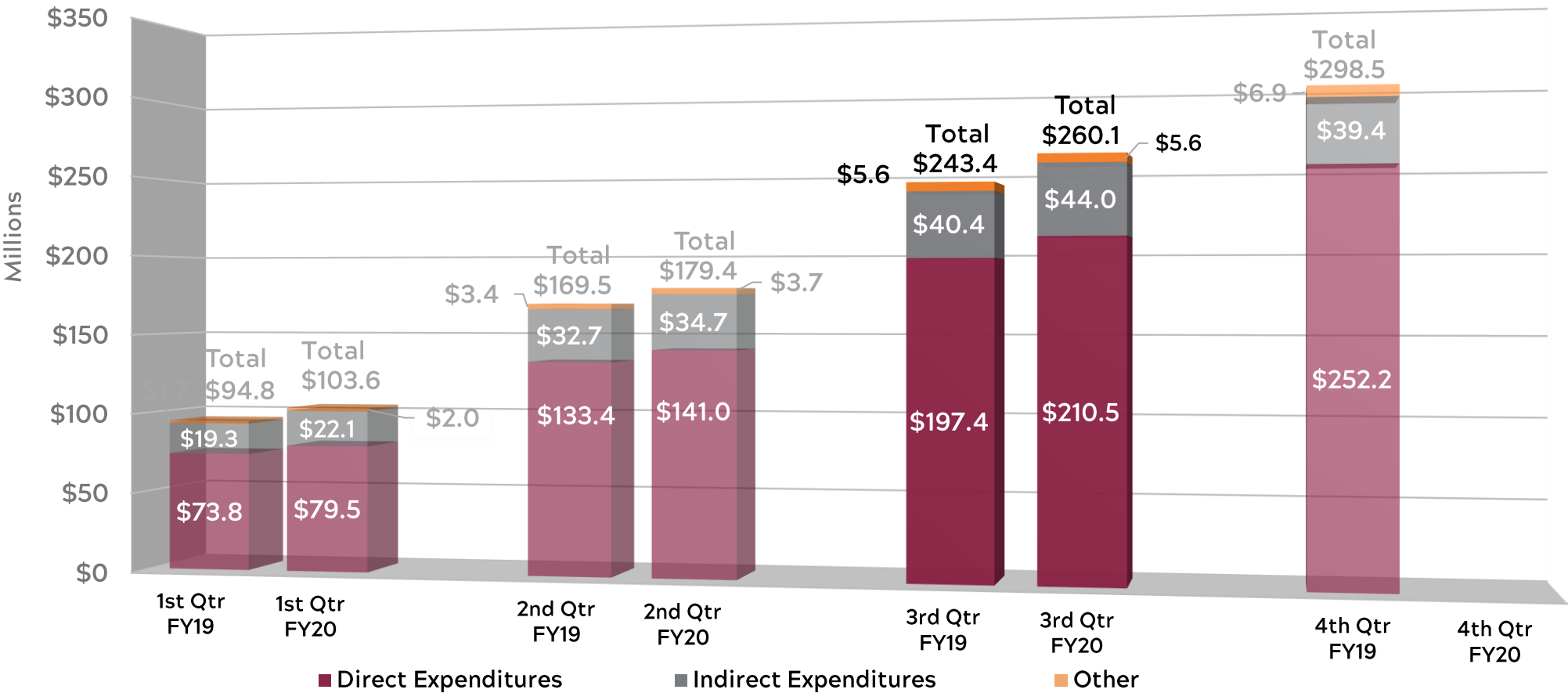
- Due to COVID-19, self-generated revenues in Veterinary Teaching Hospital and Equine Medical Center are anticipated to be lower during the 4<sup>th</sup> Quarter of 2019-20.

#### Auxiliary Enterprises

- Residential and Dining: Lower than projected revenues due to residential rebates and lower March Dining business volume in the response to COVID-19. Managing and monitoring expenses.
- Inn at Virginia Tech: Higher than projected revenue performance through March, expected to be offset by 4<sup>th</sup> quarter COVID-19 impacts. Managing and monitoring expenses.
- A 4<sup>th</sup> quarter budget adjustment for the financial impacts of COVID-19 is still in development.

# Sponsored Program Expenditures

2018-19 VS. 2019-20



\*Other includes Enterprise Funds, Royalty, and Research Ancillary Activity

# Capital Outlay Total Program

		Total Budget	Total Expenditures
1 <sup>st</sup> Quarter Ended	Total Projects = 32	\$1,155,026	\$238,014
Board Actions Nov. 18 2019	Athletic Weight Room full project	3,800	
State Actions	Holden Hall Supplement	2,578	
	Livestock & Poultry supplement	3,138	
University Actions	Undergraduate Science Laboratory working drawings	2,057	
2 <sup>nd</sup> Quarter Ended	Total Projects = 32	\$1,166,599	\$282,869
State Actions	Commonwealth Cyber Initiative	500	
University Actions	Breakout Tennis Planning from Athletic Facility Improvements	-	
3 <sup>rd</sup> Quarter Ended	Total Projects = 33	\$1,167,099	\$326,892



14  
Design

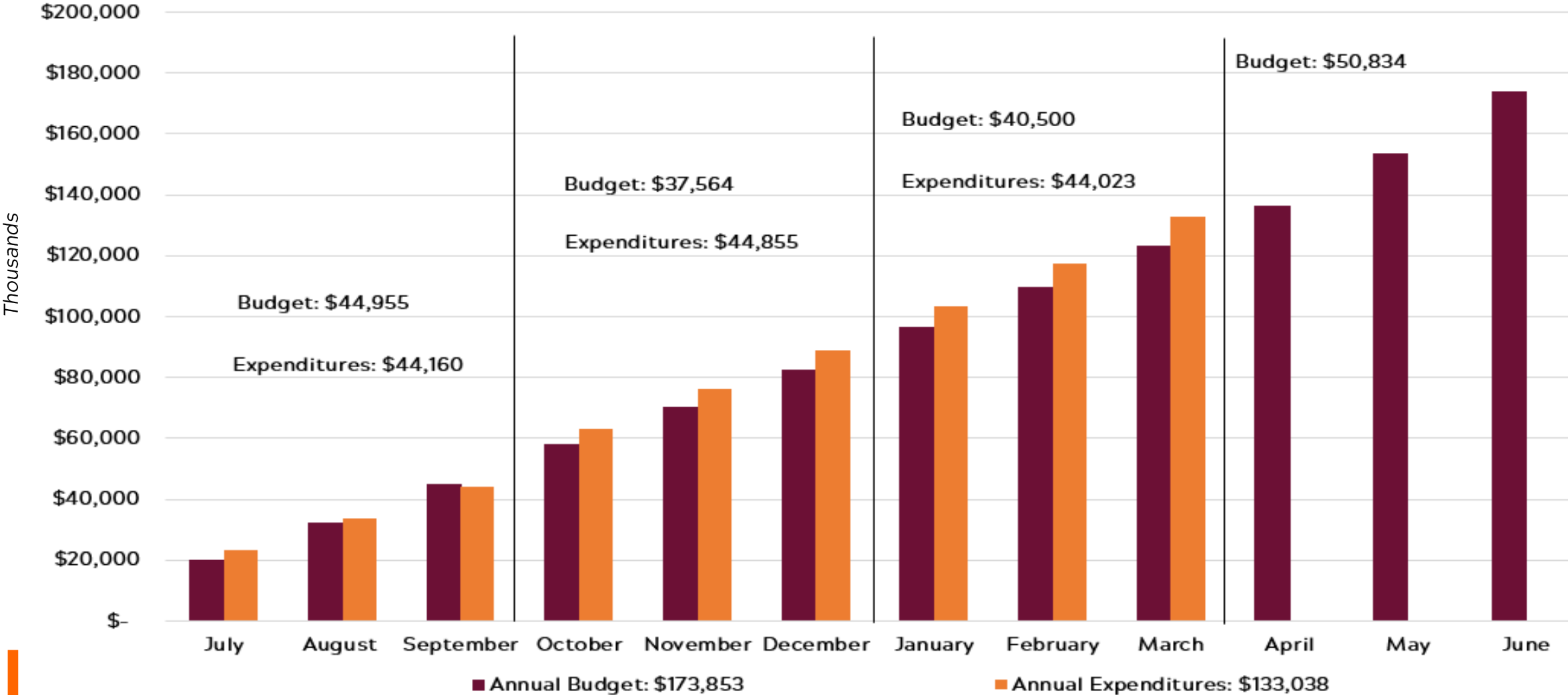


10  
Construction



9  
Closeout

# Activity through March 31, 2020



# Key Updates

## Hitt Hall

- Changing acquisition strategy to CMaR
- Construction adjusted to October 2021

## GBAC Residence Hall

- Changing acquisition strategy to Invitation for Bid
- Construction adjusted to July 2022

## Slusher Replacement

- Schedule shift to manage bed inventory
- Acquisition change to CMaR
- Expected construction adjusted to May 2024

## Student Wellness

- New pricing due July 2020
- Anticipated construction adjusted to August 2020

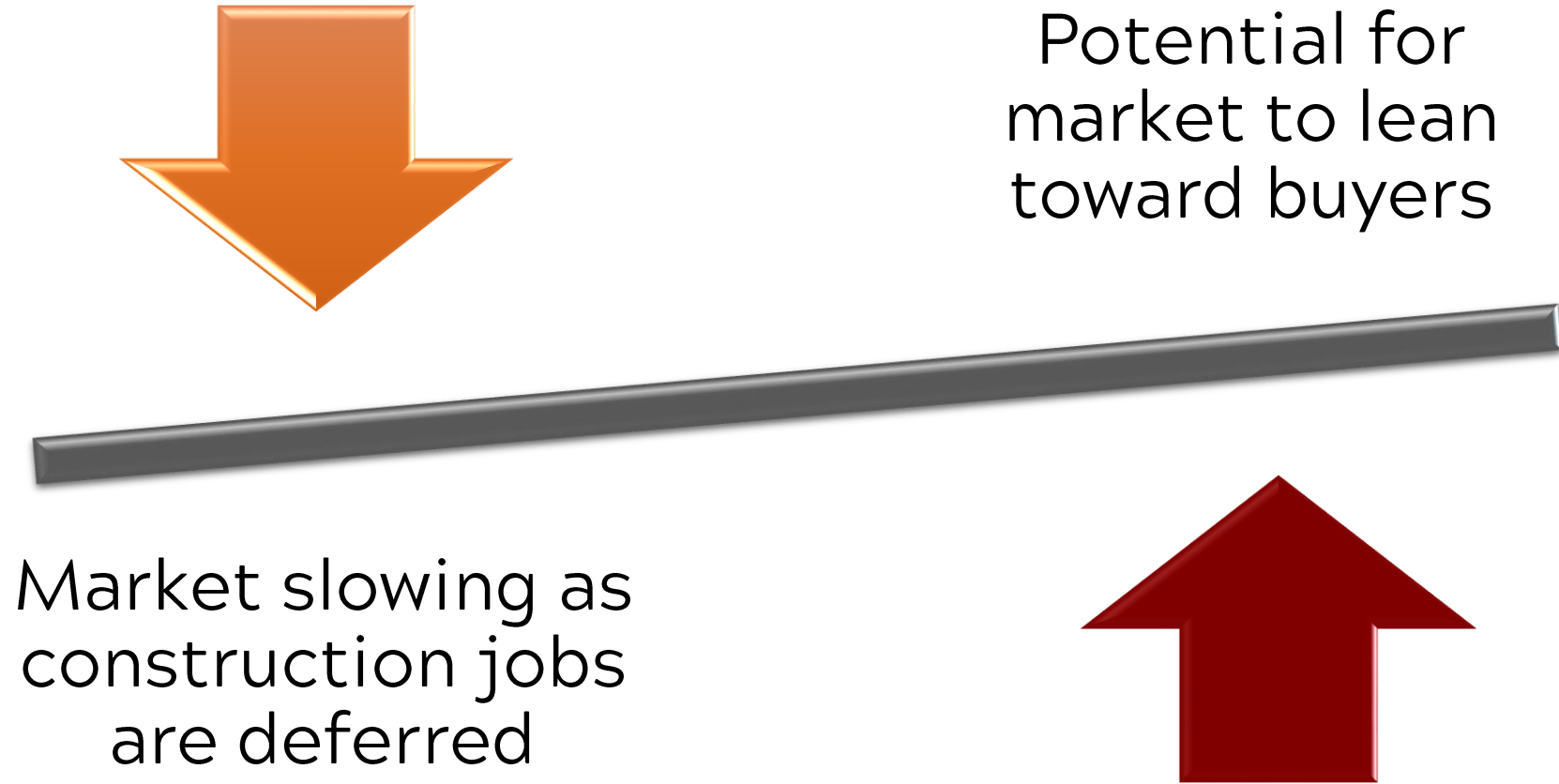
## Dietrick First Floor & Plaza Renovation

- Bids over budget
- Design modification and rebid

## Athletic Weight Room Expansion

- Bids within budget

# Impact of COVID-19



# Timing for Market Pricing

▪ Agriculture Production Facilities	June 2020	\$195,574,000
▪ Student Wellness	July 2020	
▪ Dietrick First Floor and Plaza Renovation	October 2020	
▪ Data and Decision Science	October 2020	
▪ Corps Leadership & Military Science Building	December 2020	
▪ New Upper Quad Residence Hall	December 2020	
▪ Innovation Campus-Academic Building	May 2021	
▪ Undergraduate Science Laboratory Building	July 2021	
▪ Hitt Hall	September 2021	
▪ Global Business & Analytics Complex Residence Halls	June 2022	
▪ Slusher Replacement	March 2024	

# Construction Spending

	Expected Occupancy	Expenditures
▪ Maintenance Reserve	On-going	\$19,156
▪ Health Sciences and Technology	April 2020	\$30,650
▪ Improve Kentland Facilities: Applied Reproduction Facility	April 2020	\$384
▪ Athletics Weight Room Renovation & Expansion	August 2020	\$718
▪ Improve Kentland Facilities: Metabolic Research Lab	August 2020	\$3,324
▪ Improve Kentland Facilities: Bovine Extension Facility	August 2020	\$1,108
▪ Gas Fired Boiler	October 2020	\$2,631
▪ Student Athlete Performance Center	October 2020	\$6,298
▪ Chiller Plant, Phase II	July 2021	\$15,181
▪ Creativity and Innovation Residence Hall	July 2021	\$24,486
▪ <u>Renovate Holden Hall</u>	January 2022	<u>\$1,925</u>
Construction Expenditures through March 31, 2020		\$105,861



# Recommendation

## **RECOMMENDATION:**

*That the report of income and expenditures for the University Division and the Cooperative Extension/Agricultural Experiment Station Division for the period of July 1, 2019 through March 31, 2020 and the Capital Outlay report be approved.*

May 29, 2020

# *Closing Remarks*

**TISH LONG**

**CHAIR, FINANCE AND RESOURCE MANAGEMENT COMMITTEE**