

Approval of 2019-20 Auxiliary System Budgets

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

April 30, 2019

Virginia Tech has four master resolution bond covenants securing debt issues referred to as Systems. The four systems are the Dormitory and Dining System, Electric Service Utility System, University Services System and the Athletic Facilities System. The resolutions authorizing and securing each system 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. 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. The university works to ensure that the systems remain in good working order and that compliance with the terms and conditions of the bond covenants are maintained.

The budget of each of the four Systems for the 2019-20 fiscal year are attached. The system budgets are also included within the university's overall budget.

RECOMMENDATION:

That the recommended budget for fiscal year July 1, 2019 to June 30, 2020 for the operation of the Dormitory and Dining System, Electric Service Utility System, University Services System, and the Athletic Facilities System be approved.

June 3, 2019

**Dormitory and Dining Hall System
2019-20 Operating Budget**

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

April 30, 2019

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, 2019 to June 30, 2020 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	\$57,154,211	\$59,331,767	\$116,485,978
Other Income	2,996,998	14,339,692	17,336,690
Total Revenues	<u>\$60,151,209</u>	<u>\$73,671,459</u>	<u>\$133,822,668</u>
<u>Current Expenses</u>			
Personnel Services	\$13,892,358	\$28,403,282	\$42,295,640
Operations	14,293,948	30,896,777	45,190,725
Administrative Charge	2,205,158	4,871,718	7,076,876
Maintenance Reserve	5,094,632	973,039	6,067,671
Debt Service	13,354,672	3,414,369	16,769,041
One-Time Projects	7,054,959	3,121,769	10,176,728
Total Expenses	<u>\$55,895,727</u>	<u>\$71,680,954</u>	<u>\$127,576,681</u>
Reserve Contribution (Draw)	\$4,255,482	\$1,990,505	\$6,245,987
Net	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

**Electric Service Utility System
2019-20 Operating Budget**

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

April 30, 2019

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, 2019 to June 30, 2020 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	\$20,642,187
All Other Sales	14,543,594
Investment Income	<u>31,747</u>
Total Revenues	<u>\$35,217,528</u>

Current Expenses

Personnel Services	\$4,113,930
Purchase of Electricity	24,144,437
Operating Expenditures	4,652,530
Capital Maintenance Reserve Projects	910,000
Debt Service	<u>775,553</u>
Total Expenses	<u>\$34,596,450</u>

Reserve Contribution (Drawdown)	\$621,078
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Net	<u><u>\$0</u></u>
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**University Services System
2019-20 Operating Budget**

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

April 30, 2019

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, 2019 to June 30, 2020 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	\$47,064,770
Sales and Services	4,299,126
Other Income	2,938,614
Total Revenues	<u>\$54,302,510</u>

Current Expenses

Personnel Services	\$25,497,115
Operating	15,552,731
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	3,739,207
Total Expenses	<u>\$53,257,633</u>

Reserve Contribution (Drawdown)	\$1,044,877
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Net	<u><u>\$0</u></u>
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* University Services System includes Career and Professional Development, Center for the Arts, Health Services, Recreational Sports, Student Engagement and Campus Life, Student Organizations, and Rescue Squad.

**Athletic Facilities System
2019-20 Operating Budget**

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

April 30, 2019

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, 2019 to June 30, 2020 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
Total Revenues	<u>\$77,499,711</u>

Current Expenses

Personnel Services	\$35,724,709
Operations	22,439,609
Administrative Charge	4,870,430
Capital Maintenance Reserve	1,762,189
Maintenance, Repairs, & Equipment Replacement	2,290,149
Debt Service	5,922,561
One-Time Projects	1,076,310
Total Expenses	<u>\$74,085,957</u>

Reserve Contribution (Drawdown)	\$3,413,754
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Net	<u><u>\$0</u></u>
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2019-20 Auxiliary System Budgets

June 3, 2019

DWIGHT SHELTON

VICE PRESIDENT FOR FINANCE AND CHIEF FINANCIAL OFFICER



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

System Budget Overview

- Revenues are sufficient to meet the operating costs, the principal and interest requirements, and usual expenses of maintenance, repair, and operation
- The University works to ensure that:
 - The systems remain in good working order
 - Compliance with the terms and conditions of the bond covenants are maintained

System Budgets

(Dollars in Millions)

	Dormitory & Dining	Electric Service	University Services	Athletic Facilities
Revenues	\$133.8	\$35.2	\$54.3	\$77.5
Expenses	127.6	34.6	53.3	74.1
Contribution/(Draw)	\$6.2	\$0.6	\$1.0	\$3.4

Summary & Recommendation

- Revenues to be received during the fiscal year will be sufficient to meet:
 - The operating costs of the System
 - The principal and interest requirements
 - Normal expenses of maintenance, repair, and operation
 - Terms and conditions of bond covenants

RECOMMENDATION:

That the recommended budget for fiscal year July 1, 2019 to June 30, 2020 for the operation of the Dormitory and Dining System, Electric Service Utility System, University Services System, and the Athletic Facilities System be approved.

June 3, 2019