

Committee Minutes

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

New Classroom Building

June 5-6, 2023

Joint Open Session with the Buildings and Grounds Committee

June 5, 2023

Board members present: Ed Baine, Shelley Barlow, Anna Buhle – Graduate and Professional Student Representative, Dave Calhoun, Carrie Chenery, Sandra Davis, Holli Drewry – Administrative and Professional Faculty Representative, Greta Harris, C.T. Hill, Brad Hobbs, Anna James, Tish Long, Sharon Martin, Melissa Nelson, Jeff Veatch, Robert Weiss – Faculty Representative, Serena Young – Staff Representative

University personnel and guests: Janice Austin, Mac Babb, Callan Bartel, Lynsay Belshe, Eric Brooks, Bob Broyden, Brock Burroughs, Cyril Clarke, Al Cooper, Corey Earles, Jeff Earley, Alisha Ebert, Ted Faulkner, Mark Gess, Kay Heidbreder, Tim Hodge, Elizabeth Hooper, Frances Keene, Chris Kiwus, Sharon Kurek, Rob Mann, Elizabeth McClanahan, Nancy Meacham, Ken Miller, Jeff Mitchell, Heidi Myers, Justin Noble, Kim O'Rourke, Charlie Phlegar, Menah Pratt, Paul Richter, Tim Sands, Amy Sebring, Brennan Shepard, John Tarter, Dwyn Taylor, Jon Clark Teglas, Rob Viers, Tracy Vosburgh, Mike Walsh, Danny White, Chris Wise, Nick Woods, Chris Yianilos, and guests

1. Motion for Joint Open Session

2. Approval of Items Discussed in Joint Closed Session: The Committees reviewed for approval the items discussed in joint closed session.

- * **3. Approval of Resolution for the Football Locker Room Renovation Project:** The Committees reviewed for approval a Resolution for the Football Locker Room Renovation Project. This 4,200 square-foot renovation project provides a state-of-the art hydrotherapy suite and renovations to the players' restrooms and shower facilities within the Jamerson Athletic Facility. The \$5.9 million total project cost will be funded with private gifts.

The Committees recommended the Resolution for the Football Locker Room Renovation Project to the full Board for approval.

- * **4. Approval of Resolution for Student Life Village, Phase I Planning Authorization:** The Committees reviewed for approval a Resolution for Student

Life Village, Phase I Planning Authorization. This \$19.4 million planning authorization, funded with auxiliary revenues designated for facility improvements, includes preliminary designs for: sitework; landscaping; utilities; residential, dining, and recreation structures; roads; and pathways.

The Committees recommended the Resolution for Student Life Village, Phase I Planning Authorization to the full Board for approval.

There being no further business, the meeting adjourned at 5:49 p.m.

Open Session

June 6, 2023

Board members present: Ed Baine, Anna Buhle – Graduate and Professional Student Representative, Dave Calhoun, Carrie Chenery, Sandra Davis, Greta Harris, Brad Hobbs, Anna James, Tish Long, Sharon Martin, Melissa Nelson, Robert Weiss – Faculty Representative, Serena Young – Staff Representative

University personnel and guests: Beth Armstrong, Callan Bartel, Lynsay Belshe, Eric Brooks, Ellie Brown – Student, Bob Broyden, Cyril Clarke, Al Cooper, Gannon Davis, Riley DeHority – Student, Corey Earles, Jeff Earley, Alisha Ebert, Debbie Greer, Amy Hagen – Student, Kay Heidbreder, Jim Hillman, Tim Hodge, Matt Holt, Elizabeth Hooper, Adbeali Jivaji – Student, Frances Keene, Sharon Kurek, Jack Leff, Rob Mann, Kait Malewicz – Student, Elizabeth McClanahan, Nancy Meacham, Ken Miller, Kim O'Rourke, Kelly Oaks, Charlie Phlegar, Menah Pratt, Paul Richter, Tim Sands, Amy Sebring, Brennan Shepard, Will Storey – Future Undergraduate Student Representative, Aimee Surprenant, Dwyn Taylor, Prescott Vayda – Student, Rob Viers, Tracy Vosburgh, Michael Walsh, Melinda West, Chris Wise, Nick Woods, Chris Yianilos, and other guests

- 1. Motion for Open Session**
- 2. Welcome and Opening Remarks**
- 3. Consent Agenda:** The Committee considered for approval and acceptance the items listed on the Consent Agenda.
 - a. Approval of Items Discussed in Closed Session**
 - b. Approval of Minutes of the March 20, 2023 Meeting**

- * **c. Approval of 2023-24 Hotel Roanoke Conference Center Commission Budget:** The Committee reviewed for approval the 2023-24 Hotel Roanoke Conference Center Commission 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. 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, if needed. Traditionally, the university has contributed \$80,000 to support the operations, and this will continue for the fiscal year 2023-24 and will come from the Fralin endowment, which was established to assist this program.
- * **d. Approval of Resolution to Appoint University Commissioner to the Hotel Roanoke Conference Center Commission:** The Committee reviewed for approval a resolution to appoint the Executive Vice President and Chief Operating Officer as a representative of the university on the Hotel Roanoke Conference Center Commission.
- * **e. Notification of Provisions of the Appropriation Act Relating to Indebtedness of State Agencies:** The Committee reviewed for approval the notification of provisions of the Appropriation Act relating to indebtedness of state agencies. 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 and recommended the 2023-24 Hotel Roanoke Conference Center Commission budget, the Resolution to Appoint University Commissioner to the Hotel Roanoke Conference Center Commission, and the Notification of Provisions of the Appropriation Act Relating to Indebtedness of State Agencies to the full Board for approval.

- # **4. Update on Advancement:** Charlie Phlegar provided a report on Advancement's fundraising efforts including a campaign update, the most recent numbers for New Gifts and Commitments and Cash, and an overview of the top issues currently facing Advancement. In addition, Charlie shared that the 22 percent alumni participation rate goal was met again this year.

- * 5. **Approval of Resolution Delegating Authority for Pratt Funds:** The Committee reviewed for approval a resolution delegating authority for the management of the Pratt Fund payouts to the Dean of the College of Agriculture and Life Sciences and the Dean of the College of Engineering. The university has more than met the terms and conditions specified in Mr. John Lee Pratt's 1975 will, and has demonstrated prudent and excellent stewardship of these funds. Because of this, the university is requesting the discontinuation of Board of Visitors approval for the budgeting and spending of these funds. The university will continue to spend the funds in accordance with the programmatic restrictions specified in the Pratt will.

The Committee recommended the Resolution Delegating Authority for Pratt Funds to the full Board for approval.

- * 6. **Update on the Development of the 2024-2030 Six-Year Plan and Approval of Related Strategies:** The Committee received an update on the development of the 2024-2030 Six-Year Plan and will review for approval related strategies under consideration for inclusion in the plans that would advance shared goals. The Six-Year Plan proposals will be submitted to the state on July 17 with final plan submission on October 1 and will primarily inform state funding requests for fiscal years 2025 and 2026.

The Committee recommended the Strategies Related to the Development of the 2024-2030 Six-Year Plan to the full Board for approval.

- 7. **Intercollegiate Athletics Programs Report for Year Ended June 30, 2022:** The Committee received a report on the Auditor of Public Accounts (APA) Intercollegiate Athletics Program review for fiscal year 2022. 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, 2022, is in compliance with the National Collegiate Athletic Association (NCAA) bylaws.

- * 8. **Approval of Year-to-Date Financial Performance Report (July 1, 2022 – March 31, 2023):** The Committee reviewed for approval the Year-to-Date Financial Performance Report for July 1, 2022 to March 31, 2023. For the third quarter, budget adjustments were made to reflect revisions to projected revenues and expenditures. The report shows the actual revenues and expenses compared to the budgets and the overall status and expenditures of ongoing capital projects.

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

9. **Financial Actions for Staff Compensation:** The Committee received an overview of financial actions related to staff compensation. The 2022 General Assembly approved a biennial budget with compensation actions for Classified and University Staff. The university implemented a 5.0 percent across-the-board increase for Classified Staff, and an average of 5.0 percent increase for University Staff, comprised of a 3.0 percent base increase and 2.0 percent variable merit-based increase.

- * 10. **Approval of 2023-24 Faculty Compensation Plan:** The Committee reviewed for approval the 2023-24 Faculty Compensation Plan. Based on the university's understanding of the state budget, a five percent faculty salary increase, effective June 10, 2023, has been planned.

The university traditionally implements such state increases differentially on the basis of merit. In anticipation of this program, merit recommendations were developed during the spring of 2023, consistent with the proposed 2022-23 Faculty Compensation Plan. Results of this process were shared with the Board in a separate resolution. Implementation of this increase is subject to Board approval and finalization of the state budget.

To maintain and improve upon the university's standing relative to the 50th percentile of the Top 20 Land Grant peers, the higher levels of competing offers offered to 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.

The Committee recommended the 2023-24 Faculty Compensation Plan to the full Board for approval.

- * 11. **Approval of 2023-24 Compensation for Graduate Assistants:** The Committee reviewed for approval the proposed 2023-24 schedule of stipends and support for the health insurance program for graduate students. The university proposes a 5.0 percent increase in the stipend scale and the establishment of a minimum stipend of \$2,420 per month.

Pending final action by the General Assembly, the Board will authorize the president to modify the increase for graduate assistant compensation to match the statewide employee compensation program.

The Committee recommended the 2023-24 Compensation for Graduate Assistants to the full Board for approval.

- *#+ 12. Approval of 2023-24 University Operating and Capital Budgets:** The Committee reviewed for approval the proposed university operating and capital budgets for 2023-24.

The Operating Budget for the 2023-24 fiscal year has a recommended internal budget for all operations of \$2.1 billion. This is an increase of \$144.5 million, approximately 7.5 percent, over the adjusted budget for last year. The operating budget assumes the commonwealth's "Skinny Budget", tuition and fee rates approved by the Board in April, \$4 million of reallocations, and \$12 million for strategic initiatives.

The university's total General Fund allocation is estimated to be approximately \$397.3 million, an increase of \$22.1 million over last year's adjusted budget. General Fund revenues will provide \$360.1 million in support for the instructional, research, and extension programs, \$33.6 million for student financial assistance, and \$3.6 million for the Unique Military Activities program. The increase in the General Fund will primarily be used to fund the salary increases included in the State budget.

The overall change in the budget includes an increase of \$60.8 million attributable to the Educational and General programs and \$39.1 million of projected growth in Auxiliary Enterprises. The Auxiliary Enterprise budget includes the budgets of four Auxiliary Systems; the Dormitory and Dining Hall System, the Electric Service Utility System, the University Services System, and, the Athletic Facilities System, in accordance with the resolutions authorizing and securing revenue bonds. The university's Educational and General budget will be \$1.11 billion and the Auxiliary Enterprise revenue budget is \$452.7 million for fiscal year 2023-24. The projected annual budget for Sponsored Programs is \$435.3 million, an increase of \$45.3 million or 11.6 percent higher than the adjusted budget for last year.

Understanding that strategic investments will not be realized solely through incremental new revenue, the university is planning for \$25 million of reallocations over the next 5 years to support a portion of the multi-year initiative vision. The current FY24 budget already requires \$4 million to fund mandatory and unavoidable cost increases based on the tuition rates approved in April.

The Capital Budget capital outlay program for 2023-24 is comprised of 13 Educational and General projects and 5 Auxiliary Enterprise projects for a total of

18 projects. The total multi-year capital program for 2023-24 includes approximately \$1.18 billion of authorizations with an annual expenditure budget of approximately \$220 million for 2023-24.

The Committee recommended the 2023-24 University Operating and Capital Budgets to the full Board for approval.

13. **Discussion of Future Agenda Topics and Closing Remarks:** The Committee discussed future agenda topics. This included potential adjustments to tuition and fee rates and budget amendments based on the final outcome of the state budget, approval of the 2024-2030 Six-Year Plan, potential actions related to the results of the Graduate Student Assistantship Support Task Force, and progress on budget reallocations.

There being no further business, the meeting adjourned at 11:52 a.m.

Joint Closed/Open Session Agenda**FINANCE AND RESOURCE MANAGEMENT COMMITTEE
AND
BUILDINGS AND GROUNDS COMMITTEE****June 5, 2023****5:00 p.m.****Room 260, New Classroom Building****Joint Closed****Agenda Item**

1. Motion to Begin Joint Closed Session

**Reporting
Responsibility**

Greta Harris

- * 2. Approval of Resolution for the Acquisition of Real Property

Ken Miller
Chris Kiwus
Bob Broyden**Joint Open****Agenda Item**

1. Motion to Reconvene in Joint Open Session
2. Approval of Items Discussed in Joint Closed Session

**Reporting
Responsibility**

Greta Harris

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- * 3. Approval of Resolution for the Football Locker Room Renovation Project

Ed Baine
Shelley Butler Barlow

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- * 4. Approval of Resolution for Student Life Village, Phase I Planning Authorization

Ken Miller
Chris Kiwus
Bob Broyden

Closed Session Agenda
FINANCE AND RESOURCE MANAGEMENT COMMITTEE
Room 260, New Classroom Building
9:15 a.m.
June 6, 2022

<u>Agenda Item</u>	<u>Reporting Responsibility</u>
1. Motion for Closed Session	Anna James
* 2. Ratification of Personnel Changes Report	Ken Miller
* 3. 2022-23 Promotion, Tenure, and Continued Appointment Program	Ken Miller
* 4. Approval of 2023-24 Faculty Salary Adjustments	Ken Miller

Open Session Agenda
FINANCE AND RESOURCE MANAGEMENT COMMITTEE
Room 260, New Classroom Building
June 6, 2023

<u>Agenda Item</u>	<u>Reporting Responsibility</u>
1. Motion for Open Session	Anna James
2. Welcome and Opening Remarks	Ed Baine
3. Consent Agenda	Ed Baine
a. Approval of Items Discussed in Closed Session	
b. Approval of Minutes of the March 20, 2023 Meeting	
* c. Approval of 2023-24 Hotel Roanoke Conference Center Commission Budget	
* d. Approval of Resolution to Appoint University Commissioner to the Hotel Roanoke Conference Center Commission	
* e. Notification of Provisions of the Appropriation Act Relating to Indebtedness of State Agencies	
# 4. Update on Advancement	Charlie Phlegar
* 5. Approval of Resolution Delegating Authority for Pratt Funds	Ken Miller
* 6. Update on the Development of the 2024-2030 Six-Year Plan and Approval of Related Strategies	Ken Miller Tim Hodge
7. Intercollegiate Athletics Programs Report for Year Ended June 30, 2022	Ken Miller Melinda West
* 8. Approval of Year-to-Date Financial Performance Report (July 1, 2022 – March 31, 2023)	Tim Hodge Bob Broyden
9. Financial Actions for Staff Compensation	Ken Miller
* 10. Approval of 2023-24 Faculty Compensation Plan	Ken Miller
* 11. Approval of 2023-24 Compensation for Graduate Assistants	Ken Miller
*# 12. Approval of 2023-24 University Operating and Capital Budgets	Amy Sebring Tim Hodge Bob Broyden
13. Discussion of Future Agenda Topics and Closing Remarks	Ed Baine



Resolution for a Capital Project for the Football Locker Room Renovation

BOB BROYDEN

Associate Vice President for Campus Planning and Capital Financing

JUNE 5, 2023



Football Locker Room Renovation

- Program: provide a state-of-the-art hydrotherapy suite and renovations to the players' restrooms and shower facilities
- Scope: 4,200 SF renovation of existing spaces within the Jamerson Athletic Facility
- Schedule: target completion is fall 2024
- Cost: \$4.1 million construction and \$5.9 total project cost
- Funding Plan: Private gifts



Resolution for a Capital Project for the Football Locker Room Renovation

ATTACHMENT K

NOW, THEREFORE, BE IT RESOLVED, that the university be authorized to design and construct the Football Locker Room Renovation project with an expected construction value of \$4.1 million plus associated soft costs for a total project budget not to exceed \$5.9 million.

RECOMMENDATION

That the resolution authorizing Virginia Tech to complete the Football Locker Room Renovation project be approved.

JUNE 6, 2023

Resolution for a Capital Planning Project for Student Life Village Phase I

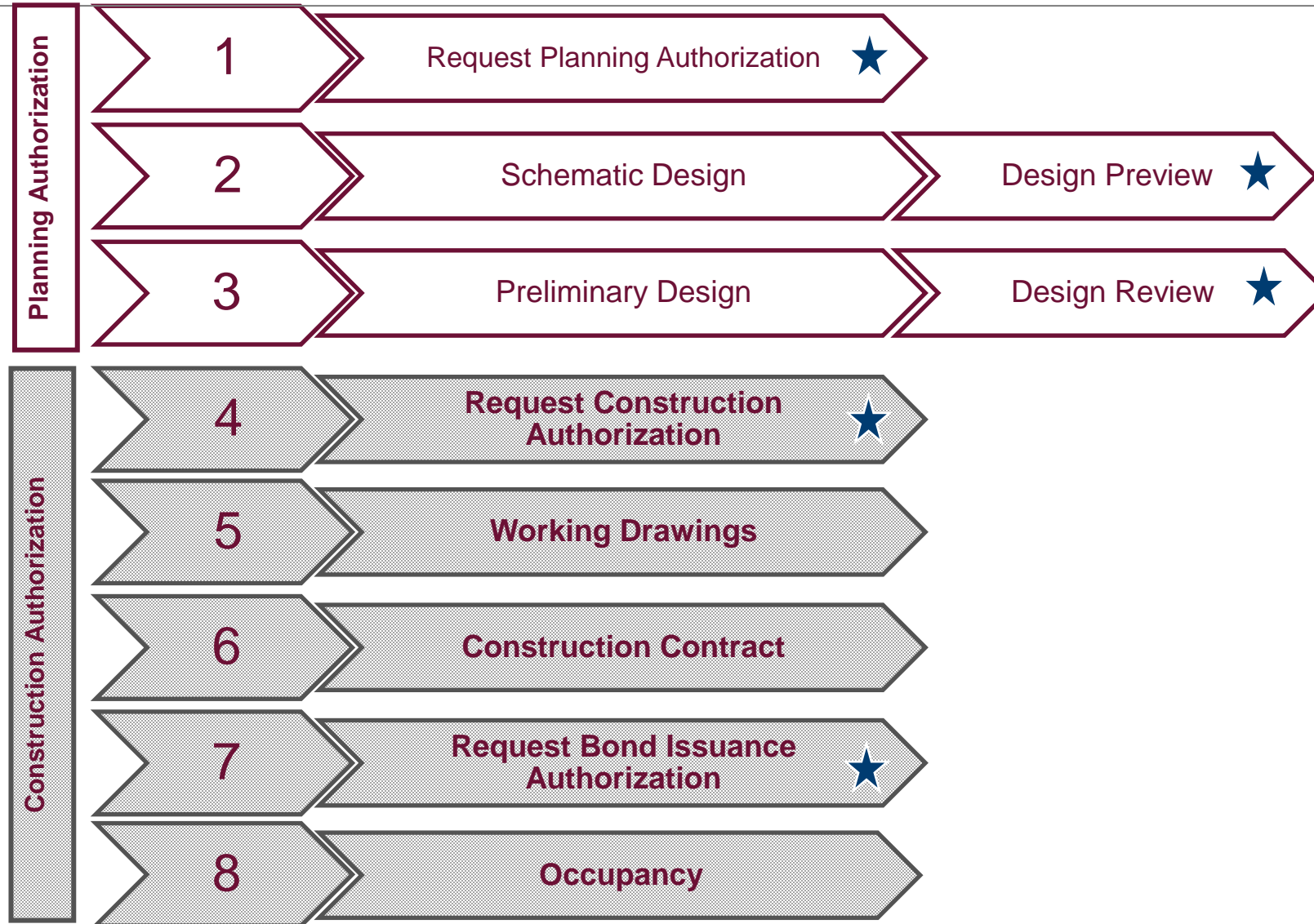
BOB BROYDEN

Associate Vice President for Campus Planning and Capital Financing

JUNE 5, 2023



Steps, Approvals, and Timing



Phase I Scope Overview

ATTACHMENT K

PHASE I

- 1,750 Beds
- Dining Facility
- Recreation Facility
- Transit Plaza
- Village Trail

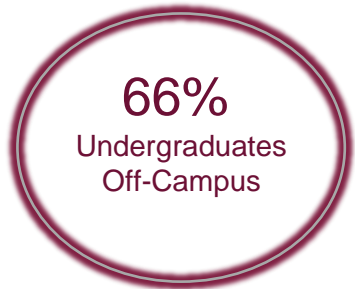
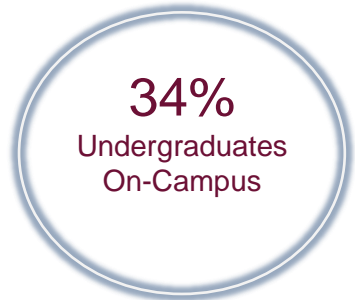
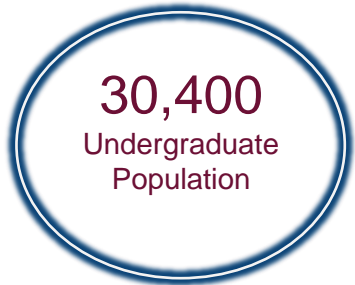


On-Campus Housing Breakdown

On-Campus Bed Inventory, Fall 2023

7,085	67%	First Time in College (FTIC)
1,200	26%	Existing LLCs (continuing)
900		Corps of Cadets (continuing)
630		Fraternity & Sorority housing
300	7%	Residential Well-being Student Leaders
270		Transfer, Graduate, & International Students
115		Med/ADA accommodations

10,500 Total on-campus bed inventory, 2023



On-Campus Housing with SLV, Phase I

ATTACHMENT K

On-Campus Bed Projections, fall 2028, est.

10,500	On-campus bed inventory, fall 2023
+1,750	Student Life Village, Phase I beds
-630	Demolish Slusher Hall
-500	Pull rooms for renovations
11,120	Adjusted inventory, fall 2028, est.
<u>620</u>	Net new beds to establish LLC for Global Business and Analytics Complex

Resolution for a Capital Planning Project for Student Life Village Phase I

NOW, THEREFORE, BE IT RESOLVED, that the university be authorized to move forward with a \$19.5 million planning authorization to complete preliminary designs for Phase I of the Student Life Village.

RECOMMENDATION

That the resolution authorizing Virginia Tech to plan the Student Life Village Phase I be approved.

JUNE 6, 2023

RESOLUTION DELEGATING AUTHORITY FOR THE PRATT FUNDS

KEN MILLER, VICE PRESIDENT OF
FINANCE & UNIVERSITY TREASURER

JUNE 6, 2023

BACKGROUND

- In 1975, Virginia Tech received a significant bequest of \$10.97 million from the estate of Mr. John Lee Pratt.
- The bequest was specified to be used to support Animal Nutrition in the College of Agriculture and Life Sciences (CALS) by supplementing salaries, equipment and materials, and disseminating research results and to support the College of Engineering (COE) by funding research and scholarship programs.
- A quasi-endowment was established which preserved the principal of the original gift and allowed it to grow over the last 40 plus years such that the market value of these Pratt funds was \$44.5 million as of June 30, 2022.

BACKGROUND - CONTINUED

- In addition, the quasi-endowment payouts each year during that period were used to fund the programmatic activities specified in the will and the colleges have successfully managed the use of these funds. During this period approximately \$50 million has been spent in support of the Pratt programs.
- Therefore, the university has more than met the terms and conditions specified in the will and has demonstrated prudent and excellent stewardship of these funds and we ask to discontinue the need for BOV approval for the budgeting and spending of these funds. However, the university will continue to spend the funds in accordance with the programmatic restrictions specified in the Pratt will.
- To ensure ongoing monitoring of the programmatic expenditures, an MOU will be established between the Vice President for Finance and University Treasurer and the Deans of CALS and COE agreeing that a summary report of expenditures of Pratt Funds endowment payouts will be submitted and reviewed annually.

RESOLUTION DELEGATING AUTHORITY FOR THE PRATT FUNDS

RECOMMENDATION

That the resolution delegating authority for the management of the Pratt Fund endowment payouts to the Dean of the College of Agriculture and Life Sciences and the Dean of the College of Engineering be approved for the programs as defined by the Estate.

JUNE 6, 2023

UPDATE ON THE DEVELOPMENT OF THE 2024-30 SIX-YEAR PLAN AND APPROVAL OF RELATED STRATEGIES

KEN MILLER, VICE PRESIDENT FOR
FINANCE AND UNIVERSITY TREASURER

TIM HODGE, ASSOCIATE VICE PRESIDENT
FOR BUDGET AND FINANCIAL PLANNING

JUNE 6, 2023

SIX-YEAR PLAN

- Higher Education Opportunity Act of 2011
- Academic, financial, and enrollment plans for the next 3 biennia, with focus on the first biennium
- State updating the process for this cycle
 - Expect standardized metrics and consideration of workforce alignment
- Instructions May 17
- Initial Submission due July 17
- State and the university will discuss
- November - BOV review and approval of plan
- Six-Year Plan frames discussion with the commonwealth:
 - Outline of the university's planned progress towards shared goals supporting the state's Virginia Plan for Higher Education
 - Positions the university to seek state support during the Executive Budget development process each fall

MAJOR ELEMENTS UNDER CONSIDERATION FOR INCLUSION IN UNIVERSITY'S SIX-YEAR PLAN

Virginia Tech Strategic Plan	Six-Year Plan		State Plan for Higher Education
	Nongeneral Fund Academic Strategies	General Fund Requests	
1) Advance Regional, National, and Global Impact	<p>Leverage crosscutting strengths in high-impact research frontiers to facilitate recruitment of talented and diverse mid-career faculty and bolster retention of fast-rising early-career faculty. (Top 100 Global)</p> <p>Advance evidence-based, student-centered learning programming for undergraduates, with an emphasis on experiential learning opportunities. (Virginia Tech Advantage)</p> <p>Expand graduate enrollment in high-demand disciplines to support the commonwealth's workforce needs, including the Tech Talent Investment Program.</p>	<p>Research support for frontier areas (AI, health, security, quantum) or other strategic areas. (Top 100 Global)</p> <p>Increase affordable access to medical education at VTCSOM to facilitate training of graduates in Virginia residency programs and improve retention in Virginia practices.</p>	Transformative
2) Elevate the UT Prosim Difference	<p>Advance academic and administrative efficiencies, leading to reduced time-to-degree and a reduction in net student cost. (Virginia Tech Advantage)</p> <p>Increase student financial aid for low- and middle-income Virginians to reduce net price and expand access. (Virginia Tech Advantage)</p>	<p>Lower the need for a tuition increase for Virginia residents by providing the state share of escalating costs.</p> <p>Increase student financial aid support for need-based Virginia undergraduates (Virginia Tech Advantage)</p> <p>Continue progress of equitable support for the Corps of Cadets.</p>	Equitable, Affordable, Transformative
3) Be a Destination for Talent	<p>Enhance competitive compensation for faculty, staff, graduate student assistantships, and wage employees to support diverse recruitment and the retention of talent, particularly among mid-career faculty.</p>		
4) Ensure Institutional Excellence	<p>Enhance institutional transformation and effectiveness through investments in technology and critical support services.</p> <p>Reimagine use of physical resources, renovate existing facilities, and support the operation and maintenance of new facilities.</p>	<p>Enhance technology and critical support services</p>	Equitable, Transformative

MAJOR ELEMENTS UNDER CONSIDERATION FOR INCLUSION IN UNIVERSITY’S SIX-YEAR PLAN



Virginia Tech Strategic Plan	Six-Year Plan		State Plan for Higher Education
	Nongeneral Fund Academic Strategies	General Fund Requests	
1) <i>Advance Regional, National, and Global Impact</i>	<p>Leverage crosscutting strengths in high-impact research frontiers to facilitate recruitment of talented and diverse mid-career faculty and bolster retention of fast-rising early-career faculty. (Top 100 Global)</p> <p>Advance evidence-based, student-centered learning programming for undergraduates, with an emphasis on experiential learning opportunities. (Virginia Tech Advantage)</p> <p>Expand graduate enrollment in high-demand disciplines to support the commonwealth's workforce needs, including the Tech Talent Investment Program.</p>	<p>Research support for frontier areas (AI, health, security, quantum) or other strategic areas. (Top 100 Global)</p> <p>Increase affordable access to medical education at VTCSOM to facilitate training of graduates in Virginia residency programs and improve retention in Virginia practices.</p>	Transformative

MAJOR ELEMENTS UNDER CONSIDERATION FOR INCLUSION IN UNIVERSITY’S SIX-YEAR PLAN

Virginia Tech Strategic Plan	Six-Year Plan		State Plan for Higher Education
	Nongeneral Fund Academic Strategies	General Fund Requests	
2) <i>Elevate the UT Prosim Difference</i>	<p>Advance academic and administrative efficiencies, leading to reduced time-to-degree and a reduction in net student cost. (Virginia Tech Advantage)</p> <p>Increase student financial aid for low- and middle-income Virginians to reduce net price and expand access. (Virginia Tech Advantage)</p>	<p>Lower the need for a tuition increase for Virginia residents by providing the state share of escalating costs.</p> <p>Increase student financial aid support for need-based Virginia undergraduates. (Virginia Tech Advantage)</p>	Equitable, Affordable, Transformative
3) <i>Be a Destination for Talent</i>	<p>Enhance competitive compensation for faculty, staff, graduate student assistantships, and wage employees to support diverse recruitment and the retention of talent, particularly among mid-career faculty.</p>	<p>Continue progress of equitable support for the Corps of Cadets.</p>	

MAJOR ELEMENTS UNDER CONSIDERATION FOR INCLUSION IN UNIVERSITY’S SIX-YEAR PLAN

Virginia Tech Strategic Plan	Six-Year Plan		State Plan for Higher Education
	Nongeneral Fund Academic Strategies	General Fund Requests	
4) <i>Ensure Institutional Excellence</i>	Enhance institutional transformation and effectiveness through investments in technology and critical support services. Reimagine use of physical resources, renovate existing facilities, and support the operation and maintenance of new facilities.	Enhance technology and critical support services	Equitable, Transformative

FINANCIAL PLAN

- Per state rules, tuition and other institutional resources are expected to fund plan; assuming no new state support per state instructions
- General Fund requests are separate and may help support university initiatives or lower the need for a tuition rate increase
- Plan represents the start of a discussion with commonwealth on opportunities for partnership, and is not a final decision about tuition or other resources
- As placeholders, the university envisions the following tuition placeholder:

FY24 Placeholders	Resident	Nonresident
Assumption of No New General Fund	4.9%	3.9%

- The university’s highest priority General Fund request will be to help lower the need for an increase in resident tuition

NEXT STEPS

- Understand process changes
- Development of the plan
- July 17 – initial submission to state
- September 1 – feedback from the state
- October 1 – university response to feedback
- November - BOV review and approval of plan

UPDATE ON THE DEVELOPMENT OF THE SIX-YEAR PLAN AND APPROVAL OF RELATED STRATEGIES

RECOMMENDATION

That the Board of Visitors approve the university's strategies for the development of the 2024-30 Six-Year Plan proposal to advance shared goals.

June 6, 2023

**Update on Auditor of Public Accounts
Intercollegiate Athletics Programs
Report for Year Ended June 30, 2022**

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

April 21, 2023

The Auditor of Public Accounts (APA) is performed certain agreed-upon procedures to evaluate whether the university's Schedule of Revenues and Expenses of Intercollegiate Athletics Programs (Schedule) complies with the National Collegiate Athletic Association (NCAA) Constitution 3.2.4.15.1 for the year ended June 30, 2022. The APA has not identified any matters requiring amounts on the Schedule to be adjusted. In addition to the Schedule, the agreed-upon procedures address internal controls, affiliated and outside organizations, and separate procedures for specific revenues and expenses. The APA is not auditing the financial statements of the Intercollegiate Athletics Programs and will not be issuing an opinion.

The Schedule's purpose is to present a summary of revenues and expenses for the university's intercollegiate athletics programs for the year ended June 30, 2022. Total revenues were \$121.8 million, with most of the revenue coming from football and non-program specific sources. Total expenses for the year were \$116.9 million, resulting in an operating surplus of \$4.9 million. The following attachments provide additional information regarding athletic finances:

- *Attachments A, B and C* displays trend analyses of athletic revenues, expenses and debt. The analysis indicates an upward slope in revenues and expenses.
- *Attachment D* shows the five-year trend for net income/deficit.
- *Attachment E* offers a breakout of fiscal year 2022 net operating income by athletic program, showing that the proceeds from football and men's basketball support other athletic programs.
- *Attachment F* is the unaudited Schedule of Revenues and Expenses and footnotes for the year ended June 30, 2022.
- *Attachment G* is the reconciliation of cash basis accounting to the NCAA report.

In FY 2021 the Schedule began reflecting the university's ongoing support of the academic success of student athletes. Student Athlete Academic Support Services (SAASS) is a student services office that exclusively provides student athletes with comprehensive academic support services such as tutoring, studying assistance, computing technology, and academic and individual skill development programs. University SAASS support appears on the Schedule as offsetting indirect institutional support revenue and expenditure amounts and is excess/(deficiency) neutral, however it is a use of E&G funds to support the academic programs for student athletes.

Additional Activities Related to NCAA Reporting

Subsidy Percentage

House Bill 1897 (HB1897) passed by the 2015 General Assembly prohibits the total of school funds and student fees used to support intercollegiate athletics programs from exceeding a certain percentage of athletics revenues. This calculation is called the subsidy percentage. For the subsidy percentage calculation, revenues supporting spirit groups, indirect cost charges, and debt service are removed from both the total revenue and the student fees. The bill requires any school that violates the subsidy percentage cap to submit a five-year plan for coming into compliance to the General Assembly. The subsidy percentages are larger for small institutions which do not have significant ticket sales or conference distributions. For Virginia Tech, the subsidy percentage must remain below 20 percent.

The university's athletic fees are the lowest in the commonwealth and have not been affected by the legislation's fixed percentage of fees ceiling. Virginia Tech has met the subsidy percentage requirement in fiscal years 2017–22.

Rolling Average

Per the requirements of Subsection D of § 23.1-1309 of the Code of Virginia, “any percentage increase in the subsidy at an institution that complies with Subsection C shall be matched by a like percentage increase in generated revenue, except that each institution shall utilize a rolling average of the change in generated revenues and student fees over the immediately preceding five years for the purposes of such calculation.” Fiscal year 2022 was the sixth reporting year following the effective date of the regulation. However, due to interruptions from the pandemic, the most recently available calculation from the APA is for the three-year averages from fiscal year 2017 through 2019.

The 2021 Virginia General Assembly amended the requirements of Subsection D of § 23.1-1309 of the Code of Virginia to provide additional operational relief to institutions of higher education. Pursuant to § 4-2.01.b.11 of this act, fiscal years 2020, 2021, and 2022 shall be excluded from the calculated five-year rolling average of the change in generated revenues and student fees for future required reporting on intercollegiate athletic revenues and expenses, specifically related to the share of athletic revenues from school funds and student fees, as set out in § 23.1-1309, Code of Virginia.

The average increase in the student fees revenues for the three-year period from fiscal year 2017 to 2019 was 7.5 percent, which was greater than the 5.2 percent average increase in generated revenues. The increase in student fees revenues resulted from a combination of enrollment growth and nominal rate increases. Significant increases in enrollments allow for large increases in student fee revenue without substantial increases in the per-student fee. From fiscal year 2017 to 2019, the average per-student athletic fee increase was 4.0 percent (which is less than the average increase in generated revenues), yet the average total student athletic fee revenue increase was 7.5 percent. This difference is due to increases in enrollment, which includes the increase of nearly 1,000 full-time students in fiscal year 2018. Year over year enrollment and rate changes are equally meaningful when evaluating the changes in student athletic fee revenues.

Table 1 below displays Virginia Tech's increases in enrollment and student athletic fees for the past five fiscal periods.

Table 1: Intercollegiate Athletics Non-E&G Mandatory
Intercollegiate Athletics Fees

	FY 2017-18	FY 2018-19	FY 2019-20*	FY 2020-21*	FY 2021-22*
Fee per FTE student	\$308	\$317	\$326	\$326	\$362
\$ Increase	\$15	\$9	\$9	\$0	\$36
% Increase	5.1%	2.9%	2.8%	0.0%	11%
Student fee revenues	\$9,704,076	\$10,275,759	\$10,924,067	\$10,889,955	\$12,474,177

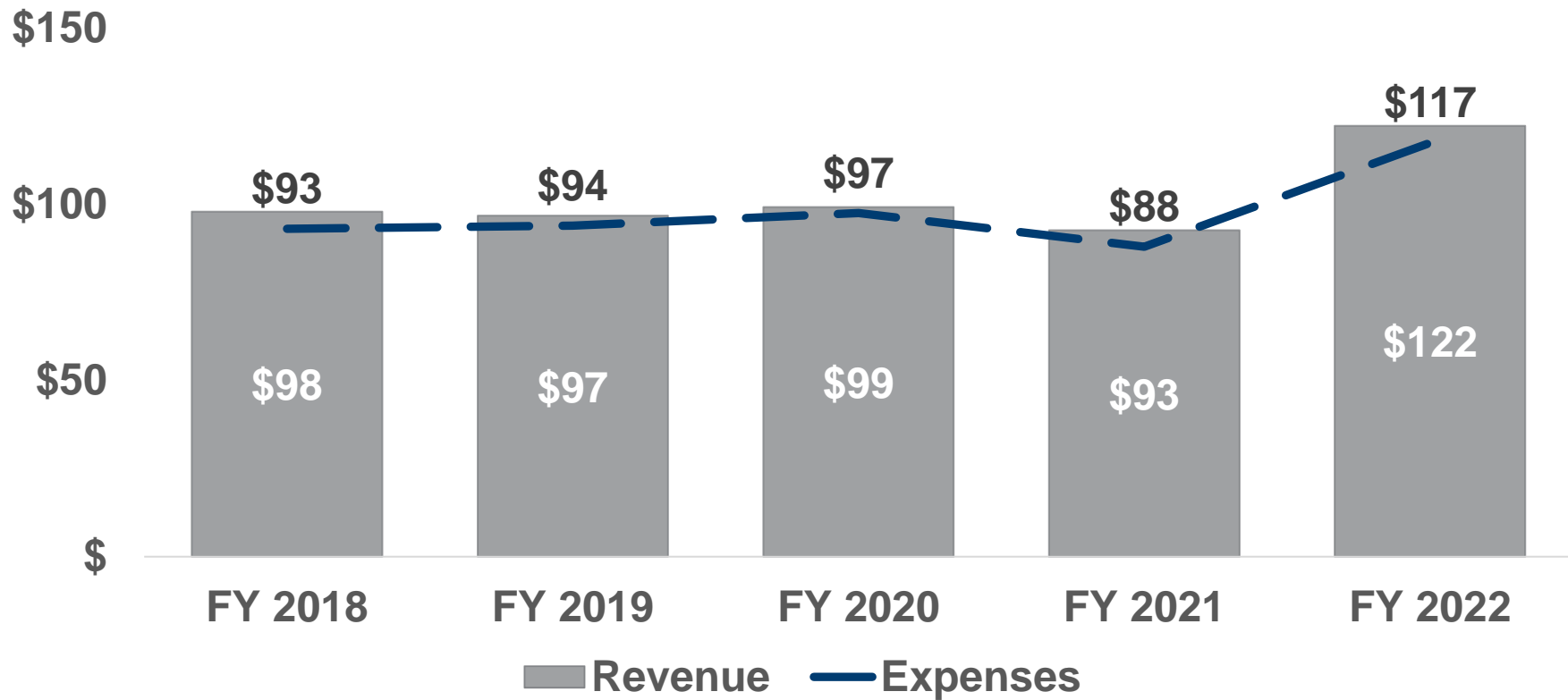
* Due to interruptions from the pandemic not included in the rolling average calculations.

Attachment A

Intercollegiate Athletic Programs Revenue & Expenses

For the years ended June 30, 2018 – 2022

(all dollars in millions)



Attachment B

Revenue and Expense Line Items with Significant Increase (Decrease)

For the years ended June 30, 2022 and 2021

(all dollars in thousands)

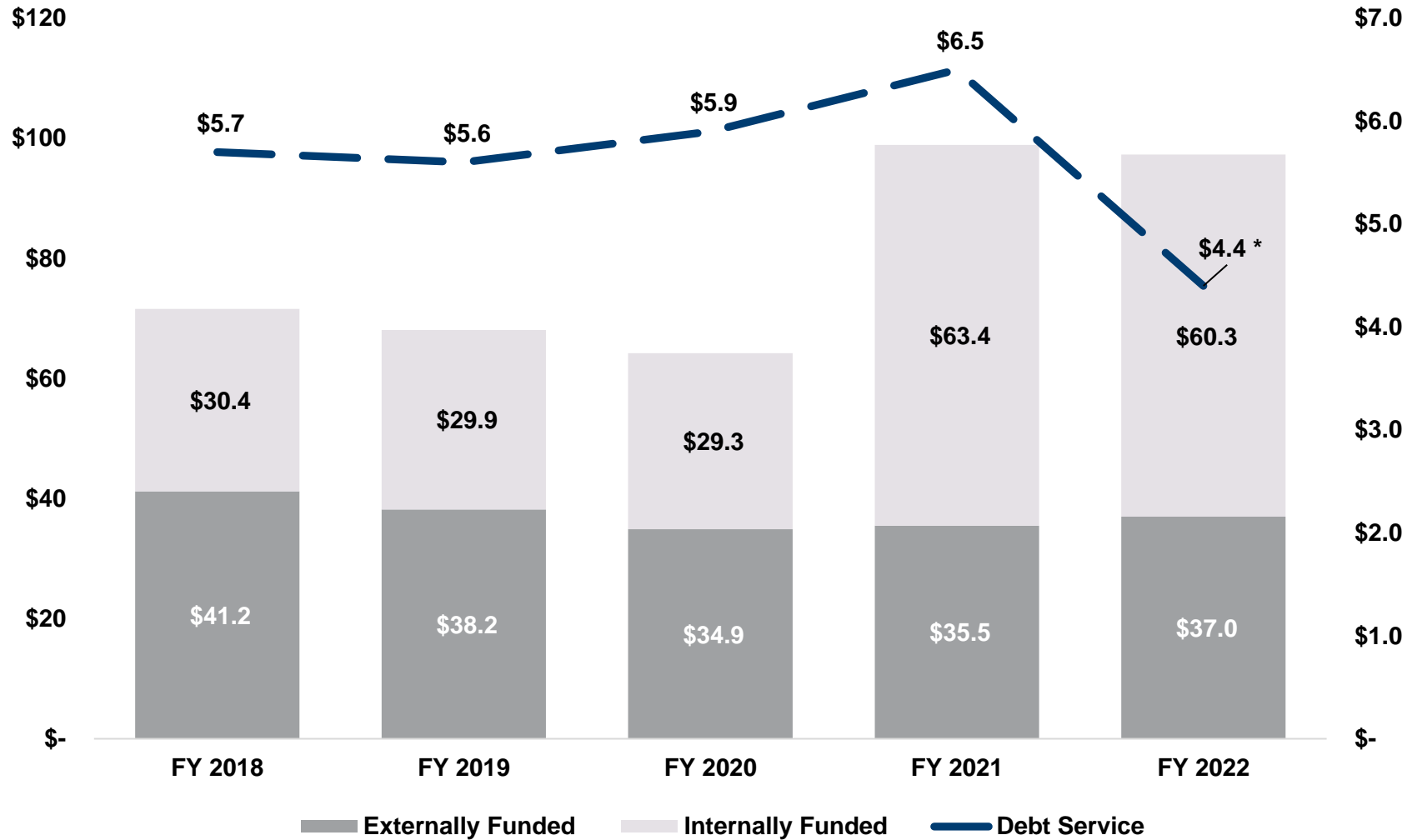
	FY 2022	FY 2021	Change	
			Amount	Percent
Operating Revenues:				
Ticket sales*	\$ 20,623.9	\$ 49.1	20,574.8	41,904%
Direct state or other government support**		13,032.0	(13,032.0)	(100)%
Student fees	12,474.2	10,890.0	1,584.2	15%
Institutional support	1,719.0	5,447.3	(3,728.3)	(68)%
Contributions	25,837.0	16,241.9	9,595.1	59%
Media rights	37,687.2	29,720.1	7,967.1	27%
Conference distributions (non-media or non-bowl)	1,256.6	416.3	840.3	202%
Conference distributions (bowl)	5,339.9	6,657.3	(1,317.4)	(20)%
Program, novelty, parking, and concession sales	2,175.6	137.4	2,038.2	1,483%
Athletics restricted endowment and investment income	4,009.7	2,948.0	1,061.7	36%
Bowl revenue	1,831.9	-	1,831.9	100%
All other revenues	8,827.7	7,146.2	1,681.5	24%
Total Operating Revenues	\$ 121,782.7	\$ 92,685.6	\$ 29,097.1	31%
Operating Expenses:				
Athletic student aid	\$ 15,764.4	\$14,548.9	1,215.5	8%
Coaching salaries, benefits, and bonuses paid by the university and related entities	21,497.0	18,732.3	2,764.7	15%
Support staff/administrative salaries, benefits, and bonuses paid by the university and related entities	18,795.2	16,558.2	2,237.0	14%
Severance payments	10,982.5	363.6	10,618.9	2,920%
Team travel	4,732.6	2,636.2	2,096.4	80%
Game expenses	4,358.3	1,558.4	2,799.9	180%
Athletic facilities debt service	4,114.1	6,458.9	(2,344.8)	(36)%
Direct overhead and administrative expenses	8,429.6	5,286.7	3,142.9	59%
Indirect cost paid to the institution by athletics	5,936.3	535.5	5,400.8	1,009%
Indirect institutional support	1,719.0	5,447.3	(3,728.3)	(68)%
Bowl expenses	1,726.7	72.3	1,654.4	2,288%
All other expenditures	18,868.8	15,759.3	3,109.5	20%
Total Operating Expenditures	\$ 116,924.5	\$ 87,957.6	\$ 28,966.9	33%

- *FY21 severely impacted by COVID
- ** FY21 \$13.0 million of Higher Education Emergency Relief Fund II lost revenue resources were allocated to the Athletics Department in accordance with the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 and Board of Visitors approval.

Intercollegiate Athletic Programs Long-Term Debt

For the years ended June 30, 2018 - 2022

(all dollars in millions)

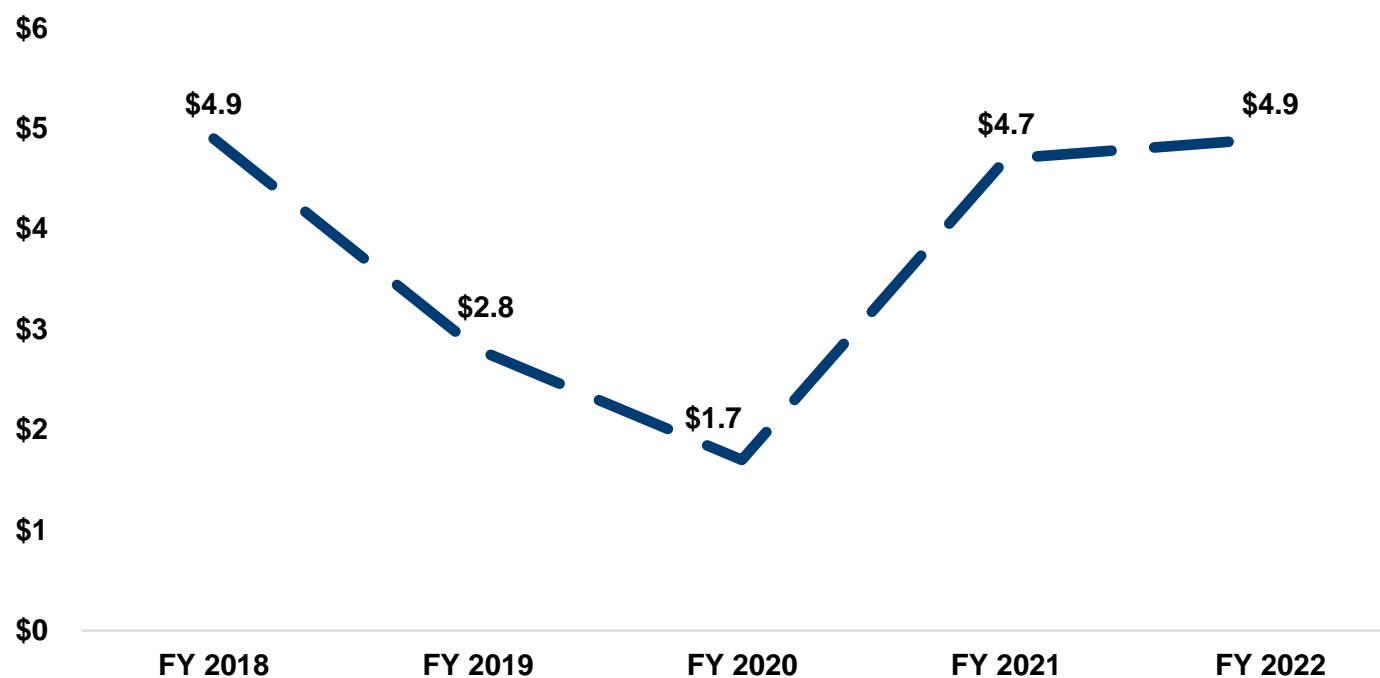


*Debt service decreased due to refunding of debt resulting in no payments on external debt until FY 2024.

Intercollegiate Athletic Programs Net Operating Income (Deficit)

For the years ended June 30, 2018 - 2022

(all dollars in millions)



Attachment E

Intercollegiate Athletic Programs Net Operating Income (Deficit)

For the year **ended** June 30, 2022
(all dollars in millions)

	<u>Revenues</u>	<u>Expenses</u>	<u>Net Income/(Deficit)</u>
Football	\$64.0	\$41.7	\$22.3
Men's Basketball	13.1	9.2	3.9
Women's Basketball	0.8	4.1	(3.3)
Other Sports*	5.5	24.4	(18.9)
Non-Program Specific**	38.5	37.6	0.9
	<u>\$121.9</u>	<u>\$117.0</u>	<u>\$4.9</u>

*Other Sports is the total of Men's Other Sports and Women's Other Sports. There are 16 other sports programs such as baseball, softball, golf, tennis, track & field, etc.

** Non-Program Specific includes revenues and expenses that cannot be attributed to a specific sport and support the overall function of the Athletic program.

Attachment F

Intercollegiate Athletic Programs

Schedule of Revenues

For the year ended June 30, 2022

	<u>Football</u>	<u>Men's Basketball</u>	<u>Women's Basketball</u>	<u>Men's Other Sports</u>	<u>Women's Other Sports</u>	<u>Non-Program Specific</u>	<u>Total</u>
Operating Revenues:							
Ticket sales	\$ 18,201,919	\$ 2,154,286	\$ 150,377	\$ 117,298	\$ -	\$ -	\$ 20,623,880
Direct state or other government support							-
Student fees					2,619,207	9,854,971	12,474,177
Direct Institutional Support							-
Less: Transfers to Institution							-
Indirect institutional support						1,718,981	1,718,981
Guarantees	100,000						100,000
Contributions	5,742,887	190,468	71,007	691,124	605,206	18,536,271	25,836,963
In-kind	13,763	28,401		552	3,140		45,855
Compensation and benefits provided by a third party				25,000			25,000
Media rights	28,583,757	8,032,184	454,750	316,000	300,500	-	37,687,191
NCAA distributions		2,070,700				2,283,745	4,354,445
Conference distributions (non-media or bowl)	784,811	471,744					1,256,555
Conference distributions (bowl)	5,339,947						5,339,947
Program, novelty, parking, and concession sales	1,920,126	77,410	12,338	118,862	36,691	10,186	2,175,613
Royalties, licensing, advertisement and sponsorships	1,246,288	96,435	73,250	319,233	208,430	1,450,642	3,394,277
Sports camp revenues	39,177					45,683	84,860
Athletics restricted endowment and investment income						4,009,698	4,009,698
Other	137,911			57,739	58,691	569,027	823,368
Bowl Revenue	1,831,875						1,831,875
Fundraising, marketing & promotions							
Total Operating Revenues	<u>\$ 63,942,460</u>	<u>\$ 13,121,628</u>	<u>\$ 761,723</u>	<u>\$ 1,645,807</u>	<u>\$ 3,831,865</u>	<u>\$ 38,479,204</u>	<u>\$ 121,782,686</u>

Attachment F (continued)

Intercollegiate Athletic Programs

Schedule of Expenses

For the year ended June 30, 2022

	Football	Men's Basketball	Women's Basketball	Men's Other Sports	Women's Other Sports	Non-Program Specific	Total
Expenditures:							
Athletic student aid	\$ (4,925,357)	\$ (673,711)	\$ (753,872)	\$ (3,139,043)	\$ (4,995,892)	\$ (1,276,562)	\$ (15,764,437)
Guarantees	(912,500)	(559,057)	(79,337)	(86,716)	(8,411)		(1,646,022)
Coaching salaries, benefits, and bonuses paid by the university and related entities	(9,823,850)	(3,674,726)	(1,369,070)	(3,399,778)	(3,229,574)		(21,496,997)
Coaching other compensation and benefits paid by a third party				(25,000)			(25,000)
Support staff/administrative salaries, benefits, and bonuses paid by the university and related entities	(3,357,874)	(1,000,572)	(570,605)	(563,337)	(361,522)	(12,941,303)	(18,795,213)
Severance payments	(10,766,910)	-	(26,259)	(15,920)	(27,516)	(145,882)	(10,982,487)
Recruiting	(898,675)	(307,755)	(130,281)	(276,907)	(225,264)		(1,838,883)
Team travel	(1,055,873)	(980,881)	(436,198)	(1,030,165)	(1,229,142)	(394)	(4,732,652)
Sports equipment, uniforms and supplies	(537,295)	(80,745)	(141,074)	(783,308)	(498,050)	(169,531)	(2,210,003)
Game expenses	(2,361,147)	(656,222)	(281,647)	(379,533)	(272,463)	(407,267)	(4,358,280)
Fundraising, marketing and promotions	(388,242)	(66,710)	(22,043)	(41,095)	(45,279)	(1,509,984)	(2,073,354)
Sport camp expenses	(848)						(848)
Spirit groups	(6,345)		(3,138)			(293,032)	(302,515)
Athletic facilities leases, and rental fees				(125,032)	(125,032)	(4,232)	(254,295)
Athletic facilities debt service						(4,114,086)	(4,114,086)
Direct overhead and administrative expenses	(1,575,146)	(761,818)	(73,758)	(768,595)	(382,228)	(4,868,033)	(8,429,577)
Indirect cost paid to the institution by athletics	(144,599)					(5,791,665)	(5,936,264)
Indirect institutional support						(1,718,981)	(1,718,981)
Medical expenses and insurance	(251,835)	(23,867)	(29,598)	(273,909)	(257,445)	(666,686)	(1,503,339)
Memberships and dues	(3,740)	(3,175)	(515)	(20,942)	(20,621)	(25,363)	(74,355)
Student-Athlete meals	(1,196,499)	(131,357)	(93,234)	(705,866)	(602,709)	(329,491)	(3,059,157)
Other operating expenses	(1,495,826)	(299,787)	(96,602)	(299,390)	(171,365)	(3,286,594)	(5,649,564)
Bowl expenses	(1,726,764)						(1,726,764)
Bowl expenses- coaching compensation/Bonuses	(231,435)						(231,435)
Total Operating Expenditures	\$ (41,660,760)	\$ (9,220,383)	\$ (4,107,231)	\$ (11,934,537)	\$ (12,452,512)	\$ (37,549,087)	\$ (116,924,509)

*Attachment F (continued)***1. BASIS OF PRESENTATION**

The accompanying Schedule of Revenues and Expenses of Intercollegiate Athletic Programs has been prepared on the accrual basis of accounting. The purpose of the Schedule is to present a summary of revenues and expenses of the intercollegiate athletic programs of the university for the year ended June 30, 2022. The Schedule includes those intercollegiate athletics revenues and expenses made on behalf of the university's athletics programs by outside organizations not under the accounting control of the university. Because the Schedule presents only a selected portion of the activities of the university, it is not intended to and does not present either the financial position, changes in fund balances, or cash flows for the year then ended. Revenues and expenses directly identifiable with each category of sport presented are reported accordingly. Revenues and expenses not directly identifiable to a specific sport are reported under the category "Non-Program Specific."

2. AFFILIATED ORGANIZATIONS

The university received \$29,846,662 from the Virginia Tech Foundation, Inc. Approximately \$15,764,437 of these funds were used for grant-in-aid scholarships for student-athletes. These amounts received are included in the accompanying Schedule as follows: \$25,836,965 is included in the Contributions line item and \$4,009,698 is included in the Athletics Restricted Endowment and Investment Income line item.

3. LONG-TERM DEBTExternally-funded debt

The university, on behalf of the Athletic Department, has obtained debt financing for capital improvement projects as needed. These debts usually consist of Section 9(d) revenue bonds issued by the university or notes payable issued through the Virginia College Building Authority (VCBA), and will be repaid by the department using operating revenues and private fund-raising proceeds. Outstanding principal as of June 30, 2022 (in dollars):

Project	Maturity	Principal
Indoor Practice Facility		
Series 2015B, 9(d) revenue bond	2035	\$ 510,000
Series 2021, 9(d) revenue bond	2036	40,000
Lane Stadium - West Side Expansion		
Series 2021, 9(d) refunding revenue bond	2041	21,825,000
Lane Stadium - South End Zone		
Series 2021, 9(d) refunding revenue bond	2041	7,055,000
Hahn Hurst Basketball Practice Center		
Series 2021, 9(d) refunding revenue bond	2041	6,075,000
		<u>\$ 35,505,000</u>

Attachment F (continued)

Internally-funded debt

The university has internally loaned the Athletic Department funds for capital improvement projects as needed. These debts will be repaid by the department using operating revenues and private fund-raising proceeds. Outstanding principal as of June 30, 2022 (all dollars):

<u>Project</u>	<u>Maturity</u>	<u>Principal</u>
Student Athletic Performance Center	2030	\$ 3,723,000
ACC Media Studio	2031	9,335,000
Creativity & Innovation District	2041	20,286,000
Baseball Stadium and Rector Field House	2045	26,965,000
		<u>\$60,309,000</u>

Long-term lease payable

The university, on behalf of the Athletic Department, has entered into a long-term lease with the Town of Christiansburg for the use of the town's aquatic center. The lease will be paid by the department using operating revenues and private fund-raising proceeds. Outstanding principal as of June 30, 2022 (in dollars):

<u>Lease</u>	<u>Maturity</u>	<u>Principal</u>
Town of Christiansburg, aquatic center	2035	\$1,543,000

A summary of future principal and interest commitments for fiscal years subsequent to June 30, 2022 is presented as follows (all dollars):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 3,298,000	\$ 1,081,000	\$ 4,379,000
2024	5,070,000	1,635,000	6,705,000
2025	5,388,000	1,568,000	6,956,000
2026	5,207,000	1,490,000	6,697,000
2027	5,287,000	1,413,000	6,700,000
2028-2032	24,286,000	5,777,000	30,063,000
2033-2037	20,241,000	3,815,000	24,056,000
2038-2042	20,747,000	1,777,000	22,524,000
2043-2045	7,833,000	231,000	8,064,000
	<u>\$ 97,357,000</u>	<u>\$ 18,787,000</u>	<u>\$ 116,144,000</u>

4. UNIVERSITY ADMINISTRATION FEE

As with all auxiliary enterprises, the university charges the Athletic Department an administrative fee. During the fiscal year, the Athletic Department paid \$5,936,264 to the university. This amount is included in the Indirect Cost Paid to the Institution by Athletics line item in the Non-Program Specific category.

5. CAPITAL ASSETS

Capital assets consisting of buildings, infrastructure, and equipment are stated at appraised historical cost or actual cost where determinable. Construction in progress (CIP) is capitalized at actual cost as expenses are incurred. All gifts of capital assets are recorded at acquisition value as of the donation date.

Attachment F (continued)

Intangible right-to-use assets consisting of the right-to-use buildings are stated at the net present value of future minimum lease payments at the commencement of the lease term. Intangible right-to-use assets are recognized when the net present value of future minimum lease payments is \$50,000 or greater.

Equipment is capitalized when the unit acquisition cost is \$2,000 or greater and the estimated useful life is one year or more. Software is capitalized when the acquisition and/or the development costs exceed \$100,000. Renovation costs are capitalized when expenses total more than \$100,000, the asset value significantly increases, or the useful life is significantly extended. Routine repairs and maintenance are charged to operating expense in the year the expense is incurred.

Depreciation is computed using the straight-line method over the useful life of the assets. The useful life is 40 to 60 years for buildings, ten to 50 years for infrastructure and land improvements, and three to 30 years for fixed and movable equipment. Right-to-use lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The beginning balance has been restated for the implementation of GASB Statement 87, Leases. A summary of changes in capital assets follows for the year ending June 30, 2022 (all dollars in thousands):

Depreciable capital assets				
Buildings	\$ 232,069	\$ 1,632	\$ 37	\$ 233,664
Moveable equipment	15,156	1,144	322	15,978
Software	313			313
Fixed equipment	14,588	124		14,712
Infrastructure	21,311	1,585		22,896
Right to use leases - buildings	1,976			1,976
Total depreciable capital assets, at cost	285,413	4,485	359	289,539
Less accumulated depreciation and amortization				
Buildings	68,147	5,159	38	73,268
Moveable equipment	7,965	1,404	428	8,941
Software	294	10		304
Fixed equipment	6,183	659		6,842
Infrastructure	18,001	675		18,676
Right to use leases - buildings	139	140		279
Total accumulated depreciation	100,729	8,047	466	108,310
Total depreciable capital assets, net of accumulated depreciation and amortization	184,684	(3,562)	(107)	181,229
Non-depreciable capital assets				
Construction in progress	5,727	1,949	3,162	4,514
Total non-depreciable capital assets	5,727	1,949	3,162	4,514
Total capital assets, net of accumulated depreciation and amortization	\$ 190,411	\$ (1,613)	\$ 3,055	\$ 185,743

Attachment G

Intercollegiate Athletic Programs Reconciliation of Cash to NCAA Report

For the year ended June 30, 2022
(all dollars in millions)

	<u>Revenue</u>	<u>Expense</u>	<u>Net Income/Deficit</u>
Cash basis per BOV financial performance report	\$ 92.5	\$ 93.6	\$ (1.1)
Accounts receivable			
Reversal of FY 2022 revenue accruals	(8.9)		(8.9)
FY 2022 ACC revenue received in FY 2023	9.8		9.8
NCAA adjustments FY 2022			
Athletic scholarships	15.8	15.8	-
Foundation athletic expenses	2.4	2.4	-
Student academic advisors	1.4	1.4	-
Apparel contracts	1.1	1.1	-
Recoveries reclassified to revenue	2.2	2.2	-
ACC Adjustments	1.8	1.8	-
Maintenance & capital contributions		(4.1)	4.1
Other accruals	3.7	2.7	1.0
NCAA report	<u>\$ 121.8</u>	<u>\$ 116.9</u>	<u>\$ 4.9</u>

AUDITOR OF PUBLIC ACCOUNTS REPORT ON INTERCOLLEGIATE ATHLETICS

KEN MILLER, VICE PRESIDENT FOR FINANCE
UNIVERSITY TREASURER

MELINDA WEST, ASSOCIATE VICE PRESIDENT FOR FINANCE,
UNIVERSITY CONTROLLER

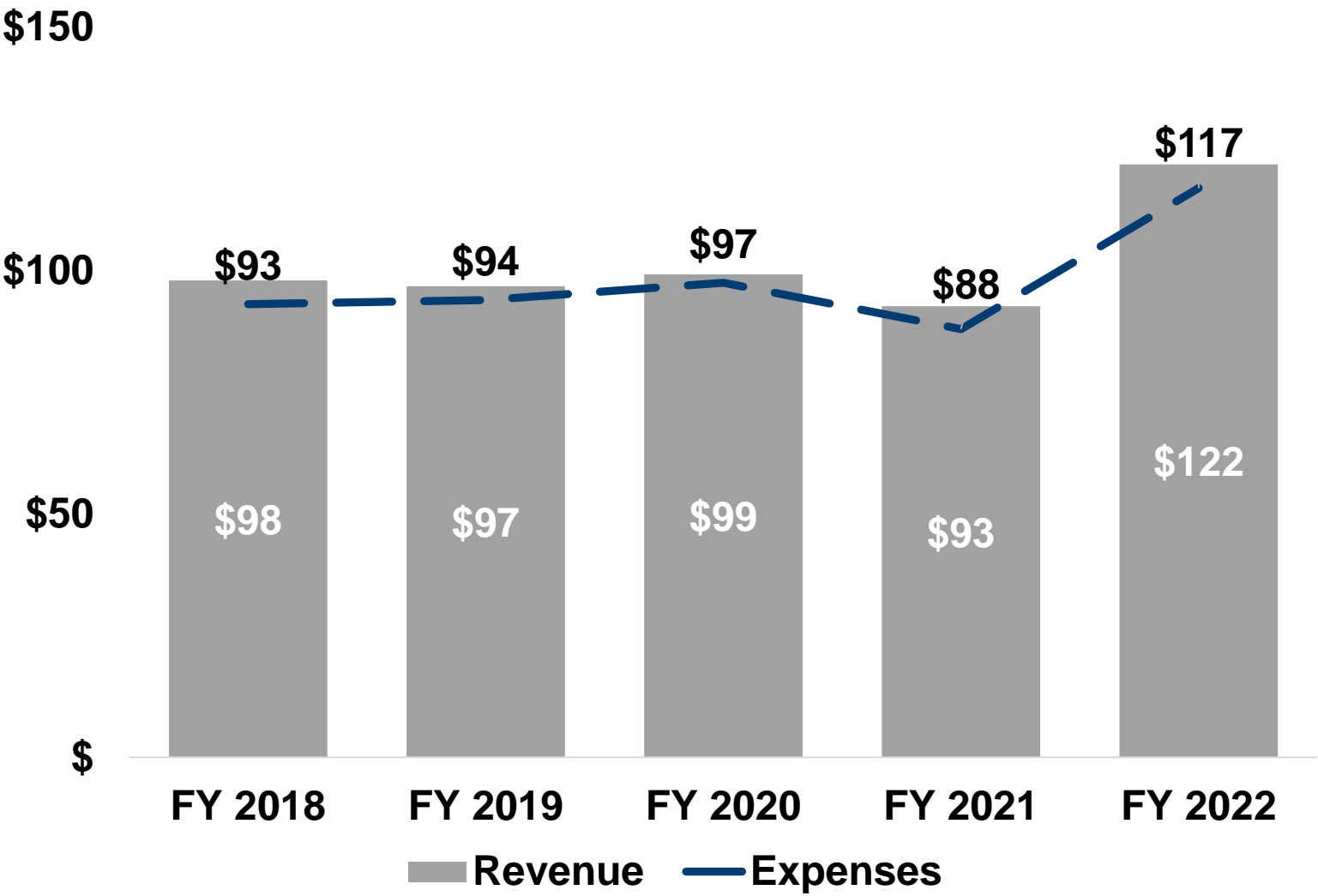
JUNE 6, 2023

NCAA ANNUAL REPORT OVERVIEW

- National Collegiate Athletic Association (NCAA) constitution requires an annual Schedule of Revenues and Expenses of Intercollegiate Athletics Program (Schedule)
- Auditor of Public Accounts (APA) performs certain agreed-upon procedures to evaluate whether the university's Schedule complies with NCAA rules
- To date, the university is not aware of any matters identified by the APA requiring adjustments to the Schedule
- NCAA report differs from the cash basis quarterly financial performance report as it is accrual basis and includes revenues and expenditures for items paid by outside parties (e.g., Virginia Tech Foundation)

INTERCOLLEGIATE ATHLETIC PROGRAMS REVENUES & EXPENSES

For the years ended June 30, 2018 - 2022
(Dollars in Millions)



REVENUE LINE ITEMS WITH SIGNIFICANT INCREASE (DECREASE)

For the years ended June 30, 2022 and 2021
(Dollars in Thousands)

	FY 2022	FY 2021	Change	
			Amount	Percent
Operating Revenues:				
Ticket sales*	\$ 20,623.9	\$ 49.1	20,574.8	41,904%
Direct state or other government support**		13,032.0	(13,032.0)	(100)%
Student fees	12,474.2	10,890.0	1,584.2	15%
Institutional support	1,719.0	5,447.3	(3,728.3)	(68)%
Contributions	25,837.0	16,241.9	9,595.1	59%
Media rights	37,687.2	29,720.1	7,967.1	27%
Conference distributions (non-media or bowl)	1,256.6	416.3	840.3	202%
Conference distributions (bowl)	5,339.9	6,657.3	(1,317.4)	(20)%
Program, novelty, parking, and concession sales*	2,175.6	137.4	2,038.2	1,483%
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Bowl revenue*	1,831.9	-	1,831.9	100%
All other revenues	8,827.7	7,146.2	1,681.5	24%
Total Operating Revenues	\$ 121,782.7	\$ 92,685.6	\$ 29,097.1	31%

- *FY21 severely impacted by COVID
- ** FY21 \$13.0 million of Higher Education Emergency Relief Fund II lost revenue resources were allocated to the Athletics Department in accordance with the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 and Board of Visitors approval.

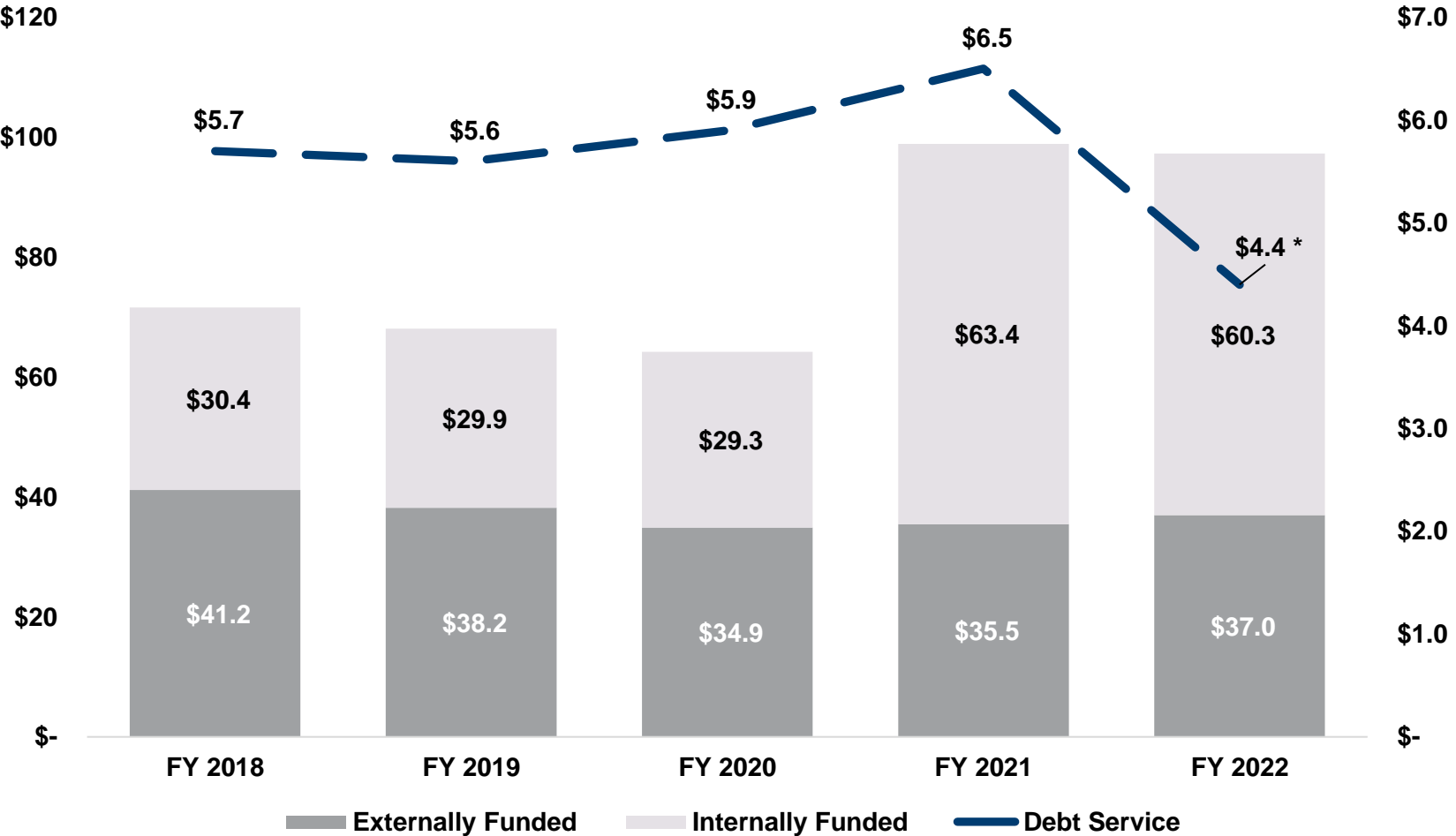
EXPENSE LINE ITEMS WITH SIGNIFICANT INCREASE (DECREASE)

For the years ended June 30, 2022 and 2021
(Dollars in Thousands)

	FY 2022	FY 2021	Change	
			Amount	Percent
Operating Expenditures:				
Athletic student aid	\$ 15,764.4	\$ 14,548.9	1,215.5	8%
Coaching salaries, benefits, and bonuses paid by the university and related entities	21,497.0	18,732.3	2,764.7	15%
Support staff/administrative salaries, benefits, and bonuses paid by the university and related entities	18,795.2	16,558.2	2,237.0	14%
Severance payments	10,982.5	363.6	10,618.9	2,920%
Team travel*	4,732.6	2,636.2	2,096.4	80%
Game expenses*	4,358.3	1,558.4	2,799.9	180%
Athletic facilities debt service	4,114.1	6,458.9	(2,344.8)	(36)%
Direct overhead and administrative expenses	8,429.6	5,286.7	3,142.9	59%
Indirect cost paid to the institution by athletics*	5,936.3	535.5	5,400.8	1,009%
Indirect institutional support**	1,719.0	5,447.3	(3,728.3)	(68)%
Bowl expenses*	1,726.7	72.3	1,654.4	2,288%
All other expenditures	18,868.8	15,759.3	3,109.5	20%
Total Operating Expenditures	\$ 116,924.5	\$ 87,957.6	\$ 28,966.9	33%

INTERCOLLEGIATE ATHLETIC PROGRAMS LONG-TERM DEBT

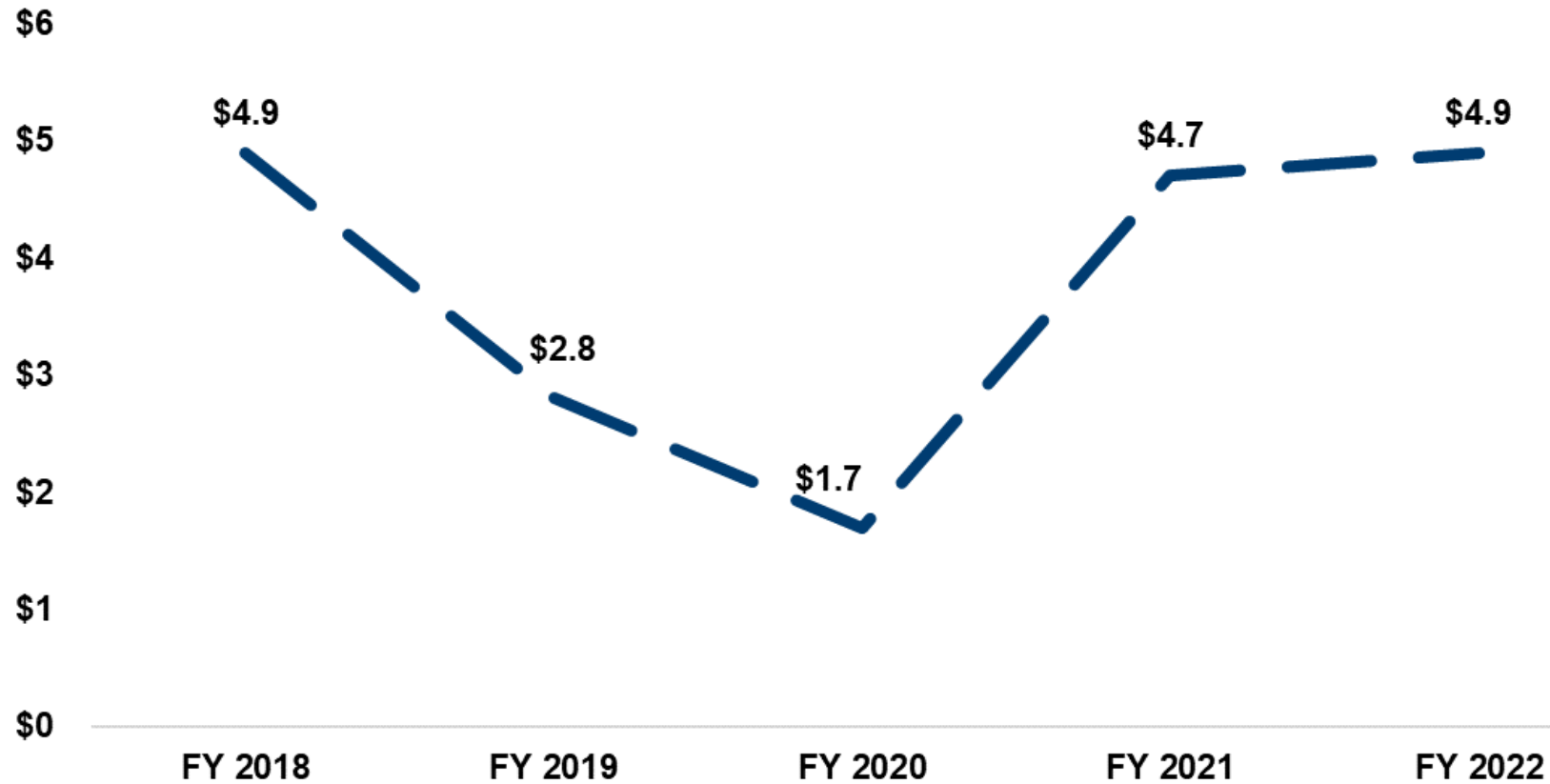
For the years ended June 30, 2018 – 2022
(Dollars in Millions)



*Debt service decreased due to refunding of debt resulting in no payments on external debt until FY 2024.

INTERCOLLEGIATE ATHLETIC PROGRAMS NET OPERATING INCOME (DEFICIT)

For the years ended June 30, 2018 – 2022
(Dollars in Millions)



INTERCOLLEGIATE ATHLETIC PROGRAMS

NET OPERATING INCOME (DEFICIT)

For the years ended June 30, 2018 – 2022
(Dollars in Millions)

	Revenues	Expenses	Net Income/(Deficit)
Football	\$64.0	\$41.7	\$22.3
Men's Basketball	13.1	9.2	3.9
Women's Basketball	0.8	4.1	(3.3)
Other Sports*	5.5	24.4	(18.9)
Non-Program Specific**	38.5	37.6	0.9
	\$121.9	\$117.0	\$4.9

*Other Sports is the total of Men's Other Sports and Women's Other Sports. There are 16 other sports programs such as baseball, softball, golf, tennis, track & field, etc.

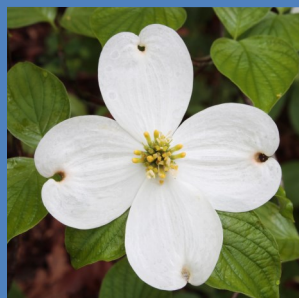
**Non-Program Specific includes revenues and expenses that cannot be attributed to a specific sport and support the overall function of the Athletic program.

INTERCOLLEGIATE ATHLETIC PROGRAMS RECONCILIATION OF CASH TO NCAA REPORT

For the years ended June 30, 2022

(Dollars in Millions)

	<u>Revenues</u>	<u>Expenses</u>	<u>Change Amount</u>
Cash basis per BOV financial performance report	\$ 92.5	\$ 93.6	\$ (1.1)
Accounts receivable			
Reversal of FY 2022 revenue accruals	(8.9)	-	(8.9)
FY 2022 ACC revenue received in FY 2023	9.8	-	9.8
NCAA adjustments FY 2022			
Athletic scholarships	15.8	15.8	-
Foundation athletic expenses	2.4	2.4	-
Student academic advisors	1.4	1.4	-
Apparel contracts	1.1	1.1	-
Recoveries reclassified to revenue	2.2	2.2	-
ACC adjustments	1.8	1.8	-
Maintenance and capital contributions	-	(4.1)	4.1
			-
Other accruals	3.7	2.7	1.0
NCAA report	<u>\$ 121.8</u>	<u>\$ 116.9</u>	<u>\$ 4.9</u>



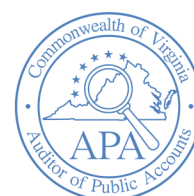
VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

INTERCOLLEGIATE ATHLETICS PROGRAMS FOR THE YEAR ENDED JUNE 30, 2022

Auditor of Public Accounts
Staci A. Henshaw, CPA

www.apa.virginia.gov

(804) 225-3350



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April 7, 2023

The Honorable Glenn Youngkin
Governor of Virginia

Joint Legislative Audit
and Review Commission

Timothy D. Sands
President, Virginia Polytechnic Institute and State University

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below on the **Virginia Polytechnic Institute and State University's** (Virginia Tech) Schedule of Revenues and Expenses of Intercollegiate Athletics Programs (Schedule) for the year ended June 30, 2022. University management is responsible for the Schedule and its compliance with National Collegiate Athletic Association (NCAA) requirements.

University management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating whether the Schedule is in compliance with NCAA Constitution 3.2.4.17.1, for the year ended June 30, 2022. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

Agreed-Upon Procedures Related to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

Procedures described below were limited to material items. For the purpose of this report, and as defined in the agreed-upon procedures, items are considered material if they exceed four percent of total revenues or total expenses, as applicable. The procedures and associated findings are as follows:

Internal Controls

1. We reviewed the relationship of internal control over intercollegiate athletics programs to internal control reviewed in connection with our audit of the University's financial

statements. In addition, we identified and reviewed those controls unique to the Intercollegiate Athletics Department, which were not reviewed in connection with our audit of the University's financial statements.

2. Intercollegiate Athletics Department management provided a current organizational chart. We also made certain inquiries of management regarding control consciousness, the use of internal audit in the department, competence of personnel, protection of records and equipment, and controls regarding information systems with the Information Technology Department.
3. Intercollegiate Athletics Department management provided us with their process for gathering information on the nature and extent of affiliated and outside organizational activity for or on behalf of the University's intercollegiate athletics programs. We tested these procedures as noted below.

Affiliated and Outside Organizations

4. Intercollegiate Athletics Department management identified all related affiliated and outside organizations and provided us with copies of audited financial statements for each such organization for the reporting period.
5. Intercollegiate Athletics Department management prepared and provided us a summary of revenues and expenses for or on behalf of the University's intercollegiate athletics programs by affiliated and outside organizations included in the Schedule.
6. Intercollegiate Athletics Department management provided to us any additional reports regarding internal control matters identified during the audits of affiliated and outside organizations performed by independent public accountants. We were not made aware of any internal control findings.

Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

7. Intercollegiate Athletics Department management provided to us the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs for the year ended June 30, 2022, as prepared by the University and shown in this report. We recalculated the addition of the amounts in the Schedule, traced the amounts on the Schedule to management's trial balance worksheets, and agreed the amounts in management's trial balance worksheets to the Intercollegiate Athletics Department's accounts in the accounting records. Certain adjustments to the Schedule were necessary to conform to NCAA reporting guidance. We discussed the nature of adjusting journal entries with management and are satisfied that the adjustments are appropriate. While the Agreed-Upon-Procedures specify a deadline of January 15th for the completion of our work, delays in receiving the Schedule and associated supporting documentation, as well as subsequent questions regarding specific item presented in the Schedule, prevented the

completion of these procedures by the required deadline. In addition, Intercollegiate Athletics Department management continued to make adjustments and/or reclassifications after the January 15th deadline, some of which could not be corrected in the NCAA financial reporting system.

8. We compared each major revenue and expense account over ten percent of total revenues or total expenses, respectively, to prior period amounts and budget estimates. Variances exceeding ten percent of prior period amounts or budget estimates are explained below:

Line Item	Explanation
Ticket Sales	The increase of \$20.5 million or 41,938.08 percent is attributable to the fact that in the prior year, the University did not have spectators at sports events due to COVID restrictions. The current year reflects the return to normal for in-person game attendance.
Student fees	The increase of \$1.5 million or 14.55 percent is due to an increase in the athletic fee charged to students.
Contributions	The increase of \$9.5 million or 59.08 percent is attributable to not having per seat donations during the prior year since no football tickets were sold due to COVID restrictions. Additionally, in the current year, there was an increase in funds transferred from the Foundation to fund athletic program operating expenses.
Media rights	The increase of \$7.9 million or 26.81 percent is related to an increase in ACC media revenue funding.
Coaching salaries, benefits, and bonuses paid by the University and related entities	The increase of \$2.7 million or 14.76 percent is attributable increases in employee compensation and fringe benefit costs.

Support staff/administrative salaries, benefits, and bonuses paid by the University and related entities	The increase of \$2.2 million or 13.51 percent is attributable to increases in employee compensation and fringe benefit costs.
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Revenues

9. We reviewed a sample of ticket sales reconciliations performed for accuracy and proper review and approval. We performed a recalculation of ticket sales revenue for Football and Men's Basketball by comparing the number of tickets sold, attendance, and sale price to total revenue recorded in the Schedule. We determined the reconciliations reviewed to be accurate and the amounts reported in the Schedule to be substantially in agreement with our recalculation.
10. We obtained documentation of the University's methodology for allocating student fees to intercollegiate athletics programs. We compared student fees reported in the Schedule to amounts reported in the accounting records and an expected amount based on fee rates and enrollment. We found these amounts to be substantially in agreement with minor differences attributed to the methodology used for projecting student fee revenue. We obtained the amount of indirect institutional support revenue from the Schedule. The amount was deemed to be immaterial for detailed testing. We obtained the amount of game guarantee revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
11. Intercollegiate Athletics Department management provided us with a listing of all contributions of moneys, goods or services received directly by its intercollegiate athletics programs from any affiliated or outside organization, agency or group of individuals that constitutes ten percent or more of all contributions received during the reporting period. Except for contributions received from the Virginia Tech Foundation, Inc., an affiliated organization, we noted no individual contribution which constituted more than ten percent of total contributions received for intercollegiate athletics programs. We reviewed contributions from the Virginia Tech Foundation, Inc., which exceeded ten percent of all contributions, and agreed them to supporting documentation. We identified a reconciling difference of \$11,415 between the amount reported in the Schedule and the amount reported as contributions by the Virginia Tech Foundation.
12. We obtained the amount of in-kind revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
13. We obtained a summary of compensation and benefits provided by third parties as of the end of the reporting period. The amount was deemed to be immaterial for detailed testing.

14. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to media rights. We gained an understanding of the relevant terms of the agreements and agreed selected amounts to proper posting in the accounting records and supporting documentation.
15. We obtained the amount of NCAA distribution revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
16. We obtained the amount of conference distributions (non-media and non-football bowl) revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
17. We obtained the amount of conference distributions of football bowl generated revenue from the Schedule. We agreed to corroborative supporting documentation and found them to be in agreement.
18. We obtained the amount of program, novelty, parking, and concession sales revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
19. We obtained the amount of royalties, licensing, advertisements, and sponsorships. The amount was deemed to be immaterial for detailed testing.
20. We obtained the amount of sport camp revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
21. We obtained the amount of athletics-restricted endowment and investments income revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
22. We obtained the amount of other operating revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
23. We obtained the amount for football bowl revenue from the Schedule. The amount was deemed immaterial for detailed testing.

Expenses

24. Intercollegiate Athletics Department management provided us with a listing of student aid recipients during the reporting period. Since the University used the ARMS software to prepare athletic aid detail, we selected 60 individual student-athletes across all sports and obtained the students' account detail from the University's student information system. We agreed each student's information to the information reported in the NCAA Membership Financial Reporting System by comparing the reported amounts to amounts in the finance and student information systems. We also ensured that the total aid

amount for each sport agreed to amounts reported as financial aid in the student accounting system. We performed a check of selected students' information as reported in the NCAA Membership Financial Reporting System to ensure proper calculation of revenue distribution equivalencies.

25. We obtained the amount of guarantee expense from the Schedule. The amount was deemed to be immaterial for detailed testing.
26. Intercollegiate Athletics Department management provided us with a listing of coaches, support staff, and administrative personnel employed and paid by the University during the reporting period. We selected and tested individuals, including football and men's and women's basketball coaches, and compared amounts paid during the fiscal year from the payroll accounting system to their contract or other employment agreement document. We found that recorded expenses equaled amounts paid as salary and bonuses and were in agreement with approved contracts or other documentation. After adjusting the Schedule by \$750,000 for coaches, the amounts were deemed to be accurately reported in the Schedule.
27. We obtained the amount of compensation and benefits provided by a third party. The amount was deemed immaterial for detailed testing.
28. Intercollegiate Athletics Department management provided us with a listing of severance payments made during the reporting period. We reviewed selected severance payment, comparing it to the termination letter, employment contract or other supporting documentation. After adjusting the Schedule by \$750,000, the amount was deemed to be accurately reported in the Schedule.
29. We obtained the Intercollegiate Athletics Department's written recruiting and team travel policies from Intercollegiate Athletics Department management and documented an understanding of those policies. We compared these policies to existing University and NCAA policies and noted substantial agreement of those policies.
30. We selected a sample of disbursements for team travel, game expenses and direct overhead and administration from the Schedule. We compared and agreed the selected operating expenses to adequate supporting documentation. We found all reviewed amounts to be properly approved, reasonable to intercollegiate athletics, and properly recorded in the accounting records.
31. We obtained the amount of lease payments and rental fees from the Schedule. The amount was deemed immaterial for detailed testing.
32. We obtained a listing of debt service payments for athletic facilities for the reporting year. We selected a sample of debt payments included in the Schedule, including the two highest facility payments, and agreed them to supporting documentation.

- 33. We obtained an understanding of the University's methodology for charging indirect cost to the athletic department. We evaluated indirect cost charges for reasonableness and noted proper reporting of these charges in the Schedule.
- 34. We obtained the amount of indirect institutional support. The amount was deemed to be immaterial for detailed testing.
- 35. We reviewed all components of the other operating expenses. We determined the amount has been reported accurately.

Other Reporting Items

- 36. We obtained repayment schedules for all outstanding intercollegiate athletics debt during the reporting period. We recalculated annual maturities reported in the notes to the Schedule and agreed total annual maturities and total outstanding athletic-related debt to supporting documentation.
- 37. We agreed total outstanding institutional debt to supporting debt schedules and the University's audited financial statements.
- 38. We agreed the fair value of athletics-dedicated endowments to supporting documentation provided by the University's Foundation.
- 39. We agreed the fair value of institutional endowments to supporting documentation provided by the University's Foundation.
- 40. We obtained a schedule of athletics-related capital expenditures made during the period. We selected a sample of transactions to validate existence and accuracy of recording and recalculated totals.

Additional Procedures

- 41. We compared the sports sponsored by the University, as reported in the NCAA Membership Financial Reporting System, to the Calculation of Revenue Distribution Equivalencies Report (CRDE) from the ARMS software for the institution. We noted agreement of the sports reported.
- 42. We compared total current year grants-in-aid revenue distribution equivalencies to total prior year reported equivalencies per the NCAA Membership Financial Report submission and noted variations exceeding four percent when compared to prior year. The variance was caused by an increase attributable to football, primarily for exhausted eligibility and medical equivalencies.

43. We obtained the University's Sports Sponsorship and Demographics Forms Report for the reporting year. We validated that the countable sports identified by the institution met the minimum requirements for number of contests and minimum number of participants as defined in NCAA Bylaw 20.10.6.3 or qualified for the extraordinary blanket waiver per NCAA guidance due to the COVID-19 pandemic. We ensured that countable sports have been properly identified in the NCAA Membership Financial Reporting System for the purpose of revenue distribution calculations.
44. We compared the current number of sports sponsored to the prior year total reported in the University's NCAA Membership Financial Report submission and noted no variations when compared to prior year.
45. We obtained a listing of student-athletes receiving Pell grant awards from the University's student information system and agreed the total value of these Pell grants to the amount reported in the NCAA Membership Financial Reporting System. We noted agreement of the amounts reported.
46. We compared the total number of Pell grant awards in the current year to the number reported in the prior year NCAA Membership Financial Report submission. We noted no variations greater than 20 grants when compared with the prior year.

We were engaged by University management to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit, examination, or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs or any of the accounts or items referred to above. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of Virginia Tech and its President and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY
SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
For the year ended June 30, 2022

	Football	Men's Basketball	Women's Basketball	Men's Other Sports	Women's Other Sports	Non-Program Specific	Total
Operating revenues:							
Ticket sales	\$ 18,201,919	\$ 2,154,286	\$ 150,377	\$ 117,298	\$ -	\$ -	\$ 20,623,880
Student fees	-	-	-	-	2,619,206	9,854,971	12,474,177
Indirect institutional support	-	-	-	-	-	1,718,981	1,718,981
Guarantees	100,000	-	-	-	-	-	100,000
Contributions	5,742,887	190,468	71,007	691,124	605,206	18,536,273	25,836,965
In-Kind	13,764	28,401	-	553	3,140	-	45,858
Compensation and benefits provided by a third party	-	-	-	25,000	-	-	25,000
Media rights	28,583,757	8,032,184	454,750	316,000	300,500	-	37,687,191
NCAA distributions	-	2,070,700	-	-	-	2,283,745	4,354,445
Conference distributions (non-media and non-football bowl)	784,811	471,744	-	-	-	-	1,256,555
Conference distributions of football bowl generated revenue	5,339,947	-	-	-	-	-	5,339,947
Program, novelty, parking, and concession sales	1,920,126	77,410	12,337	118,862	36,691	10,185	2,175,611
Royalties, licensing, advertisement and sponsorships	1,246,288	96,435	73,250	319,233	208,430	1,450,642	3,394,278
Sports camp revenues	39,177	-	-	-	-	45,683	84,860
Athletics-Restricted endowment and investments income	-	-	-	-	-	4,009,698	4,009,698
Other operating revenue	137,911	-	-	57,739	58,691	569,027	823,368
Football bowl revenues	1,831,875	-	-	-	-	-	1,831,875
Total operating revenues	<u>63,942,462</u>	<u>13,121,628</u>	<u>761,721</u>	<u>1,645,809</u>	<u>3,831,864</u>	<u>38,479,205</u>	<u>121,782,689</u>
Operating expenses:							
Athletic student aid	4,925,357	673,711	753,872	3,139,043	4,995,892	1,276,562	15,764,437
Guarantees	912,500	559,057	79,337	86,715	8,411	-	1,646,020
Coaching salaries, benefits, and bonuses paid by the university and related entities	9,823,850	3,674,726	1,369,070	3,399,778	3,229,574	-	21,496,998
Coaching salaries, benefits and bonuses paid by a third party	-	-	-	25,000	-	-	25,000
Support staff/administrative compensation, benefits, and bonuses paid by the university and related entities	3,357,874	1,000,572	570,605	563,337	361,522	12,941,303	18,795,213
Severance payments	10,766,910	-	26,259	15,920	27,516	145,882	10,982,487
Recruiting	898,675	307,755	130,281	276,907	225,264	-	1,838,882
Team travel	1,055,873	980,881	436,198	1,030,165	1,229,142	394	4,732,653
Sports equipment, uniforms, and supplies	537,295	80,745	141,074	783,308	498,050	169,531	2,210,003
Game expenses	2,361,147	656,222	281,647	379,533	272,463	407,267	4,358,279
Fundraising, marketing and promotion	388,242	66,710	22,043	41,095	45,279	1,509,984	2,073,353
Sports camp expenses	848	-	-	-	-	-	848
Spirit groups	6,345	-	3,138	-	-	293,032	302,515
Athletic facility leases and rental fees	-	-	-	125,032	125,032	4,232	254,296
Athletic facility debt service	-	-	-	-	-	4,114,086	4,114,086
Direct overhead and administrative expenses	1,575,146	761,818	73,758	768,595	382,228	4,868,033	8,429,578
Indirect cost paid to the institution by athletics	144,599	-	-	-	-	5,791,665	5,936,264
Indirect institutional support	-	-	-	-	-	1,718,981	1,718,981
Medical expenses and insurance	251,835	23,867	29,598	273,909	257,445	666,686	1,503,340
Memberships and dues	3,740	3,175	515	20,942	20,621	25,363	74,356
Student-Athlete meals (non-travel)	1,196,499	131,357	93,234	705,866	602,710	329,491	3,059,157
Other operating expenses	1,495,826	299,787	96,602	299,390	171,365	3,286,594	5,649,564
Football bowl expenses	1,726,764	-	-	-	-	-	1,726,764
Football bowl expenses - coaching compensation/bonuses	<u>231,435</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>231,435</u>
Total operating expenses	<u>41,660,760</u>	<u>9,220,383</u>	<u>4,107,231</u>	<u>11,934,535</u>	<u>12,452,514</u>	<u>37,549,086</u>	<u>116,924,509</u>
Excess (deficiency) of revenues over (under) expenses	<u>\$ 22,281,702</u>	<u>\$ 3,901,245</u>	<u>\$ (3,345,510)</u>	<u>\$ (10,288,726)</u>	<u>\$ (8,620,650)</u>	<u>\$ 930,119</u>	<u>\$ 4,858,180</u>
Other Reporting Items:							
Total athletics-related debt							\$ 97,357,000
Total institutional debt							\$ 525,390,000
Value of athletics-dedicated endowments							\$ 68,063,593
Value of institutional endowments							\$ 1,586,446,030
Total athletics-related capital expenditures							\$ 3,272,000

The accompanying Notes to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs are an integral part of this Schedule.

VIRGINIA TECH
NOTES TO SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2022

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenses of Intercollegiate Athletic Programs has been prepared on the accrual basis of accounting. The purpose of the Schedule is to present a summary of revenues and expenses of the intercollegiate athletic programs of the University for the year ended June 30, 2022. The Schedule includes those intercollegiate athletics revenues and expenses made on behalf of the University's athletics programs by outside organizations not under the accounting control of the University. Because the Schedule presents only a selected portion of the activities of the University, it is not intended to and does not present either the financial position, changes in fund balances, or cash flows for the year then ended. Revenues and expenses directly identifiable with each category of sport presented are reported accordingly. Revenues and expenses not directly identifiable to a specific sport are reported under the category "Non-Program Specific."

2. AFFILIATED ORGANIZATIONS

The University received \$29,846,663 from the Virginia Tech Foundation, Inc. Approximately \$15,764,437 of these funds were used for grant-in-aid scholarships for student-athletes. These amounts received are included in the accompanying Schedule as follows: \$25,836,965 is included in the Contributions line item and \$4,009,698 is included in the Athletics Restricted Endowment and Investment Income line item.

3. LONG-TERM DEBT

Externally funded debt

The University, on behalf of the Athletic Department, has obtained debt financing for capital improvement projects as needed. These debts usually consist of Section 9(d) revenue bonds issued by the University or notes payable issued through the Virginia College Building Authority (VCBA) and will be repaid by the department using operating revenues and private fund-raising proceeds. Outstanding principal as of June 30, 2022 (in dollars):

Project	Maturity	Principal
Indoor Practice Facility		
Series 2015B, 9(d) revenue bond	2035	\$ 510,000
Series 2021, 9(d) revenue bond	2036	40,000
Lane Stadium - West Side Expansion		
Series 2021, 9(d) refunding revenue bond	2041	21,825,000
Lane Stadium - South End Zone		
Series 2021, 9(d) refunding revenue bond	2041	7,055,000
Hahn Hurst Basketball Practice Center		
Series 2021, 9(d) refunding revenue bond	2041	6,075,000
		<u>\$ 35,505,000</u>

Internally funded debt

The University has internally loaned the Athletic Department funds for capital improvement projects as needed. These debts will be repaid by the department using operating revenues and private fund-raising proceeds. Outstanding principal as of June 30, 2022 (all dollars):

Project	Maturity	Principal
Student Athletic Performance Center	2030	\$ 3,723,000
ACC Media Studio	2031	9,335,000
Creativity & Innovation District	2041	20,286,000
Baseball Stadium and Rector Field House	2045	26,965,000
		<u>\$ 60,309,000</u>

Long-term lease payable

The University, on behalf of the Athletic Department, has entered into a long-term lease with the Town of Christiansburg for the use of the town's aquatic center. The lease will be paid by the department using operating revenues and private fund-raising proceeds. Outstanding principal as of June 30, 2022 (in dollars):

Lease	Maturity	Principal
Town of Christiansburg, aquatic center	2035	\$ 1,543,000

A summary of future principal and interest commitments for fiscal years subsequent to June 30, 2022, is presented as follows (all dollars):

	Principal	Interest	Total
2023	\$ 3,298,000	\$ 1,081,000	\$ 4,379,000
2024	5,070,000	1,635,000	6,705,000
2025	5,388,000	1,568,000	6,956,000
2026	5,207,000	1,490,000	6,697,000
2027	5,287,000	1,413,000	6,700,000
2028-2032	24,286,000	5,777,000	30,063,000
2033-2037	20,241,000	3,815,000	24,056,000
2038-2042	20,747,000	1,777,000	22,524,000
2043-2045	7,833,000	231,000	8,064,000
	<u>\$ 97,357,000</u>	<u>\$ 18,787,000</u>	<u>\$ 116,144,000</u>

4. UNIVERSITY ADMINISTRATION FEE

As with all auxiliary enterprises, the University charges the Athletic Department an administrative fee. During the fiscal year, the Athletic Department paid \$5,936,264 to the University. This amount is included in the Indirect Cost Paid to the Institution by Athletics line item in the Non-Program Specific category.

5. CAPITAL ASSETS

Capital assets consisting of buildings, infrastructure, and equipment are stated at appraised historical cost or actual cost where determinable. Construction in progress (CIP) is capitalized at actual cost as expenses are incurred. All gifts of capital assets are recorded at acquisition value as of the donation date.

Intangible right-to-use assets consisting of the right-to-use buildings are stated at the net present value of future minimum lease payments at the commencement of the lease term. Intangible right-to-use assets are recognized when the net present value of future minimum lease payments is \$50,000 or greater.

Equipment is capitalized when the unit acquisition cost is \$2,000 or greater and the estimated useful life is one year or more. Software is capitalized when the acquisition and/or the development costs exceed \$100,000. Renovation costs are capitalized when expenses total more than \$100,000, the asset value significantly increases, or the useful life is significantly extended. Routine repairs and maintenance are charged to operating expense in the year the expense is incurred.

Depreciation is computed using the straight-line method over the useful life of the assets. The useful life is 40 to 60 years for buildings, ten to 50 years for infrastructure and land improvements, and three to 30 years for fixed and movable equipment. Right-to-use lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The beginning balance has been restated for the implementation of GASB Statement 87, Leases. A summary of changes in capital assets follows for the year ending June 30, 2022 (all dollars in thousands):

	Beginning Balance (Restated)	Additions	Retirements	Ending Balance
Depreciable capital assets				
Buildings	\$ 232,069	\$ 1,632	\$ 37	\$ 233,664
Moveable equipment	15,156	1,144	322	15,978
Software	313	-	-	313
Fixed equipment	14,588	124	-	14,712
Infrastructure	21,311	1,585	-	22,896
Right to use leases - buildings	1,976	-	-	1,976
Total depreciable capital assets, at cost	<u>285,413</u>	<u>4,485</u>	<u>359</u>	<u>289,539</u>
Less accumulated depreciation and amortization				
Buildings	68,147	5,159	38	73,268
Moveable equipment	7,965	1,404	428	8,941
Software	294	10	-	304
Fixed equipment	6,183	659	-	6,842
Infrastructure	18,001	675	-	18,676
Right to use leases - buildings	139	140	-	279
Total accumulated depreciation and amortization	<u>100,729</u>	<u>8,047</u>	<u>466</u>	<u>108,310</u>
Total depreciable capital assets, net of accumulated depreciation and amortization	<u>184,684</u>	<u>(3,562)</u>	<u>(107)</u>	<u>181,229</u>
Non-depreciable capital assets				
Construction in progress	<u>5,727</u>	<u>1,949</u>	<u>3,162</u>	<u>4,514</u>
Total non-depreciable capital assets	<u>5,727</u>	<u>1,949</u>	<u>3,162</u>	<u>4,514</u>
Total capital assets, net of accumulated depreciation and amortization	<u>\$ 190,411</u>	<u>\$ (1,613)</u>	<u>\$ 3,055</u>	<u>\$ 185,743</u>

VIRGINIA TECH

As of June 30, 2022

BOARD OF VISITORS

Letitia A. Long
Rector

Edward H. Baine
Vice Rector

Shelley Butler Barlow
Carrie H. Chenery
Greta J. Harris
Charles T. Hill
Anna L. James
Sharon Brickhouse Martin

Melissa Byrne Nelson
L. Chris Petersen
Mehul P. Sanghani
Horacio A. Valeiras
Jeffrey E. Veatch
Preston M. White

Robert Weiss, Holli Drewry
Faculty Representatives

Serena Young
Staff Representative

Paolo Fermin, Phil Miskovic
Student Representatives

Kim O'Rourke
Secretary to the Board of Visitors

UNIVERSITY OFFICIALS

Timothy D. Sands
President

Whit Babcock
Director of Intercollegiate Athletics Programs

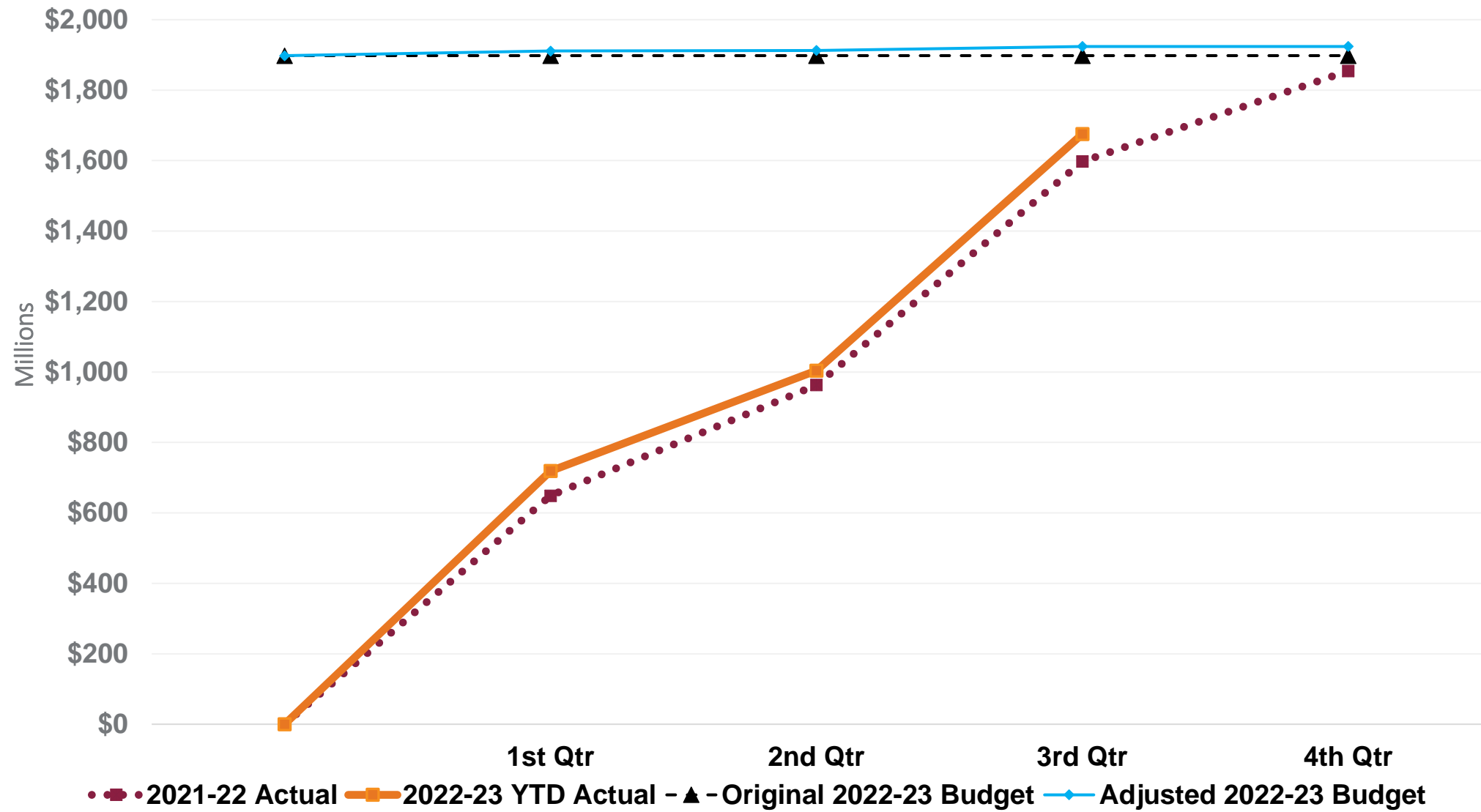
APPROVAL OF YEAR-TO-DATE FINANCIAL PERFORMANCE REPORT

TIM HODGE, ASSOCIATE VICE PRESIDENT FOR
BUDGET AND FINANCIAL PLANNING

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

June 6, 2023

OPERATING REVENUES



3rd QUARTER 2022-23

Annual Budget Changes

208 Education & General

Tuition & Fees: \$3.9 million increase for higher than projected program fees, winter session, lower than projected rate discounts and codified waivers.

Continuing education programs: \$1.2 million increase

229 Education & General

Federal funds: \$1.4 million increase

Self-generated revenues: \$0.3 million increase

Auxiliary Enterprises.

Dining Services: \$2.3 million increase for higher business volume.

Residential: \$2.0 million for residence hall repairs.

Recreational Sports: \$2.1 million for turf field project.

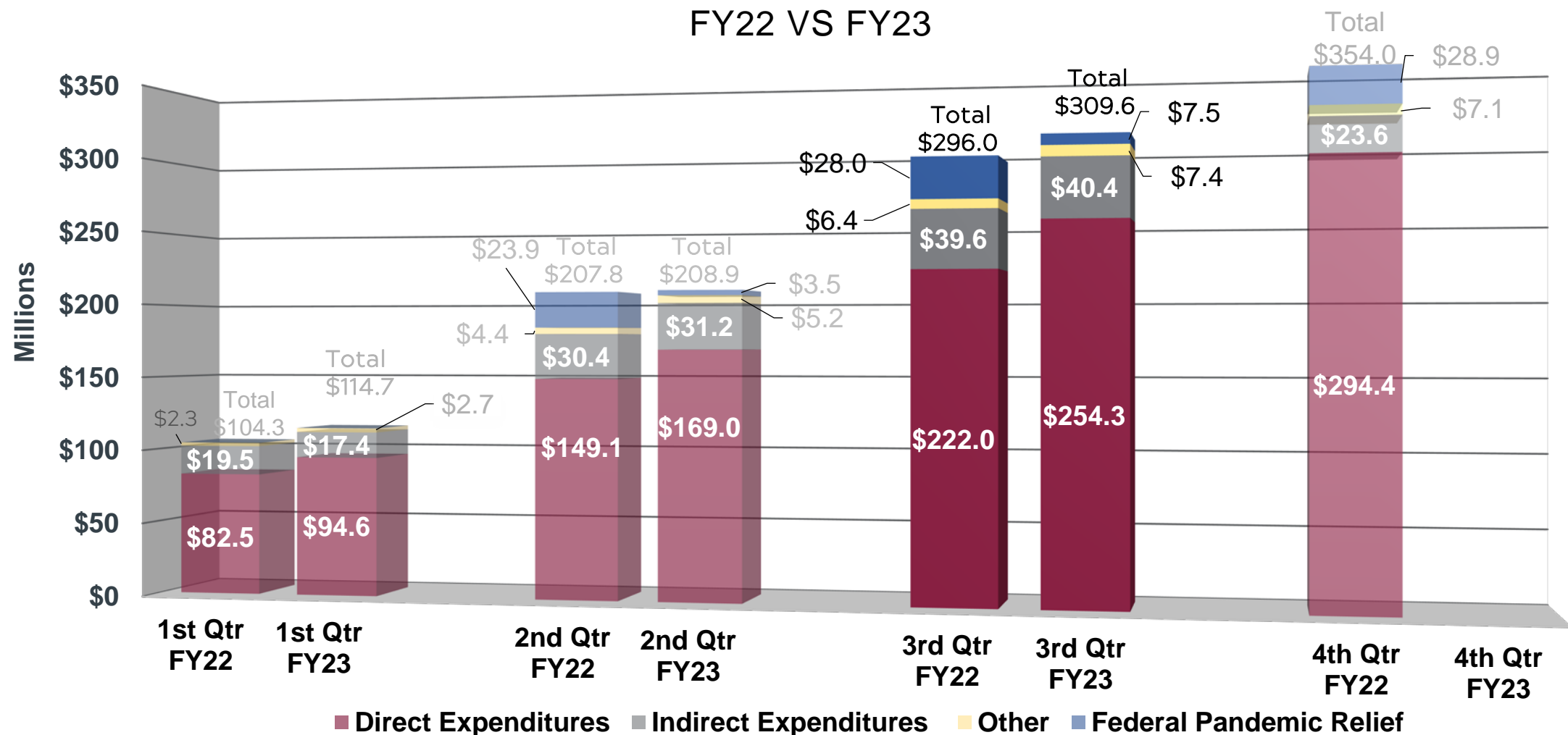
Student Financial Assistance

Scholarships: \$0.5 million increase for Virginia Military Survivor Stipends and 2-Yr College Transfer Grant

Financial Performance





No significant issues to report.

SPONSORED PROGRAM EXPENDITURES

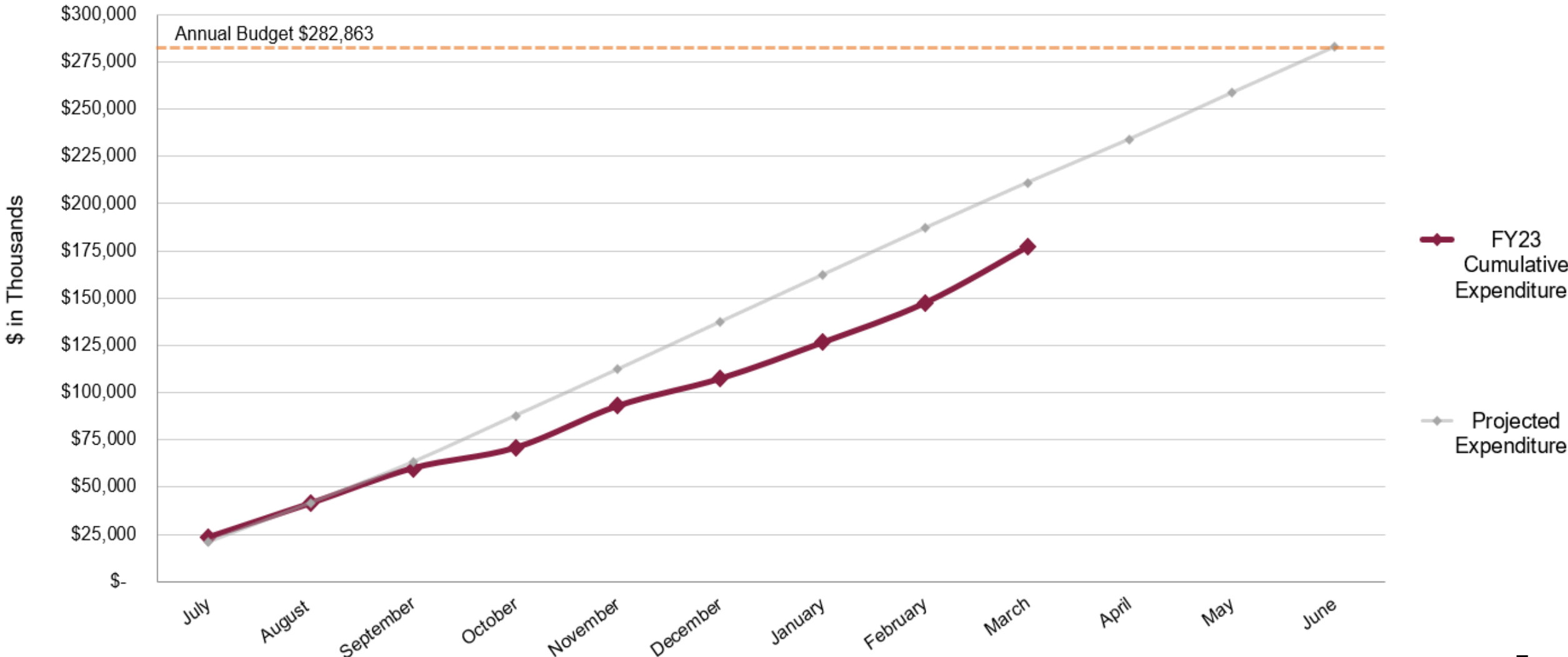


CAPITAL PROGRAM

CAPITAL OUTLAY TOTAL PROGRAM

	1 st Quarter Ended	2 nd Quarter Ended	3 rd Quarter	4 th Quarter
<div>  </div> <div>Design</div>	5	2	2	
<div>  </div> <div>Construction</div>	11	13	12	
<div>  </div> <div>Equipment</div>	3	3	3	
<div>  </div> <div>Closeout</div>	5	6	7	
Total Projects	24	24	24	
Total Budget (\$ in Thousands)	\$1,387,574	\$1,387,574	\$1,387,574	
Total Expenditures (\$ in Thousands)	\$504,893	\$552,381	\$622,302	

ACTIVITY THROUGH MARCH 31, 2023



TIMING FOR CONSTRUCTION PRICING



Spending on Projects
in design phase
through
March 31, 2023-
\$5,943,000

PROJECTS COMING ONLINE

2023

- ❖ JUL: Corps Leadership & Military Sciences Building
- ❖ AUG: New Upper Quad Residence Hall

2024

- ❖ MAR: Hitt Hall
- ❖ MAY: ADA & Code Compliance
- ❖ JUN: Innovation Campus-Academic Building
- ❖ JUN: Undergraduate Science Lab
- ❖ JUL: Student Wellness Improvements

Spending on projects in construction phase through March 31, 2023 - \$350,599,000

APPROVAL OF YEAR-TO-DATE FINANCIAL PERFORMANCE REPORT

July 1, 2022 – March 31, 2023

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, 2022 through March 31, 2023 and the Capital Outlay report be approved.

June 6, 2023

2023-24 Staff Compensation Update**FINANCE AND RESOURCE MANAGEMENT COMMITTEE****May 15, 2023****Background**

The university currently operates two staff personnel systems: Classified Staff and University Staff. The Classified Staff system is defined by the Commonwealth's Virginia Personnel Act with policies established by the Virginia Department of Human Resources Management. Salary programs for Classified Staff are normally appropriated by the state.

University Staff employment policies are within the purview of the Board of Visitors. The Higher Education Restructuring Act of 2005 and the subsequent individual management agreement finalized between the university and state in 2006 conferred increased operational autonomy and flexibility to the university in certain financial and administrative functions including personnel management for employees not subject to the Virginia Personnel Act. Accordingly, individuals hired in non-faculty positions on or after July 1, 2006 are designated as "University Staff" employees.

Since 2008, Classified Staff were provided the opportunity to convert to University Staff. Conversions, natural attrition of Classified Staff, and new hires of University Staff have resulted in a current workforce of 585 (17%) Classified Staff and 2,764 (83%) University Staff.

Following several months of collaborative engagement with staff employees and managers, the university presented a package of human resources policies for University Staff to the Board of Visitors in August 2008. Under this new human resources program, the existing benefits and compensation programs were retained for University Staff. In addition, the university adopted a more flexible performance management rating system for University Staff based on the existing compensation principles for Classified Staff that were submitted to the state's Department of Human Resource Management in 2000. This modified system includes a more flexible process for differentiation between levels of performance and would become the basis for an annual merit pay program for University Staff. The Board subsequently approved the policies governing University Staff with an effective date of October 2008, and delegated authority for approval of personnel decisions affecting University Staff in accordance with these policies to the President or designee.

State Authorized Compensation Program

The 2022 General Assembly approved the following compensation program for Classified and University staff, effective June 10, 2023:

	State Increase	Basis of Increase
Classified Staff	5.0	Across-the-Board
University Staff	5.0	Discretion of the University

The university distributed a memorandum to senior management areas outlining these parameters for both the University and Classified Staff 2023-24 compensation processes on March 23, 2023.

Senior management units were expected to achieve an average increase of 5.0 percent for University Staff, and to differentiate actions to recognize individual performance. To aid campus in associating performance with salary actions, all eligible University Staff received a base 3.0% increase, with the following general recommendations for utilization of the remaining 2.0% merit pool:

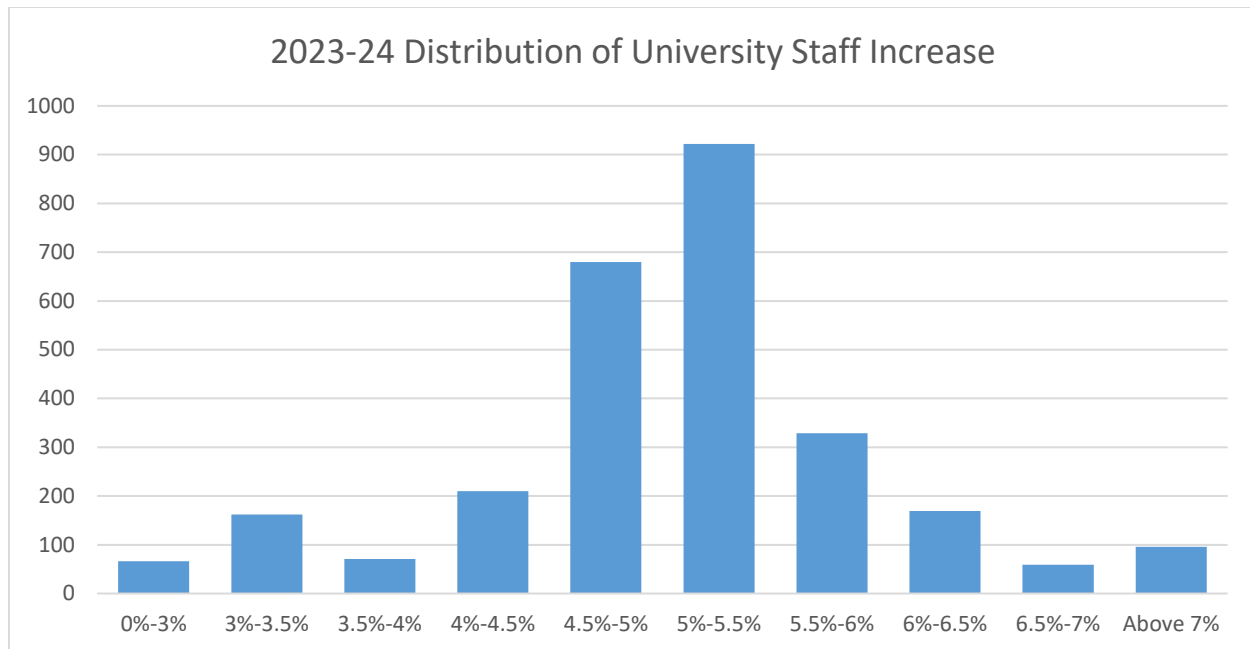
- Developing Performance: 0.0% merit, 3.0% overall
- Strong Performance: Up to 2.0% merit, 3.0%-5.0% overall
- Model Performance: 2.0%-4.0% merit, 5.0%-7.0% overall

Results of the University Staff Merit Review Process

In order to assess performance, staff employees undergo an annual evaluation by their manager. Those evaluations, and the employees' subsequent observed performance, serve as the basis for the recommended merit adjustment. While the overall University Staff average adjustment is 5.0%, individual recommendations varied based upon employee performance and were distributed as follows:

Performance Rating	Employee Count*	Average Recommended Increase
Developing	112	3.9%
Strong	2,171	4.9%
Model	481	5.5%

**Only staff hired prior to March 11, 2023 are eligible for the base or merit increase; therefore, total eligible staff are less than the total employment levels stated on page 1 of this report.*



Salary increases for both employee groups are effective June 10, 2023 and will appear in employee paychecks on July 1, 2023.

Other Staff Compensation Actions

In most years, each senior management area participates in an annual salary review for Classified and University Staff and makes salary adjustments that recognize changed job duties, changed skill or competency levels, proactive retention actions, or adjustments for salary compression or market competitiveness.

To support work-related expenses such as childcare and parking costs, effective January 1, 2020 the university began to provide an annual supplement of \$500 for all full-time benefitted employees who make an annual salary of \$35,500 or less. The university continues this annual supplement provision.

Plans for the Future

The university will continue to examine compensation for all employees in an effort to ensure that Virginia Tech remains a competitive employer able to recruit and retain talented employees who provide exemplary service in all positions across campus. This will include an annual assessment of the minimum hiring salary and analysis of market position to support competitive pay for non-faculty roles at the university.

2023-24 STAFF COMPENSATION UPDATE

KEN MILLER, VICE PRESIDENT OF
FINANCE & UNIVERSITY TREASURER

June 6, 2023

2023-24 STAFF COMPENSATION UPDATE

- Since 2006, the university has operated two staff personnel systems:

Classified Staff	University Staff
<i>Governed by Virginia Personnel Act and policies developed by Virginia Department of Human Resources</i>	<i>Governed by human resources policies adopted by the Board of Visitors in August 2008</i>
<i>Compensation programs are initiated by the commonwealth</i>	<i>Compensation programs are consistent with state approved programs</i>
<i>University may not supplement or implement additional programs</i>	<i>University may supplement or implement additional programs</i>
<i>Hired prior to July 1, 2006</i>	<i>Hired on July 1, 2006 and after, or have converted from Classified Staff</i>
<i>17% of staff workforce</i>	<i>83% of staff workforce</i>

2023-24 STAFF COMPENSATION UPDATE

- The 2022 General Assembly approved a biennial budget with the following compensation actions:

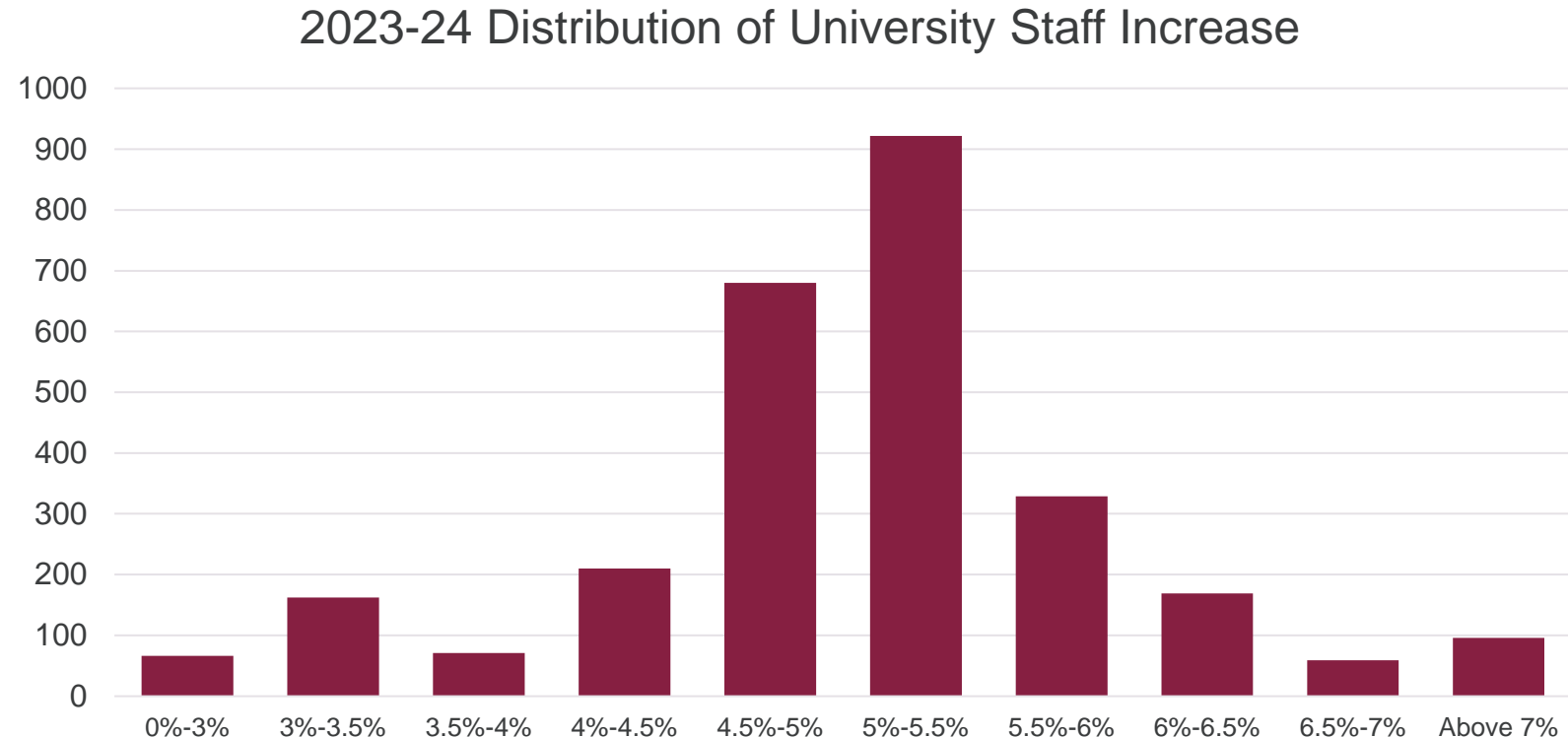
	State Increase	Basis of Increase
<i>Classified Staff</i>	5.0%	<i>Across-the-board</i>
<i>University Staff</i>	5.0%	<i>Discretion of University</i>

- University implemented the University Staff program in 2 components:
 - 3.0 percent base increase
 - 2.0 percent merit-based increase (variable)
- Merit process designed to differentiate and recognize performance

2023-24 STAFF COMPENSATION PROGRAM

Average
Increase:

5%



Increases are effective June 10, 2023 and will appear in employee paychecks on July 1, 2023.

APPROVAL OF 2023-24 FACULTY COMPENSATION PLAN

KEN MILLER, VICE PRESIDENT FOR
FINANCE AND UNIVERSITY TREASURER

JUNE 6, 2023

2023-24 Faculty Compensation Plan Elements

- Benchmarking
- 2023-24 pay structure
- Promotion and tenure process
- Annual evaluation and salary adjustment process

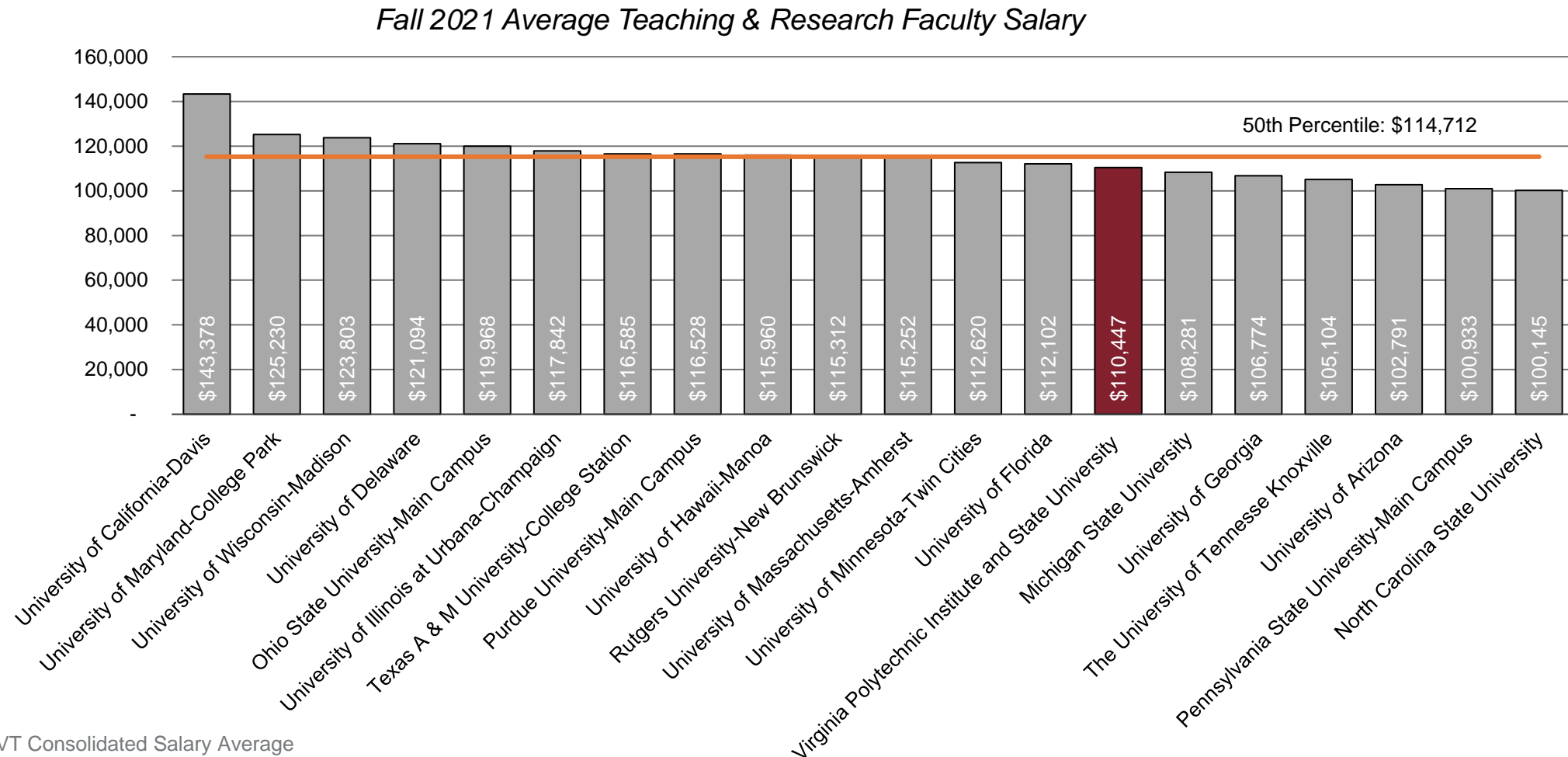
FALL 2021 PEER SALARY BENCHMARKING

<u>Top 20 Land Grant Group</u>	<u>Fall 2021</u>	<u>Fall 2022</u>	<u>Change</u>
50 th percentile (excl. VT)	\$114,721	N/A*	-
VT Average Salary	\$110,447	\$115,498	4.6%
VT Rank	14 of 20	N/A	-
VT Percentile	33rd	N/A	-

**IPEDS peer salary data for Fall 2022 is not yet available*

BENCHMARKING – TOP 20 LAND GRANTS

- Strategic Plan Objective: Achieve progress in competitive faculty salaries toward the 50th percentile of Research (R1) Public Land-Grant Universities by 2024



2023-24 PAY STRUCTURE

	9-Month Faculty		12-Month Faculty		Distribution of Faculty by Rank
	Entrance	Change	Entrance	Change	
Professor	\$104,326	4.0%	\$127,241	4.0%	29%
Associate Professor	79,792	4.0%	96,685	4.0%	28%
Assistant Professor	66,008	4.0%	80,289	4.0%	28%
Senior Instructor	56,612	4.0%	73,662	4.0%	3%
Advanced Instructor	50,473	4.0%	65,479	4.0%	2%
Instructor	46,261	4.0%	60,190	4.0%	10%

PROMOTION AND 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

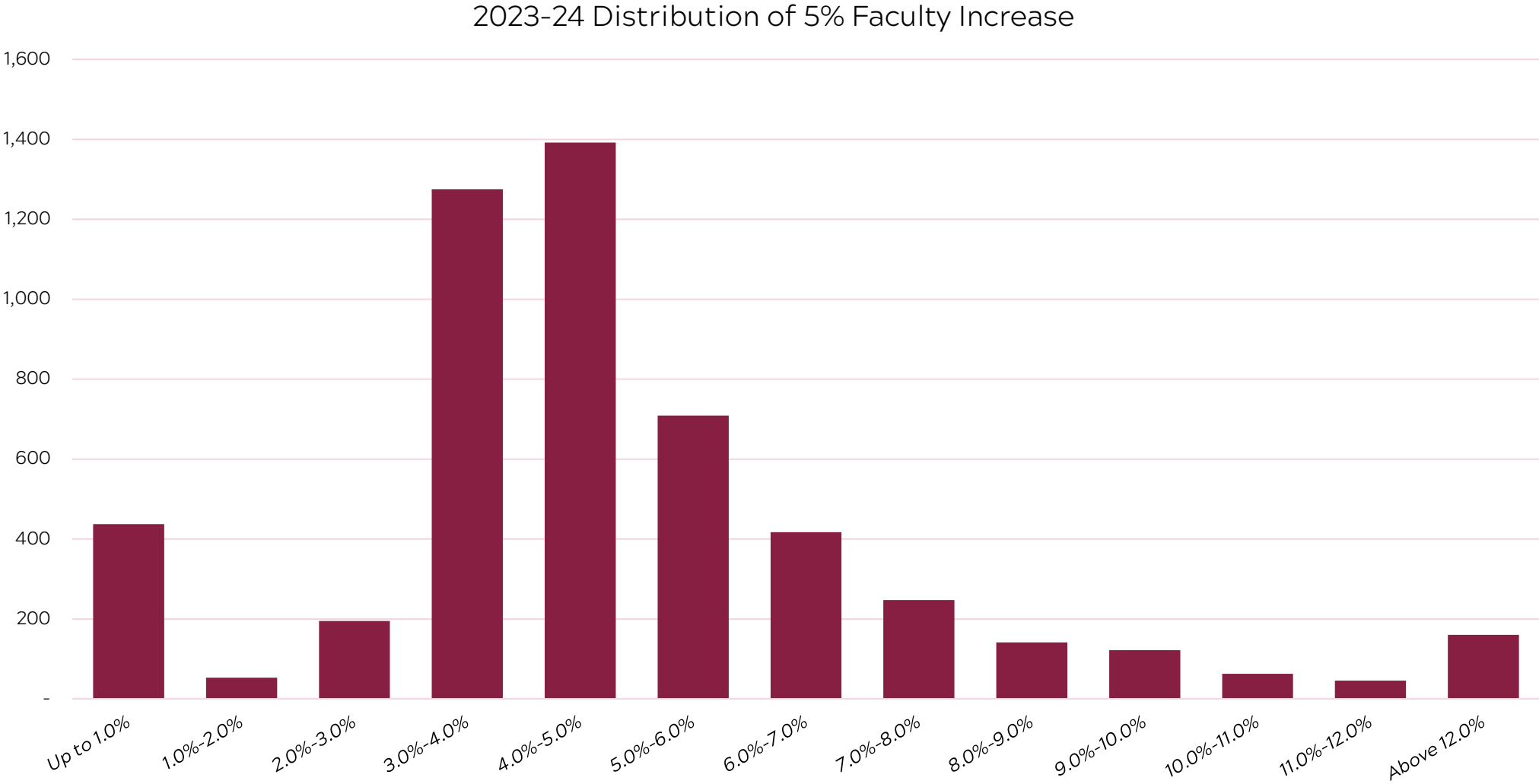
ANNUAL EVALUATION & SALARY ADJUSTMENTS

- 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

UPDATE ON CURRENT MERIT PROCESS

- State budget included 5.0% increase (effective June 10, 2023)
- Merit recommendations were developed during the spring of 2023, consistent with the proposed 2022-23 Faculty Compensation Plan
 - 4.0% pool for Faculty Merit
 - 1.0% pool for Special Adjustments
 - National Distinction and Outstanding Contributor recognition
 - Retention, Alignment, Market, and Increase in Duties
 - Results of this process are shared with the Board in a separate resolution.
- Pending final action by the General Assembly, it may be necessary to modify the amount to match the final state compensation program.

UPDATE ON CURRENT MERIT PROCESS



2023-24 FACULTY COMPENSATION PLAN

RECOMMENDATION

That the proposed 2023-24 Faculty Compensation Plan be approved.

June 6, 2023

APPROVAL OF 2023-24 COMPENSATION FOR GRADUATE ASSTANTS

KEN MILLER, VICE PRESIDENT FOR
FINANCE AND UNIVERSITY TREASURER

JUNE 6, 2023

BACKGROUND

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.

A full assistantship equals 20 hours of work per week.

Components of Compensation Package

- Stipend (including a Stipend Supplement)
- Tuition assistance
- Health insurance benefit

STIPEND

1. Base stipend scale provides a range of stipend amounts reflective of appointment and levels of responsibility.
2. \$458 academic year stipend supplement helps offset university costs

As of January 2023, the current average monthly stipend for full-time graduate assistants is \$2,431 per month.

TUITION ASSISTANCE

Tuition Assistance includes remission of tuition, mandatory E&G fees, and non-executive graduate program fees.

Funded through sources appropriate to the nature of the work

1. General Fund appropriation for graduate assistance
2. Tuition remission in the Educational and General budget
3. Tuition payments planned in the budgets of externally sponsored grants and contracts
4. Private funds

HEALTH INSURANCE

- To qualify, full-time graduate students must have a 50 percent or greater assistantship appointment.
- In 2022-23, the university provided 88 percent of the \$3,276 annual premium cost. Subsidy matches the university's share of other employee health insurance programs.
- Graduate students may decline coverage.

9-MONTH COMPENSATION FY23

2022-23

	In-State	Out-of-State
<u>University Compensation Package</u>		
Stipend, 9-month (average, includes supplement)	\$21,879	\$21,879
Tuition Remission (includes E&G fees)	14,706	29,452
Program Fee Remission (depends on program)	0 - 2,000	0 - 2,000
Immigration Services Fee Remission	0	0 - 550
Health Insurance Subsidy (88%)	2,882	2,882
Total University	<u>\$39,467 - \$41,467</u>	<u>\$54,213 - \$56,763</u>

Student Costs

Comprehensive Fee	\$2,377	\$2,377
Commonwealth Capital & Equipment Fee	0	604
Health Insurance (12%)	393	393
Total Student	<u>\$2,770</u>	<u>\$3,374</u>

CURRENT EVENTS

- Markets are moving, competitive compensation is important
- The president asked the Provost and Dean of the Graduate School to convene a task force to develop recommendations for improving graduate assistantship compensation
- Based on this work, the university recommends the establishment of a new minimum stipend at \$2,420 per month
- This addresses a top recommendation from the task force
- Cost of moving 730 assistantships to new minimum is \$1.228M (of which \$882K is in E&G)

KEY POINTS

Stipend

- 5.0 percent stipend increase effective August 10, 2023
 - Average will move up by more due to raising the floor
- Pending final action by the General Assembly, the Board authorizes the president to modify the increase for graduate assistant compensation to match the statewide employee compensation program
- Maintain academic year stipend supplement of \$458
- Establish minimum stipend of \$2,420

Tuition Remission - continue program

Health Insurance - continue 88% subsidy

APPROVAL OF 2023-24 COMPENSATION FOR GRADUATE ASSISTANTS

RECOMMENDATION

That the graduate assistant compensation program for 2023-24 be approved.

Pending final action by the General Assembly, the Board authorizes the president to modify the increase for graduate assistant compensation to match the statewide employee compensation program.

June 6, 2023

FY 24 OPERATING AND CAPITAL BUDGETS

AMY SEBRING

EXECUTIVE VICE PRESIDENT & CHIEF OPERATING OFFICER

TIM HODGE

ASSOCIATE VICE PRESIDENT FOR BUDGET & FINANCIAL PLANNING

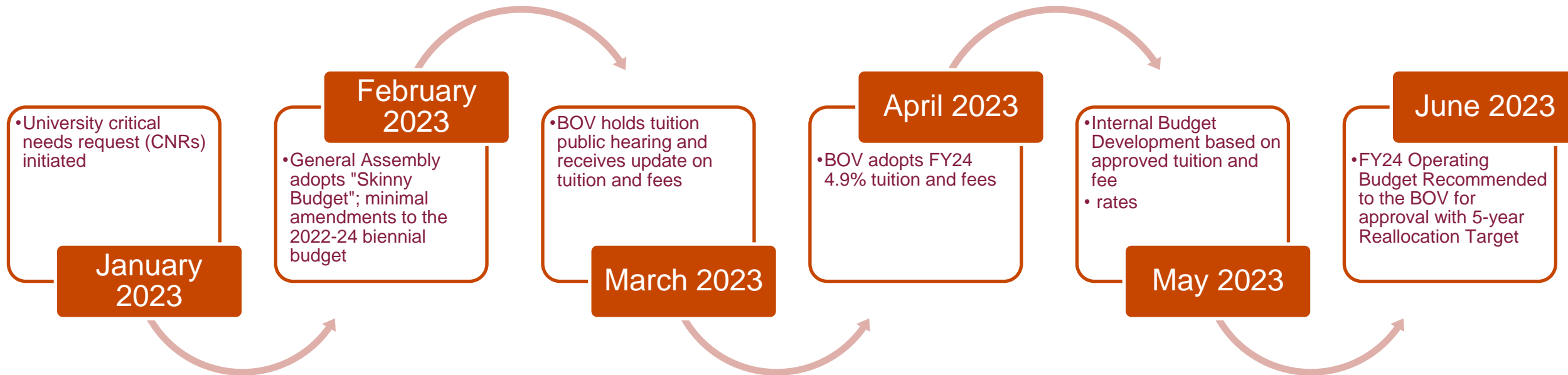
BOB BROYDEN

ASSOCIATE VICE PRESIDENT FOR CAMPUS PLANNING & CAPITAL FINANCING

JUNE 6, 2023

Budget Development Process

FY 24 Operating Budget



FY 24 Capital Plan

- The capital plan reflects the fiscal year cash flows of previously authorized capital projects

OPERATING BUDGET

FY 24 OPERATING BUDGET

All Programs

Dollars in Millions

	FY23 Adjusted Budget	FY24 Proposed Budget	Change	
			\$	%
<u>Educational and General</u>				
University Division	\$948.0	\$1,007.6	\$59.6	6.3%
Coop Ext/Ag Experiment Station Division	104.6 (a)	105.8	1.2	1.1%
Subtotal	\$1,052.6	\$1,113.4	\$60.8	5.8%
Auxiliary Enterprises	\$413.6	\$452.7	\$39.1	9.5%
Sponsored Programs	390.0	435.3	45.3	11.6%
Appropriated Student Financial Assistance	43.1	50.9	7.7	17.9%
SFA - One-Time Tuition Mitigation	8.0	-	(8.0) (b)	N/A
All Other Programs	16.6	16.2	(0.4)	(2.5%)
Total	\$1,924.0	\$2,068.5	\$144.5	7.5%

(a) CE/AES FY23 Adjusted budget includes \$2.5M of one-time funds, so base budget growth is 4.2%.

(b) One-time in-state tuition rate increase mitigation scholarship in FY23

UNIVERSITY DIVISION

E&G PROGRAM

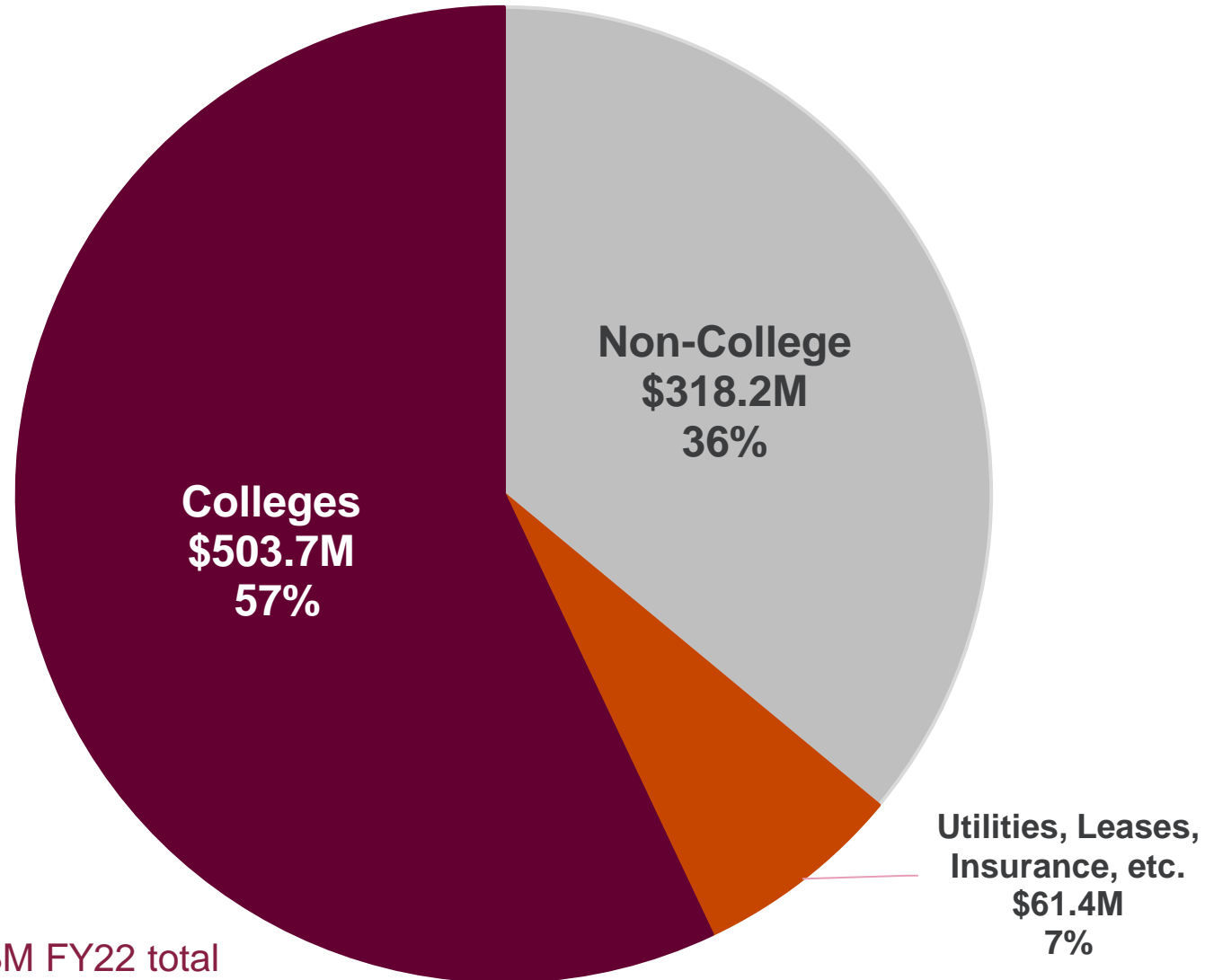
Dollars in Millions

	FY23 Adjusted Budget	FY24 Proposed Budget	Change	
			\$	%
<u>University Division (E&G)</u>				
General Fund	\$238.7	\$251.7	\$13.0	5.4%
Tuition and Fees	659.5	700.1	40.6	6.2%
All Other Income	49.8	55.8	6.0	12.0%
Subtotal	\$948.0	\$1,007.6	\$59.6	6.3%

UNIVERSITY DIVISION E&G

FY22 Percentage of Expenditures, by Area

Dollars in Millions



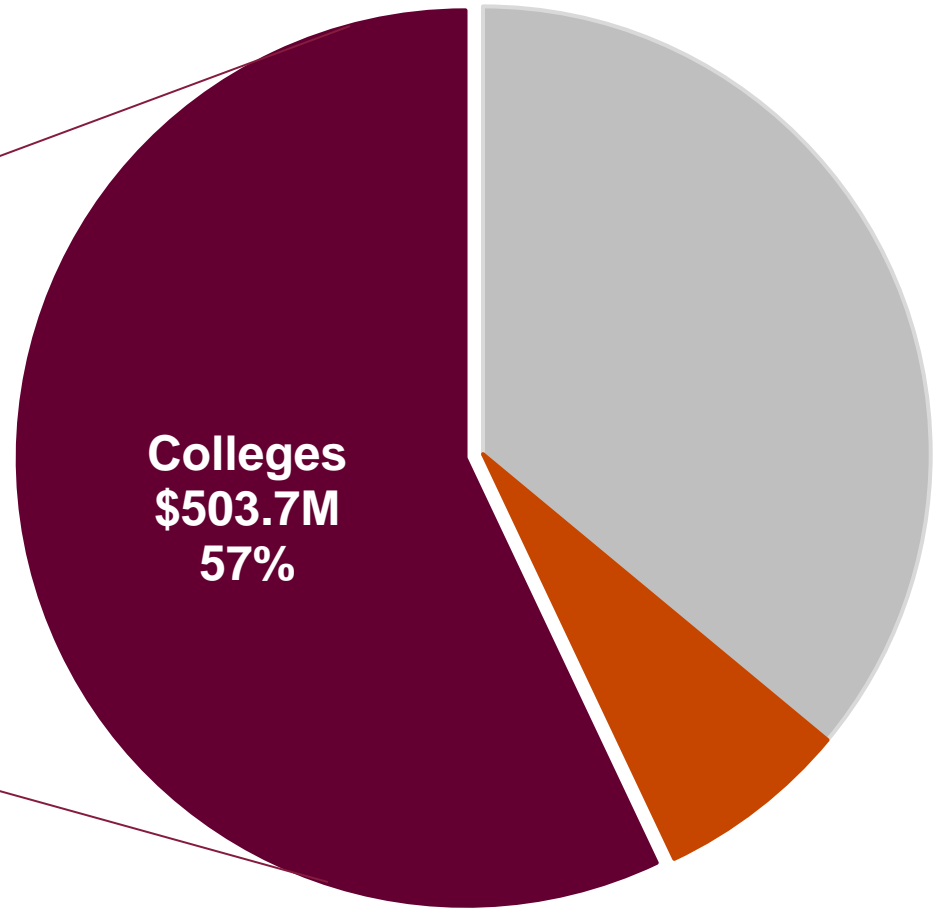
University Division E&G \$883.3M FY22 total expenditures, excluding Continuing Education

UNIVERSITY DIVISION E&G

FY22 College Expenditures

Dollars in Millions

Colleges	Expenditures
Engineering	\$ 132.4
Science	83.6
Liberal Arts and Human Studies	79.7
Business	53.5
Veterinary Medicine	44.6
Vet Medicine - Hospitals	12.6
Agriculture & Life Sciences	35.2
Architecture, Arts & Design	31.7
School of Medicine	15.2
Natural Resources & Environment	15.0
Total	\$ 503.7



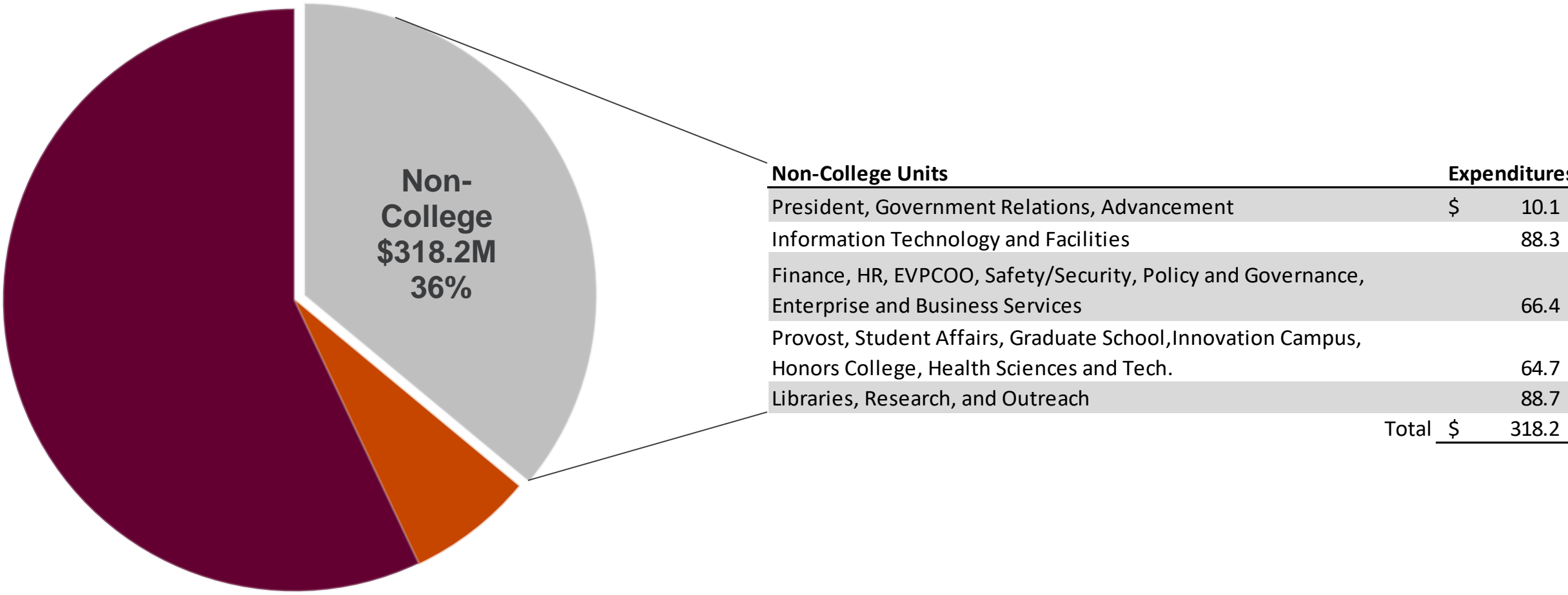
Basis for FY2023-24 PIBB Allocations

Funding Category	Funding Metrics
Instructional Support	All Student Credit Hours (SCH's)
	Interdisciplinary SCH's
	Lab Course SCH's
Enrollment Support	All Majors
Research & Scholarship Support	Extramural Research Expenditures
	Faculty Awards, Fellowships, and Memberships
	Citations
	Doctoral Degrees Awarded
	Postdoctoral Appointments

University Division E&G \$883.3M FY22 total expenditures, excluding Continuing Education

UNIVERSITY DIVISION E&G

FY22 Non-College Expenditures by Area
Dollars in Millions



University Division E&G \$883.3M FY22 total expenditures, excluding Continuing Education

UNIVERSITY DIVISION FY24 E&G INCREMENTAL COSTS

Dollars in Millions

<u>State Mandated Costs</u>	<u>E&G</u>
Faculty/Staff/GAs 5%	\$ 31.4
Employee Health Insurance Increase	4.0
Virginia Military Dependent & Survivor Benefits (VMSDEP)	5.0
<u>Unavoidable Costs</u>	
Fixed Costs (Utilities, Insurance, Leases)	1.9
Operation & Maintenance of New Facilities	2.2
Promotion and Tenure	0.7
Subtotal State & Unavoidable Costs	45.2
Other (e.g. growth in Continuing Education)	2.4
Capacity for University Initiatives (toward \$45M vision)	12.0
University Division Budget Change from Slide 5	\$ 59.6

UNIVERSITY DIVISION FY24 E&G FUNDING PLAN

Dollars in Millions

<u>State Mandated Costs</u>		<u>E&G</u>		
Faculty/Staff/GAs 5%		\$	31.4	
Employee Health Insurance Increase			4.0	
Virginia Military Dependent & Survivor Benefits (VMSDEP)			5.0	
<u>Unavoidable Costs</u>				
Fixed Costs (Utilities, Insurance, Leases)			1.9	<u>Funding Plan from Prior Meeting</u>
Operation & Maintenance of New Facilities			2.2	State Tuition Required
Promotion and Tenure			0.7	GF 4.9% Reallocation
Subtotal State & Unavoidable Costs			45.2	<u>\$15.6 \$25.6 \$ 4.0</u>
Other (e.g. growth in Continuing Education)			2.4	Earmarked Revenues
Capacity for University Initiatives (toward \$45M vision)			12.0	Graduate enrollment, mix
University Division Budget Change from Slide 5			<u>\$59.6</u>	

UNIVERSITY DIVISION FY24 E&G

3% Tuition Scenario

Dollars in Millions

State Mandated Costs

	E&G
Faculty/Staff/GAs 5%	\$ 31.4
Employee Health Insurance Increase	4.0
Virginia Military Dependent & Survivor Benefits (VMSDEP)	5.0

Unavoidable Costs

Fixed Costs (Utilities, Insurance, Leases)	1.9
Operation & Maintenance of New Facilities	2.2
Promotion and Tenure	0.7
Subtotal State & Unavoidable Costs	45.2

Impact of 3% Scenario		
State	Tuition	Required
GF	4.9% 3%	Reallocation
\$15.6	\$25.6	\$4.0
\$15.6	\$15.7	\$4.0
Shortfall	(\$9.9)	

Other (e.g. growth in Continuing Education) 2.4

Capacity for University Initiatives (toward \$45M vision) 12.0

University Division Budget Change from Slide 5 **\$ 59.6**

UNIVERSITY DIVISION FY24 E&G

3% Tuition Scenario

Dollars in Millions



State Mandated Costs

E&G

Faculty/Staff/GAs 5%	\$ 31.4
Employee Health Insurance Increase	4.0
Virginia Military Dependent & Survivor Benefits (VMSDEP)	5.0

Unavoidable Costs

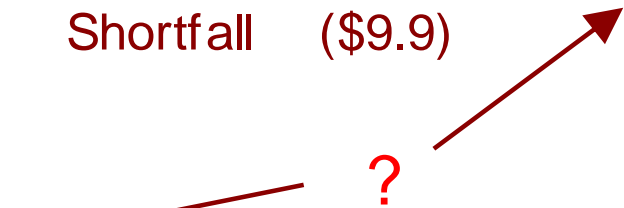
Fixed Costs (Utilities, Insurance, Leases)	1.9
Operation & Maintenance of New Facilities	2.2
Promotion and Tenure	0.7
Subtotal State & Unavoidable Costs	45.2

Impact of 3% Scenario		
State	Tuition	Required
GF	4.9% 3%	Reallocation
\$15.6	\$25.6	\$4.0
\$15.6	\$15.7	\$4.0
Shortfall	(\$9.9)	

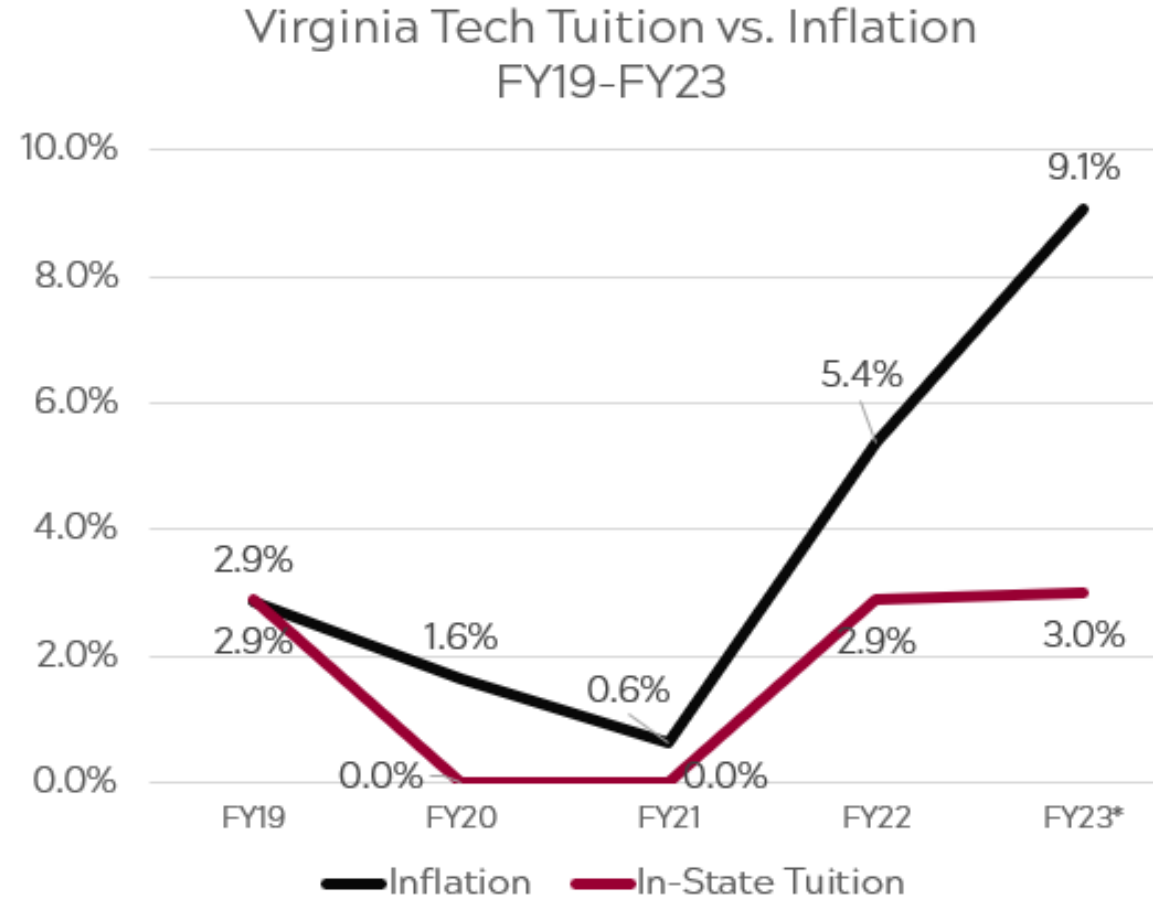
Other (e.g. growth in Continuing Education)	2.4
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Capacity for University Initiatives (toward \$45M vision)	12.0
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University Division Budget Change from Slide 5 \$ 59.6



GENERAL FUND SUPPORT HAS HELPED HOLD DOWN TUITION BELOW INFLATION



* FY23 In-state increase offset by one-time tuition mitigation scholarship.

STRATEGIC INVESTMENTS NEEDED TO REALIZE *BEYOND BOUNDARIES*

Destination for Talent

Student Access and Affordability

Employee Recruitment and Retention

Academic Excellence

Tech Talent Investment–Innovation Campus

Health and Biomedical Sciences

Integrated Security

Destination Areas 2.0

Enabling Infrastructure and Capacity

Advancement

IT Transformation/Technology Infrastructure

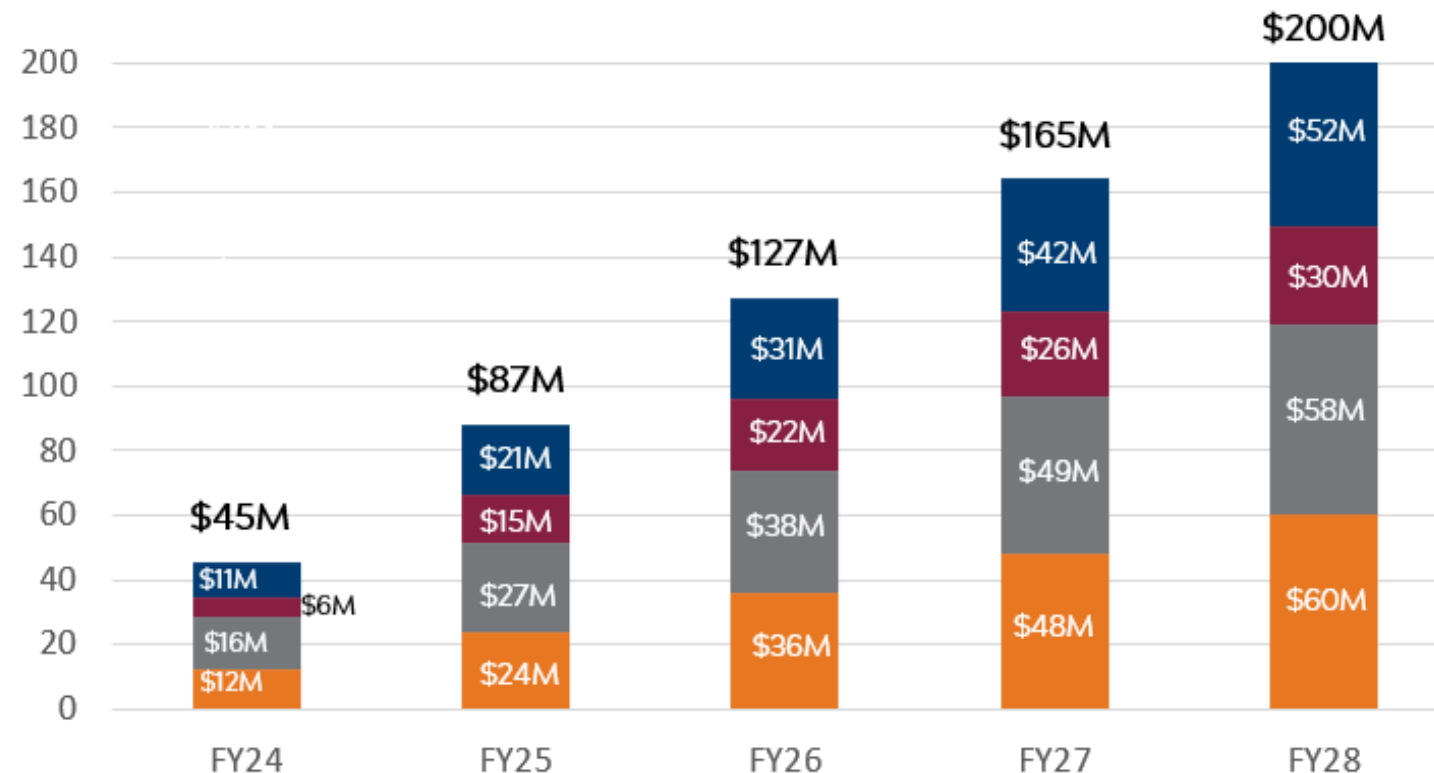
Facilities Renewal

Academic Quality and Critical Needs

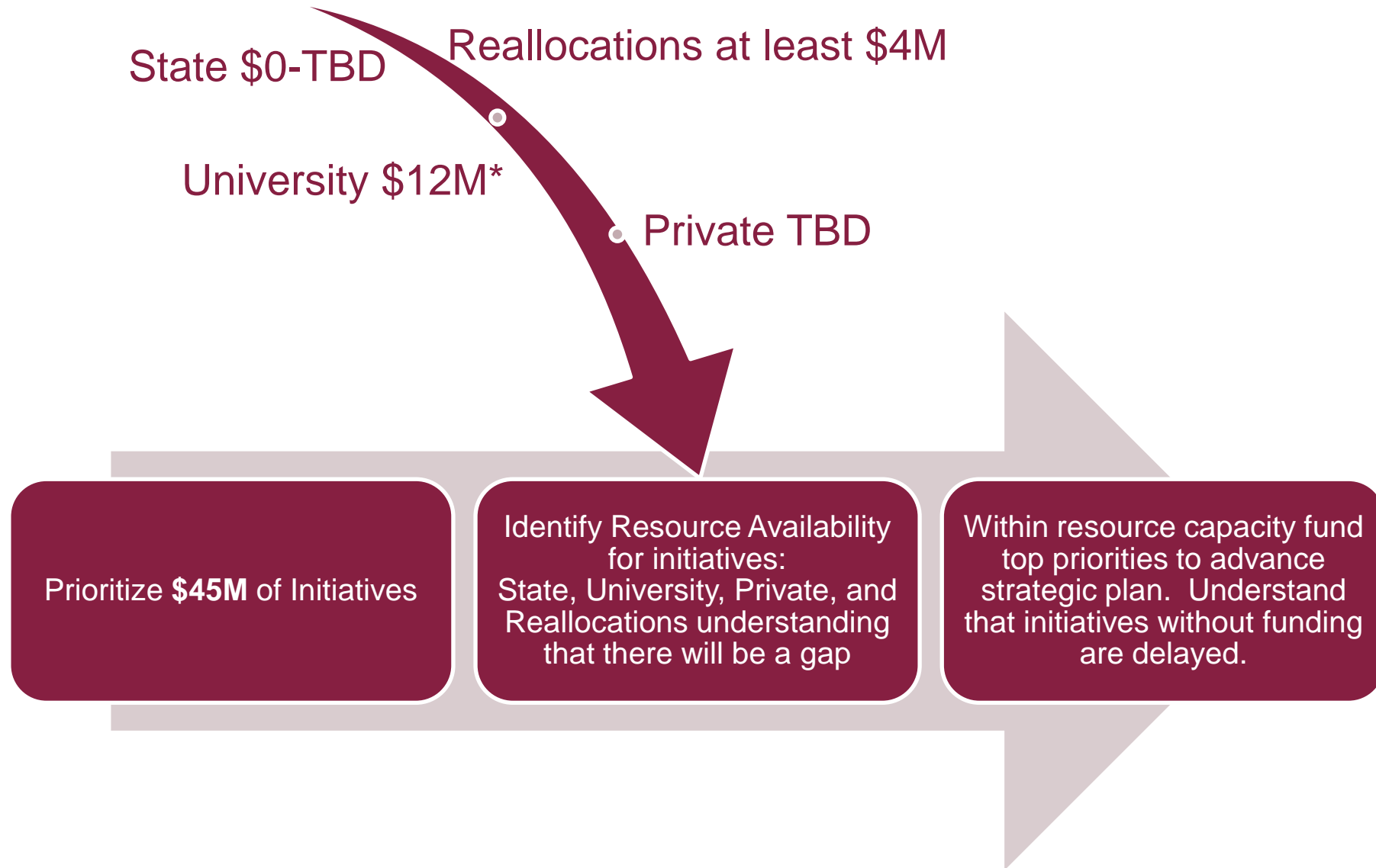
Academic Incentive-Based Funding (PIBB Model)

Annual Critical Needs Requests

Multiple fund sources will contribute to the achievement of these strategic initiatives



INITIATIVE FUNDING FRAMEWORK



STRATEGIC INVESTMENTS NEEDED TO REALIZE *BEYOND BOUNDARIES*

Dollars in Millions

		FY24	
	Aspiration	Planned*	3% Tuition Scenario
<u>Destination for Talent</u>			
Student Access and Affordability (Virginia Tech Advantage)	9.0	3.4	?
Human Resources (Grad Stipend Floor to \$2,420)	2.0	0.8	?
<u>Academic Excellence</u>			
Tech Talent Investment Program – Innovation Campus	4.0	1.6	?
Health & Biomedical Sciences	0.7	0.8	?
Integrated Security	0.4		
Destination Areas 2.0	1.1		
<u>Enabling Infrastructure & Capacity</u>			
Advancement	0.5	0.5	?
IT Transformation/Technology Infrastructure	9.3	2.5	?
Facilities Renewal	6.2		
<u>Academic Quality & Critical Needs</u>			
Academic Incentive-Based Funding Quality (PIBB)	6.0	1.5	?
Annual Critical Needs Requests	6.0	0.9	?
Initiatives Total	45.2	12.0	?

* \$12M for initiatives assumes state “Skinny Budget”, 4.9% tuition rate, and \$4M of reallocation to fund mandatory & unavoidable cost increases.

\$25 MILLION REALLOCATION GOAL

- Needed strategic investments will not be realized solely through incremental new revenue
 - Limited resources require VT to prioritize initiatives for funding
- A new \$25M reallocation target over the next 5 years will support 12.5% of the initiative vision
 - Recall SCHEV's cost study indicates VT spends 27% less per student than comparable institutions.
 - Current FY24 funding plan already requires \$4M in reallocations to fund mandatory and unavoidable cost increases with tuition rates approved in April

FY 24 OPERATING BUDGET

Dollars in Millions

Recap: FY24 Operating budget assumes the Commonwealth’s “Skinny Budget”, tuition and fee rates approved by the BOV in April, and a new multi-year plan for \$25M of reallocations (of which at least \$4M of reallocations are required in FY24 to balance the budget).

	FY23	FY24	Change	
	Adjusted	Proposed		
	Budget	Budget	\$	%
<u>Educational and General</u>				
University Division	\$948.0	\$1,007.6	\$59.6	6.3%
Coop Ext/Ag Experiment Station Division	104.6	(a) 105.8	1.2	1.1%
Subtotal	\$1,052.6	\$1,113.4	\$60.8	5.8%
Auxiliary Enterprises	\$413.6	\$452.7	\$39.1	9.5%
Sponsored Programs	390.0	435.3	45.3	11.6%
Appropriated Student Financial Assistance	43.1	50.9	7.7	17.9%
SFA - One-Time Tuition Mitigation	8.0	-	(8.0)	(b) N/A
All Other Programs	16.6	16.2	(0.4)	(2.5%)
Total	\$1,924.0	\$2,068.5	\$144.5	7.5%

(a) CE/AES FY23 Adjusted budget includes \$2.5M of one-time funds, so base budget growth is 4.2%.

(b) One-time in-state tuition rate increase mitigation scholarship in FY23

CAPITAL BUDGET

FISCAL YEAR 2024 CAPITAL PROJECTS

End FY23	25
Projects closed June 30 th	- 7
New projects effective July 1 st	0
Start FY24	<hr/> 18



Design

2



Construction

11



Equipment

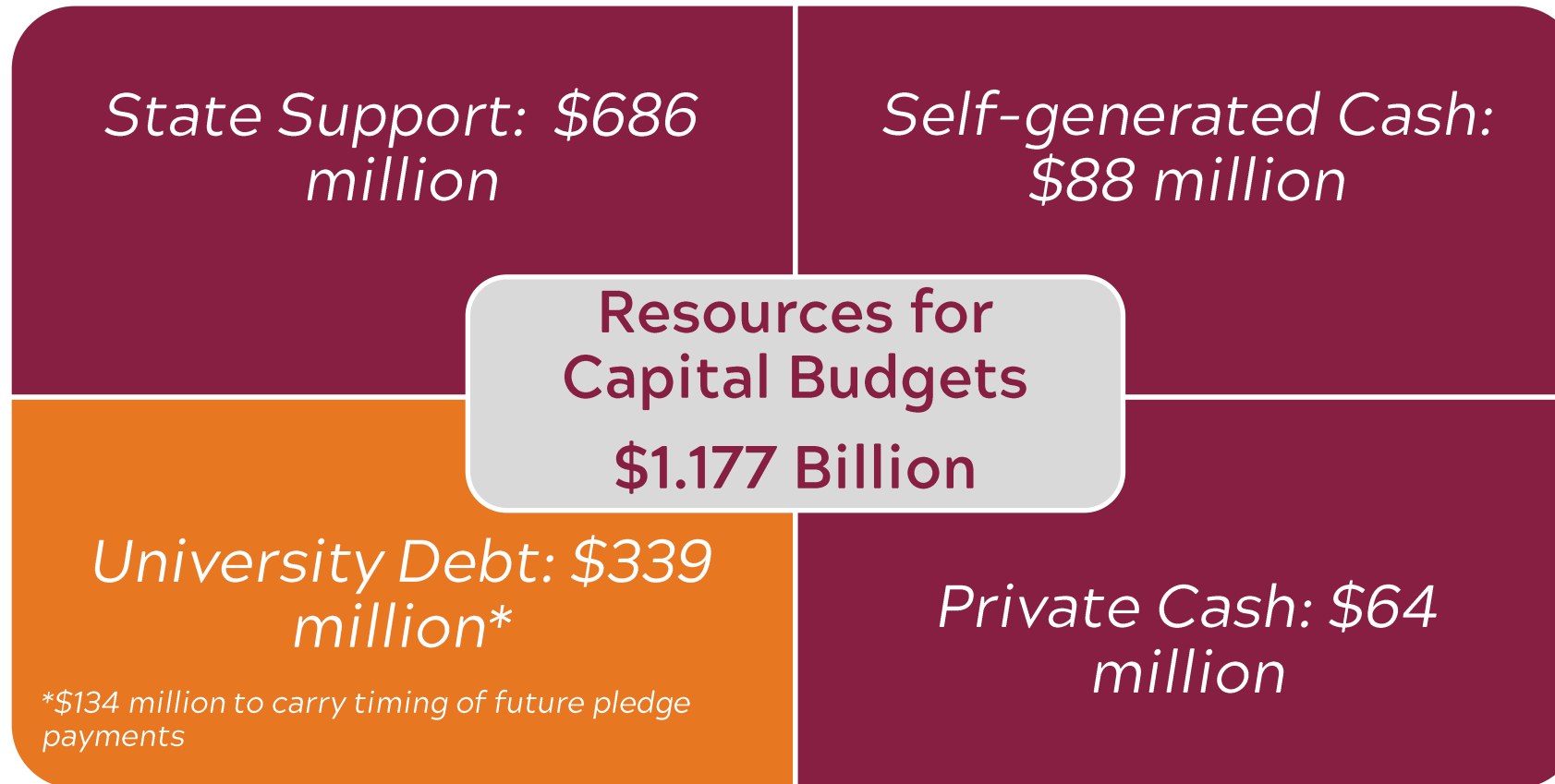
2



Closeout

3

CAPITAL PROGRAM FUND SOURCES



MAJOR BUDGET ADJUSTMENTS

Budget at Close of FY23

\$ 1,395,072

Reductions for FY23 Project Closeouts

Creativity & Innovation District LLC	(105,500)
Holden Hall	(74,927)
Chiller Plant, Phase II	(42,968)
Kentland	(12,463)
Gas Fired Boiler	(8,200)
Commonwealth Cyber Initiative	(1,500)
Planning: Relocate Hampton Roads AREC	(500)

Budget Increases for FY24

Maintenance Reserve (E&G and Auxiliary)	18,979
Equipment for Workforce Development	9,542

Net Change

(217,537)

Budget at Start of FY24

\$ 1,177,535

FISCAL YEAR 2024 CAPITAL SPEND

(Dollars in thousands)

FY24 starting total capital budget

\$1,177,000

Less project to-date expenditures as of June 30th

-427,000

Budget available to complete projects

\$750,000

Estimated capital expenditures for FY24

\$220,000

APPROVAL OF 2023-24 UNIVERSITY OPERATING AND CAPITAL BUDGETS

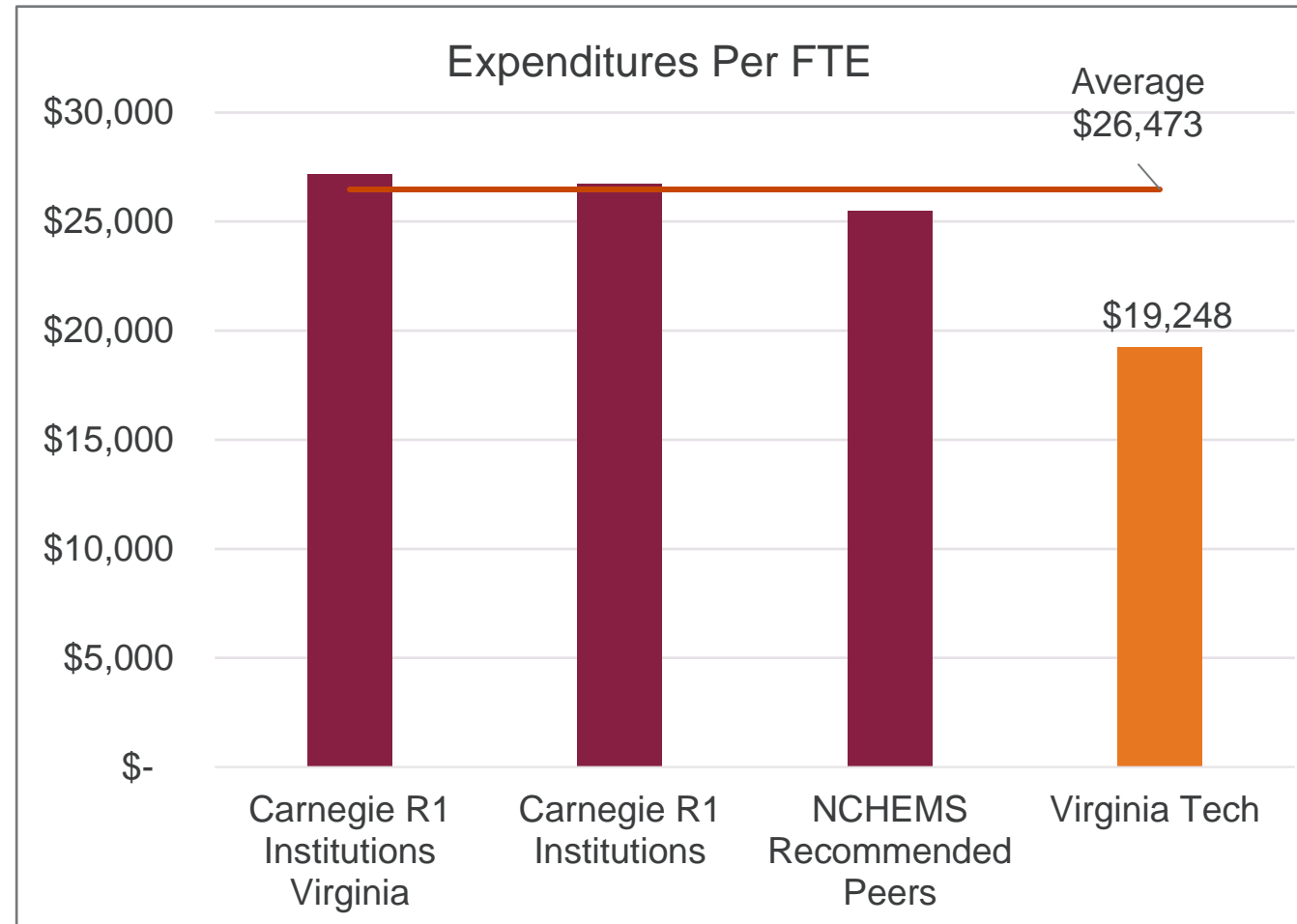
RECOMMENDATION

That the proposed 2023-24 Operating and Capital Budget as displayed on Schedules 1, 2, and 3 be approved.

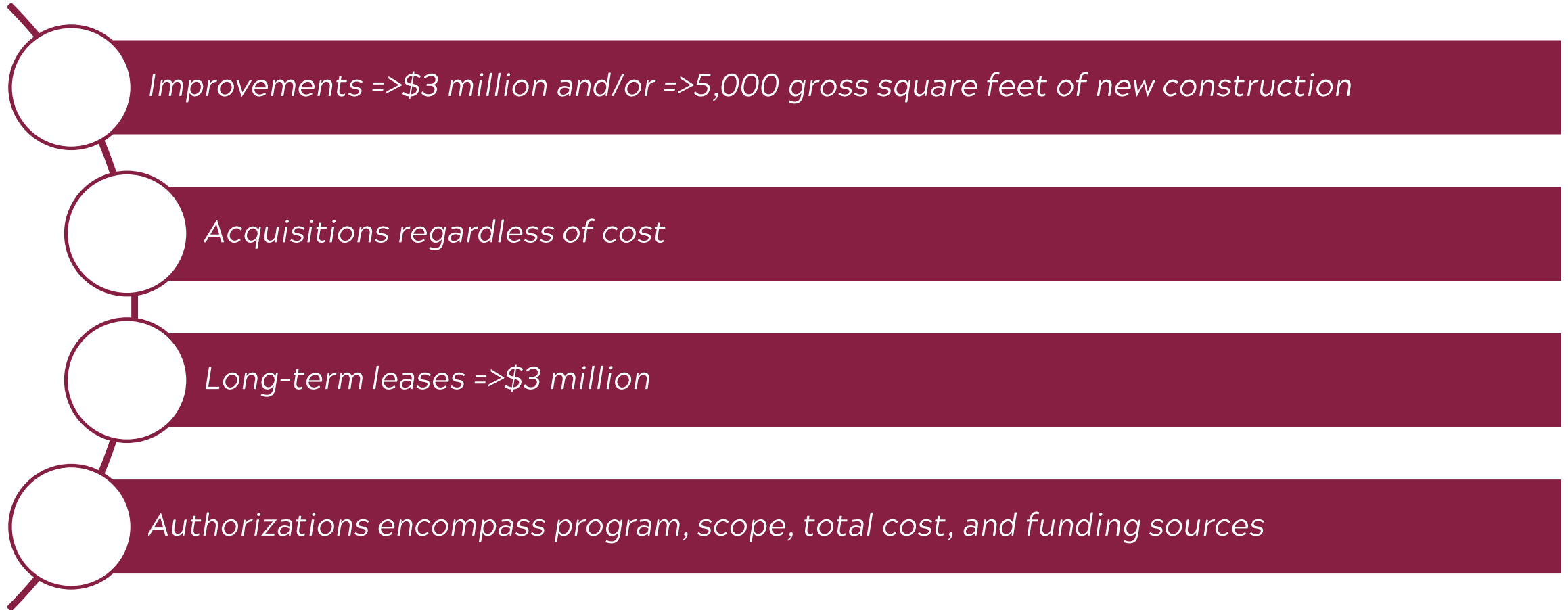
June 6, 2023

Backup

SCHEV/NCHEMS ANALYSIS INDICATES THAT VT IS EFFICIENT SO THE UNIVERSITY WILL NEED TO BE THOUGHTFUL WITH REALLOCATIONS



CAPITAL PROJECT AUTHORIZATION LEVELS



ESCALATION AND CONSTRUCTION COST

2023 Supply Chain Lead Time and Price Snapshot



Structural Steel



Roofing



HVAC Equipment



Electrical Gear



Plumbing and Fixtures



Architectural Interiors

Lead Time Price



Lead Time Price



Lead Time Price



Lead Time Price



Lead Time Price



Lead Time Price



Status Key



Trending Up
Significantly



Trending Up



Stable/Consistent



Fluctuating

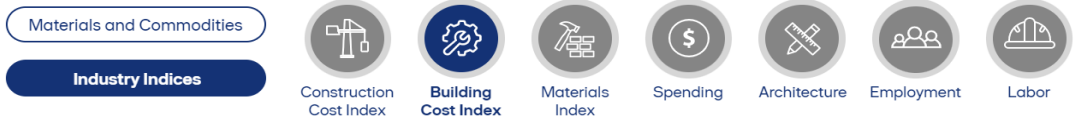


Trending Down

ESCALATION AND CONSTRUCTION COST

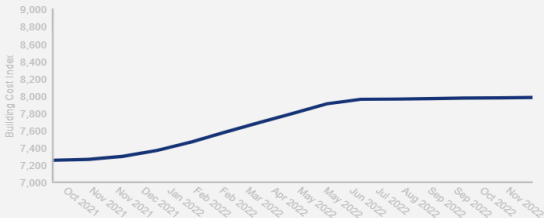
SKANSKA

Winter 2023 Construction Pricing Snapshot



Building Cost Index

Following a two year period of abnormal inflation the ENR Building Cost Index has reported multiple consecutive months of nearly flat inflation levels.



Source: Engineering News-Record

7,972
Building Cost Index

+0.2%
Change from previous quarter

ENR Building Cost Index is based up of 68.38 hours of skilled labor at the 20-city average of bricklayers, carpenters and structural ironworkers rates, plus 25 cwt of standard structural steel shapes at the mill price prior to 1996 and the fabricated 20-city price from 1996, plus 1.128 tons of portland cement at the 20-city price, plus 1,088 board ft of 2 x 4 lumber at the 20-city price.

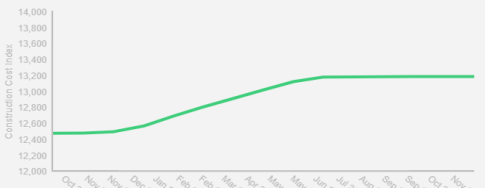
SKANSKA

Winter 2023 Construction Pricing Snapshot



Construction Cost Index

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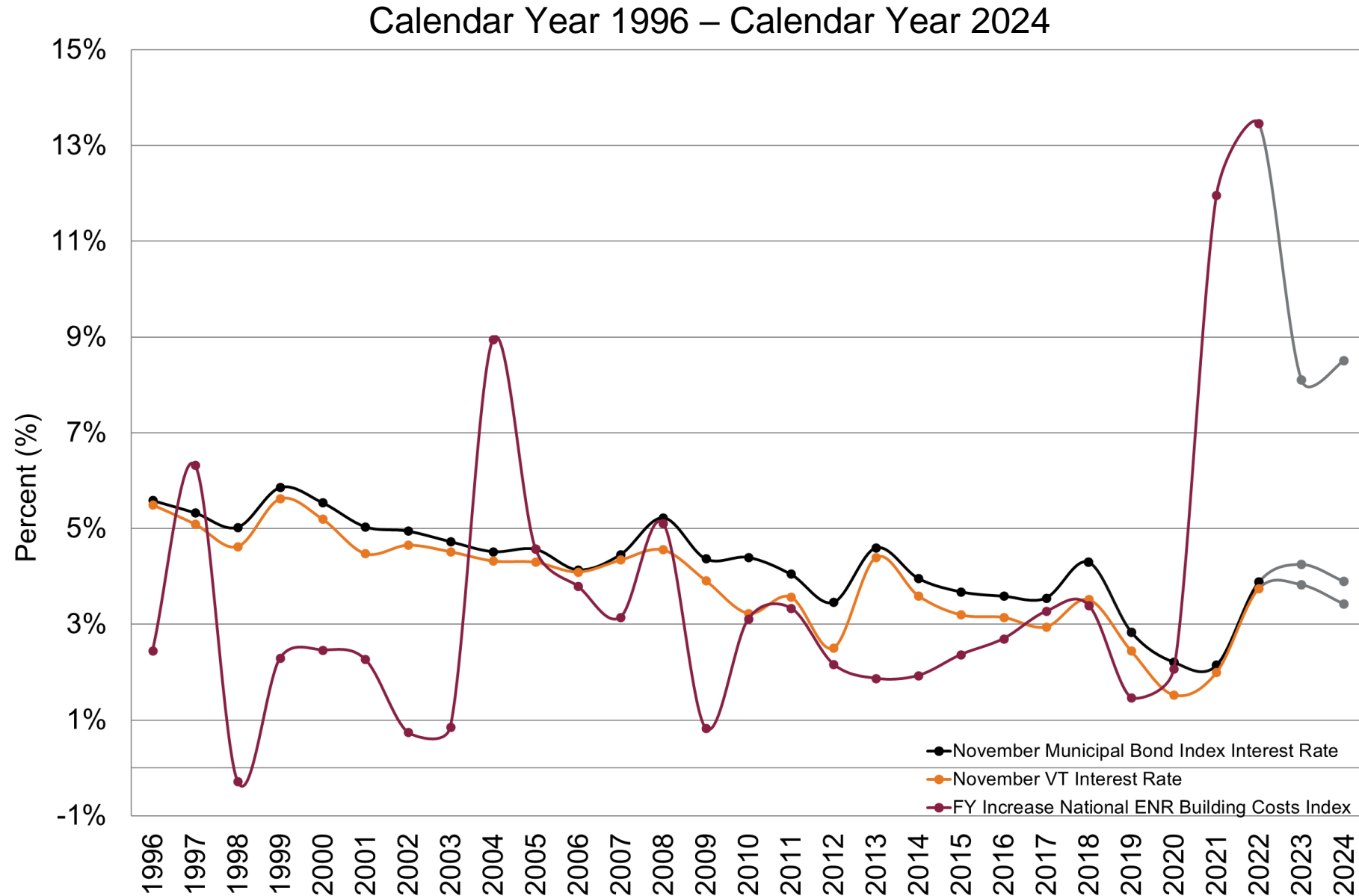
Source: Engineering News-Record

13,175
Current construction Cost Index

0.0%
Change from previous quarter

ENR Construction Cost Index is based upon 200 hours of common labor at the 20-city average of common labor rates, plus 25 cwt of standard structural steel shapes at the mill price prior to 1996 and the fabricated 20-city price from 1996, plus 1.128 tons of portland cement at the 20-city price, plus 1,088 board ft of 2 x 4 lumber at the 20-city price.

TREND OF ESCALATION AND INTEREST RATES



TREND OF CAPITAL PROGRAM TOTAL BUDGET

Fiscal Year 1990 - Fiscal Year 2024

