

Committee Minutes

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

The Inn at Virginia Tech

March 20, 2023

Joint Open Session with the Buildings and Grounds Committee

Board Members Present: Ed Baine, Shelley Butler Barlow, Sandy Cupp Davis, Carrie Chenery, Greta Harris, C.T. Hill, Brad Hobbs, Anna James, Tish Long, Chris Petersen, Jeff Veatch, Robert Weiss – Faculty Representative, Serena Young – Staff Representative

Virginia Tech Personnel: Callan Bartel, Lynsay Belshe, Bob Broyden, Brock Burroughs, Cyril Clarke, Al Cooper, David Crotts, Corey Earles, Jeff Earley, Alisha Ebert, Ted Faulkner, Mark Gess, Emily Gibson, Suzanne Griffin, Kay Heidbreder, Tim Hodge, Elizabeth Hooper, Travis Hundley, Frances Keene, Chris Kiel, Chris Kiwus, Sharon Kurek, Jack Leff, Lauren Malhotra, Rob Mann, Meghan Marsh, Elizabeth McClanahan, Nancy Meacham, Scott Midkiff, Ken Miller, Liza Morris, Justin Noble, Kim O'Rourke, Mark Owczarski, James Perkins, Charlie Phlegar, Zo Qazi, Tim Sands, Amy Sebring, Brennan Shepard, Ken Smith, John Tarter, Dwyn Taylor, Jon Clark Teglas, Rob Viers, Tracy Vosburgh, Michael Walsh, Melinda West, Chris Wise, Nick Woods

Guests: Jeff Mitchell – Mitchell Law Firm, Oliver Shuey – Virginia Tech Grad Student

- *#+ 1. Approval of the 2024-2030 Capital Outlay Plan:** In November, the Board of Visitors approved an update to the 2047 Campus Master Plan which made adjustments to its long-term land use plans. Today, the Committees reviewed for approval the Six-Year Capital Outlay Plan.

Capital Outlay Plans identify the university's top priorities for future facility improvements and ensure debt capacity would be sufficient for the plan, but do not authorize action or spending for individual projects listed on the plan. The university prepares an updated Six-Year Capital Outlay Plan every two years as part of its normal planning and budgeting cycle. The Plan is a critical component of positioning the university for state support of major Educational and General projects and for advancing high priority projects that may be funded entirely with nongeneral fund resources. Thus, in the future, we may expect separate requests for planning and construction of projects for consideration, and we will make those decisions when the time is appropriate. The next state capital outlay plan will be for 2024-2030 and will be established in the 2024 budget development process. Traditionally,

*** Requires full Board approval**

Discusses Enterprise Risk Management topic(s)

+ Discusses Strategic Investment Priorities topic(s)

the state requires each institution to submit a capital plan in June of the year before a new biennium begins. Based on that timetable, a plan from the university for 2024-2030 will be due to the state in June of 2023.

The university will provide an update to the status of the 2024-2030 Plan at a future Board of Visitors meeting.

The Committees recommended the 2024-2030 Capital Outlay Plan to the full Board for approval.

There being no further business, the meeting adjourned at 8:46 a.m.

Open Session

Board Members Present: Ed Baine, Brad Hobbs, Anna James, Tish Long

Virginia Tech Personnel: Callan Bartel, Lynsay Belshe, Bob Broyden, Jeff Earley, Alisha Ebert, Bryan Garey, Debbie Greer, Kay Heidbreder, Jim Hillman, Tim Hodge, Elizabeth Hooper, Travis Hundley, Sharon Kurek, Rob Mann, Elizabeth McClanahan, Nancy Meacham, Ken Miller, Charlie Phlegar, Menah Pratt, Zo Qazi, Tim Sands, Amy Sebring, Brennan Shepard, Lexi Simmers, Ken Smith, Tracy Vosburgh, Michael Walsh, Melinda West, Nick Woods

Guests: Camila Alfonso – Student, Emily Burns – Student, Melissa Burt – Student, Patarasuda Chaisupa – Student, Riley DeHority – Student, Jade Detwiler – Student, Aran Garnett-Deakin – Student, Andrew Gunsch – Student, Yawen He – Student, Sheila Herlihy Hennessee – Virginia Interfaith Center, Bailey Howell – Student, Lauren Kerwien – Student, Ameha Loeb – Student, Kait Malewicz – Student, Lauren Malhotra – Student, Connie McCormick – Student, Sarah Price – Student, Xakin Ramirez Isunza – Student, Tarisa Ross – Student, Madelyn Toman – Student, Sami Towsif Khan – Student, Melanie Verna – Student, Katie Wardinski – Student

1. **Welcome and Opening Remarks:** The Committee Chair welcomed the attendees and gave opening remarks.
2. **Consent Agenda:** The Committee considered for approval and acceptance the items listed on the Consent Agenda.
 - a. **Approval of Minutes of the November 14, 2022 Meeting**

- * Requires full Board approval
- # Discusses Enterprise Risk Management topic(s)
- + Discusses Strategic Investment Priorities topic(s)

- # 3. Update on Advancement:** University Advancement provided a report on their fundraising efforts including a campaign update, the impact of the economy on New Gifts and Commitments, and the results of another successful Giving Day raising \$9.6 million, with 16,841 total donors of which 3,500 were first-time donors.

- 4. University's Annual Financial Statements:** The Committee received an overview of the university's annual financial statements for the fiscal year ending June 30, 2022.

The financial statements have been prepared in accordance with generally accepted accounting principles, and the Auditor of Public Accounts (APA) issued an unmodified (or clean) opinion with no material weaknesses or written comments.

Operating revenues for fiscal year 2022 increased \$149.3 million and operating expenditures increased \$129.2 million over fiscal year 2021. Combined with other nonoperating sources, net position increased by \$308.9 million.

Total unrestricted net position increased from \$42.1 million to \$160.4 million, a \$118.3 million increase. Approximately half of this increase is related to the reduction of the obligation for pensions and other post-retirement employee benefits

The university provided over \$265 million in financial aid to students and their families.

- * 5. Approval of Year-to-Date Financial Performance Report (July 1, 2022 – December 31, 2022):** The Committee reviewed for approval the Year-to-Date Financial Performance Report for July 1, 2022 to December 31, 2022. For the second 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.

*** Requires full Board approval**

Discusses Enterprise Risk Management topic(s)

+ Discusses Strategic Investment Priorities topic(s)

- 6. Discussion of Future Agenda Topics and Closing Remarks:** The Committee did not discuss any future agenda topics.

There being no further business, the meeting adjourned at 9:53 a.m.

- * Requires full Board approval
- # Discusses Enterprise Risk Management topic(s)
- + Discusses Strategic Investment Priorities topic(s)

Open Joint Session Agenda

FINANCE AND RESOURCE MANAGEMENT COMMITTEE
AND BUILDINGS AND GROUNDS COMMITTEE

Latham CDEF, the Inn at Virginia Tech

8:00 a.m.

March 20, 2023

<u>Agenda Item</u>	<u>Reporting Responsibility</u>
*#+ 1. Approval of the 2024-2030 Capital Outlay Plan	Ken Miller Chris Kiwus Bob Broyden

- * Requires full Board approval
- # Discusses Enterprise Risk Management topic(s)
- + Discusses Strategic Investment Priorities topic(s)

Open Session Agenda**FINANCE AND RESOURCE MANAGEMENT COMMITTEE****Solitude Room, The Inn at Virginia Tech****9:00 a.m.****March 20, 2023**

<u>Agenda Item</u>	<u>Reporting Responsibility</u>
1. Welcome and Opening Remarks	Ed Baine
2. Consent Agenda	Ed Baine
a. Approval of Minutes of the November 14, 2022 Meeting	
# 3. Update on Advancement	Charlie Phlegar
4. University's Annual Financial Statements	Ken Miller
* 5. Approval of Year-to-Date Financial Performance Report (July 1, 2022 – December 31, 2022)	Tim Hodge Bob Broyden
6. Discussion of Future Agenda Topics and Closing Remarks	Ed Baine

* Requires full Board approval

Discusses Enterprise Risk Management topic(s)

+ Discusses Strategic Investment Priorities topic(s)

Closed and Open Session Agenda
FINANCE AND RESOURCE MANAGEMENT COMMITTEE
Solitude Room, the Inn at Virginia Tech
March 20, 2023

<u>Agenda Item</u>	<u>Reporting Responsibility</u>
1. Motion for Closed Session	Anna James
* 2. Ratification of Personnel Changes Report	Ken Miller
3. Motion to Reconvene in Open Session	Brad Hobbs
4. Approval of Items Discussed in Closed Session	Ed Baine

* Requires full Board approval

Discusses Enterprise Risk Management topic(s)

+ Discusses Strategic Investment Priorities topic(s)

Summary of the University's Annual Financial Report

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

February 3, 2023

Fiscal year 2022 represented another successful year in advancing Virginia Tech's strategic plan. Despite lingering uncertainty over the post-COVID economic environment, most notably a surge in inflation, the university concluded fiscal year 2022 financially stronger and well-positioned to shape the future as a leading global research institution.

The university published its Annual Financial Report (Attachment A) in January 2023 for the fiscal year ended June 30, 2022. The report contains the university's financial statements and required disclosures. It also includes the independent auditor's report on financial statements and report on internal control over financial reporting and on compliance and other matters. The Commonwealth of Virginia Auditor of Public Accounts conducted the audit beginning May 23, 2022 and concluding November 11, 2022, with the following results.

The university restated fiscal year 2021 to incorporate the accounting changes for leases (GASB 87).

Summary of Audit Results

- Unmodified audit opinion (*formerly called an unqualified audit opinion*)
- No material weaknesses in internal controls
- No new written comments

Assets, Liabilities, and Net Position at June 30, 2022 and 2021

(all dollars in millions)

	2022	2021 (restated)	Change	
			Amount	Percent
Current assets	\$ 427.4	\$ 391.1	\$ 36.3	9.3 %
Capital assets, net	2,279.7	2,112.5	167.2	7.9 %
Other assets	858.2	788.3	69.9	8.9 %
Total assets	3,565.3	3,291.9	273.4	8.3 %
Deferred outflows of resources	108.6	142.8	(34.2)	(23.9)%
Current liabilities	365.7	306.6	59.1	19.3 %
Non-current liabilities	922.2	1,226.9	(304.7)	(24.8)%
Total liabilities	1,287.9	1,533.5	(245.6)	(16.0)%
Deferred inflows of resources	262.1	86.1	176.0	204.4 %
Invested in capital assets, net	1,704.4	1,521.3	183.1	12.0 %
Restricted	259.1	251.7	7.4	2.9 %
Unrestricted	160.4	42.1	118.3	281.0 %
Total net position	\$ 2,123.9	\$ 1,815.1	\$ 308.8	17.0 %

The balance sheet shows positive results for fiscal year 2022 with the following key indicators:

Total assets increased by \$273.4 million, or 8.3 percent. Current assets rose by \$36.3 million, due mainly to an \$19.5 million increase in accounts and contributions receivable, predominantly in grants and contracts, and an increase of \$6.8 million in cash and cash equivalents. Noncurrent assets grew by \$237.1 million, with \$167.2 million reflecting the ongoing construction of research and instructional facilities and the capitalization of completed facilities.

Total liabilities decreased by \$245.6 million, or 16.0 percent. Current liabilities category increased by \$59.1 million and the noncurrent liabilities category decreased by \$304.7 million. The rise in current liabilities was due to a \$25.1 million increase in commercial paper which was used to temporarily fund capital projects as well as a growth of \$17.9 in accounts payable, largely due to payables related to capital construction and auxiliary enterprises. Unearned revenue grew by \$14.4 million, predominantly in the grants and contracts area. Noncurrent liabilities declined by \$304.7 million, with the largest decreases in the actuarially determined pension liability (\$234.4 million), other postemployment benefit (OPEB) liability (\$31.2 million), and the liabilities related to debt and long-term leases (\$31.6 million) over the prior year restatement for GASB 87 effects.

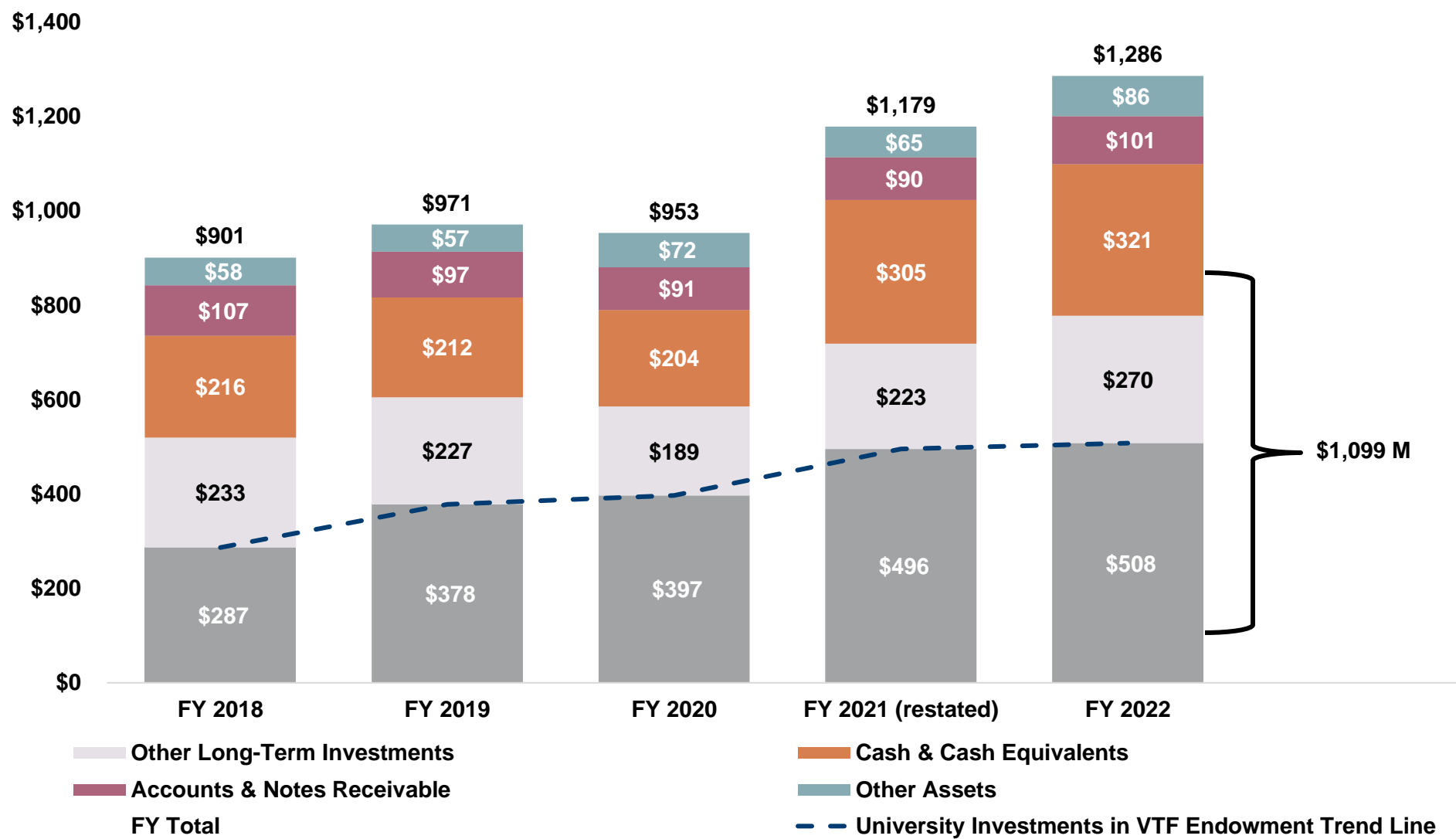
Total net position increased by \$308.8 million, or 17.0 percent. Net investment in capital assets increased by \$183.1 million, reflecting continued investments in new facilities and equipment to support the university's mission. Unrestricted net position increased by \$118.3 million (281.0 percent) due to the effect of the other postemployment benefit and pension net liability / expense decreases (\$59.8 million) as well as the prudent management of fiscal resources.

Composition of Current and Noncurrent Assets, Excluding Capital Assets

Showing the Strategy to Move Cash and Cash Equivalents to Long-Term Investments at VTF

For the years ended June 30, 2018 – 2022

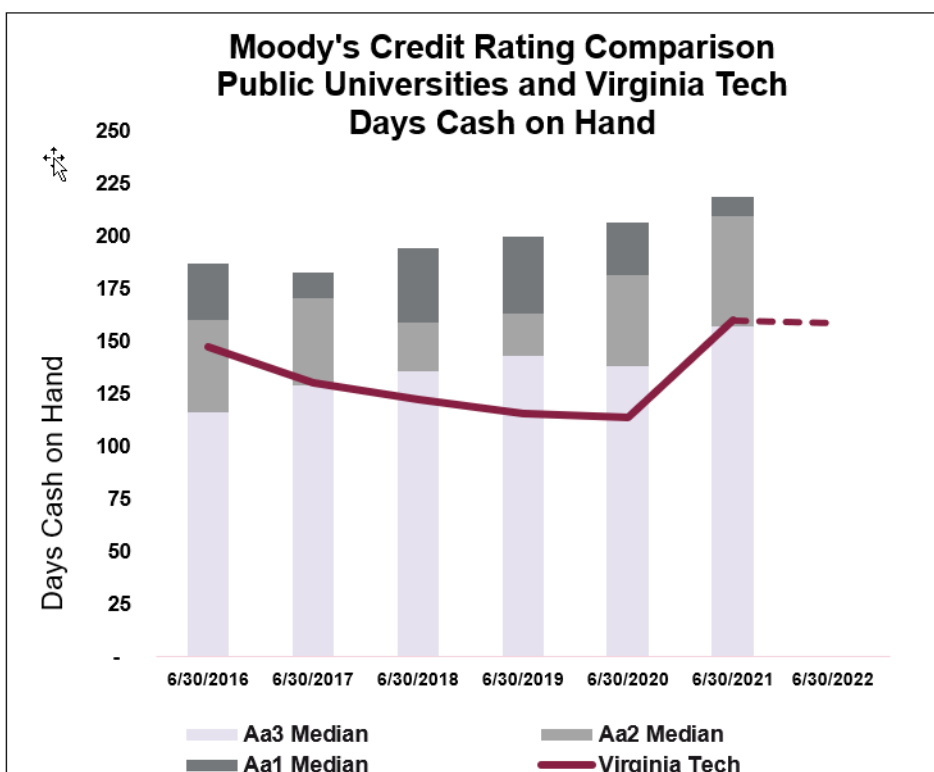
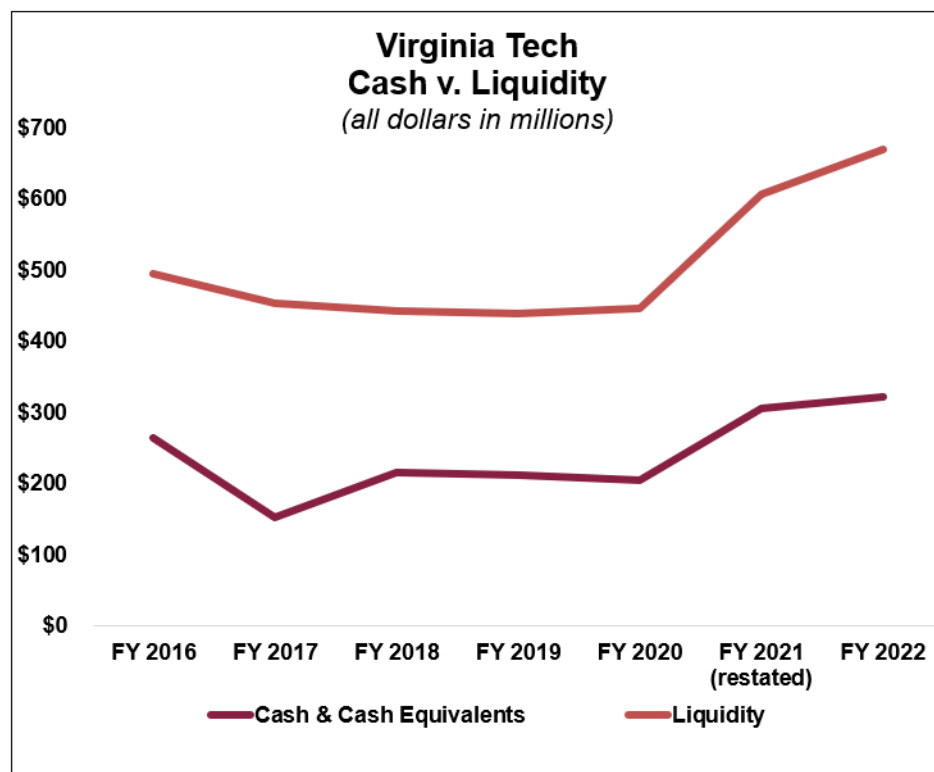
(all dollars in millions)



Analysis of Cash and Cash Equivalents

Showing the Analysis of Impact on Credit Ratings

For the years ended June 30, 2016 – 2022

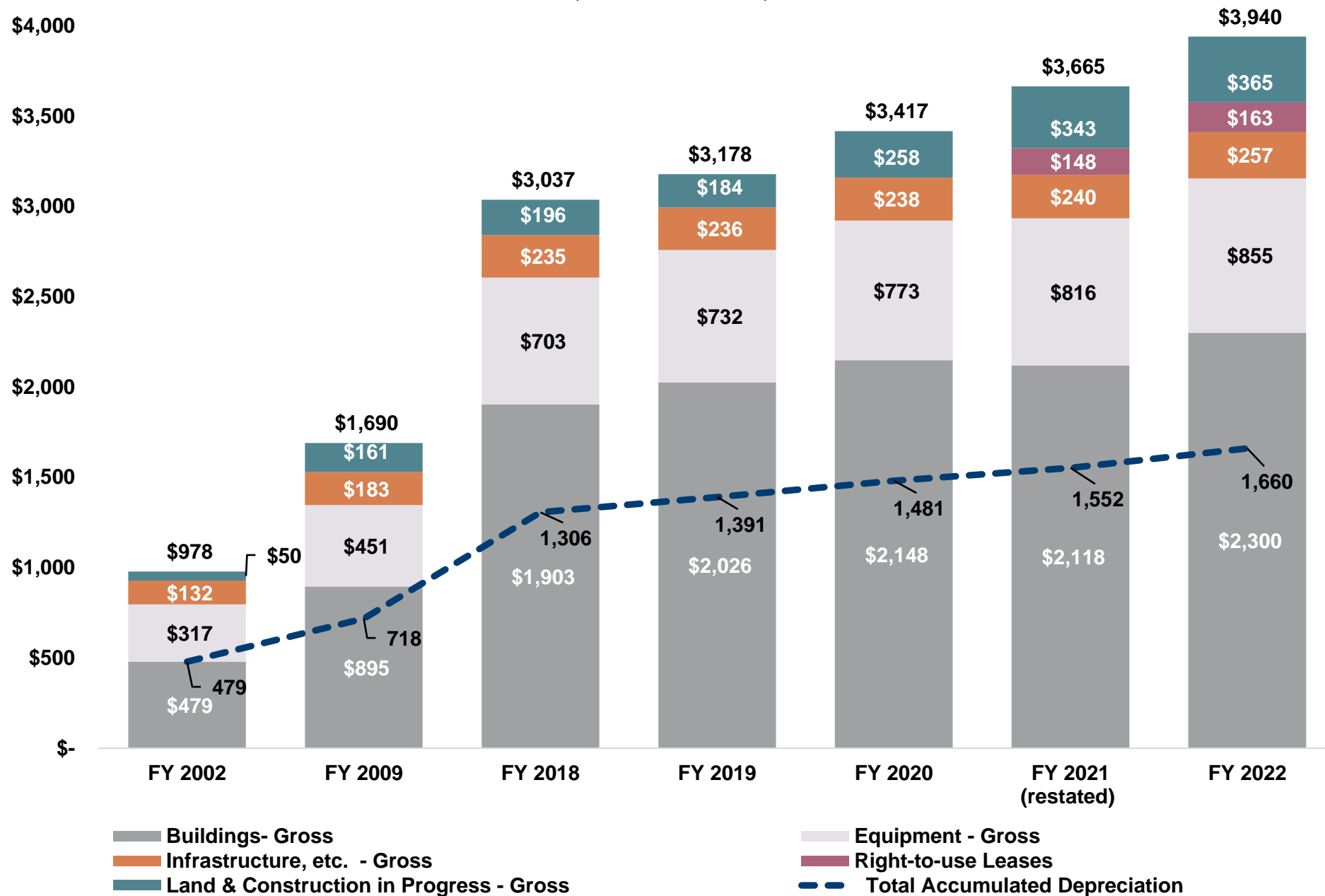


The university finished fiscal year 2022 with a strong liquidity position due to increased support from the commonwealth and one-time support from the federal government. The slow return of travel and other operating expenses to pre-pandemic levels further helped preserve the university's liquidity levels. The university will continue to leverage its strong liquidity to bolster the university's credit rating for the impact of upcoming debt issuances.

Ongoing Investments in Capital Assets

Growth in Capital Assets from FY 2002 to FY 2022

(all dollars in millions)

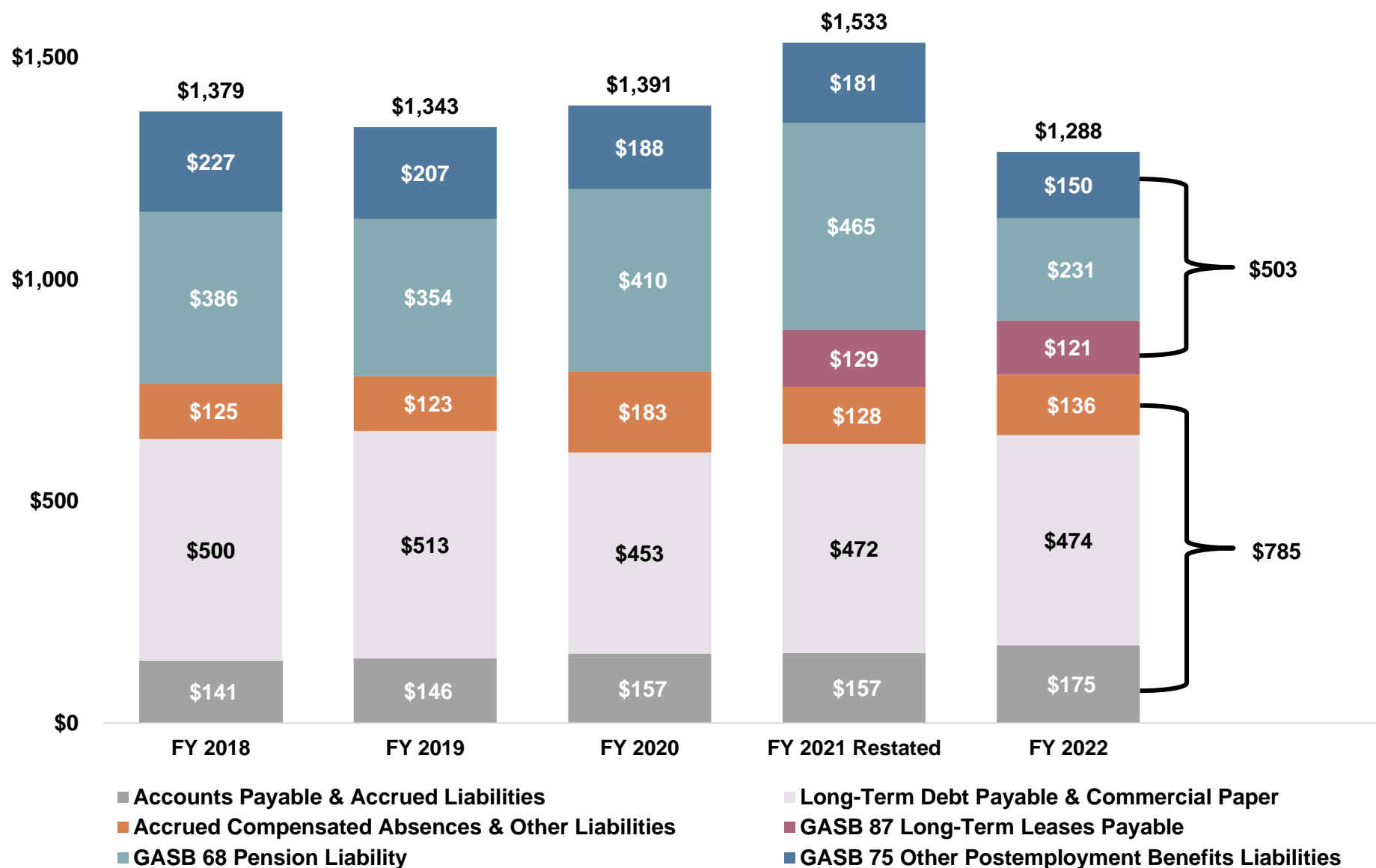


Composition of Current and Noncurrent Liabilities

Showing the Impact of Accounting Pronouncements GASB 68, 75 and 87 (Pension, OPEB and Leases)

For the years ended June 30, 2018 - 2022

(all dollars in millions)



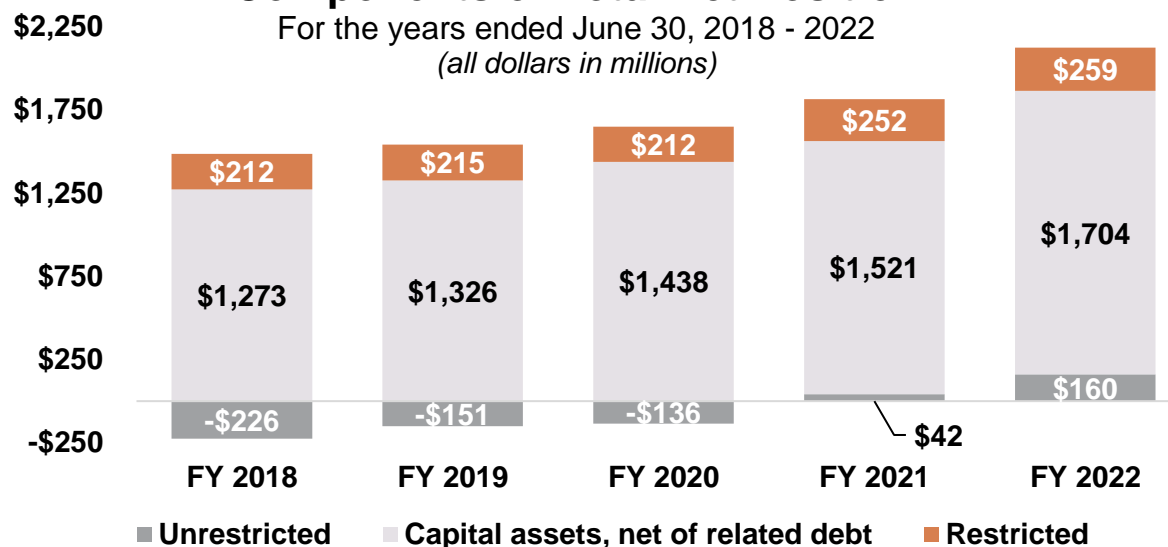
Trends in Net Position

For the years ended June 30, 2018 – 2022
(all dollars in millions)

	FY 2018	FY 2019	FY 2020	FY 2021 (restated)	FY 2022
Capital assets, net of related debt	\$ 1,273.2	\$ 1,326.1	\$ 1,437.6	\$ 1,521.3	\$ 1,704.3
Restricted, nonexpendable	14.4	14.0	12.6	14.9	13.6
Restricted, expendable					
Capital projects	11.5	6.2	3.0	7.2	10.2
Other	186.5	194.7	196.4	229.6	235.4
Unrestricted	(226.4)	(150.7)	(135.6)	42.1	160.4
Total Net Position	1,259.4	1,390.2	1,514.0	1,815.1	2,123.9
Adjusted Unrestricted Net Position Excluding the Impact of GASB Pronouncements Related to Pensions and OPEB	\$ 391.2	\$ 444.0	\$ 458.5	\$ 639.4	\$ 705.1

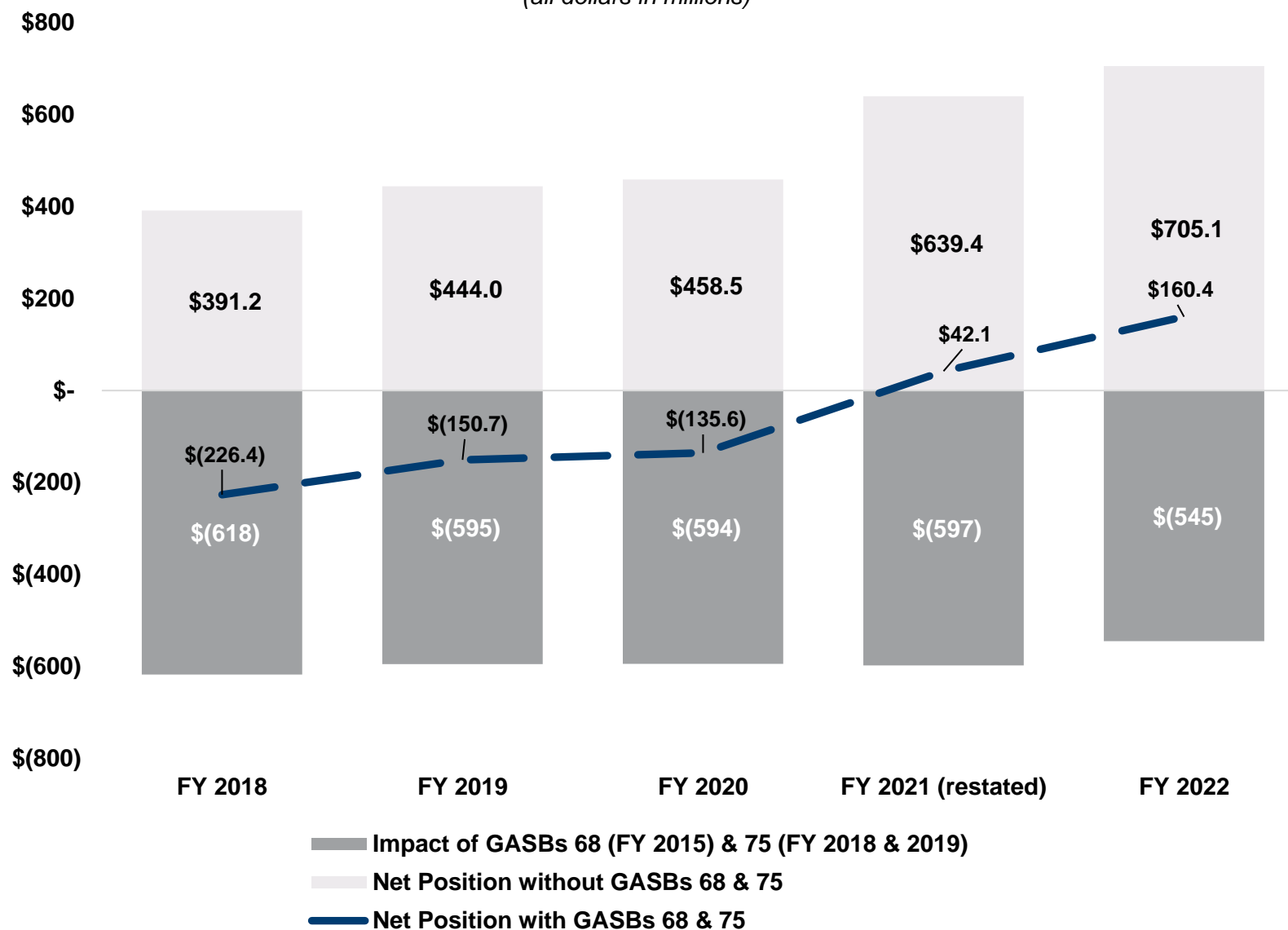
Components of Total Net Position

For the years ended June 30, 2018 - 2022
(all dollars in millions)



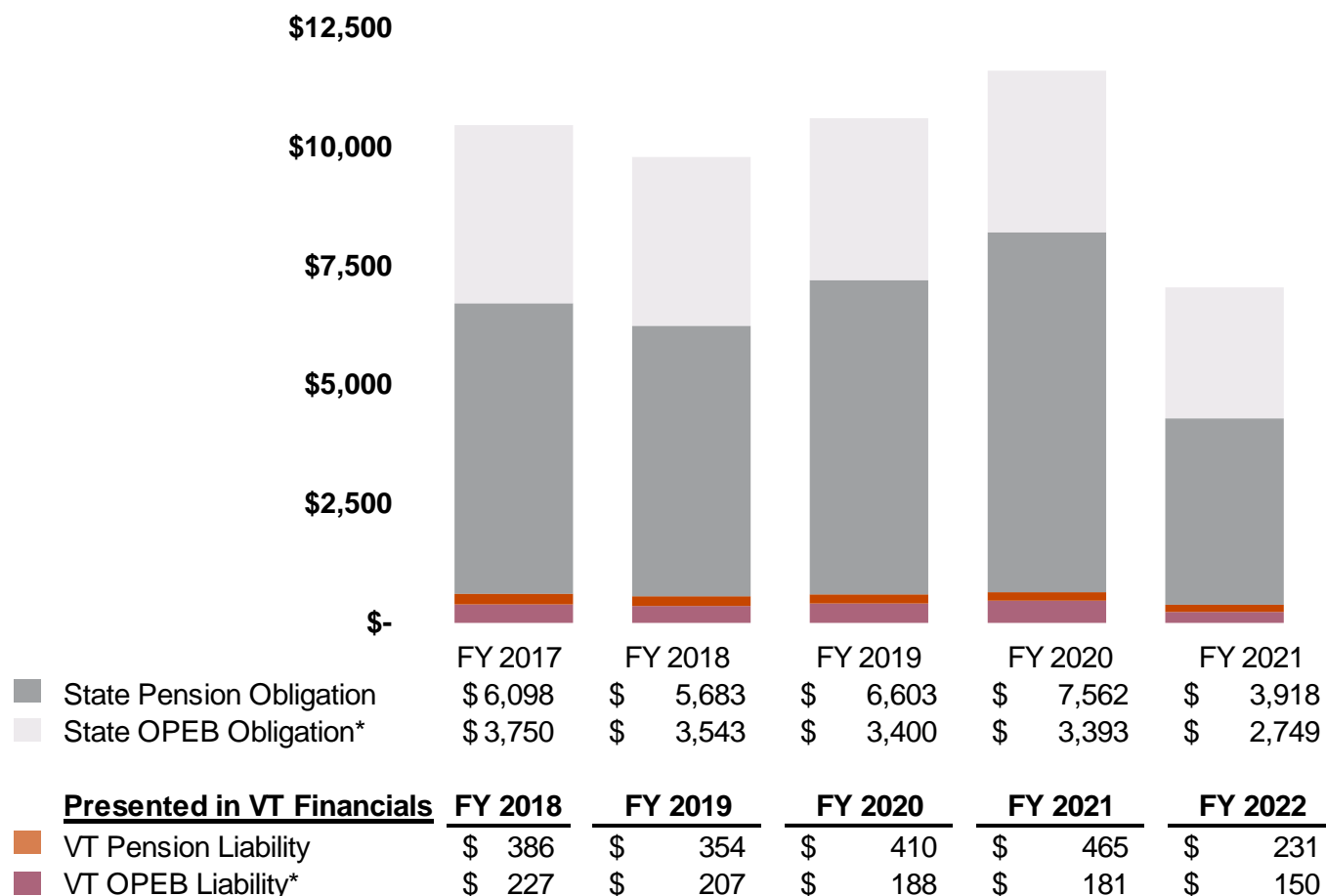
Unrestricted Net Position

Composition of Totals Reported in the Audited Financial Statements
For the years ended June 30, 2018- June 30, 2022
(all dollars in millions)



Commonwealth Obligation for GASB 68 for Defined Benefit Pension Plans and GASB 75 for OPEB

For the years ended June 30, 2017 - 2021
(all dollars in millions)



*Percentages vary for each plan. The Pre-Medicare Retiree Healthcare program amount is imputed.

Measurement dates for pension and OPEB amounts will always be one year in arrears from the financial statement dates. As shown above, there are large annual fluctuations in these obligations, and the university has no control over these movements. Most of the pension and OPEB's impact on expenses and net position is deferred to future periods.

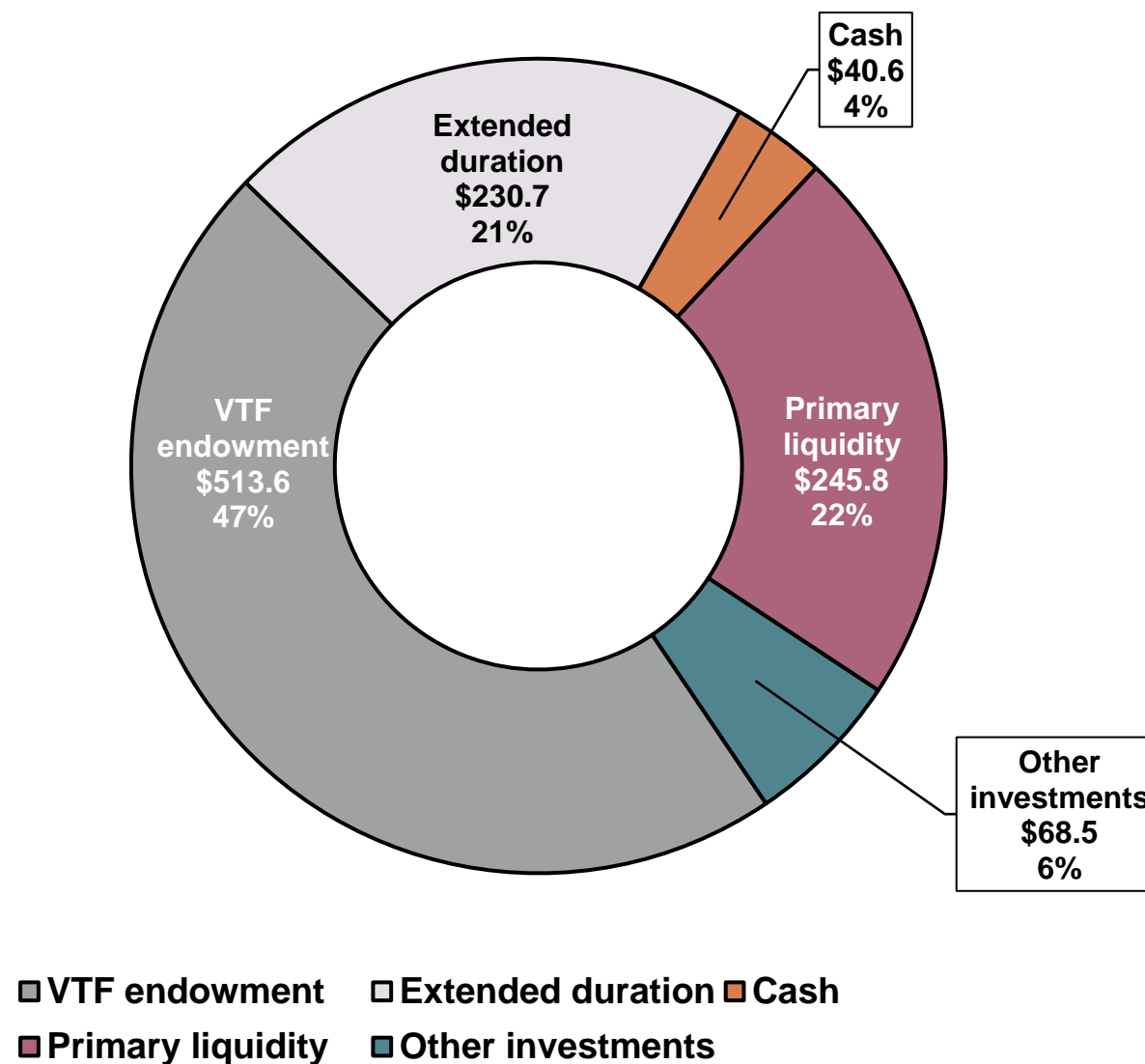
Summary Schedule of Cash and Investment Totals

Composition of Totals Reported in the Audited Financial Statements at June 30, 2022 and 2021
(all dollars in millions)

Financial Statement Totals	Totals at June 30, 2022			Totals at June 30, 2021	Change in Totals
	Current Assets	Noncurrent Assets	Total Cash & Investments	Total Cash & Investments	
Cash	\$ 16.7	\$ 23.9	\$ 40.6	\$ 21.8	\$ 18.8
Cash equivalents (< 90 days)	263.5	17.2	280.7	279.2	1.5
Total cash & cash equivalents	280.2	41.1	321.3	301.0	20.3
Short-term investments (>90 days <= 1 year)	-	-	-	3.7	(3.7)
Long-term investments (> 1 year)					
Invested in the VTF endowment pool		507.9	507.9	495.6	12.3
Invested with other investment managers		270.0	270.0	223.5	46.5
Total long-term investments	-	777.9	777.9	719.1	58.8
Grand totals cash & investments	\$ 280.2	\$ 819.0	\$ 1,099.2	\$ 1,023.8	\$ 75.4

Summary Schedule of Cash and Investments by Investment Pool - \$1,099.2 Million

From the Totals Reported in the Audited Financial Statements for FY 2022
(all dollars in millions)



Summary of Revenues, Expenses, and Changes in Net Position

For the years ended June 30, 2022 and 2021
(all dollars in millions)

	2022	2021 (restated)	Change	
			Amount	Percent
Operating revenues	\$ 1,311.6	\$ 1,162.3	149.3	12.8 %
Operating expenses	1,638.7	1,509.5	129.2	8.6 %
Operating loss	(327.1)	(347.2)	20.1	(5.8)%
State appropriations	326.4	302.3	24.1	8.0 %
Investment Income, net	(37.5)	96.6	(134.1)	(138.8)%
Other non-operating revenues (expenses)	147.3	118.9	28.4	23.9 %
Non-operating revenues (expenses)	436.2	517.8	(81.6)	(15.8)%
Income before other revenues and expenses	109.1	170.6	(61.5)	(36.0)%
Other revenues, expenses, gains, or losses	199.7	130.3	69.4	53.3 %
Increase in net position	308.8	300.9	7.9	2.6 %
Net position – beginning of year	1,815.1	1,514.2	300.9	19.9 %
Net position - end of year	\$ 2,123.9	\$ 1,815.1	\$ 308.8	17.0 %

Operating loss: Under GASB reporting, public universities will always show an operating loss because state appropriations, gifts, and investment income are all considered non-operating revenues.

Increase (Decrease) in Revenue

For the years ended June 30, 2022 and 2021
(all dollars in millions)

	2022	2021 (restated)	Change	
			Amount	Percent
Operating revenues				
Student tuition and fees, net	\$ 611.0	\$ 581.5	\$ 29.5	5.1 %
Grants and contracts	362.5	326.8	35.7	10.9 %
Auxiliary enterprises	299.7	222.2	77.5	34.9 %
Other operating revenues	38.4	31.8	6.6	20.8 %
Total operating revenues	1,311.6	1,162.3	149.3	12.8 %
Non-operating revenues				
State appropriations	326.4	302.3	24.1	8.0 %
Gifts	78.7	69.1	9.6	13.9 %
CARES	53.1	43.4	9.7	22.4 %
Investment Income, net	(37.5)	96.6	(134.1)	(138.8)%
Other non-operating revenues	15.4	6.5	8.9	136.9 %
Total non-operating revenues	436.1	517.9	(81.8)	(15.8)%
Other revenues				
Capital appropriations	13.7	-	13.7	100.0 %
Capital grants and gifts	180.7	128.0	52.7	41.2 %
Gain on disposal of capital assets	5.3	2.3	3.0	130.4 %
Total other revenue	199.7	130.3	69.4	53.3 %
Total revenue	\$ 1,947.4	\$ 1,810.5	\$ 136.9	7.6 %

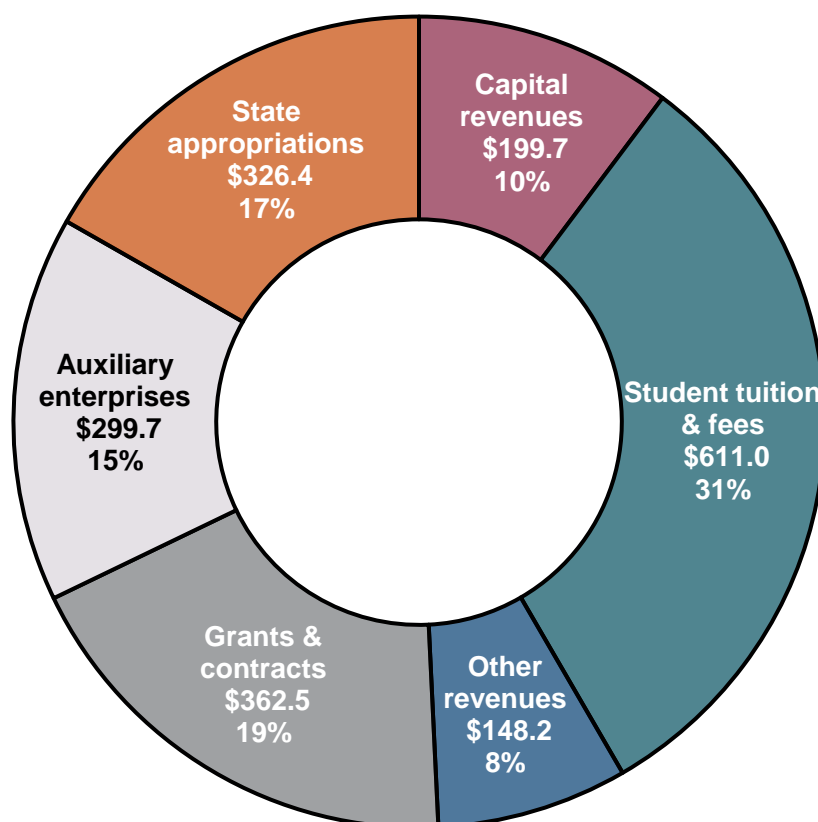
Operating revenue increased by \$149.3 million, or 12.8 percent. This increase came primarily from auxiliary revenues (\$77.5 million) due to the recovery from the effects of the pandemic, especially athletics and dorm and dining programs. Student tuition and fees increased by \$29.5 million reflecting small increases in tuition and fee rates as well as a continuing demand for a Virginia Tech education. Total sponsored grants and contracts grew by \$35.7 million, with most of the growth from federal sponsors (\$27.3 million).

Non-operating revenue decreased by \$81.6 million, or 15.8 percent. Revenue decreases resulted primarily from the downturn of the investment markets at year-end, resulting in significant unrealized investment losses for the longer-term investments with total investment earnings having a decline of \$134.0 million. This decrease was offset by growth in state appropriations of \$24.2 million, an increase in COVID-19 relief funds of \$9.7 million, a rise in gift revenue transferred from the Virginia Tech Foundation of \$9.7 million.

Total other revenue and gains grew by \$69.4 million, or 53.3 percent. Capital grants and gifts comprised a significant portion of the change, increasing \$52.7 million over prior year due to an increase in Virginia College Building Authority (VCBA) 21st Century bonds and private funding for capital projects.

Total Revenue by Source - \$1,947.5 Million

For the year ended June 30, 2022

(all dollars in millions)

* Other revenues include gifts, investment income, federal Pell grants, CARES Act stabilization revenue, and other non-operating revenue offset by interest expense on debt related to capital assets and long-term leases.

Changes in Expenses by Natural Classification

For the years ended June 30, 2022 and 2021

(all dollars in millions)

	2022	2021 (restated)	Change	
			Amount	Percent
Compensation and benefits	\$ 1,029.9	\$ 1,004.5	\$ 25.4	2.5 %
Contractual services	135.9	124.2	11.7	9.4 %
Supplies and materials	106.6	80.6	26.0	32.3 %
Travel	33.7	10.6	23.1	217.9 %
Other operating expenses	91.2	77.1	14.1	18.3 %
Scholarships and fellowships*	68.7	54.2	14.5	26.8 %
Sponsored program subcontracts	36.9	32.9	4.0	12.2 %
Depreciation and amortization	135.8	125.4	10.4	8.3 %
Total operating expenses	\$ 1,638.7	\$ 1,509.5	\$ 129.2	8.6 %

*Includes loan administrative fees and collection costs.

Compensation and benefits increased by \$25.4 million, or 2.5 percent. Total personnel expenses were \$1,029.9 million, or 62.8 percent, of the university's total operating expenses. Generally, changes to expenses in this category come from three sources: increases or reductions in the number of personnel, annual salary increases, and the general trends in the costs of fringe benefits. The benefits section is affected by the changes in the actuarially calculated expenses for the OPEB and pension programs. Salaries increased \$65.5 million (9 percent), benefits increased \$19.7 million (8 percent), **that was offset by a decrease in actuarially calculated OPEB and pension expense of \$59.8 million.**

Travel increased by \$23.1 million, or 217.9 percent. The travel category had the most significant growth after the removal of pandemic travel restrictions.

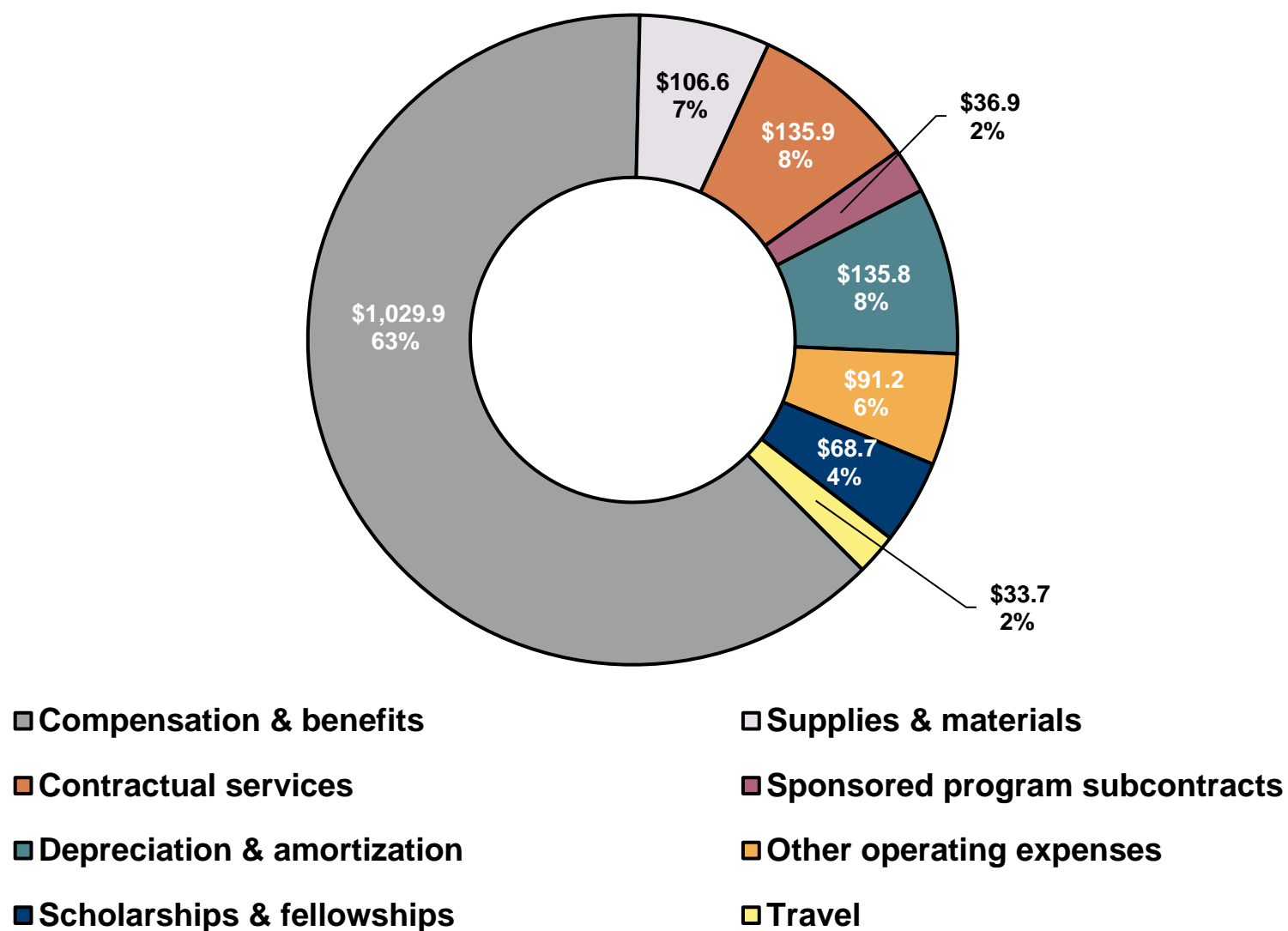
Depreciation and amortization increased by \$10.4 million, or 8.3 percent. The net increase in depreciable capital assets for this period was \$144.6 million. The net increase in nondepreciable capital assets (\$22.6 million) was primarily due to more construction in progress expenses during the current year for major building projects to be completed after fiscal year 2022.

All other categories increased as the university recovered from the pandemic and spending returned to normal.

Total Expenses by Natural Classification - \$1,638.7 Million

For the Year Ended June 30, 2022

(all dollars in millions)



Changes in Operating Expenses by Function

For the years ended June 30, 2022 and 2021

(all dollars in millions)

	2022	2021 (restated)	Change	
			Amount	Percent
Instruction	\$ 446.2	\$ 425.5	\$ 20.7	4.9%
Research	351.4	328.4	23.0	7.0%
Public service	93.2	88.7	4.5	5.1%
Auxiliary enterprises	258.1	205.6	52.5	25.5%
Depreciation and amortization	135.8	125.5	10.3	8.2%
Subtotal	1,284.7	1,173.7	111.0	9.5 %
<u>Support, maintenance, and other expenses</u>				
Academic support	112.6	104.9	7.7	7.3 %
Student services	30.1	25.5	4.6	18.0 %
Institutional support	81.3	91.3	(10.0)	(10.8)%
Operations and maintenance of plant	84.6	82.0	2.6	3.2 %
Student financial assistance*	45.3	32.1	13.2	41.1 %
Subtotal	354.0	335.8	18.3	5.4 %
Total operating expenses	\$ 1,638.7	\$ 1,509.5	\$ 129.2	8.6 %

*Includes loan administrative fees and collection costs.

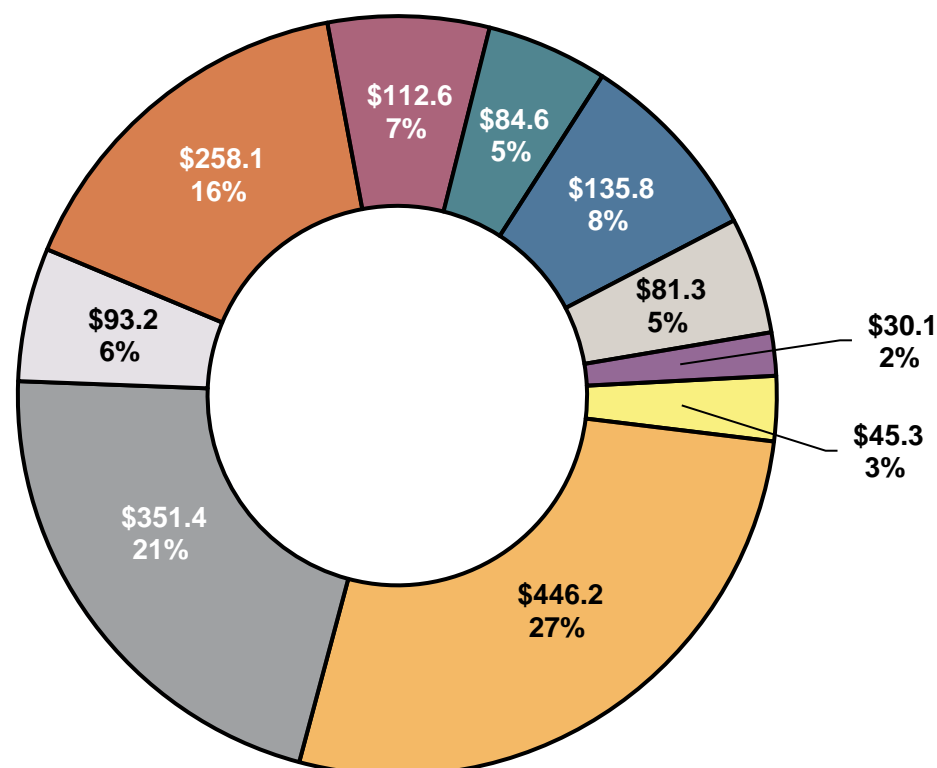
Auxiliary enterprises increased by \$52.5 million, or 25.5 percent. The increase was predominately in the athletics and dorm and dining programs, with the return of spectators to football games and dorms and dining returning to more normal capacity.

Research increased by \$23.0 million, or 7.0 percent. Research expenses had the second largest growth, signaling a return to pre-pandemic levels.

Institutional support decreased by \$10.0 million, or 10.8 percent. This decline was due to the larger partial reduction of the auxiliary indirect cost allocation charge in the prior year. The partial year reduction was authorized by the state and done to provide pandemic relief to the auxiliaries. The current year totals are more aligned with the normal total expenses for this function.

Summary of Expenses by Function - \$1,638.7 Million

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



- Student financial assistance
- Instruction
- Research
- Public service
- Auxiliary enterprises
- Academic support
- Operation & maintenance of plant
- Depreciation & amortization
- Institutional support
- Student services

Measuring the Overall Level of Financial Health

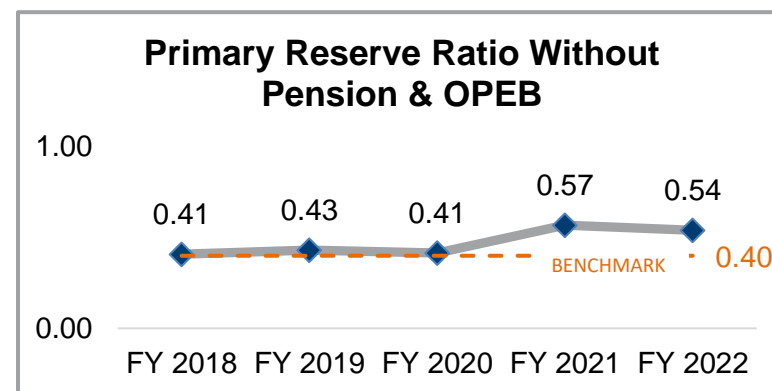
For the years ended June 30, 2018 – 2022

The overall health of the university can be measured by focusing on available resources and the returns generated from those resources. This analysis answers whether the institution has sufficient resources and whether they use those resources to support the mission and strategic direction of the institution.

The Composite Financial Index (CFI) combines four core ratios by assigning various weights to generate an aggregate score for financial strength and stability. These ratios: primary reserve ratio, viability ratio, net operating revenues ratio, and return on net position ratio provide for an understanding of the institutions available resources and results of current operations, which when applied to certain benchmark factors generates a score from one to ten indicating strength of the institution.

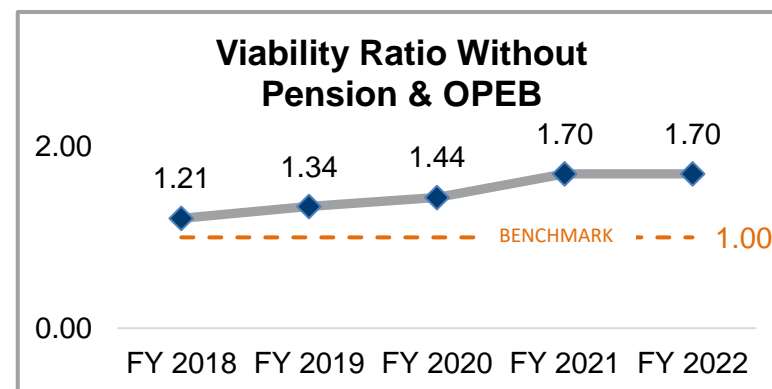
$$\text{Primary Reserve Ratio} = \frac{\text{Expendable Net Assets}}{\text{Total Expenses}}$$

1. Primary reserve ratio provides a snapshot of the financial strength and flexibility of an institution.
2. The accepted benchmark for this ratio is 0.40ⁱ



$$\text{Viability Ratio} = \frac{\text{Expendable Net Assets}}{\text{Long - Term Debt}}$$

3. Viability ratio measures the availability of expendable net position to cover long-term debt and indicates whether an institution can assume new debt.
4. A benchmark ratio of 1.0 or greater indicates sufficient expendable resources to cover outstanding debt obligations.

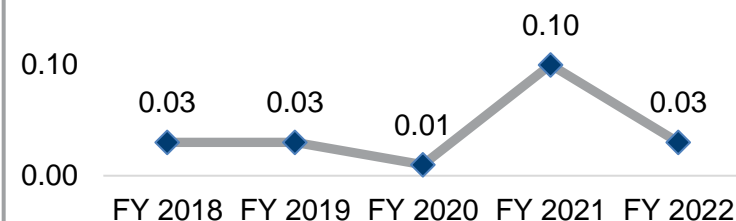
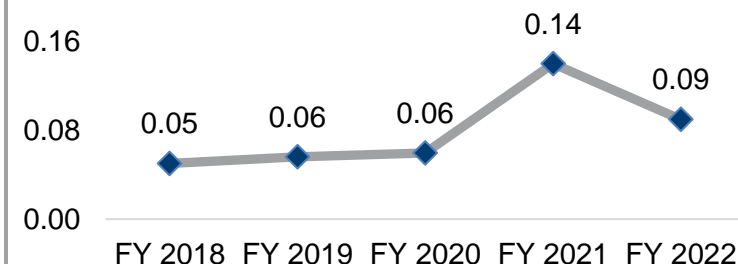


$$\text{Net Operating Revenues Ratio} = \frac{(\text{Net income} - \text{Capital Revenues})}{\text{Noncapital Revenues}}$$

5. The net operating revenues ratio indicates whether an organization is living within its available resources.
6. The nature of investing activities can result in significant volatility in this ratio and contributes to the need to analyze the results of this ratio over several fiscal years.
7. The decrease in the FY20 ratio is a result of effects of the pandemic on auxiliary revenues and investment losses.
8. The increase in the FY21 ratio is a result of the rebound of the investment market.

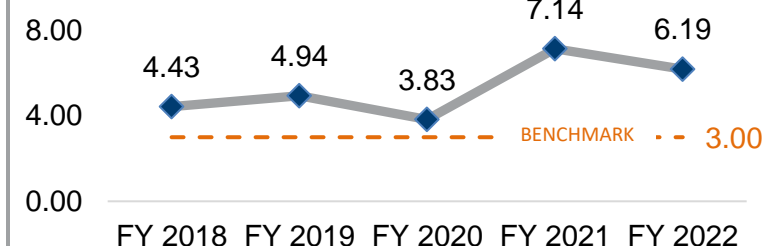
$$\text{Return on Net Position Ratio} = \frac{\text{Change in Net Assets}}{\text{Total Net Assets}}$$

9. Return on net position answers whether the university is achieving a positive economic return on its investment of resources.
10. There is generally not a fixed benchmark and a higher return on net position indicates a stronger year of financial performance.

Net Operating Revenue Ratio**Return on Net Position Ratio**

The four ratios above provide an understanding of the university's available resources and results of current operations, which when applied to certain benchmark factors generates the CFI.

11. A benchmark score of 3.0 generally indicates that an institution is financially healthy.
12. The consolidated CFI includes financial data at year-end for the Virginia Tech Foundation, a component unit in VT's financial statement.

**Composite Financial Index (CFI)
Including Component Units**

Long-Term Debt Payable Activity

as of June 30, 2022

(all dollars in millions)

	Beginning Balance (restated)	Additions	Retirements	Terminations	Ending Balance	Current Portion
Bonds payable						
Section 9(c) general obligation revenue bonds	\$ 188.8	\$ -	\$ 12.4	\$ -	\$ 176.4	\$ 12.8
Section 9(d) revenue bonds	84.6		2.7		81.9	2.7
Notes payable	165.6		7.4		158.2	5.5
Finance purchase obligations	11.5		0.5		11.0	0.5
Long-term lease payable	128.9	12.0	17.1	2.3	121.5	17.1
Total long-term debt payable	\$ 579.4	\$ 12.0	\$ 40.1	\$ 2.3	\$ 549.0	\$ 38.6

Debt ratio for fiscal year 2022 was 3.46 percent with a long-term debt liability of \$549 million.

Changes Due to the Implementation of GASB 87 Leases in FY 2022

1. Long-Term Leases: The university recognizes long-term leases when a lease has a maximum term greater than 12 months, cannot be canceled, and has a present value equal to or greater than \$50,000. The university capitalizes lease payments as an intangible right-to-use asset and amortizes interest expense and intangible right-to-use asset over life of the lease.
2. Short-Term Leases: The university recognizes current lease expense as payments made for leases of 12 months or less.

Sponsored Programs

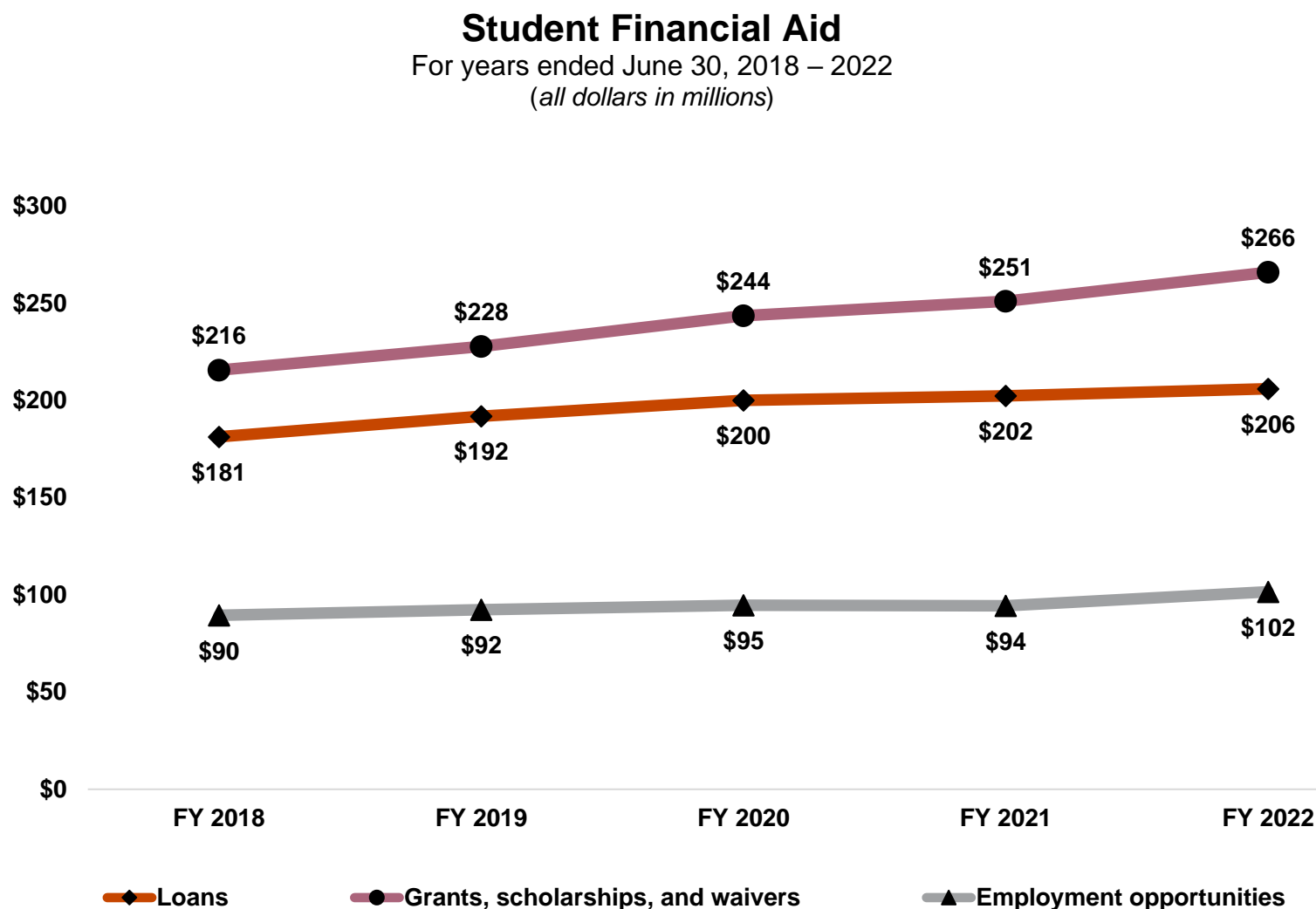
For the years ended June 30, 2018 – 2022
(all dollars in millions)

	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
Number of awards received	2,533	2,364	2,391	2,328	2,097
Value of awards received	\$ 336.8	\$ 323.7	\$ 367.7	\$ 349.3	\$ 390.3
Research expenditures reported to NSF	\$ 531.6	\$ 542.0	\$ 556.3	\$ 542.0	\$ 592.9
NSF Rank	48	48	49	54	Unavailable

Student Financial Aid

For the years ended June 30, 2018 – 2022

	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
Number of students receiving selected types of financial aid					
Loans	12,947	13,075	13,267	13,140	12,894
Grants, scholarships, and waivers	19,493	19,484	20,548	20,606	20,179
Employment opportunities	11,193	12,717	12,430	9,747	11,693
Total amounts by major category (all dollars in millions)					
Loans	\$ 181.3	\$ 191.9	\$ 200.2	\$ 202.4	\$ 206.5
Grants, scholarships, and waivers	215.6	227.7	243.5	251.0	265.9
Employment opportunities	89.5	92.3	94.7	94.4	101.6
Total financial aid	<u>\$ 486.4</u>	<u>\$ 511.9</u>	<u>\$ 538.4</u>	<u>\$ 547.8</u>	<u>\$ 574.0</u>



Virginia Tech Class of 2022: 47 percent of undergraduates carried an average student loan debt of \$32,054. This is comparable to the Top 20 Land Grant institutions, as ranked by the Times Higher Education global rankings. The university continues to strategically advance student financial aid programs to expand access and affordability and mitigate student loan debt.

Conclusion:

Despite a challenging financial landscape, the university continues to make progress on several fronts, including the following:

- Continued investment in facilities supporting the university's strategic plan with the prudent use of debt financing.
- Strong student demand – the university continues to have growth in applications and the successive improvements of overall quality and diversity of each entering class.
- The university continues to assess the lowest non-instructional mandatory charge of any public four-year institution in Virginia, directing 84 percent of a resident undergraduate's mandatory charges towards the instructional mission.
- Virginia Tech's NSF research ranking was 54th in 2021.
- Continued growth in unrestricted net position from operating and non-operating activities which partially offset the impact of GASB 68 in 2014-15 and GASB 75 in 2017-18 for pension liabilities and other postemployment benefits.

UNIVERSITY'S ANNUAL FINANCIAL STATEMENTS

KEN MILLER,
VICE PRESIDENT FOR FINANCE AND
UNIVERSITY TREASURER

March 20, 2023

SUCCESSFUL AUDIT



- ✓ Unmodified audit opinion
- ✓ No material weakness involving internal controls
- ✓ No written comments

STRONG FINANCIAL POSITION



Strong Financial Metrics

- ✓ 3.46% debt ratio

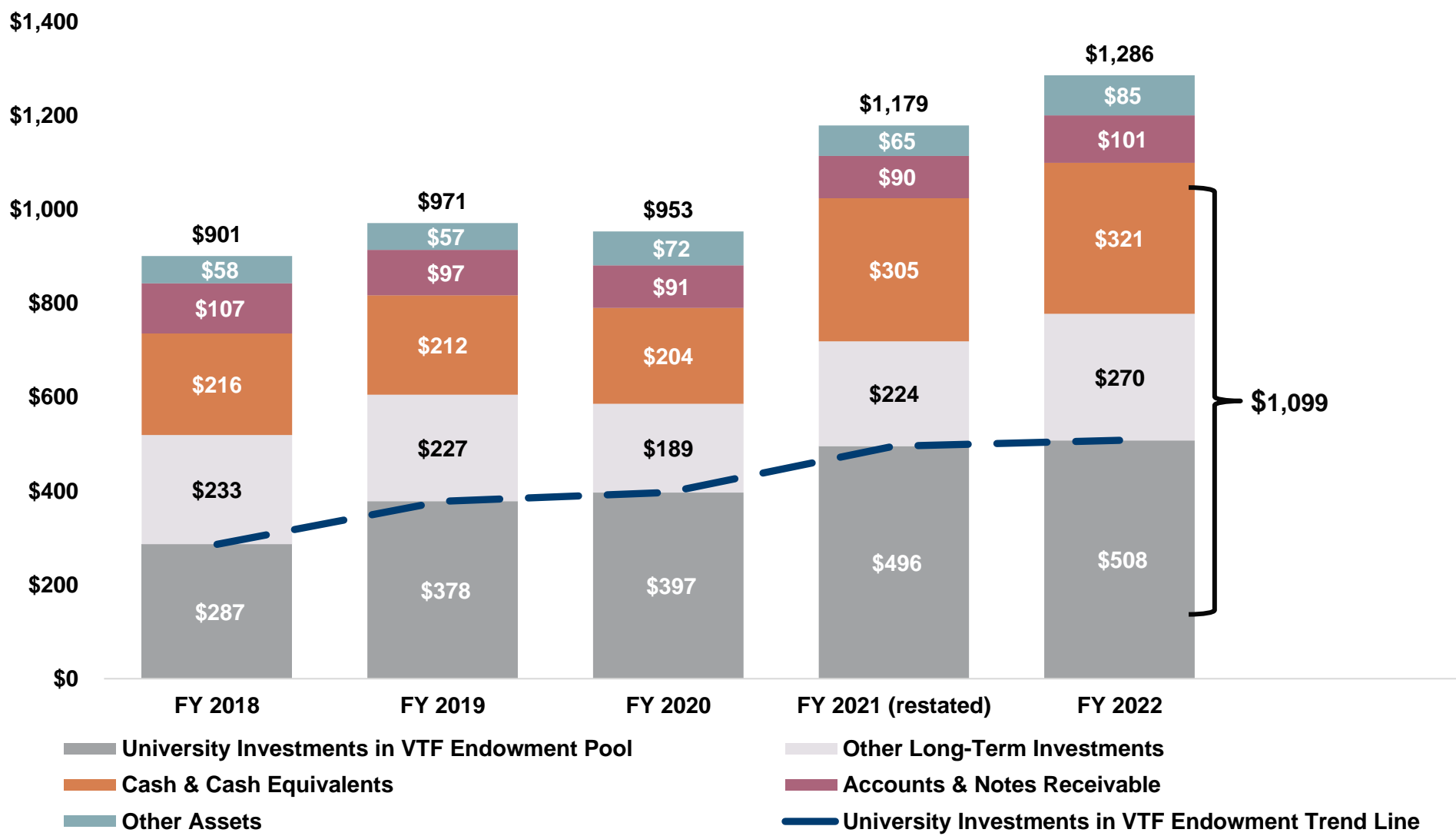
Target 6% or below

- ✓ Aa1 Moody's credit rating
- ✓ AA S&P credit rating

Target is AA- or better

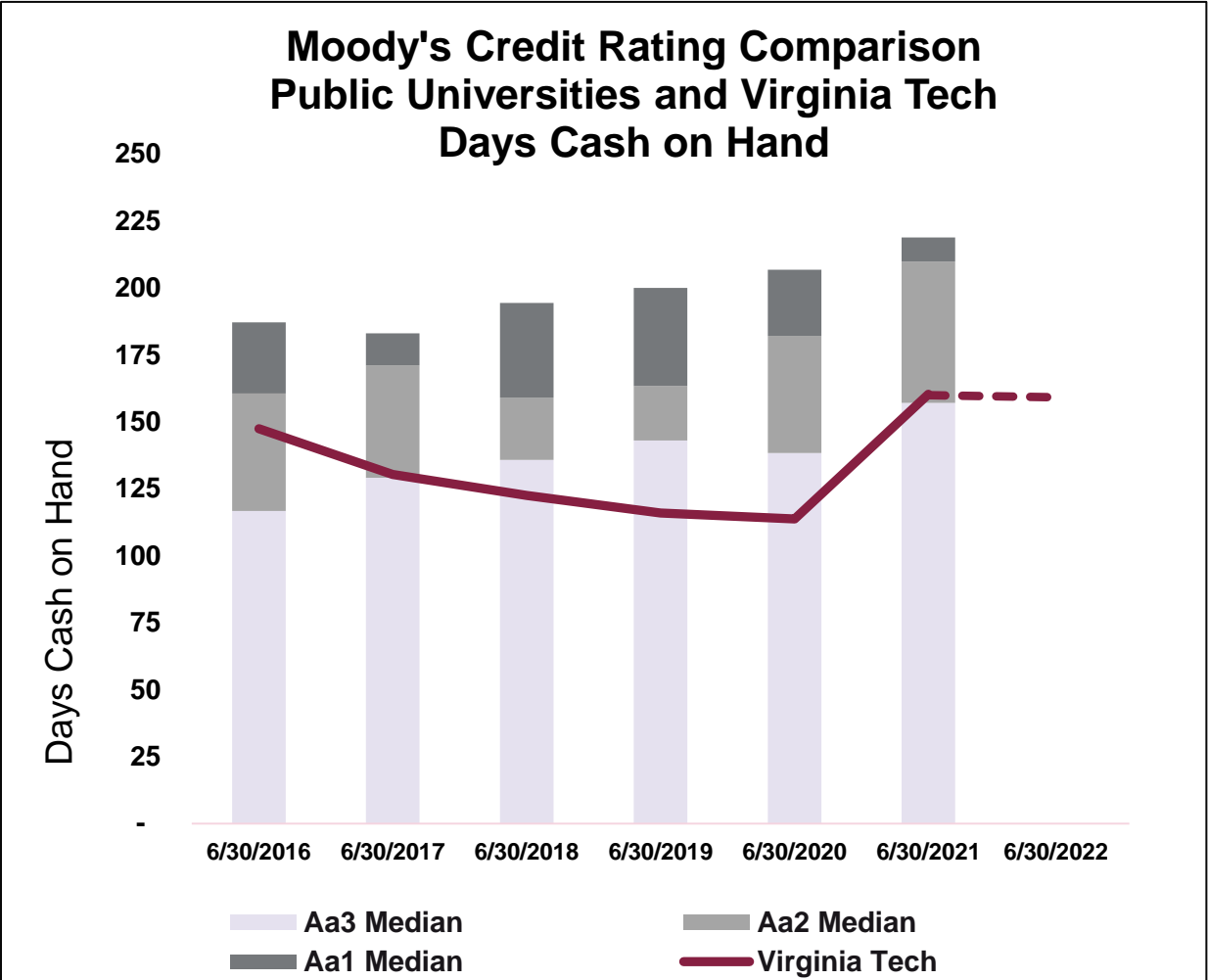
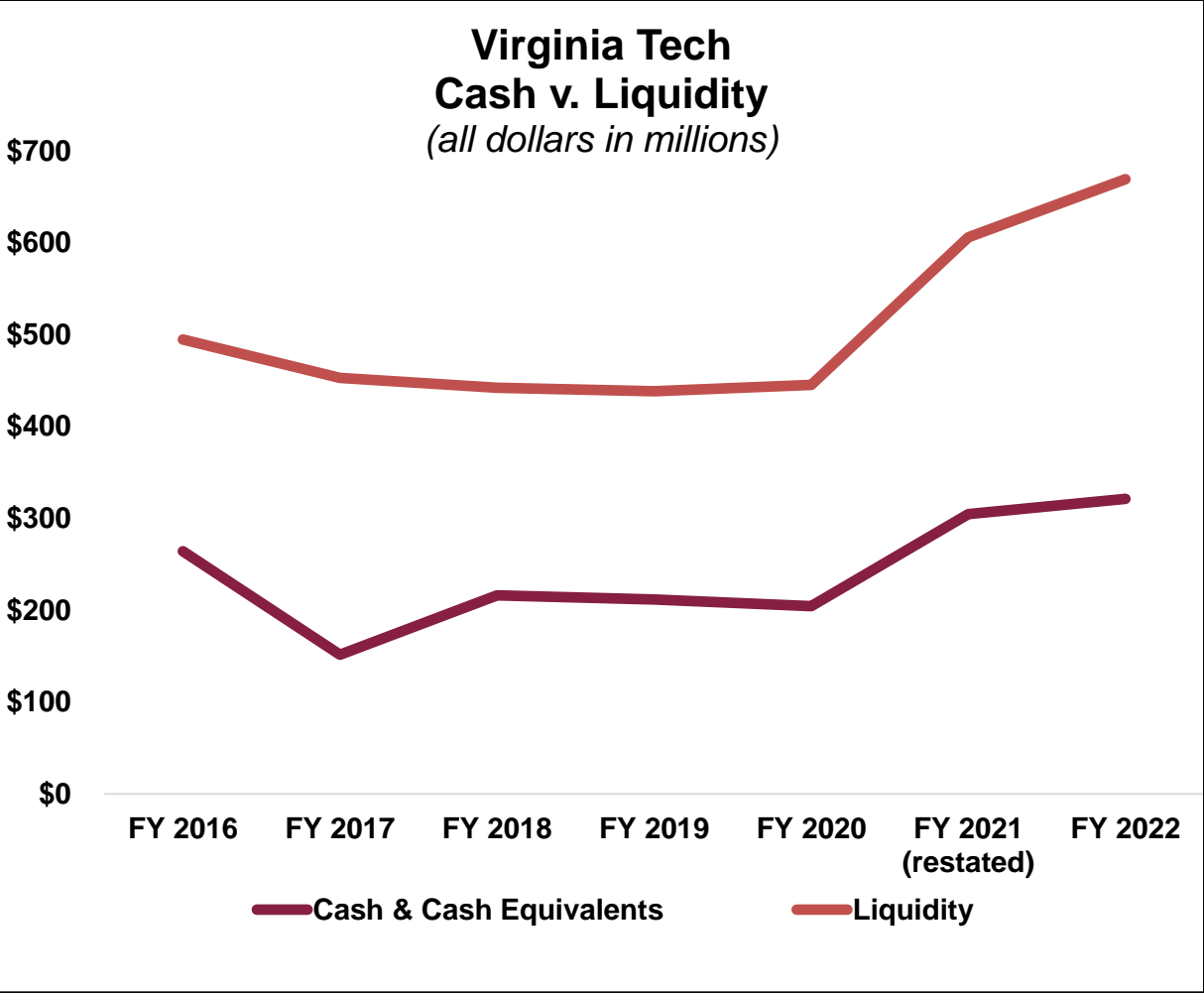
COMPOSITION OF CURRENT AND NONCURRENT ASSETS EXCLUDING CAPITAL ASSETS

Showing the Strategy to Move Cash and Cash Equivalents to Long-Term Investments at VTF
For the years ended June 30, 2018 – 2022
(all dollars in millions)



ANALYSIS OF CASH AND CASH EQUIVALENTS

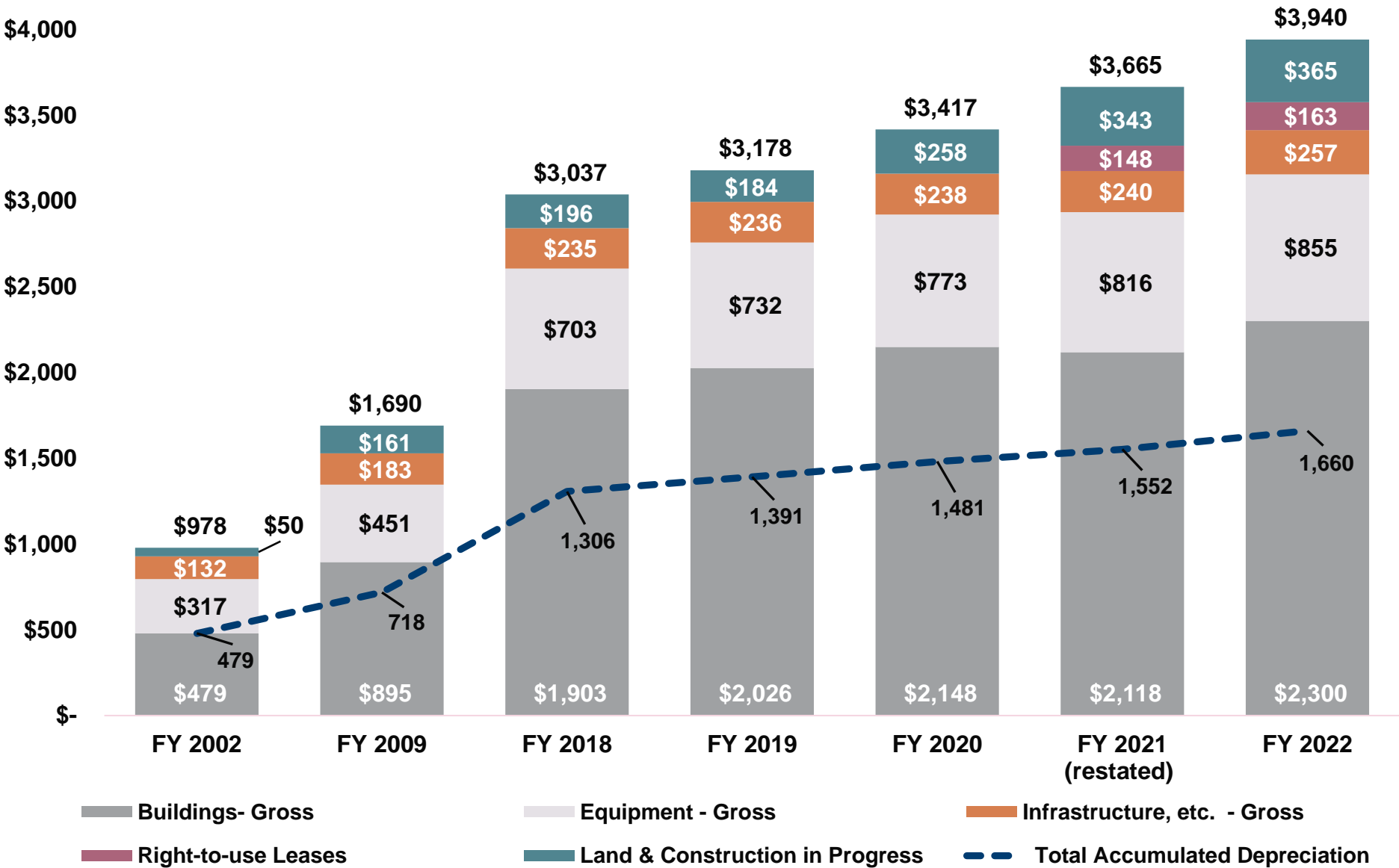
Showing the Analysis of Impact on Credit Ratings
For the years ended June 30, 2016 – 2022



The university finished fiscal year 2022 with a strong liquidity position due to increased support from the commonwealth and one-time support from the federal government. The slow return of travel and other operating expenses to pre-pandemic levels further helped preserve the university's liquidity levels. The university will continue to leverage its strong liquidity to bolster the university's credit rating for the impact of upcoming debt issuances.

ONGOING INVESTMENT IN CAPITAL ASSETS

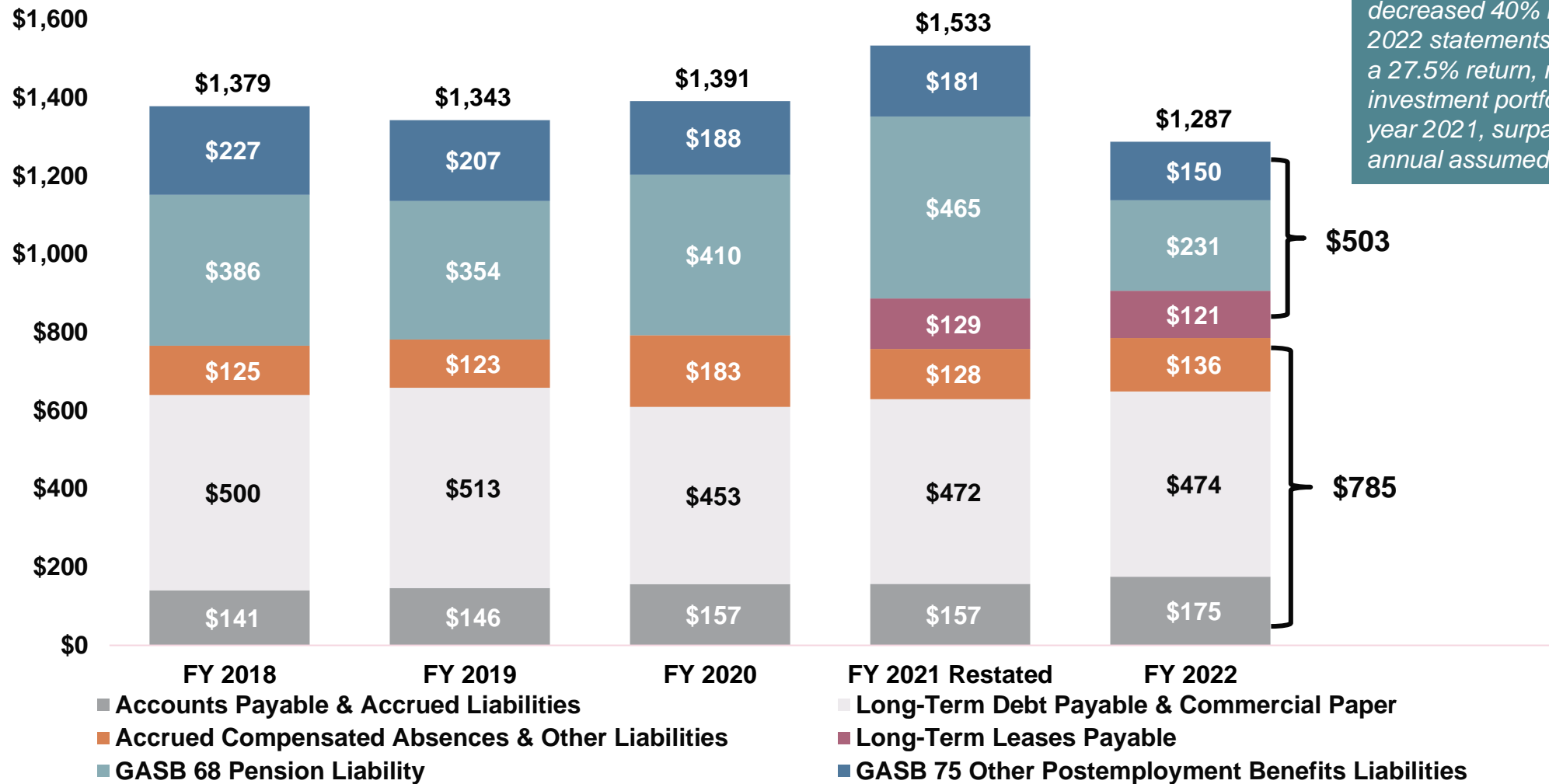
Growth in Capital Assets from FY 2002 to FY 2022
(all dollars in millions)



COMPOSITION OF CURRENT AND NONCURRENT LIABILITIES

Showing the Impact of GASB 68, 75 and 87 (Pension, OPEB and Leases)
For the years ended June 30, 2018 – 2022
(all dollars in millions)

Pension and OPEB liability is based on plan activity and balances as of prior year end and decreased 40% in fiscal year 2022 statements. VRS achieved a 27.5% return, net of fees on its investment portfolio for fiscal year 2021, surpassing the 6.75% annual assumed rate of return.



TRENDS IN NET POSITION

For the years ended June 30, 2018 – 2022
(all dollars in millions)

	FY 2018	FY 2019	FY 2020	FY 2021 (restated)	FY 2022
Capital assets, net of related debt	\$ 1,273.2	\$ 1,326.1	\$ 1,437.6	\$ 1,521.3	\$ 1,704.4
Restricted, nonexpendable	14.4	14.0	12.6	14.9	13.6
Restricted, expendable					
Capital projects	11.5	6.2	3.0	7.2	10.2
Other	186.5	194.7	196.4	229.6	235.4
Unrestricted*	(226.4)	(150.7)	(135.6)	42.1	160.4
Total Net Position	1,259.4	1,390.2	1,514.0	1,815.1	2,123.9
Adjusted Unrestricted Net Position					
Excluding the Impact of GASB					
Pronouncements Related to					
Pensions and OPEB	\$ 391.2	\$ 444.0	\$ 458.5	\$ 639.4	\$ 705.1

*Unrestricted net position increased by \$118.3 million (281.0 percent) due to the effect of the other postemployment benefit and pension net liability / expense decreases (\$59.8 million) as well as the prudent management of fiscal resources.

SUMMARY OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the years ended June 30, 2022 – 2021
(all dollars in millions)

	2022	2021 (restated)	Change	
			Amount	Percent
Operating revenues	\$ 1,311.6	\$ 1,162.3	149.3	12.8 %
Operating expenses	1,638.7	1,509.5	129.2	8.6 %
Operating loss	(327.1)	(347.2)	20.1	(5.8)%
State appropriations	326.4	302.3	24.1	8.0 %
Investment Income, net	(37.5)	96.6	(134.1)	(138.8)%
Other non-operating revenues (expenses)	147.3	118.9	28.4	23.9 %
Non-operating revenues (expenses)	436.2	517.8	(81.6)	(15.8)%
Income before other revenues and expenses	109.1	170.6	(61.5)	(36.0)%
Other revenues, expenses, gains, or losses	199.7	130.3	69.4	53.3 %
Increase in net position	308.8	300.9	7.9	2.6 %
Net position – beginning of year	1,815.1	1,514.2	300.9	19.9 %
Net position - end of year	\$ 2,123.9	\$ 1,815.1	\$ 308.8	17.0 %

Operating loss: Under GASB reporting, public universities will always show an operating loss because state appropriations, gifts, and investment income are all considered non-operating revenues.

TOTAL REVENUES BY SOURCE - \$1,948 Million

For the years ended June 30, 2022 and 2021
(all dollars in millions)

	2022	2021 (restated)	Change	
			Amount	Percent
Operating revenues				
Student tuition and fees, net	\$ 611.0	\$ 581.5	\$ 29.5	5.1 %
Grants and contracts	362.5	326.8	35.7	10.9 %
Auxiliary enterprises	299.7	222.2	77.5	34.9 %
Other operating revenues	38.4	31.8	6.6	20.8 %
Total operating revenues	1,311.6	1,162.3	149.3	12.8 %
Non-operating revenues				
State appropriations	326.4	302.3	24.1	8.0 %
Gifts	78.7	69.1	9.6	13.9 %
CARES	53.1	43.4	9.7	22.4 %
Investment Income, net	(37.5)	96.6	(134.1)	(138.8)%
Other non-operating revenues	15.4	6.5	8.9	136.9 %
Total non-operating revenues	436.1	517.9	(81.8)	(15.8)%
Other revenues				
Capital appropriations	13.7	-	13.7	100.0 %
Capital grants and gifts	180.7	128.0	52.7	41.2 %
Gain on disposal of capital assets	5.3	2.3	3.0	130.4 %
Total other revenue	199.7	130.3	69.4	53.3 %
Total revenue	\$ 1,947.4	\$ 1,810.5	\$ 136.9	7.6 %

CHANGES IN OPERATING EXPENSES BY FUNCTION

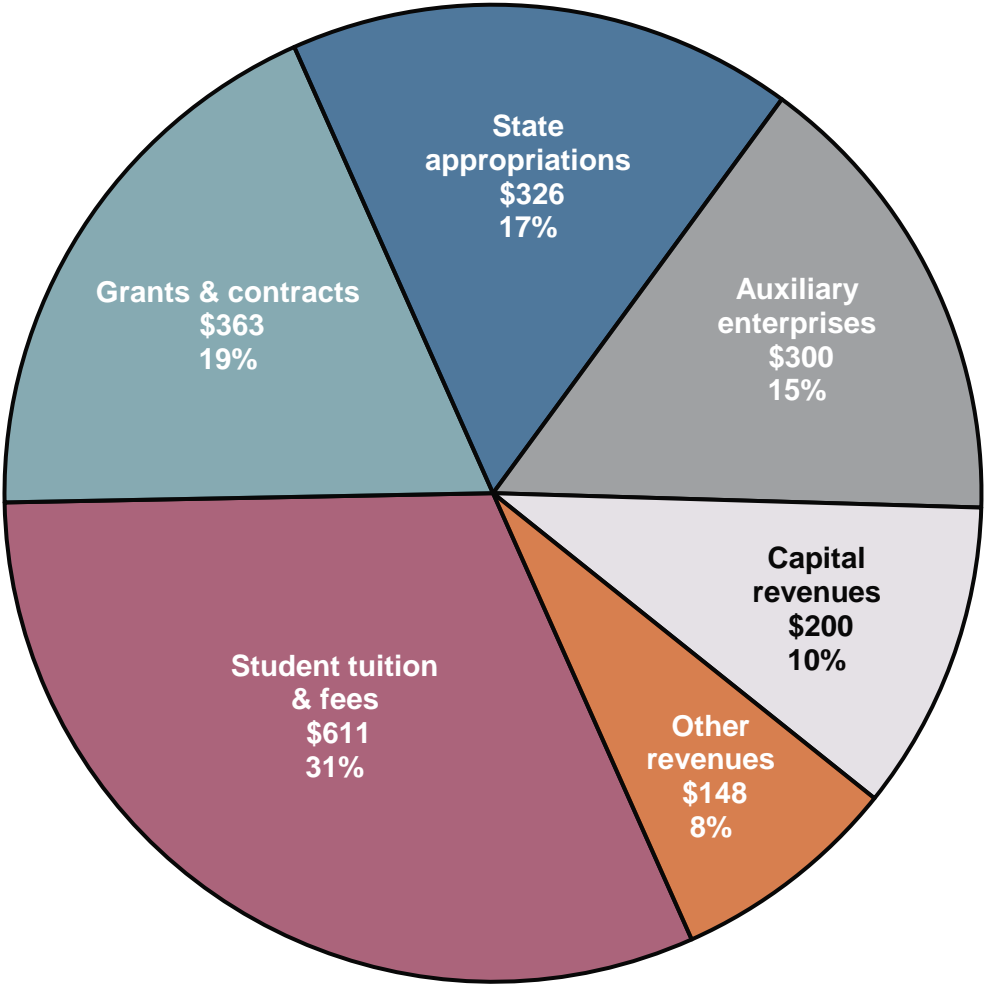
For the years ended June 30, 2022 and 2021
(all dollars in millions)

	2022	2021 (restated)	Change	
			Amount	Percent
Instruction	\$ 446.2	\$ 425.5	\$ 20.7	4.9%
Research	351.4	328.4	23.0	7.0%
Public service	93.2	88.7	4.5	5.1%
Auxiliary enterprises	258.1	205.6	52.5	25.5%
Depreciation and amortization	135.8	125.5	10.3	8.2%
Subtotal	1,284.7	1,173.7	111.0	9.5 %
<u>Support, maintenance, and other expenses</u>				
Academic support	112.6	104.9	7.7	7.3 %
Student services	30.1	25.5	4.6	18.0 %
Institutional support	81.3	91.3	(10.0)	(10.8)%
Operations and maintenance of plant	84.6	82.0	2.6	3.2 %
Student financial assistance*	45.3	32.1	13.2	41.1 %
Subtotal	354.0	335.8	18.3	5.4 %
Total operating expenses	\$ 1,638.7	\$ 1,509.5	\$ 129.2	8.6 %

*Includes loan administrative fees and collection costs.

TOTAL REVENUES BY SOURCE - \$1,948 Million

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

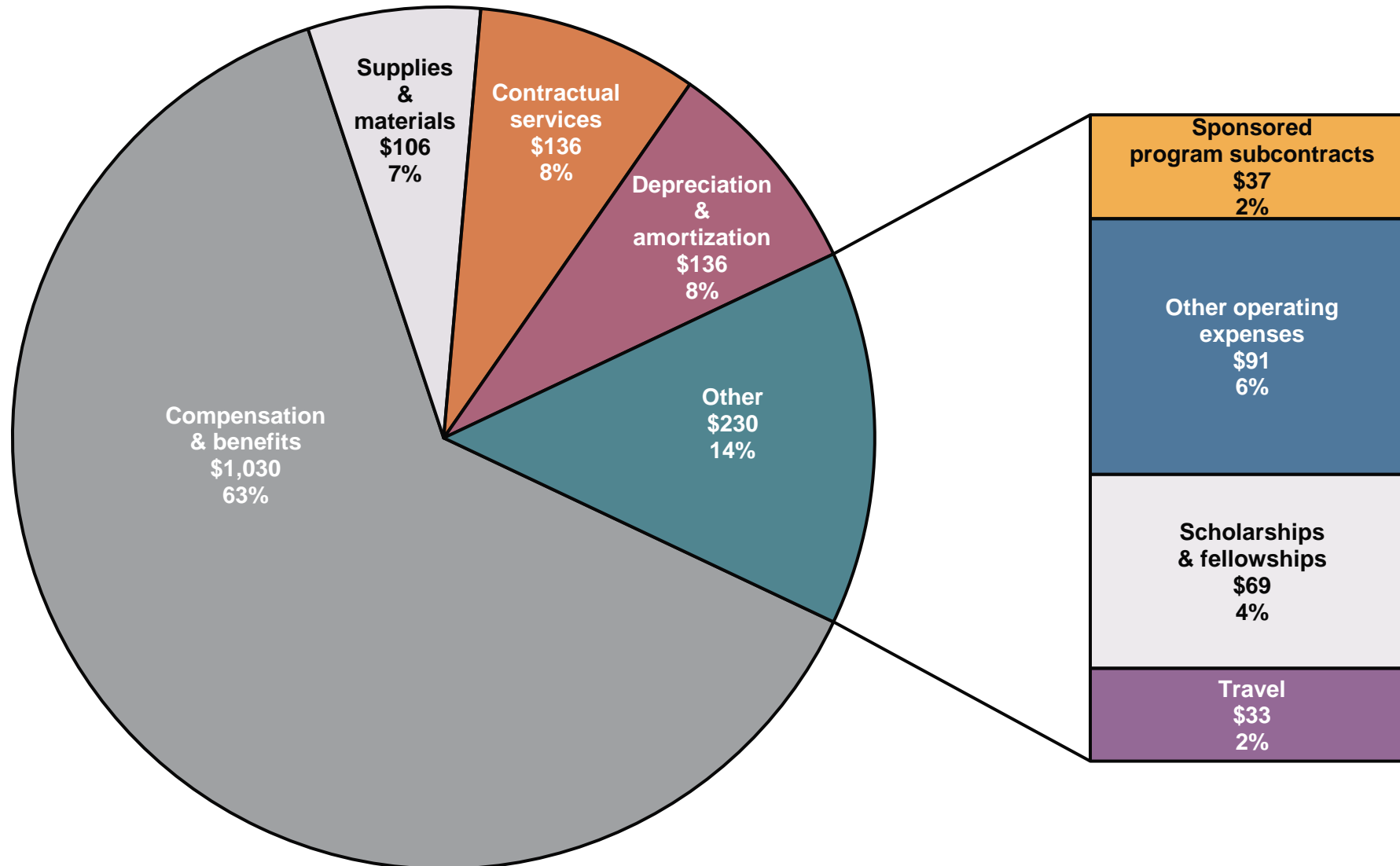


** Other revenues include gifts, investment income, federal Pell grants, CARES Act stabilization revenue, and other non-operating revenue offset by interest expense on debt related to capital assets and long-term leases.*

TOTAL OPERATING EXPENSES BY NATURAL CLASSIFICATION - \$1,638 Million

For the year ended June 30, 2022

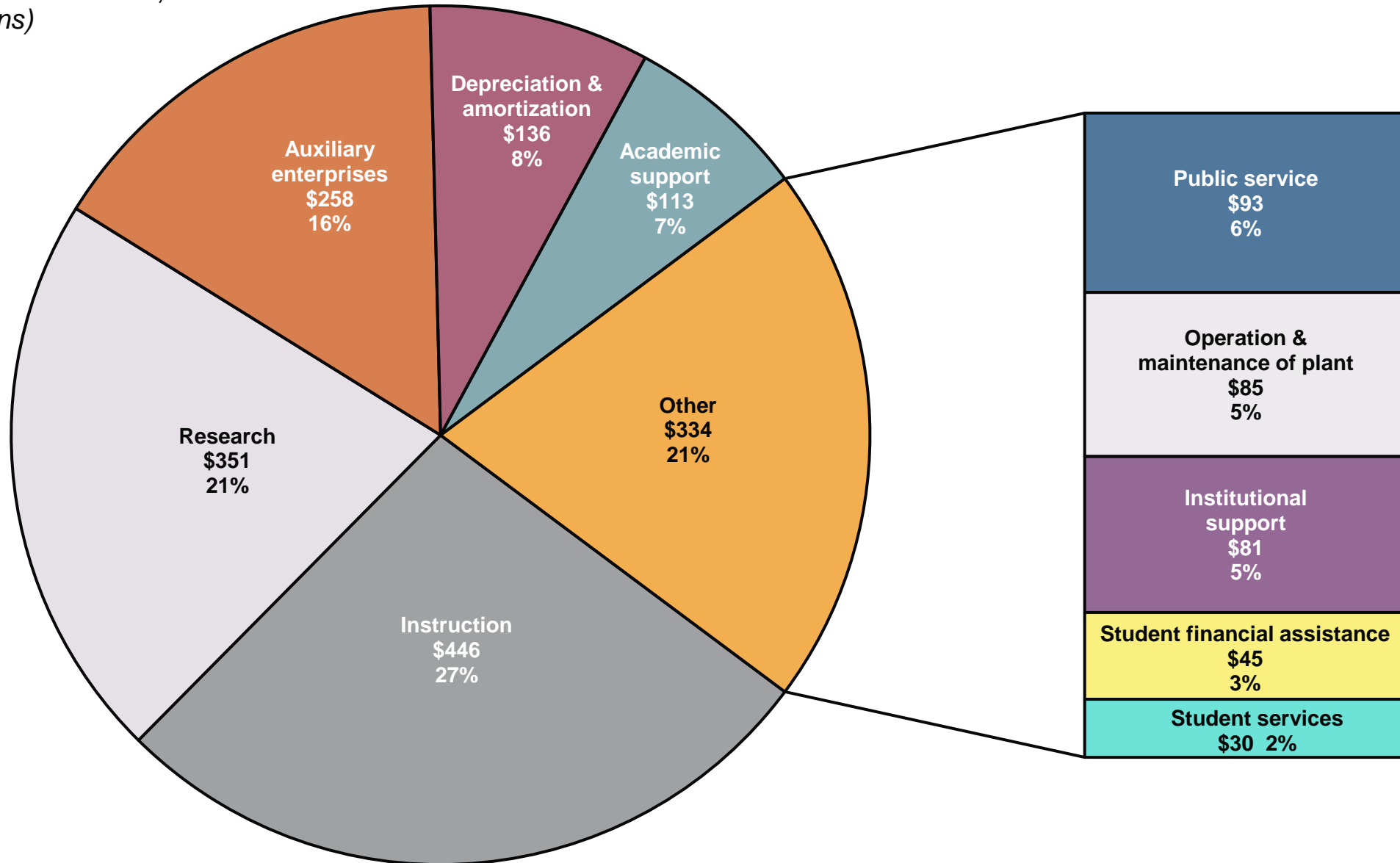
(all dollars in millions)



TOTAL OPERATING EXPENSES BY FUNCTION - \$1,638 Million

For the year ended June 30, 2022

(all dollars in millions)

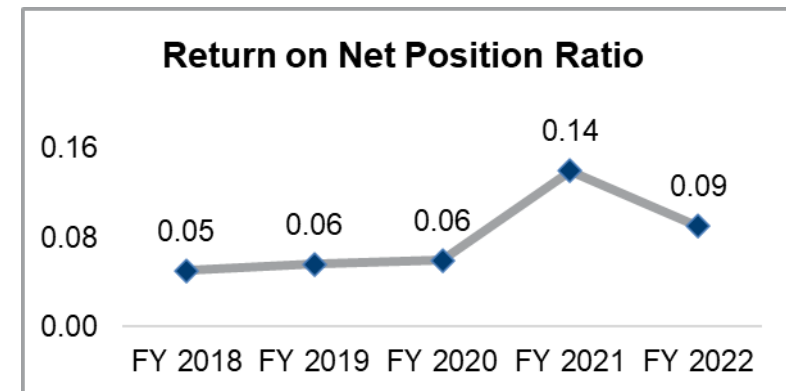
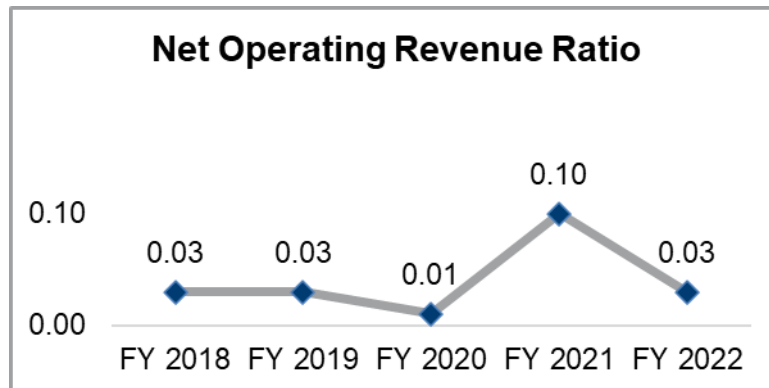
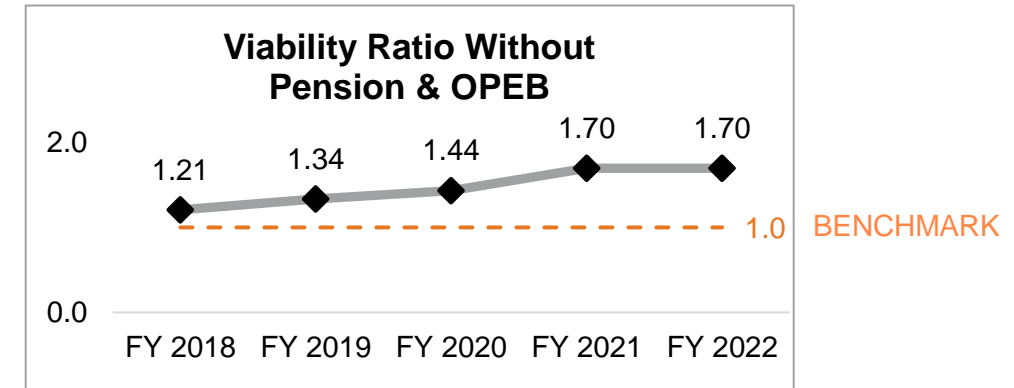
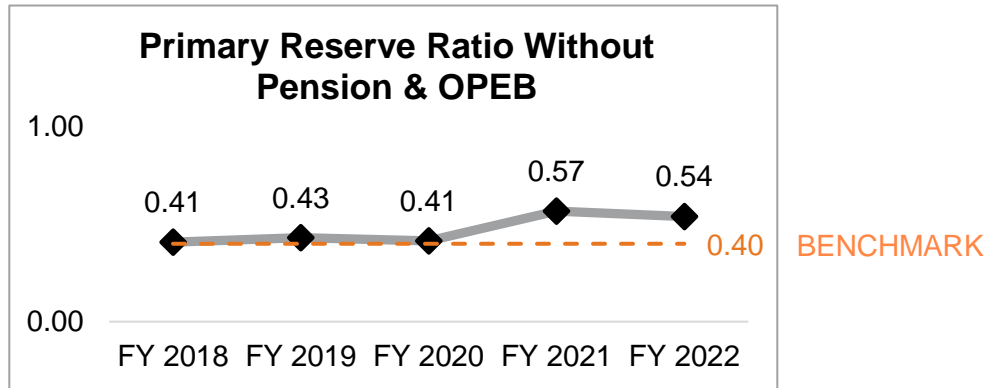


MEASURING THE OVERALL LEVEL OF FINANCIAL HEALTH

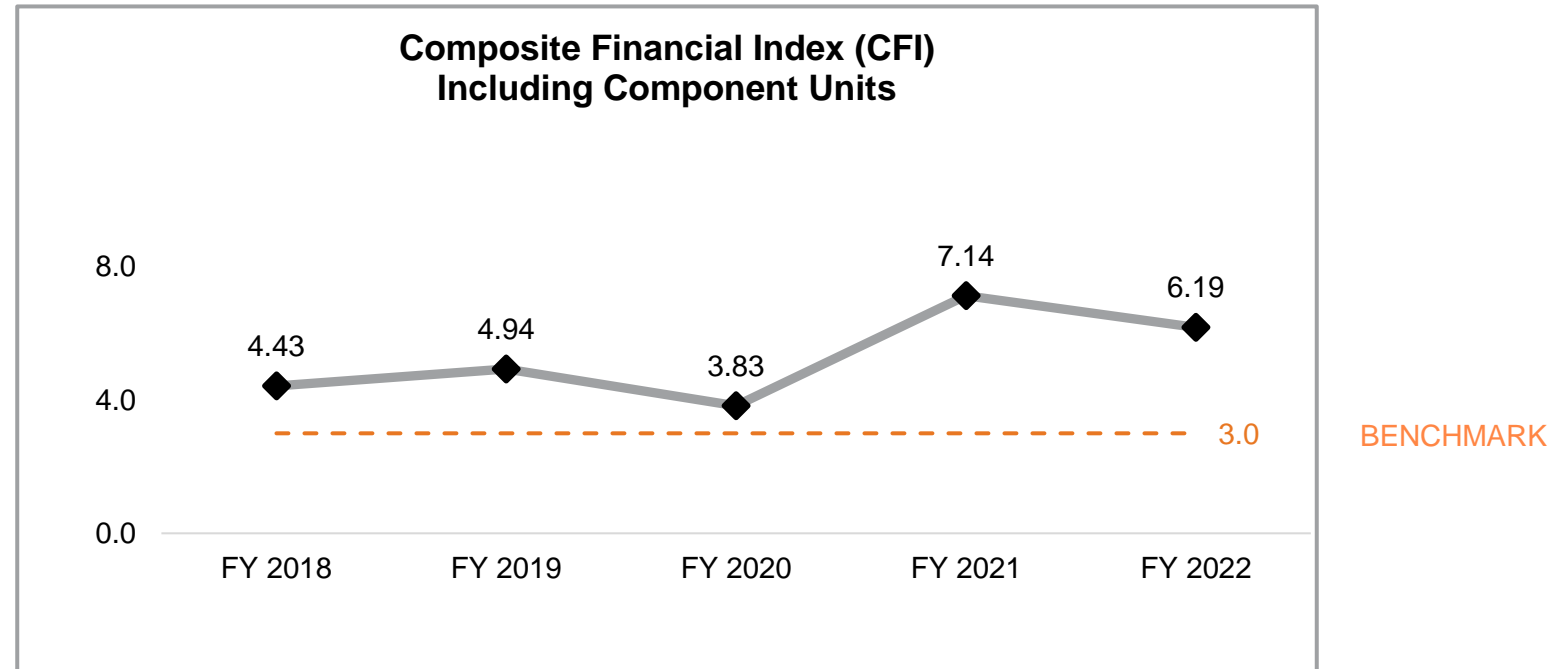
Ratio	Definition	FY22 Ratios
Primary Reserve	Snapshot of the financial strength and flexibility of an institution calculated by dividing expendable net assets by total expenses. The accepted benchmark for this ratio is 0.4.	.54
Viability	Availability of expendable net position to cover long-term debt and indicates whether an institution can assume new debt calculated by dividing expendable net assets by long-term debt. The accepted benchmark for this ratio is 1.0 or greater.	1.70
Net Operating Revenue	Indicates whether an organization is living within its available resources calculated by dividing net income less capital revenues by noncapital revenues.	.03
Return on Net Position	Answers whether the university is achieving a positive economic return on its investment of resources calculated by dividing change in net assets by total net assets.	.09

Consistent with the Auditor of Public Accounts report, the impacts of Pension and Other Post Employment Benefits have been excluded.

MEASURING THE OVERALL LEVEL OF FINANCIAL HEALTH

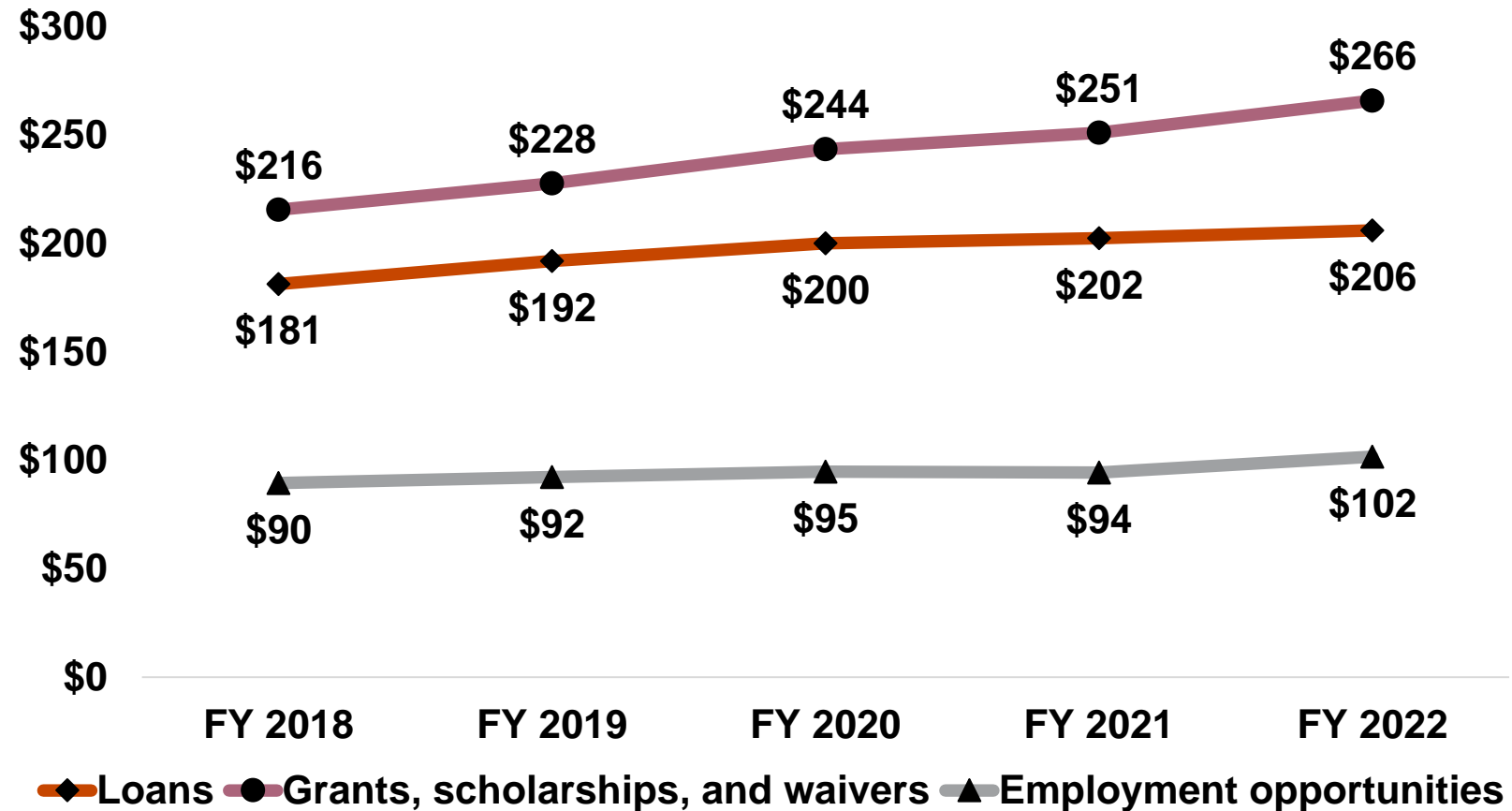


MEASURING THE OVERALL LEVEL OF FINANCIAL HEALTH



STUDENT FINANCIAL AID

For the years ended June 30, 2018 - 2022
(all dollars in millions)



CONCLUSION

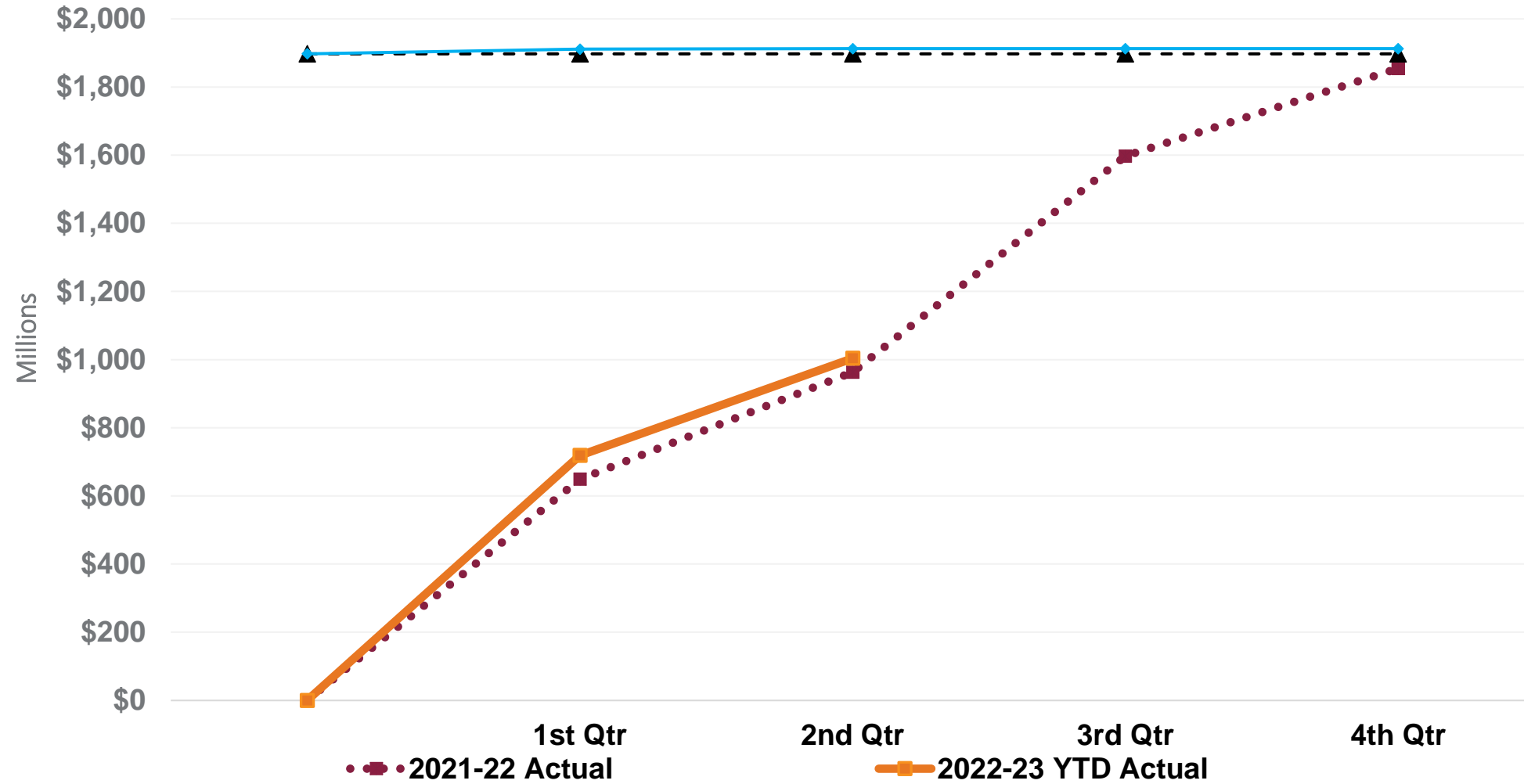


APPROVAL OF YEAR-TO-DATE FINANCIAL PERFORMANCE REPORT

TIM HODGE, ASSOCIATE VICE PRESIDENT FOR
BUDGET AND FINANCIAL PLANNING

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

March 20, 2023



2nd QUARTER 2022-23

Annual Budget Changes

Education and General

- \$1.0 million increase for self-generated revenues in the Animal Cancer Care and Research Clinic

Auxiliary Enterprises

- Transportation Services: \$2.1 million for equipment maintenance/repairs
- Recreational Sports: \$1.7 million expense budget for private gift funded table tennis project

Financial Performance

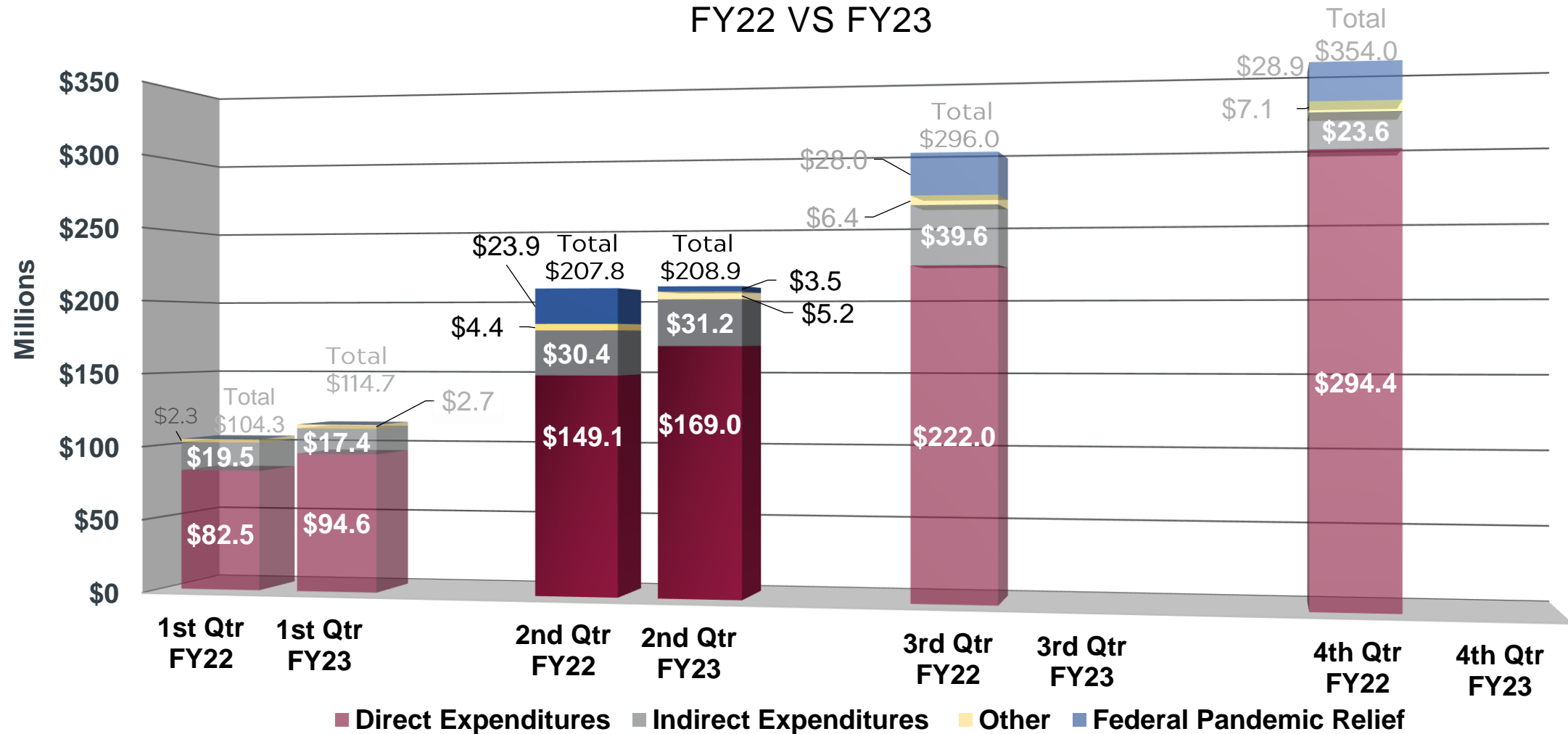
Educational and General, Sponsored Programs, and Student Financial Aid

- No significant issues to report.

Auxiliary Enterprise





- Dining bouncing back
- Electric Services: \$2.4 million lower than projected electrical consumption
 - 3rd quarter adjustment

SPONSORED PROGRAM EXPENDITURES

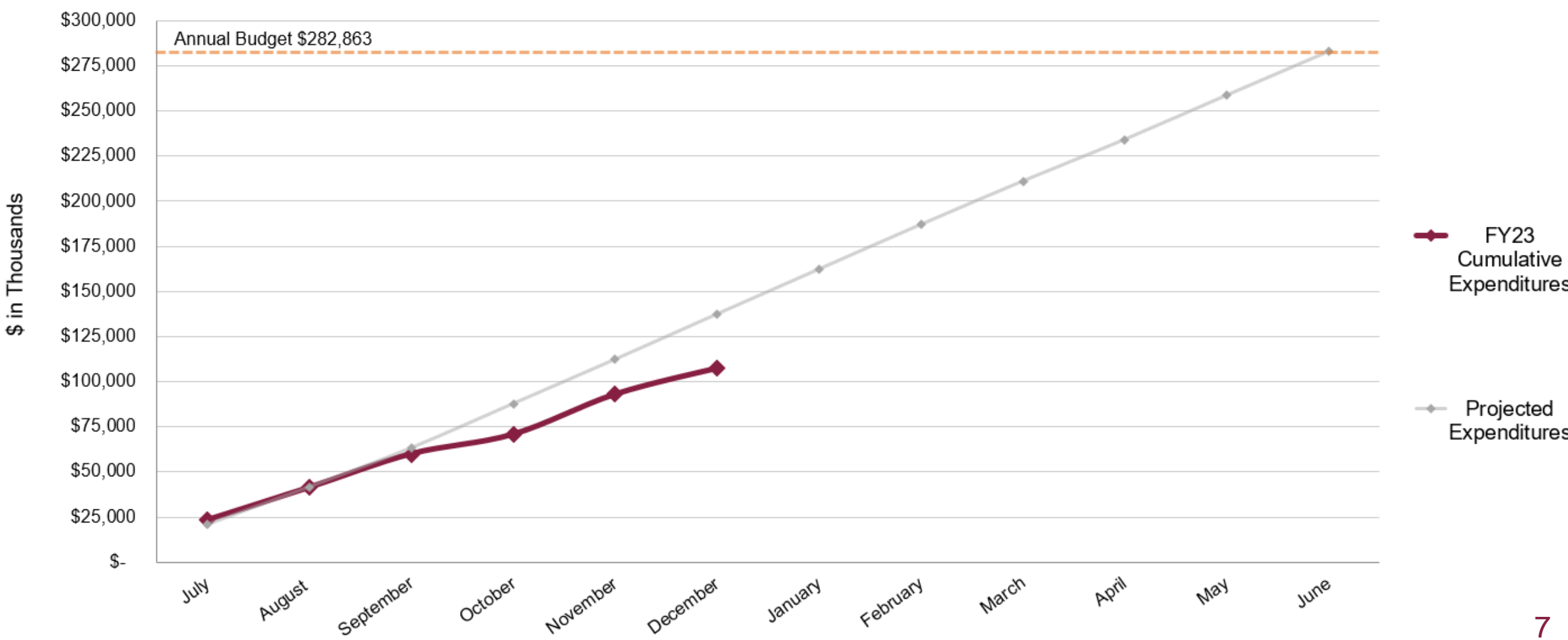


CAPITAL PROGRAM

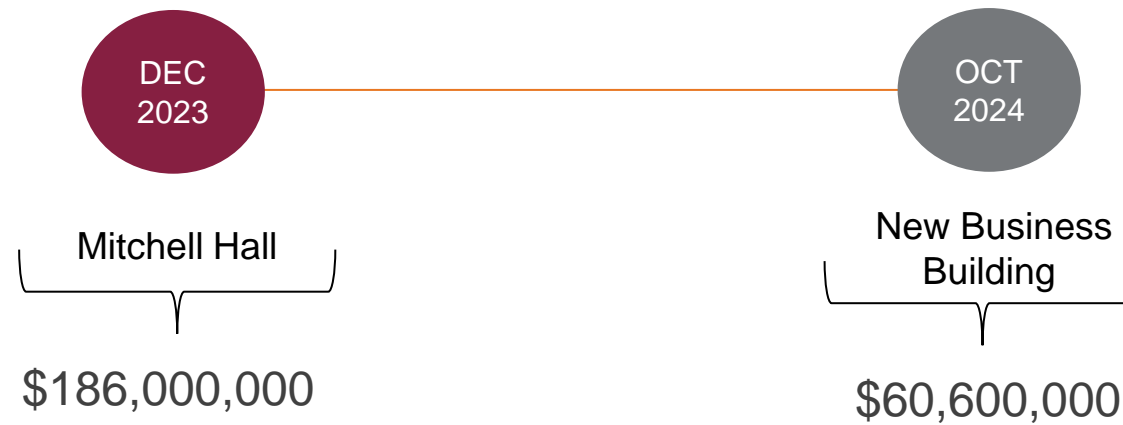
CAPITAL OUTLAY TOTAL PROGRAM

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

ACTIVITY THROUGH DECEMBER 31, 2022



TIMING FOR CONSTRUCTION PRICING



Spending on Projects
 in design phase
 through
 December 31, 2022-
 \$4,819,000

PROJECTS COMING ONLINE

2023

- ❖ MAR: Livestock & Poultry Research Facilities, Phase I
- ❖ APR: Dietrick Renovation
- ❖ APR: Data & Decision Sciences Building
- ❖ JUL: Corps Leadership & Military Sciences Building
- ❖ SEP: New Upper Quad Residence Hall

2024

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

Spending on projects in construction phase through December 31, 2022 - \$293,880,000

APPROVAL OF YEAR-TO-DATE FINANCIAL PERFORMANCE REPORT July 1, 2022 – December 31, 2022

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 December 31, 2022 and the Capital Outlay report be approved.

March 20, 2023