

Virginia Tech Board of Visitors Meeting

March 28, 2011

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MINUTES

March 28, 2011

The Board of Visitors of Virginia Polytechnic Institute and State University met on Monday, March 28, 2011, at 1:15 p.m. in Torgersen Boardroom, Virginia Tech Campus, Blacksburg, Virginia.

Present

Mr. Michael Anzilotti
 Mr. Frederick J. Cobb
 Ms. Beverley Dalton
 Ms. Michele Duke
 Mr. Douglas R. Fahl
 Mr. William B. Holtzman
 Dr. Calvin D. Jamison, Sr.
 Ms. Sandra Stiner Lowe
 Mr. George Nolen (Rector)
 Ms. Suzanne Obenshain
 Mr. John G. Rocovich, Jr.
 Mr. Paul W. Rogers, Jr.
 Mr. James W. Severt, Sr.
 Dr. Michael Ellerbrock, President, Faculty Senate
 Ms. Maxine Lyons, President, Staff Senate
 Mr. Deepu George, Graduate Student Representative
 Mr. Shane McCarty, Undergraduate Student Representative

Absent

Mr. Michael J. Quillen

Also present were the following: Dr. Charles Steger, Mr. Erv Blythe, Mr. Ralph Byers, Ms. Shelia Collins, Dr. Karen DePauw, Dr. John Dooley, Dr. Jack Finney, Dr. Elizabeth Flanagan, Chief Wendell Flinchum, Ms. Natalie Hart, Ms. Kay Heidbreder, Mr. Larry Hincker, Ms. Elizabeth Hooper, Ms. Sharon Kurek, Mr. Mark Lawrence, Dr. Will Lewis, Ms. Heidi McCoy, Dr. Mark McNamee, Ms. Kim O'Rourke, Mr. Mark Owczarski, Dr. Ellen Plummer, Mr. Dwight Shelton, Ms. Sandra Smith, Dr. Raymond Smoot, Dr. Ed Spencer, Dr. Tom Tillar, Dr. Robert Walters, Dr. Lisa Wilkes, Dr. Sherwood Wilson, Dr. Daniel Wubah, faculty, staff, students, guests, and reporters.

Rector Nolen asked for a motion of approval of the minutes of the November 8, 2010, as distributed. The motion was made by Ms. Lowe and seconded by Mr. Anzilotti. The minutes were approved.

REPORT OF THE ACADEMIC AFFAIRS COMMITTEE

Rector Nolen called on Ms. Lowe for a report of the Academic Affairs Committee. (Copy filed with the permanent minutes and marked Attachment A.)

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As part of the Academic Affairs Committee report, the following resolution was moved by Ms. Lowe, seconded by Ms. Duke, and approved unanimously.

Resolution to Discontinue Ed.D., Ph.D., and Ed.S. Degrees in Administration and Supervision of Special Education

That the resolution to discontinue the Ed.D., Ph.D., and Ed.S. degree programs in administration and supervision of special education (with the last term for award of any of these degrees being fall 2011) be approved and forwarded to the State Council of Higher Education for Virginia for further review and approval. (Copy filed with the permanent minutes and marked Attachment B.)

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As part of the Academic Affairs Committee report, the following resolution was moved by Ms. Lowe, seconded by Ms. Duke, and approved unanimously.

Resolution to Discontinue the MS.Ed. Degree in Health and Physical Education

That the resolution to discontinue the MS.Ed. degree program in health and physical education (with the last term for award of this degree being spring 2012) be approved and forwarded to the State Council of Higher Education for Virginia for further review and approval. (Copy filed with the permanent minutes and marked Attachment C.)

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As part of the Academic Affairs Committee report, the following resolution was moved by Ms. Lowe, seconded by Ms. Duke, and approved unanimously.

**Resolution to Establish a Dual Degree Master's in
Business Administration Program in Cooperation with the
Naval Postgraduate School**

That the resolution creating a dual degree Master's in Business Administration program between Virginia Tech and the Naval Postgraduate School effective fall 2011 be approved and forwarded to the State Council of Higher Education for Virginia (SCHEV) and to the Southern Association of Colleges and Schools (SACS) for notification. (Copy filed with the permanent minutes and marked Attachment D.)

As part of the Academic Affairs Committee report, the following resolution was moved by Ms. Lowe, seconded by Ms. Duke, and approved unanimously.

**Proposed Revisions to the College of Veterinary Medicine's
Standards for Academic Progress**

That the attached text regarding standards for academic progress be approved and added to the DVM Student Handbook for the VMRCVM in replacement of the old text (deleted text is crossed out; new text is in red) effective August 22, 2011, for classes entering in the fall semester of 2010 and later. (Copy filed with the permanent minutes and marked Attachment E.)

As part of the Academic Affairs Committee report, the following resolution was moved by Ms. Lowe, seconded by Ms. Duke, and approved unanimously.

Resolution to Clarify Research Leave Policies

That the attached revisions and corrections to the text pertaining to research leaves in sections 3.8, 3.9, 4.9, and 4.10 of the *Faculty Handbook* be approved (effective beginning with leaves approved for 2011-12). (Copy filed with the permanent minutes and marked Attachment F.)

As part of the Academic Affairs Committee report, the following resolution was moved by Ms. Lowe, seconded by Ms. Duke, and approved unanimously.

**Resolution to Discontinue Annual Reappointment Letters for
Regular Administrative and Professional Faculty**

That the attached revision to section 7.3 of the *Faculty Handbook* be approved. (Copy filed with the permanent minutes and marked Attachment G.)

As part of the Academic Affairs Committee report, the following resolution was moved by Ms. Lowe, seconded by Ms. Duke, and approved unanimously.

**Resolution to Clarify Non-Reappointment for
Administrative and Professional Faculty
On Restricted Appointments**

That the attached text regarding termination of appointment for administrative and professional faculty on restricted appointments be approved and added to the *Faculty Handbook*. (Copy filed with the permanent minutes and marked Attachment H.)

REPORT OF THE BUILDINGS AND GROUNDS COMMITTEE

Rector Nolen called on Mr. Fahl for a report of the Buildings and Grounds Committee. (Copy filed with the permanent minutes and marked Attachment I.)

As part of the Buildings and Grounds Committee report, the following resolution was moved by Mr. Fahl, seconded by Mr. Rocovich, and approved unanimously.

Resolution Endorsing Passenger Rail Service Extension

That the resolution endorsing the extension of passenger rail service to Roanoke and the New River Valley be approved. (Copy filed with the permanent minutes and marked Attachment J.)

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As part of the Buildings and Grounds Committee report, the following resolution was moved by Mr. Fahl, seconded by Mr. Rocovich, and approved unanimously.

**Resolution on Joint Appointment to the
New River Valley Emergency
Communications Regional Authority**

That the resolution approving L. Allen Bowman's appointment as the at-large representative to the New River Valley Emergency Communications Regional Authority for a four-year term ending March 31, 2015, be approved. (Copy filed with the permanent minutes and marked Attachment K.)

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As part of the Buildings and Grounds Committee report, the following resolution was moved by Mr. Fahl, seconded by Mr. Severt, and approved unanimously.

Resolution on Town of Blacksburg Water Line Easement

That the resolution authorizing Virginia Polytechnic Institute and State University to execute the easement to the Town of Blacksburg be approved. (Copy filed with the permanent minutes and marked Attachment L.)

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As part of the Buildings and Grounds Committee report, the following resolution was moved by Mr. Fahl, seconded by Mr. Rocovich, and approved unanimously.

**Resolution on Newport News Waterworks
Water Line Easement**

That the resolution authorizing Virginia Polytechnic Institute and State University to execute the easement to the Newport News Waterworks be approved. (Copy filed with the permanent minutes and marked Attachment M.)

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As part of the Buildings and Grounds Committee report, the following resolution was moved by Mr. Fahl, seconded by Mr. Rocovich, and approved unanimously.

Resolution on Demolition of University Buildings

That the above resolution authorizing the demolition of the shed and two grain bins located at Kentland Farm in Blacksburg (buildings 1314 and 1316) and the two holding pens located at the Virginia-Maryland Regional College of Veterinary Medicine (buildings 440M and 440N), be approved. (Copy filed with the permanent minutes and marked Attachment N.)

REPORT OF THE FINANCE AND AUDIT COMMITTEE

Rector Nolen called on Mr. Anzilotti for the report of the Finance and Audit Committee. (Copy filed with the permanent minutes and marked Attachment O.)

As part of the Finance and Audit Committee report, the following resolution was moved by Mr. Anzilotti, seconded by Ms. Dalton, and approved unanimously.

Resolution for Approval of Year-to-Date Financial Performance Report (July 1, 2010 – December 31, 2010)

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, 2010 through December 31, 2010 and the Capital Outlay report be accepted. (Copy filed with the permanent minutes and marked Attachment P.)

As part of the Finance and Audit Committee report by Mr. Anzilotti and with the endorsement of the Buildings and Grounds Committee, the following resolution was moved by Mr. Anzilotti, seconded by Ms. Duke, and approved unanimously.

Resolution for Approval of the 2012-2018 Capital Outlay Plan

That the list of potential projects for inclusion in the 2012-2018 Capital Outlay Plan be approved, and that the university be authorized to develop and submit the Plan in accordance with future guidance from the state and based on the projects in the approved list. (Copy filed with the permanent minutes and marked Attachment Q.)

As part of the Finance and Audit Committee report by Mr. Anzilotti and with the endorsement of the Buildings and Grounds Committee, the following resolution was moved by Mr. Anzilotti, seconded by Mr. Rocovich, and approved unanimously.

**Resolution for Approval of Capital Project for the
Virginia Tech Carilion Research Institute
Third Floor Upfit**

That the resolution authorizing Virginia Tech to construct the VTCRI Third Floor Upfit be approved. (Copy filed with the permanent minutes and marked Attachment R.)

As part of the Finance and Audit Committee report by Mr. Anzilotti and with the endorsement of the Buildings and Grounds Committee, the following resolution was moved by Mr. Anzilotti, seconded by Mr. Rocovich, and approved unanimously.

**Resolution for Approval of Capital Project
For Repair of McComas Exterior Wall Structure, Phase III**

That the resolution authorizing Virginia Tech to complete the Repair McComas Exterior Wall Structure, Phase III project be approved. (Copy filed with the permanent minutes and marked Attachment S.)

Dr. Jamison recommended exploring remedies for structural issues.

With respect to the entrance to the new **Visitors and Undergraduate Admissions Center** that is planned to open this summer, Rector Nolen noted that when the design was approved by the Buildings and Grounds Committee in March 2009, the Committee added a comment that an entrance off of Price's Fork Road should be incorporated into the project and that the scope of the project should not be reduced in order to fund the new entrance. Currently, the entrance to the new building branches off from the entrance to The Inn, and funding is not available currently to construct an entrance off of Price's Fork Road. Therefore, Mr. Nolen asked Ms. O'Rourke to add the topic of funding for the entrance to the Visitor Center to the agenda for the Buildings and Grounds Committee and Finance and Audit Committee meetings in the next 18 months so this is not forgotten (i.e., by the November 2012 meeting).

REPORT OF THE RESEARCH COMMITTEE

Rector Nolen called on Ms. Duke for the report of the Research Committee. (Copy filed with the permanent minutes and marked Attachment T.)

Ms. Duke announced that the grand opening of the Virginia Tech Research Center in Arlington will be held on June 24, 2011, followed by an open house for faculty, alumni, and the community on June 26, 2011.

REPORT OF THE STUDENT AFFAIRS AND ATHLETICS COMMITTEE

Rector Nolen called on Ms. Dalton for the report of the Student Affairs and Athletics Committee. (Copy filed with the permanent minutes and marked Attachment U.)

Rector Nolen commented that for some time students have indicated that there are problems with academic advising. As a result, Rector Nolen has asked the Student Affairs and Athletics Committee and the Academic Affairs Committee to work together on the issue of academic advising, and report back on the expectations of the students (e.g., seeking life/career advising or advising on degree requirements), what the faculty can realistically deliver on those expectations, and some solutions.

In response to a question from Dr. Jamison, Dr. McNamee explained that advising is a very big part of the first-year experience program, which is the focus of the university's Quality Enhancement Plan (an accreditation requirement). Its purpose is to ensure that the students get off to a very good start at Virginia Tech and learn about things like research, ways they can be of service, and so on. The colleges submit proposals and compete for funding from the first-year experience office.

PRESIDENT'S REPORT

Report of Research and Development Disclosures

As part of the President's report, President Steger shared with the Board the **Report of Research and Development Disclosures** – for information only, no action needed. (Copy filed with the permanent minutes and marked Attachment V.)

As part of the President's report, the following resolution was moved by Mr. Rocovich, seconded by Ms. Duke, and approved unanimously.

Resolution Honoring Lieutenant Junior Grade Zachary R. Eckhart

That the resolution honoring Lieutenant Junior Grade Zachary R. Eckhart for his steadfast loyalty to his country and the ideals of "Ut Prosim" and for making the ultimate sacrifice in service to his country be approved. (Copy filed with the permanent minutes and marked Attachment W.)

President Steger said he wished to recognize the individuals who worked diligently on the reaccreditation process for the university through the Southern Association of Colleges and Schools (SACS). He commended Dr. McNamee for giving leadership to the multi-year process and also recognized the following individuals who were present and had made significant contributions: Daniel Wubah, Todd Ogle, Ray Van Dyke, Kris Bush, Mary Ann Lewis, and Robin Pennington (who was not present). The university was fully accredited and will undergo another reaccreditation process in 10 years. At the mid-point in five years, the university is required to report on the status of the Quality Enhancement Plan (QEP) and to respond to certain Department of Education requirements for that period. He expressed appreciation for all of the work of everyone involved in addition to the core group.

President Steger briefly discussed the University Strategic Plan that is being developed for 2012-18. Dr. Paul Knox, University Distinguished Professor, is taking the lead on the day-to-day process, although the senior leadership also will be working with him. About 100 members of the university community have been appointed to various interdisciplinary sub-committees.

When the Board meets at the new Arlington facility in August, there will be an extended session to talk about the plan. In the interim, work is progressing to develop a small number of structuring questions that the institution has to answer for the future. Some examples would be: Should we grow, and if so, in what way? And what does that mean in terms in faculty resources, in terms of buildings, in terms of communications infrastructure, and in terms of cost? Do we truncate certain things that we are currently doing? Do we expand here? Do we expand other places? What does it mean to be a sustainable campus and what types of investments will be needed? With the demographic structure changing dramatically, what are we going to mean when we say "diversity" five to ten years from now? How do we generate and disseminate knowledge with and to students in today's technological environment? There are other factors as well in terms of our organizational structure and the university's structural relationship with state government. These are complex issues. In preparation for the August session, materials will be sent to the Board periodically to allow the Board members time to begin to think through the issues.

In conclusion, President Steger said that despite the Governor's good intentions, the demands on the state budget will leave less funding available for higher education. The reason for creating the subsidiary corporations that have recently been developed and other innovative strategies is to lay the framework for diversifying the university's revenue base so we have the resources to sustain the quality of what we offer to our students.

Motion to begin Closed Session

Ms. Duke moved that the Board convene in a closed meeting, pursuant to § 2.2-3711, Code of Virginia, as amended, for the purposes of discussing:

1. Appointment of faculty to Emeritus status, the consideration of individual salaries of faculty, consideration of Endowed Professors, review of departments where specific individuals' performance will be discussed, and consideration of personnel changes including appointments, resignations, tenure, and salary adjustments of specific employees and faculty leave approvals.
2. The status of current litigation and briefing on actual or probable litigation.

all pursuant to the following subparts of 2.2-3711 (A), Code of Virginia, as amended, .1 and .7

The motion was seconded by Mr. Fahl and passed unanimously.

Motion to Return to Open Session

Following the Closed Session, members of the press, students, and the public were invited to return to the meeting. Rector Nolen called the meeting to order and asked Ms. Duke to make the motion to return to open session.

Ms. Duke made the following motion:

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

WHEREAS, Section 2.2-3712 of the Code of Virginia requires a certification by the Board of Visitors that such closed meeting was conducted in conformity with Virginia law;

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

The motion was seconded by Mr. Cobb and passed unanimously.

Upon motion by Mr. Rocovich and second by Ms. Duke, unanimous approval was given to the **Ratification of the Selection of the 2011-2012 Student Representatives to the Board**, as considered in Closed Session:

Undergraduate Student Representative: Matthew Banfield
Graduate Student Representative: Michelle McLeese

Upon motion by Ms. Lowe and second by Ms. Duke, unanimous approval was given to the resolutions for approval of **Emeritus Status (6)**, as considered in Closed Session. (Copies filed with the permanent minutes and marked Attachment X.)

Upon motion by Ms. Lowe and second by Ms. Duke, unanimous approval was given to the resolution for approval of **Endowed Professorships and Fellowships (5)** as considered in Closed Session. (Copy filed with the permanent minutes and marked Attachment Y.)

Upon motion by Ms. Lowe and second by Ms. Duke, unanimous approval was given to the resolution for approval of **Faculty Leaves (66)** as considered in Closed Session. (Copy filed with the permanent minutes and marked Attachment Z.)

Upon motion by Mr. Anzilotti and second by Ms. Lowe, unanimous approval was given to the resolution for approval of **Ratification of Personnel Changes Report** as considered in Closed Session. (Copy filed with the permanent minutes and marked Attachment AA.)

Audit Report

No Action Required

Litigation Report

Not for Approval

Appointment of the Nominating Committee for Officers of the Board for the purpose of nominating the 2011-2012 Rector, Vice Rector and Secretary. The following members were appointed by Rector Nolen.

Chair: Ms. Beverley Dalton

Members: Mr. Michael Anzilotti
Ms. Suzanne Obenshain

**Constituent Reports were presented at the information session on Sunday.
(No action required.)**

- **Undergraduate Student Representative to the Board – Mr. Shane McCarty**
- **Graduate Student Representative to the Board – Mr. Deepu George**
- **Staff Representative to the Board – Ms. Maxine Lyons**
- **Faculty Representative to the Board – Dr. Michael Ellerbrock**

(Copies filed with the permanent minutes and marked Attachment BB.)

Motion to begin Closed Session

Ms. Duke moved that the Board convene in a closed meeting, pursuant to § 2.2-3711, Code of Virginia, as amended, for the purpose of discussing the status of current litigation and briefing on actual or probable litigation pursuant to subpart .7 of 2.2-3711 (A), Code of Virginia, as amended.

The motion was seconded by Mr. Rocovich and passed unanimously.

Motion to Return to Open Session

Following the Closed Session, members of the press, students, and the public were invited to return to the meeting. Rector Nolen called the meeting to order and asked Ms. Duke to make the motion to return to open session.

Ms. Duke made the following motion:

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

WHEREAS, Section 2.2-3712 of the Code of Virginia requires a certification by the Board of Visitors that such closed meeting was conducted in conformity with Virginia law;

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

The motion was seconded by Mr. Rocovich and passed unanimously.

The date for the next meeting is June 5-6, 2011, on the Virginia Tech campus, Blacksburg, Virginia.

The meeting adjourned at 3:46 p.m.

George Nolen, Rector

Kim O'Rourke, Secretary

Committee Minutes

ACADEMIC AFFAIRS COMMITTEE

**Drillfield Conference Room
The Inn at Virginia Tech and Skelton Conference Center
8:30 a.m.**

March 28, 2011

Board Members Present:

Chair: Sandra Stiner Lowe

Committee Members: Shelley Duke, William Holtzman, Michael Ellerbrock (faculty representative), Deepu George (graduate student representative)
George Nolen, Rector, attended some of the meeting

Guests:

Roger Avery, Jean Brickey, Laurie Brogdon, Kris Bush, Alicia Cohen, Karen DePauw, John Dooley, Jack Finney, Betsy Flanagan, Jandelle Fournillier, Lance Franklin, Francesca Galarraga, Natalie Hart, Angela Hayes, Kay Heidbreder, Megan Higginbotham, Jennifer Hodgson, Lauren Howard, Hal Irwin, Mildred Johnson, Karen Jones, Suzie Karlin, Frances Keene, Megan Kuhn, Peggy Layne, William Lewis, Shane McCarty, Mark McNamee, Karisa Moore, George Nolen, Ellen Plummer, Bill Pruitt, Silvia Ramos, Karen Eley Sanders, Barry Simmons, Stephen Skripak, Maggie Sloane, Susan Steeves, Yannis Stivachtis, Jodi Thompson, David Travis, Pam Vickers, Robert Walters, Tyler Walters, Tod Whitehurst, Eric Williams, Ashley Wood, and Daniel Wubah

CLOSED SESSION:

The committee approved a resolution to move into closed session to consider six emeriti resolutions, five endowed professorship or fellowship resolutions, 66 faculty requests for research leave, and ratification of the faculty personnel changes report.

All recommendations and resolutions were unanimously approved. The session was formally certified and the committee moved to open session.

OPEN SESSION:

1. **Welcome.** Sandra Stiner Lowe, committee chair, welcomed committee members and guests. Ms. Lowe thanked the military and veteran students who attended breakfast with committee members to discuss their academic experiences at Virginia Tech. Ms. Lowe shared some of the concerns the veteran students discussed with the committee. Virginia Tech ought to be a member of the GI Bill program that allows students to apply for loans to bridge their finances between receiving a paycheck and being able to pay tuition. The students are advocating for a Virginia Tech center for veteran students that would engage in helping to ease communications, which are at times difficult while someone is on active duty and has no access to email. Students discussed the need to improve advising and requested additional examination of the ability to transfer academic credit for coursework completed during military service.

2. **Approval of Minutes.**

A motion was made and passed unanimously to approve the November 8, 2010 minutes of the committee.

3. **Report of Closed Session Action Items.** Actions taken in the committee's closed session were reported. The committee approved six emeriti resolutions, five endowed professorships or fellowships, 15 requests for study-research leave, and 51 requests for research assignment leave. The committee ratified the Faculty Personnel Changes Report.

The resolutions presented to the committee were unanimously approved and forwarded to the full Board with recommendation for approval.

4. **Provost's Update.**

Dean of University Libraries. Dr. Mark McNamee, senior vice president and provost, introduced Tyler Walters who assumed his duties as the new dean of University Libraries on March 15, 2011. Mr. Walters comes to Virginia Tech from Georgia Tech where he served as associate dean of the library.

Undergraduate Admissions. Dr. McNamee presented a snapshot to date of undergraduate admissions for 2011-2012. Over 21,000 prospective students have applied to Virginia Tech, and 13,500 have been offered admission to result in a freshman class of 5,187. Approximately 2,400 students are on the wait list. There are many things to celebrate with this class:

- 12% increase in freshman cadet applications
- 24% increase in international freshman applications
- 10% increase in applications from African American students
- 12% increase in applications from Hispanic students
- 6% increase in applications from Native American students
- The middle 50% of the offered freshmen had SAT scores between 1160 and 1340, with grade point averages between 3.81 and 4.24.

The committee confirmed that academic and other standards used in undergraduate admissions are applied uniformly across all applications for admission. Requirements for admission to specific academic programs must meet all university requirements in addition to specific requirements of a college.

Graduate Admissions. Dr. McNamee noted that the graduate school has sponsored a preview weekend for prospective students and has made highly successful recruiting visits. These events attract top applicants and typically add to the diversity of admissions. Offers have been made to potential students, but they have until April 15 to accept. Final graduate admissions figures will be available in August.

Virginia Cooperative Extension Reorganization. Dr. McNamee updated the committee on the Virginia Cooperative Extension (VCE) reorganization effort. The Virginia General Assembly had directed the VCE to report on efforts to restructure and consolidate local offices in a manner that would be financially and logistically beneficial. Some stakeholders accepted the proposed five-year strategic plan; however, there was significant opposition from other stakeholders who wanted to be much more engaged in the planning process. Therefore, the decision was made to put aside the October 2010 restructuring plan and to begin a new process that will allow internal and external stakeholders to become more engaged in planning.

The committee discussed how the VCE would work to include all stakeholders in future planning efforts. Reductions in federal and state budgets impact the ability of the VCE to carry out its mission and programs.

Southern Association of Colleges and Schools (SACS) Accreditation. In December 2010, the Southern Association of Colleges and Schools and the Commission on Colleges issued their final report on Virginia Tech's accreditation. Virginia Tech received a positive reaffirmation of accreditation.

Ms. Lowe asked the record to show the committee's deep gratitude for his hard work on the reaccreditation process to Dr. Daniel Wubah, dean and vice president for undergraduate education.

University Strategic Plan 2012-2018: The Plan for a New Horizon. President Charles Steger has asked University Distinguished Professor Paul Knox to head the strategic planning office and to manage the process for developing the next six-year plan. A university-wide planning taskforce has been established and its members are identifying key policy questions and developing a format for structuring variables. In August 2011, a strategic planning retreat will be held with the Board of Visitors.

5. Academic Initiatives.

a. Enhancing Student Community: Engagement and Inclusion. Deepu George and Shane McCarty, student representatives to the Board of Visitors, presented their “Engagement and Inclusion” initiative, which draws upon the collective competencies and interpersonal connections among students, administrators, faculty, and staff. The initiative encourages intentional connection through its (1) *Actively Caring* movement to spread intentional acts of kindness and promote inclusiveness; (2) intergroup dialogue sessions; (3) an information gateway known as *Hokiepedia*; and (4) interdisciplinary forums, strong Graduate Student Association and Student Government Association collaboration, and sharing the engagement and inclusion campaign message with student groups, departments, and administrators.

Ms. Lowe asked the record to reflect the committee’s gratitude for Mr. McCarty and Mr. George’s service and their excellent work in representing students on the board.

b. Undergraduate Education.

1) Institutional Plan for New Undergraduate Degrees. Dr. Daniel Wubah, vice president and dean for undergraduate education, provided information regarding undergraduate degrees currently under development. These include a bachelor of science/bachelor of arts in real estate, a bachelor of science in meteorology, a bachelor of science in nanoscience, and a bachelor of science in computational biology. In addition, a biomedical engineering program (in collaboration with Wake Forest University) is being developed, with phase I as the biomedical engineering minor, to be followed by phase II as the biomedical engineering major. A call for additional new undergraduate degree proposals will be issued in April 2011.

One of the requirements for establishing a new degree is to evaluate the market demand for jobs related to the academic area being considered. In particular, the job trends have been analyzed for the interdisciplinary real

estate degree. Trends are in favor of establishing a broad-based and trans-disciplinary degree in real estate such that students can examine and apply real estate principles from a variety of disciplinary points of view.

c. Graduate Education.

- 1) Discontinuance of Ed.D., Ph.D., and Ed.S. Degrees in Administration and Supervision of Special Education.** Dr. Karen DePauw, vice president and dean for graduate education, reported that the Ed.D., Ph.D., and Ed.S. programs in administration and supervision of special education were reduced in size and scholarly activity when the former College of Education was downsized and merged with the former College of Human Resources. Funds were not available to replace faculty positions, external funding waned, and only part-time students enrolled in the programs. A subsequent close examination of enrollment trends and resources resulted in the conclusion that the institutional investment required to rebuild the program was not a compelling university priority. No students have been admitted to these degree programs since fall 2005 and a concerted effort was made to notify all students who had enrolled in the programs that the programs would be discontinued as of fall 2011.

The committee discussed the ways in which the university aligns its degree offerings with its core strengths and with market demand for teachers in, for example, science, technology, engineering and mathematics (STEM) education. In addition, Virginia Tech has a robust program in educational leadership for K-12 administrators such as superintendents and principals. Virginia Tech's commitment to education remains strong and is supported at the graduate level.

The committee requested additional information including a list of Virginia Tech degrees and programs that result in teachers being prepared for the current market in K-12 education.

A resolution was made and passed unanimously to discontinue the Ed.D., Ph.D., and Ed.S. degrees in administration and supervision of special education, effective fall 2011.

- 2) Discontinuance of M.S.Ed. Degree in Health and Physical Education.** Dr. DePauw reported that a similar situation exists with regard to the M.S.Ed. program in health and physical education. A close examination of enrollment trends and resources also resulted in the conclusion that the institutional investment required to rebuild the program was not a compelling university

priority. No students have been admitted to the program since fall 2009 and a concerted effort was made to notify all students who had enrolled in the program that the program would be discontinued as of spring 2012.

A resolution was made and passed unanimously to discontinue the M.S.Ed. degree in health and physical education, effective spring 2012.

3) Establishment of Dual Master's Degree in Business Administration Program in Cooperation with the Naval Postgraduate School.

Mr. Stephen Skripak, associate dean for graduate programs in the Pamplin College of Business, spoke about the collaboration between Virginia Tech and the Naval Postgraduate School to offer a master's in business administration (MBA) with a defense focus for executives in defense-related industries and the military. The program will be offered in the National Capital Region and leverages the defense expertise of the Naval Postgraduate School and Virginia Tech's presence in the Washington, D.C. metropolitan area, as well as Tech's reputation for MBA excellence. Each partner institution will teach half of the total credits. Both institutions are accredited by the Association to Advance Collegiate Schools of Business and have established MBA programs. The planned program launch is fall 2011.

The committee discussed the value of this program having presence in Virginia Tech's Ballston location.

A resolution was made and passed unanimously to approve the dual master's degree in business administration program between Virginia Tech and the Naval Postgraduate School, effective fall 2011.

4) Change in Academic Progress Standards as Outlined in the Doctor of Veterinary Medicine Student Handbook for the Virginia Maryland Regional College of Veterinary Medicine.

Dr. Jennifer Hodgson, associate dean for professional programs in the Virginia Maryland College of Veterinary Medicine, presented revisions to the academic progress standards for doctor of veterinary medicine (DVM) students. The new standards use higher grade point averages, closely monitor D grades, and provide an incremental warning system so students may receive careful guidance, mentoring, and remediation early in their academic careers.

A resolution was made and passed unanimously to approve the change in academic progress standards for DVM students, effective August 22, 2011 for classes entering in the fall semester of 2010 and later.

6. Faculty Affairs.

- a. **Clarification of Research Leave Policies.** Dr. Jack Finney, associate provost for faculty affairs, noted that the current statement of eligibility for study-research leave is unclear as to whether faculty members must accrue six years or seven years of full-time service for eligibility. He also noted that the language in the *Faculty Handbook* does not provide adequate guidance on how to address special stipends or reimbursement for travel and other expenses, especially while a faculty member is on full-pay research assignment. Dr. Finney recommended revisions to sections 3.8, 3.9, 4.9, and 4.10 of the *Faculty Handbook* to clarify these issues in the research leave policy.

The committee discussed the value of waiting for six years before allowing a faculty member to take research leave. The committee requested information regarding what the impact of allowing faculty members to take leave before six years would be. Institutional peers approved by the State Council of Higher Education for Virginia (SCHEV) most commonly use six years, and a few use seven. Dr. Finney agreed to involve department heads and other academic leaders in evaluating the impact of requiring fewer years. If a faculty member receives external funding, they might avail themselves of other programs prior to six years.

A resolution was made and passed unanimously to approve clarification of research leave policies and to incorporate the appropriate revisions in sections 3.8, 3.9, 4.9, and 4.10 of the Faculty Handbook.

- b. **Discontinuance of Annual Reappointment Letters for Regular Administrative and Professional Faculty.** As recommended by the Task Force on Administrative and Professional Faculty, Dr. Finney presented a resolution to eliminate the annual reappointment letter for regular administrative and professional faculty. The annual evaluation or performance planning process that occurs every fall makes the reappointment letter in July an unnecessary duplication of effort.

A resolution was made and passed unanimously to discontinue annual reappointment letters for regular administrative and professional faculty and to incorporate the appropriate revision in section 7.3 of the Faculty Handbook.

- c. **Clarification of Non-Reappointment for Administrative and Professional Faculty on Restricted Appointments.** Dr. Finney reported that the *Faculty*

Handbook addresses termination of appointment notice for faculty on restricted contracts in the special research faculty section of the handbook. However, the section of the handbook dedicated to administrative and professional (A/P) faculty does not include specific language to guide the termination of appointment notice for A/P faculty on restricted appointments. The proposed revision to section 7.6.5 of the *Faculty Handbook* corrects that oversight.

A resolution was made and passed unanimously to clarify the timeframe for termination of appointment of administrative and professional faculty on restricted appointment and to incorporate the appropriate revision in section 7.6.5 of the Faculty Handbook.

- d. **Faculty Development: Recruitment, Retention and Success, and Leadership Development.** Dr. Finney presented information regarding faculty development activities. In the area of recruitment, he highlighted efforts to educate search committees, promote diverse applicants, cluster hires, and success in the Dual Career Program and in recent senior management searches. In the area of retention and success, Dr. Finney mentioned the new faculty orientation, mentoring, promotion and tenure workshops, annual evaluations and pre-tenure reviews, work-life balance policies, recent awards honoring Virginia Tech faculty, and faculty research leaves. In the area of leadership development, he spoke about the new department leaders orientation series, the Department Heads Council, senior management reviews, and senior management professional development. Next steps will include studying and addressing the gaps in faculty development, mentoring projects for new faculty members, the Human Resource Employment Climate Survey in fall 2011, and evaluation of ongoing workshops, projects, and programs.

The committee discussed the outcomes associated with each faculty development program and recommended the use of metrics and indicators to assess and evaluate impact whenever appropriate and feasible.

7. Inclusive Excellence.

- a. **Diversity Strategic Plan Progress Report.** Dr. McNamee introduced the presentation of the Diversity Strategic Plan and informed the committee that rather than going through each slide in the presentation, the presentation would highlight two areas that provide an opportunity to fully discuss challenges and opportunities.

Dr. Will Lewis, vice president for diversity and inclusion, began the progress report with an overview of the Diversity Strategic Plan and an explanation of

Inclusive Excellence at Virginia Tech.

Next, Dr. Karen Eley Sanders, associate vice president for academic support services, addressed issues related to six-year graduation rates and the solutions that have been implemented to improve graduation rates. The greatest gap in persistence is between Black students and White students. Of students who enrolled in 2004, 21% of Black students failed to persist; compared to 11% of White students who failed to persist. In 2008, 22% of Black students failed to persist; compared to 17% of white students. Progress is being made in the efforts to reach students to support their persistence and completion at Virginia Tech—specifically, the creation of academic centers in the residence halls and collaborations with the colleges to reach students through tutoring, advising, and supplemental instruction.

Committee members and Mr. George Nolan discussed the need to further assess undergraduate advising and how advising processes address and support the needs of students. Dr. Sanders agreed to collaborate with Dr. Ed Spencer, vice president of student affairs, on collecting and preparing data and determining what appropriate adjustments might strengthen undergraduate academic advising.

Finally, Dr. Betsy Flanagan, vice president for university development and university relations, spoke about current efforts to raise funds for scholarships. There are increases in a number of indicators associated with raising gifts dedicated to multicultural programs and scholarships. The greatest need is to identify additional prospects who will contribute to multicultural programs and scholarships.

The committee discussed next steps for the Diversity Strategic Plan, including the desire to integrate the plan into the university strategic plan. Also, Dr. Lewis will be convening an assessment and evaluation team to review all indicators and assure their alignment with the plan and with future efforts.

Adjournment. There being no further business, the meeting adjourned at 12:10 p.m.

Institutional Plan for New Undergraduate Degrees

Daniel Wubah
Vice President and Dean of Undergraduate Studies

Board of Visitors
March 28, 2011



VirginiaTech

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

Degrees under development

- Interdisciplinary program in Real Estate
 - B.S./B.A. and minors
 - Partnership between colleges of Agriculture and Life Sciences, Architecture and Urban Studies, Liberal Arts and Human Sciences, Natural Resources and Environment, Engineering, and Pamplin College of Business
- B.S. Meteorology (College of Natural Resources and Environment)
- B.S. Nanoscience (College of Science)
- B.S. Computational Biology (College of Science)

Degrees under development

- Biomedical Engineering (College of Engineering)
 - Phase I: Biomedical Engineering minor at Virginia Tech and Wake Forest University (in collaboration with Howard Hughes Medical Institute program)
 - Phase II: Biomedical Engineering major
- Call for new proposals in April 2011

Faculty Development: Recruitment, Retention and Success, and Leadership Development



Jack W. Finney – Associate Provost for Faculty Affairs
Board of Visitors – March 28, 2011

Faculty Development

Recruitment

Retention and Success

Leadership Development

Recruitment

- Search committee education
- Cluster hiring
- Promoting diverse applicants
- College liaisons
- Dual Career Program
- Senior Management searches

Retention and Success

- New Faculty Orientation series
- Mentoring
- Work-life policies
- Department climate initiatives
- Promotion & tenure processes & workshops
- Annual evaluations & pre-tenure reviews
- Awards and honors
- Study-research leave

Leadership Development

- New Department Leaders Orientation series
- Department chairs/heads workshops
- Department Heads Council
- Senior Management reviews
- Senior Management Professional Development

Recruitment: Virginia Tech Carilion Research Institute

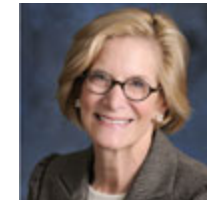


Neuroscience: decision-making, cellular/molecular brain studies

Molecular Biology: cardiovascular, cancer, inflammation

Public Health: addictions, substance use

Life-Span Development: children's cognitive abilities



Retention & Success: Awards 2010 & 2011



Janine Hiller
Business
Fulbright - Sweden



Thomas Fox
Forestry
Fulbright - Chile



Gary Downey
Science & Tech Studies
VA Outstanding Faculty



Maura Borrego
Eng. Education
VA Faculty Rising Star



Fred Lee
Elec. & Comp. Engineering
National Academy of
Engineering



Tom Burbey
Geosciences
Fulbright - France



Cynthia Bonner
Student Affairs
Fulbright - Germany



Beate Schmittmann
Physics
Beams Medal
Amer. Physical Society



Romesh Batra
Eng. Sci. & Mechanics
VA Outstanding Faculty
& Outstanding Scientist

Retention and Success: *International Travel Grants and **Research Leaves



* 341 International Travel Supplemental Grants, 2009–10 and 2010–11

** 44 International Research Leaves, 2010–11 and 2011–12

Research Leaves Approved Today: 66

	Associate	Professor
Study-Research Leave	5	10
Research Assignment	27	24
International	12	7
United States	15	27
Austria	Australia	Brazil
China	France	Germany
Japan	Mexico	New Zealand
Norway	Romania	Russia
South Korea	Spain	Switzerland
United Kingdom	Zambia	

Leadership Development



Workshops



Leadership Lunches

Means for 8 Sr. Mgmt. Reviews (1 - 4)

Builds positive relationships:	3.46
Integrity, trustworthiness, honesty:	3.45
Promotes equity, diversity, climate:	3.41
Encourages innovation:	3.22
Communicates decisions clearly:	3.14

Senior Management Reviews

Next Steps

- Study the gaps in faculty development.
 - Promotion to full professor
- Develop new and improved programs.
 - Mentoring Projects for New Faculty Members
- Collect data and act on it.
 - Human Resources Employment Climate Survey, Fall 2011
- Evaluate ongoing efforts.
 - Workshops, projects, programs

Questions?



Diversity Strategic Plan Progress Report

Board of Visitors
March 28, 2011

William T. Lewis, Sr., Ph.D.
Vice President for Diversity & Inclusion

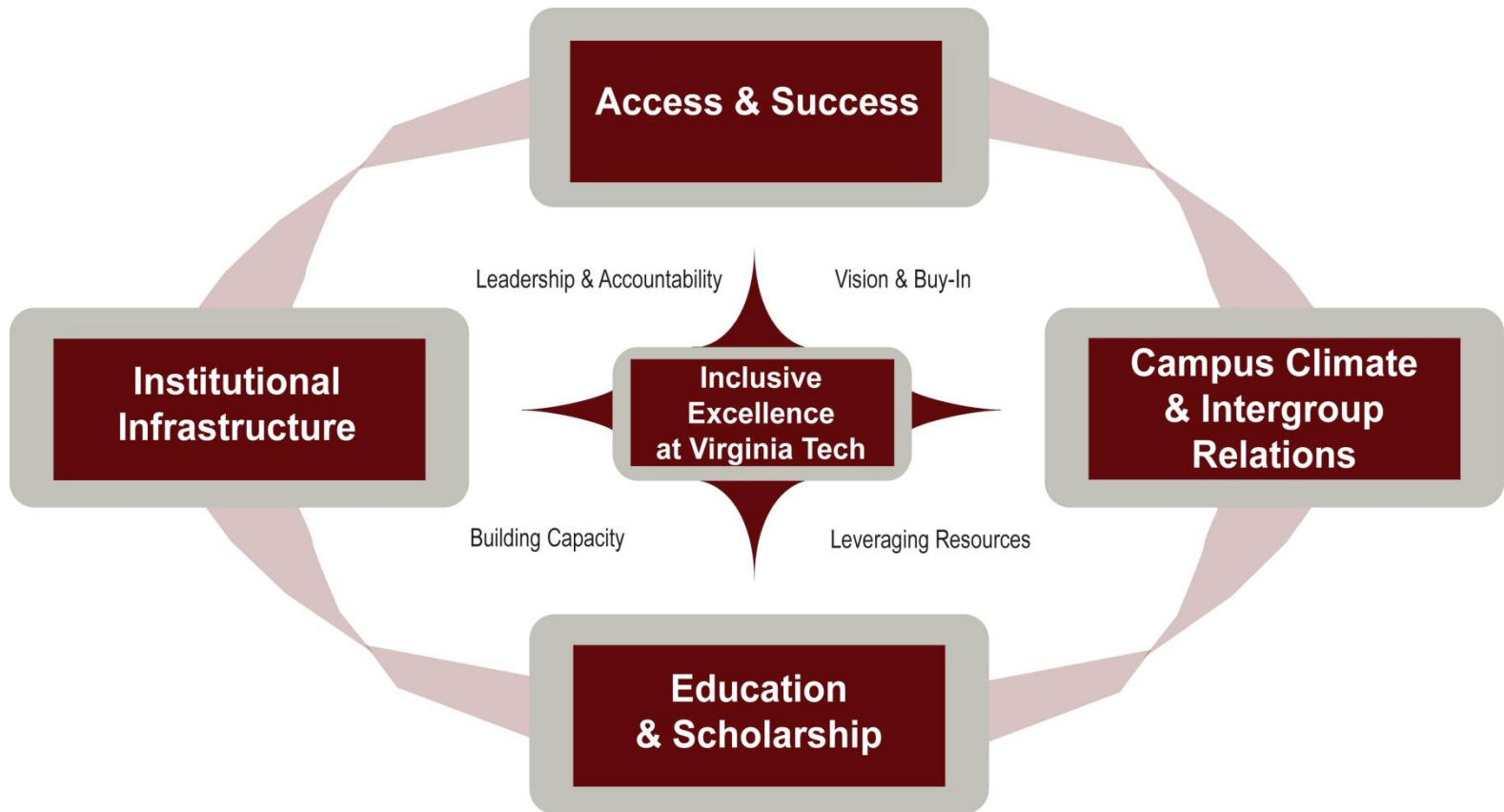


Diversity Strategic Plan Background

- Specific diversity strategic planning began in 1998 and was led by newly created Office of Multicultural Affairs – now the Office for Diversity and Inclusion
- The 2010-2013 Diversity Strategic Plan was presented to the Board of Visitors in March 2010
- The *Inclusive Excellence* model serves as the Diversity Strategic Plan foundation
- Diversity Strategic Plan will be integrated into the University Strategic Plan



INCLUSIVE EXCELLENCE AT VIRGINIA TECH





Terms Outlined in the Diversity Strategic Plan

Diversity

- Individual differences (personality, learning styles, and life experiences) and group/social differences (race/ethnicity, class, gender, sexual orientation, country of origin, ability, cultural, political, religious, or other affiliations) that can be engaged in the service of learning and working together

Inclusion

- Active, intentional, and ongoing engagement with diversity; the ways in which individuals might connect that increase one's awareness, content knowledge, cognitive sophistication, and empathic understanding of the complex ways individuals interact within systems and institutions

Underrepresented

- Members of the university community who self-identify their ethnicity as Hispanic/Latino; and non-Hispanic/Latino members of the community who self-identify, in whole or in part, as American Indian or Alaska Native, Black or African American, or Native Hawaiian or Other Pacific Islander



ACCESS AND SUCCESS

Goal: *Achieve a more diverse and inclusive undergraduate and graduate student body, faculty, and staff.*

Objective 1

To achieve increased enrollments of diverse and underrepresented undergraduate students

Objective 2

To increase the academic success of diverse and underrepresented and first-generation students

Objective 3

To increase diversity and global inclusion within the graduate and professional student community at Virginia Tech

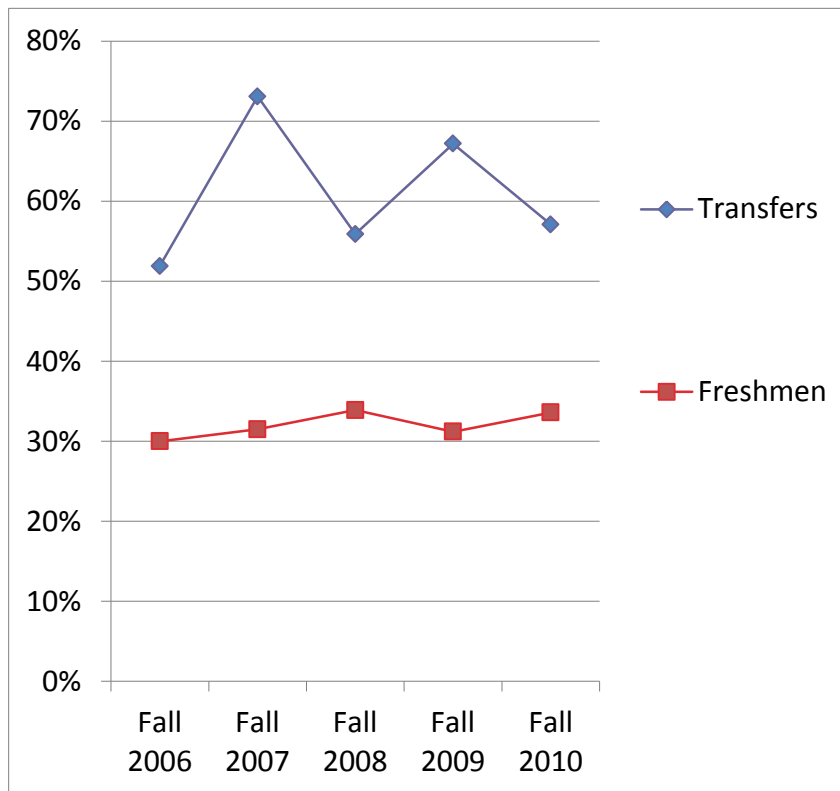
Objective 4

To achieve a more diverse faculty and staff



ACCESS AND SUCCESS

Increased Yield for Freshmen and Transfer Underrepresented Students

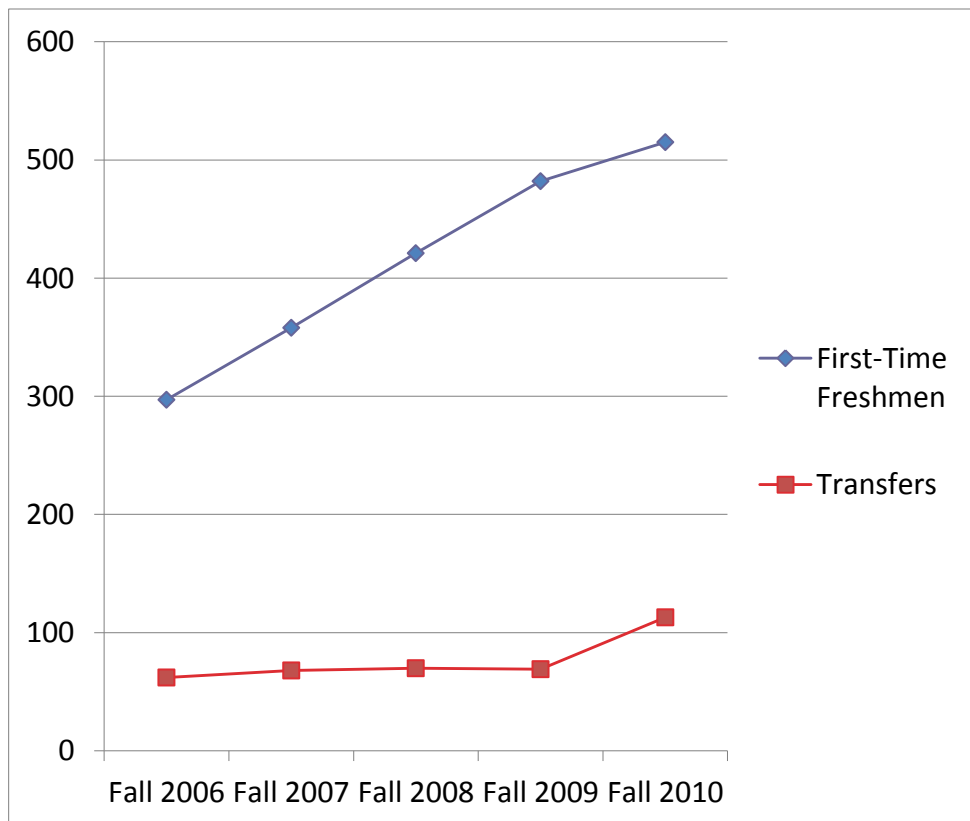


- Yield is the ratio of the number of students who enroll to the number of students offered admission
- We continue to strengthen our efforts to increase yield



ACCESS AND SUCCESS

First-Time Full-Time Freshmen and Transfer Underrepresented Undergraduates

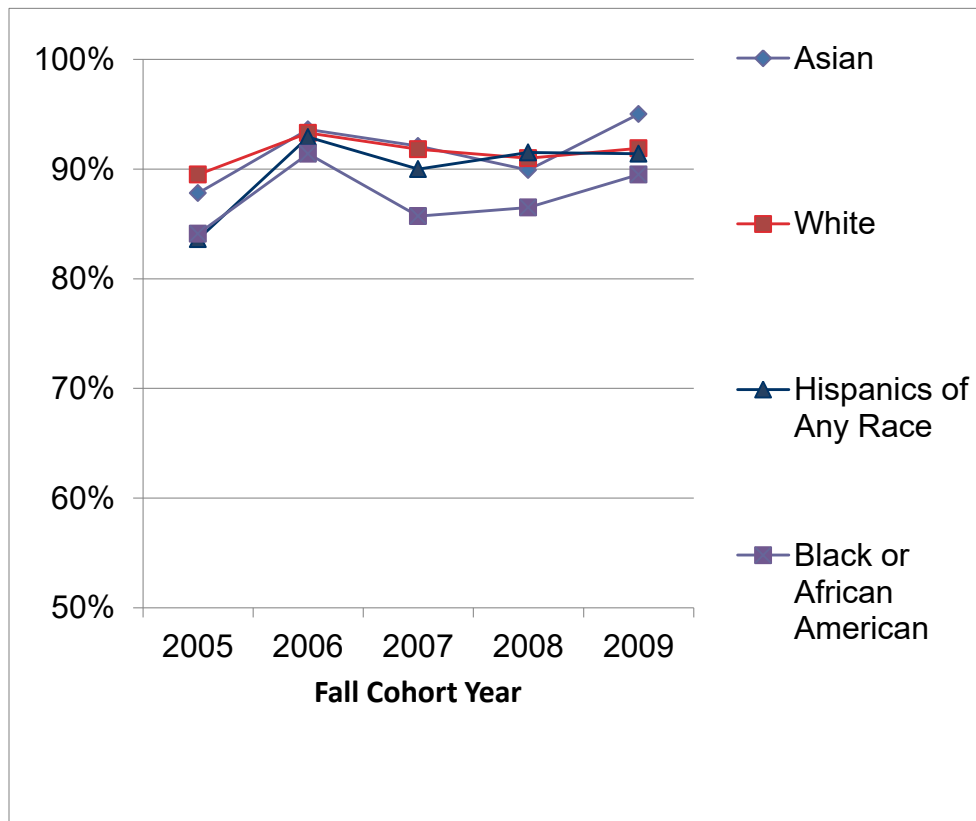


- Fall 2010 census: up over fall 2008 by 23%
(University Scorecard)
- Increase contributed to:
 - increased applicant pool
 - enhanced recruiting strategies
 - Yates Project
 - Fall Visitation
 - Gateway



ACCESS AND SUCCESS

First- to Second-Year Retention Rates for Undergraduates by Race/Ethnicity



- 2009 achieved parity for all racial and ethnic groups
- Over 60 academic support programs that have influenced our strong first-to-second year retention rates, to name a few:
 - Multicultural Academic Opportunities Program
 - Presidential Scholarship Initiative
 - McNair Scholars Program



ACCESS AND SUCCESS

Multicultural Academic Opportunities Program (MAOP)

- In 2009-2010, MAOP supported 108 students: 16 graduate scholars and 92 undergraduates scholars
- Undergraduates received scholarships ranging from \$300-\$4500 (\$86,500 total)
- Graduate scholars were awarded \$167,000 in assistantship stipends, plus tuition
- Three-year average GPA for undergraduates is 3.10 and 3.63 for graduate students



ACCESS AND SUCCESS

Presidential Scholarship Initiative (PSI)

PSI Cohort	1 st to 2 nd Year Retention	Students on probation	Average GPA (all)
2009	98%	1	2.96
2010	--	3	3.08
Total	98%	4	3.02



ACCESS AND SUCCESS

Presidential Scholarship Initiative

Cohort	1 st to 2 nd Year Retention	GPA Range	Good Standing
(PSI) 2009	98%	1.82-3.90	98%
<i>Matched (non-PSI) Group</i>	90%	<i>0.67-3.80</i>	95%



ACCESS AND SUCCESS

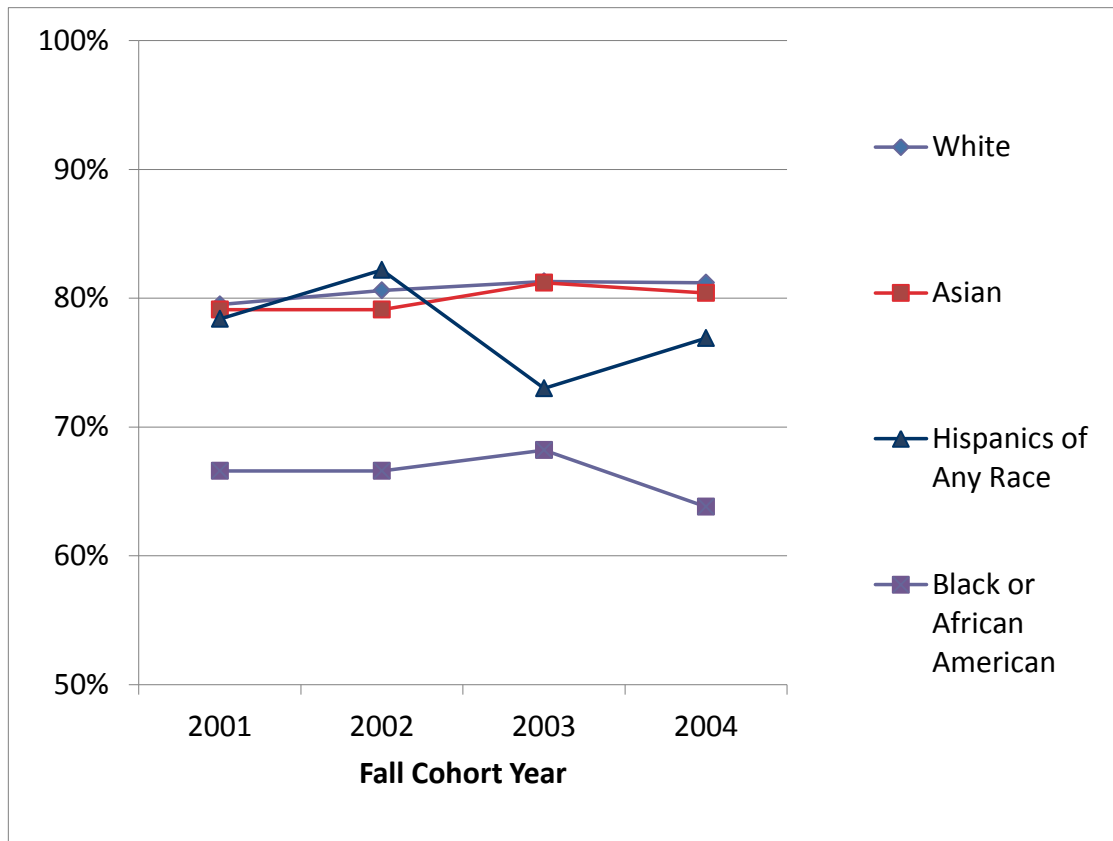
McNair Scholars Program

- Targets first generation, low-income, and underrepresented minorities
- Helps prepare students for graduate study
- Serves 22-25 students from Virginia Tech and Hampton University (Student Support Services program)
- Since 2008, 60% of students in program have gone on to attend graduate school



ACCESS AND SUCCESS

Six-Year Graduation Rates for Undergraduates by Race/Ethnicity

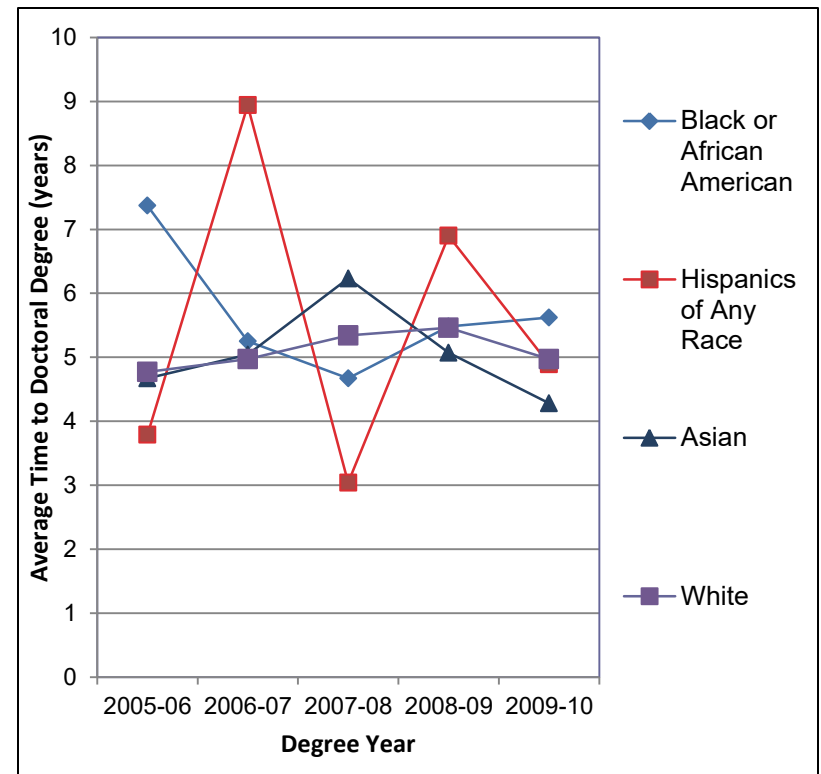
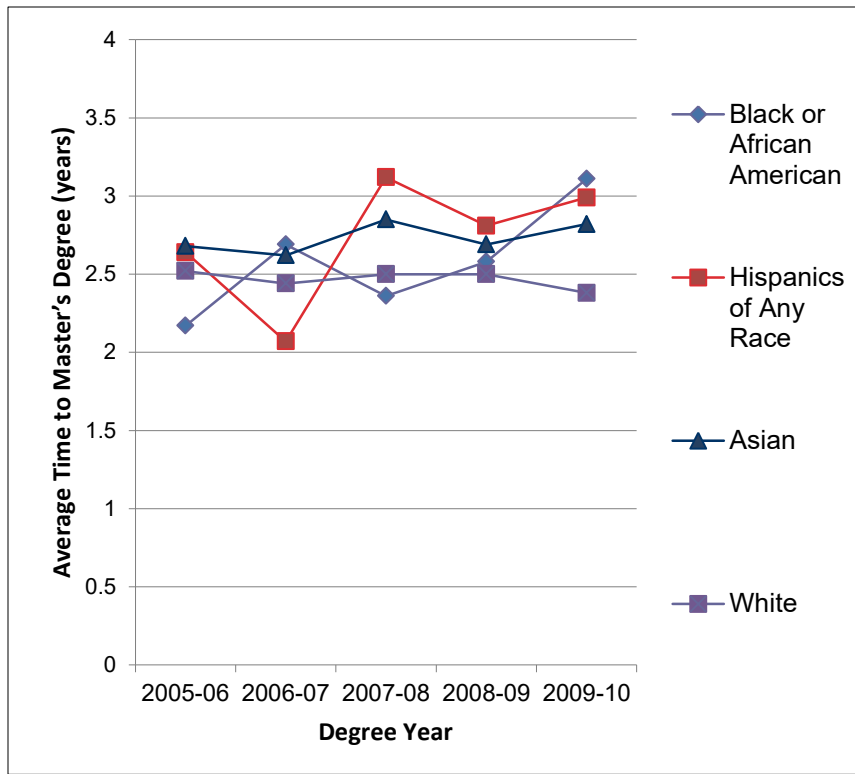


- Continued work required in this area to increase rates for underrepresented students
- Virginia Tech better than institutional peers



ACCESS AND SUCCESS

Time-to-Degree – Graduate Students (Master's and Doctoral)





ACCESS AND SUCCESS

Graduate Students

- We have made a lot of progress in recruiting and retaining our graduate students from underrepresented populations
- Some of the variation seen is based on majors, for example it may take a social scientist longer to graduate than an engineer



ACCESS AND SUCCESS

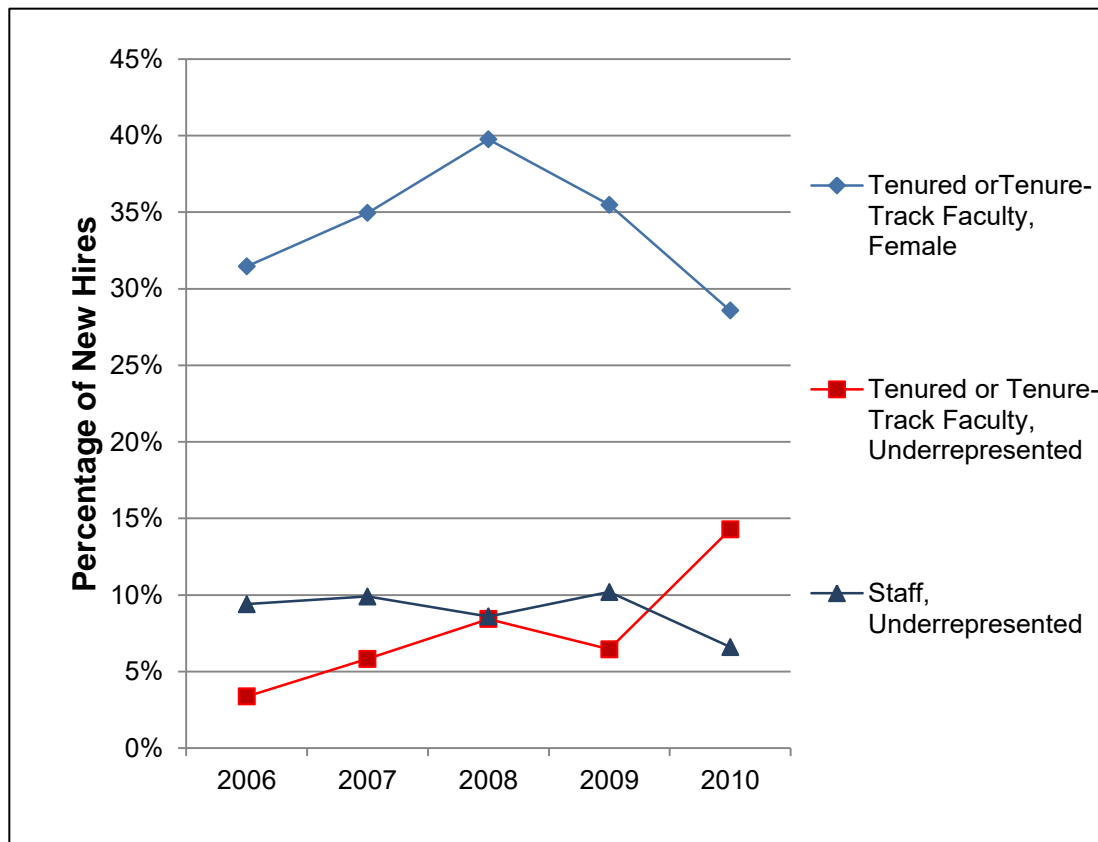
Underrepresented Faculty and Staff

	2006	2007	2008	2009	2010
Tenured or Tenure-Track Faculty, Underrepresented	5.7%	5.5%	5.7%	6.4%	6.6%
Tenured or Tenure Track Faculty, Female	23.8%	24.3%	25.3%	25.9%	27.2%
Staff, Underrepresented	5.9%	6.1%	6.1%	6.5%	6.1%
Staff, Female	60.3%	59.6%	59.6%	60.0%	60.4%



ACCESS AND SUCCESS

New Faculty and Staff from Underrepresented Populations



- Enhance recruiting and advertising plans for all searches
- Enhanced efforts to recruit diverse and women faculty
 - Visiting Scholars Program
 - Future Faculty Development Program



CAMPUS CLIMATE AND INTERGROUP RELATIONS

Goal: Create and sustain an organizational environment that acknowledges and celebrates diversity and employs inclusive practices throughout daily operations

Objective

Create a climate that is supportive and respectful and that values differing perspectives and experiences



CAMPUS CLIMATE AND INTERGROUP RELATIONS

Employment Climate Survey data

- Employment climate survey completed in 2009
- Staff and non-instructional faculty
- 16 diversity related questions
- 6 questions about the Virginia Tech Principles of Community
- Repeat in Fall 2011
- Other surveys capture data from instructional faculty and students
- *“I apply the VT Principles of Community in my work”* received the second highest average score on the entire Employee Climate Survey
- *“VT Principles of Community are important in maintaining a positive and productive work environment”* received the sixth highest average score



EDUCATION AND SCHOLARSHIP

Goal: *Engage students, faculty, and staff in learning varied perspectives of domestic and global diversity, inclusion, and social justice*

Objective 1

Offer courses, curricula, and learning opportunities at the undergraduate and graduate levels that achieve diversity and inclusion-learning goals

Objective 2

Increase the multicultural competencies and capacities of the faculty and staff



EDUCATION AND SCHOLARSHIP

Course, Curricula, and Learning Opportunities for Students to Achieve Diversity Learning Outcomes

- Progress continues on the Human Diversity and Community courses
- From 2007 to 2010, there was a 43% increase in the number of graduating undergraduates who took at least one foreign languages course or had a study abroad experience
- Completion of cluster hire in Africana Studies
- 110 undergraduate students participated in the Pamplin College Business Diversity Conference



EDUCATION AND SCHOLARSHIP

Participation of Faculty and Staff in Professional Development Related to Diversity

645 faculty and staff have participated in professional development related to diversity through various venues:

- Diversity Development Institute
- Third Annual Conference on Higher Education Pedagogy
- Advancing Diversity at Virginia Tech Conference
- Principles of Community Speaker Series



INSTITUTIONAL INFRASTRUCTURE

Goal: *Create and sustain an institutional infrastructure that effectively supports progress in achieving goals in the diversity strategic plan*

Objective 1

Sustain and increase university-wide efforts designed to amplify the potential to secure gifts, grants, and opportunities to advance the goals outlined in this plan

Objective 2

Engage key leaders and stakeholders in analyzing disaggregated data and special studies to better understand and address long-standing organizational challenges, recruitment, and yield of diverse and underrepresented undergraduate and graduate students and the loss of women and minority staff and tenure-track faculty

Objective 3

Assess the effectiveness of the current organizational structure for diversity-related compliance and programming and make adjustments as needed



INSTITUTIONAL INFRASTRUCTURE

Gifts and Grants

- Among our alumni population, 423 alumni have been identified with a capacity for supporting diversity goals through major gifts
- Goal in the Campaign for Virginia Tech: Invent the Future for Multicultural Affairs
 - Through December 2010, more than \$1.29M raised towards the Multicultural Affairs campaign goal
- Increased annual private gift income support for multicultural initiatives from \$20,242 in FY04 to \$576,643 in FY10
- Increased membership from underrepresented populations in our donor recognition societies, including the Caldwell Society, the Legacy Society, and the *Ut Prosim* Society



INSTITUTIONAL INFRASTRUCTURE

Organizational Effectiveness

- Annual report to the Academic Affairs Committee of the Board of Visitors on selected indicators outlined in the Diversity Strategic Plan
- Reports on Inclusive Excellence goals, objectives, strategies, and indicators to academic and administrative units, commissions, and other bodies as appropriate
- Completion of searches for leadership roles for:
 - Vice President for Diversity and Inclusion hired in September 2010
 - Successful migration of Equity and Access unit to Human Resources



QUESTIONS?

RESOLUTION TO DISCONTINUE Ed.D., Ph.D., AND Ed.S. DEGREES IN ADMINISTRATION AND SUPERVISION OF SPECIAL EDUCATION

WHEREAS, due to budget restrictions and restructuring during the early and mid-1990s, the Ed.D., Ph.D., and Ed.S. programs in administration and supervision of special education were reduced in size and scholarly activity when the former College of Education was downsized and merged with the former College of Human Resources; and

WHEREAS, funds were not available to replace faculty positions, the external funding activity waned, and only part-time students enrolled in the programs; and

WHEREAS, a subsequent close examination of enrollment trends, resource availability, and centrality to the School of Education's mission and strategic plan led to the conclusion that the institutional investment required to rebuild the administration and supervision of special education program was not a compelling university priority; and

WHEREAS, no students have been admitted to these degree programs since fall 2005 and a concerted effort was made to notify all students who had enrolled in these programs that the programs would be discontinued as of fall 2011; and

WHEREAS, faculty are committed to teach required courses and provide advisement necessary for any remaining students to complete their plans of study through fall 2011; and

WHEREAS, the last term for award of any of these degrees will be fall 2011;

NOW, THEREFORE, BE IT RESOLVED, that the Ed.D., Ph.D., and Ed.S. degree programs in administration and supervision of special education be discontinued in accordance with the approved discontinuation schedule.

RECOMMENDATION:

That the above resolution to discontinue the Ed.D., Ph.D., and Ed.S. degree programs in administration and supervision of special education be approved and forwarded to the State Council of Higher Education for Virginia for further review and approval.

March 28, 2011

RESOLUTION TO DISCONTINUE THE MS.Ed. DEGREE IN HEALTH AND PHYSICAL EDUCATION

WHEREAS, due to budget restrictions and restructuring during the early and mid-1990s, the master's degree option for preparing teachers in health and physical education was discontinued; and

WHEREAS, the School of Education must make strategic choices about its mission and the most critical programs needed to address that mission; and

WHEREAS, the School of Education has been asked to focus on improving K-12 education, particularly in science, technology, engineering, and math education (STEM) disciplines; and

WHEREAS, a subsequent close examination of resource availability and centrality to the School of Education's mission and strategic plan led to the conclusion that the institutional investment required to sustain the health and physical education teacher preparation option was not a compelling university priority; and

WHEREAS, no students have been admitted to this degree program since fall 2009 and a concerted effort was made to notify all students who had enrolled in this program that it would be discontinued as of spring 2012; and

WHEREAS, faculty are committed to teach required courses and provide advisement necessary for any remaining students to complete their plans of study through spring 2012; and

WHEREAS, the last term for award of these degrees will be spring 2012;

NOW, THEREFORE, BE IT RESOLVED, that the MS.Ed. degree program in health and physical education be discontinued in accordance with the approved discontinuation schedule.

RECOMMENDATION:

That the above resolution to discontinue the MS.Ed. degree program in health and physical education be approved and forwarded to the State Council of Higher Education for Virginia for further review and approval.

March 28, 2011

**RESOLUTION TO ESTABLISH A DUAL DEGREE MASTER'S IN BUSINESS
ADMINISTRATION PROGRAM IN COOPERATION WITH THE NAVAL
POSTGRADUATE SCHOOL**

WHEREAS, the Master's in Business Administration (MBA) degree has become increasingly in demand within the military branches of the United States and within defense industry generally; and

WHEREAS, educational preparation of students for a career in defense-related industries differs from preparation for a career in non-military sectors; and

WHEREAS, substantial interest has been expressed by prospective students for a defense-focused MBA program; and

WHEREAS, Virginia Tech has a strong presence in the metropolitan area around Washington, D.C. where the defense industry is concentrated as well as a highly-regarded Executive MBA offering in that area; and

WHEREAS, the Graduate School of Business and Public Policy (GSBPP) and its Naval Postgraduate School (NPS) have a particular expertise in defense-related graduate business education; and

WHEREAS, the Pamplin College of Business of Virginia Tech and the Graduate School of Business and Public Policy (GSBPP) and its Naval Postgraduate School (NPS) wish to collaborate with each other in offering a Master's in Business Administration (MBA) with a defense focus for Executives in defense-related industries; and

WHEREAS, both MBA degree programs have been approved as separate offerings;

NOW, THEREFORE, BE IT RESOLVED, that a dual degree Master's in Business Administration program between Virginia Tech and the Naval Postgraduate School be approved, effective fall 2011.

RECOMMENDATION:

That the above resolution creating a dual degree Master's in Business Administration program between Virginia Tech and the Naval Postgraduate School be approved and forwarded to the State Council of Higher Education for Virginia (SCHEV) and to the Southern Association of Colleges and Schools (SACS) for notification.

March 28, 2011

DEGREE PROPOSAL SUMMARY

Justification for the Degree

Virginia Tech's Pamplin College of Business is a leader in global management education instruction and research. The Naval Postgraduate School (NPS) is recognized as the national leader in defense education and research. The Graduate School of Business and Public Policy (GSBPP) focuses in particular on defense management and public policy instruction and research. GSBPP also has the unique distinction of being accredited by both NASPA and AACSB which is emblematic of its unique ability to integrate best private sector management practices with the unique contexts of the defense environment.

This dual MBA degree fills an important niche in the greater Washington, D.C. area. Currently, only George Mason offers an MBA that focuses on defense professionals. However, that program lacks the depth that NPS's expertise in defense instruction and research provides. Furthermore, this MBA, unlike George Mason's, integrates Pamplin's expertise in private sector management with a strong technology and global focus with GSBPP's expertise in all aspects of defense management including acquisition, financial management, Department of Defense policy, purchasing, and defense strategy and innovation. The two degrees provided by this program also give graduates significant flexibility with their future career choices.

Finally, this program will strengthen each school's brand in the greater Washington area. In addition, this VT and GSBPP collaboration creates possibilities for joint research projects between faculty.

Proposed Graduate Curriculum

The program is comprised of 54 semester hours of coursework. Virginia Tech will offer 27 semester hours covering core MBA courses; its faculty will be solely responsible for teaching courses that make up this program block. Similarly, NPS will offer 27 semester hours; its faculty will be solely responsible for teaching this defense-focused course block. After completing both schools' program requirements, students will receive a MBA from Virginia Tech and an additional MBA from NPS. To be awarded these two degrees, students must adhere to the academic standards and policies of both Virginia Tech and NPS.

The program will be 19 months long and meet on alternate Fridays and Saturdays. NPS faculty will travel to the Northern Virginia Center campus to teach their courses face-to-face. In addition, NPS faculty will supplement instruction with on-line material.

This partnership falls under 10 U.S.C. Section 2195, which authorizes the establishment of cooperative education programs for undergraduate and graduate education.

Proposed Schedule		
Course #	Course Name	Credits
MGT 5604	Team Building (Leadership Residency)	1 cr
FIN 5604	Financial & Economic Environment of Business	2 cr
BIT 5644	Management of Information for Business Decisions	2 cr
ACIS 5604	Accounting Fundamentals	2 cr
MGT 5614	Designing and Managing Organizations	2 cr
Module 2		
FIN 5654	Principles of Financial Management	2 cr
ACIS 5704	Managing Information Systems for Executive Decision Making	2 cr
BIT 5604	Modeling Decision Making for Competitive Advantage	2 cr
FIN 5634	Legal and Ethical Issues in High Tech Environments	2 cr
Module 3		
MKTG 5654	Managing Professional Relationships for Marketing	2 cr
MKTG 5624	Business Negotiations	2 cr
MGT 5674	Leadership for Change Management	2 cr
ACIS 5614	Implementing Management Controls	2 cr
Module 4		
MGT 5684	Global Management and Strategy	2 cr
GJ 3999	Seminar in Applied Defense Management (D.C. Residency)	3 cr
GJ 4053	Defense Budget and Financial Management	3-2 cr
GJ 3510	Defense Financial Management Practice	3-2 cr
Module 5		
GJ 4372	Acquisition and Contracting Policy for Senior Executives	3-2 cr
GJ 3306	Strategic Purchasing	3-2 cr

GJ 4002A	Collaborative Problem Solving I: Project Design	3 cr
Module 6		
GJ 3420	Defense Supply Chain Management	3-2 cr
GJ 4013	Strategic Management and Innovation in the Public Sector	3-2 cr
GJ 4999	Defense Industry Strategies, Processes, and Innovations (East and West Coast Residency)	4 cr
GJ 4100	EMBA Research Project II: Analyzing and Persuasively Communicating Results	3 cr
Total GSBPP Quarter Credits 37; Total Semester Hours: 27		
Total Program Credits		54 cr

Evidence of Occupational Demand

The demand for graduate level business education within the military and in defense-related industries has been well chronicled. For example, in its March 2008 edition, *Business Week* featured an article entitled, “Even the Brass is Hitting the Books.” The article discussed how managing the logistics, human resource policies and practices, multi-billion dollar budgets, and other business-related aspects of conducting military actions in multiple countries have created pressures for both military personnel and defense contractors to possess an ever more sophisticated knowledge of best business practices. It went on to describe how officials in Washington are increasingly sending their top officers to business schools to take advantage of traditional business education. This program is designed specifically for the defense industry and also carries the outstanding reputation of Virginia Tech, its proud military heritage, and its highly-respected Executive MBA program, and combines that reputation with that of the Naval Postgraduate School and its specialized expertise. As both the military and defense-related companies have embraced the value of business education, the demand for this program is expected to be quite strong.



Proposal to Establish Dual Degree Master's in Business Administration Program in cooperation with the Naval Postgraduate School

Virginia Tech Board of Visitors
Academic Affairs Committee
March 2011

Stephen Skripak, Associate Dean
Pamplin College of Business



Background

- Defense-focused dual Master's in Business Administration (MBA) targeted to aspiring defense industry executives and military personnel
- Partnered with the Naval Postgraduate School (NPS), Monterey, CA
- Program offered in the National Capital Region
- Leverages the defense expertise of NPS and the Virginia Tech presence around Washington, D.C. as well as our overall reputation for MBA excellence
- Both universities are accredited by the Association to Advance Collegiate Schools of Business and have established MBA programs
- Planned launch in fall 2011



Proposal

- Proposed Degree Actions: combine two existing degrees into dual degree with defense focus
 - ✓ Half of total credits to be taught by each partner institution
- Goal: Prepare students for successful senior-level careers with:
 - ✓ Military
 - ✓ Defense suppliers
 - ✓ Supporting agencies



Degree Requirements for Dual Degree Master's Program

- 54 Credit Hours
- Virginia Tech teaches core MBA courses (27 credits)
- NPS teaches defense-focused concentration courses (27 credits)
 - ✓ Note: NPS courses are translated from quarter-hour system
- Transfer credits in both directions to reach required credit hours on transcripts
- Two practica taught in residency fashion to enhance hands-on learning
- Cohort structure (no free electives)



Core Business Content (Virginia Tech)

- Financial and Accounting Principles
- Economics
- Information Systems Management
- Organizational Behavior
- Ethics
- Negotiations
- Teamwork
- Leadership for Change Management



Defense-Focused Content (NPS)

- Procurement, acquisition and contracting policy
- Department of Defense supply chain management
- Defense industry strategy, processes, and innovation
- Defense budget and financial management
- Research project
- Applied learning practica



Program Benchmarks

- Recruit at least 20 students for the initial cohort
- Reach full capacity of 30-35 students starting in second year
- Graduation rate of at least 85% consistent with established program goals



Questions?

RECOMMENDATION:

Establish a dual degree Master's in Business Administration program between Virginia Tech and the Naval Postgraduate School for launch effective fall 2011.

Proposal to be forwarded to the State Council of Higher Education in Virginia (SCHEV) and the Southern Association of Colleges and Schools (SACS) for notification.

Proposed Revisions to the College of Veterinary Medicine's Standards for Academic Progress

Purpose:

The purpose of the proposed revisions is to provide a more effective way of detecting students who are at academic risk and of providing them with support and remediation early in their academic career. Current academic progress standards may fail to catch at-risk students until late in their academic careers. By their third and fourth years, students have not only invested considerable time and effort toward achieving their DVM, but have also incurred extensive tuition debt.

Procedure:

The new standards use higher grade point averages and closely monitor D grades to detect students who are at-risk. The standards also provide an incremental warning system so that students are well aware if their grades leave them in poor standing. Such a system allows the college to provide careful guidance, mentoring, and remediation.

Beginning in fall 2010, the first year students were told that the new academic progress standards apply to them. Following their first semester, students with a GPA below 2.5 were placed on academic warning or probation. No first year students were dismissed using the new standards. Rather, these students were given mentoring, special attention, and advice regarding their study habits and expectations for improvement. Any first year student whose GPA is below 2.5 at the conclusion of their spring 2011 semester, will receive further counseling and remediation. They will not face dismissal. However, if, by completion of their third semester (fall 2011), these students have not sufficiently improved their grades, they may face dismissal. Dismissal actions outlined in the new standards will not occur until after completion of the third semester. Grades accrued in fall 2010 and spring 2011 will affect the dismissal decision.

Resolution for Change in Academic Progress Standards as outlined in the Doctor of Veterinary Medicine Student Handbook of the Virginia Maryland Regional College of Veterinary Medicine

WHEREAS, the Doctor of Veterinary Medicine (DVM) student handbook for the Virginia Maryland Regional College of Veterinary Medicine (VMRCVM) provides guidance on matters pertaining to academic progress; and

WHEREAS, unique features of this professional graduate program include a year long clinical training program in the final year and the requirement to pass the North American Veterinary Licensing Exam (NAVLE) before graduates are licensed to practice; and

WHEREAS, the VMRCVM has traditionally established college specific standards for academic progress within the preclinical DVM curriculum, which are targeted at determining if satisfactory progress has been made towards the professional degree; and

WHEREAS, the VMRCVM Curriculum Board and Standards Committee has determined that the current academic progress standards may not detect students at risk of not making academic progress within the final clinical year or successful attainment of the NAVLE; and

WHEREAS, early detection of students who are at academic risk may avoid their late expulsion from the program and acquisition of heavy debt burdens; and

WHEREAS, improved early detection and remediation for students at risk of non-progress in combination with higher academic standards may alleviate this situation and ensure the high standards expected of the VMRCVM graduates and practicing veterinarians; and

WHEREAS, the current first year class (Fall 2010) has been informed, both verbally and in writing, of the proposed new academic progress standards; and

WHEREAS, the new academic progress standards will result in dismissal only if students continue to get poor grades in their third through sixth semesters; and

WHEREAS, the new academic progress standards will not be retroactively applied to students who are currently in years two, three, or four;

NOW, THEREFORE, BE IT RESOLVED, that the attached text regarding standards for academic progress be added to the DVM student handbook for the VMRCVM in replacement of the old text and to be effective August 22, 2011, for classes entering in the fall semester of 2010 and later.

RECOMMENDATION:

That the attached text regarding standards for academic progress be approved and added to the DVM Student Handbook for the VMRCVM in replacement of the old text (deleted text is crossed out; new text is in red) and to be effective August 22, 2011, for classes entering in the fall semester of 2010 and later.

March 28, 2011

Standards for Academic Progress ~~Preclerkship Curriculum~~

The College of Veterinary Medicine uses an A - F grading scale (A = 4.0) for nearly all first- through third-year courses (~~remainder~~ **remaining courses** are Pass/Fail). All fourth-year clerkships are **graded** P/F.

~~If a student's semester grade point average (GPA) falls below 2.0, s/he will be given an unofficial warning by the Academic Affairs Office. Any student whose cumulative GPA falls below 2.0 will be given an Academic Warning. If the student's cumulative GPA is not raised above 2.0 by the end of the following semester, the student will be placed on Academic Probation, at which time the student will be invited by the Associate Dean to meet with the College Standards Committee to discuss reasons for his/her poor academic performance. The student will be removed from probation at the end of the next semester if his/her cumulative GPA is raised to 2.0 or above. If the student fails to achieve a cumulative GPA of 2.0 by the end of the probationary period, s/he will be removed from the DVM program. A student will also be removed from the program if, following a period of academic probation, his/her cumulative GPA again falls below 2.0. Furthermore, at the end of the third year, any student failing to achieve a cumulative GPA of 2.0 will be removed from the program.~~

~~A student who receives an "F" in a required (core or track) course will be removed from the program. A student who receives an F in an elective course will be removed from the program if s/he is not in good academic standing (i.e. has received an academic warning or is on academic probation).~~

~~Three (3) D grades (D+, D, D-) in any course delivered within a single semester (i.e., not cumulative) for semesters 1 through 6 will result in dismissal from the program.~~

~~It is the student's responsibility to contact the Course leader to discuss progress or difficulties in any course.~~

The Office of ~~the Associate Dean for~~ Academic Affairs reviews the scholastic records of all first **through** third year students at the end of each semester. **Students will be placed on academic concern, academic probation, reviewed for academic dismissal, or be automatically dismissed for academic cause under the following circumstances.**

Academic Concern:

- any student whose semester grade point average falls below 2.5.

Academic Probation:

- any student who receives an academic concern for two (2) consecutive semesters or a D grade while on academic concern;
- any student whose cumulative grade point average falls below 2.5 for semester 2 or any semester thereafter;
- any student who receives two (2) D grades in one semester.

Reviewed for Academic Dismissal:

- any student who receives an academic probation for two consecutive semesters or a student that receives a D grade while on academic probation may be dismissed for academic cause. These students will need to petition the Standards Committee for continuation in the program.
- any student who has a cumulative grade point average between 2.25 and 2.5 at the end of semester 6 will undergo review before progressing to fourth year.

Automatic Dismissal for Academic Cause:

- any student who accumulates five (5) D grades or more;
- any student who receives three (3) D grades or more in core and track courses in any one semester;
- any student who receives an F or failing grade in a core or track course;
- any student failing to achieve a cumulative grade point average of 2.25 by the end of semester 6.

Students who receive an academic concern notice will be required to meet with the associate dean of professional programs to discuss reasons for poor performance and supportive services for improvement of performance.

Students on academic probation will be required to meet with the Standards Committee to discuss reasons for poor performance and plans for improvement to avoid dismissal. Students placed on either academic concern or academic probation will need to identify a faculty mentor with whom to meet on a regular basis.

The student will be removed from academic concern or probation status at the end of the next semester if his/her cumulative GPA is raised to 2.5 or above and he/she does not receive a D grade.



Change in Academic Progress Standards as Outlined in the DVM Student Handbook for the VMRCVM

Board of Visitors
March 28, 2011

Dr. Jennie Hodgson
Associate Dean, CVM



BACKGROUND

- Unique features of the Doctor of Veterinary Medicine (DVM) program include:
 - ✓ a year long clinical placement after 3 years of pre-clinical training;
 - ✓ the North American Veterinary Licensing Exam (NAVLE), which students are required to sit and pass.
- The VMRCVM has established college specific standards for academic progress in the pre-clinical years to determine satisfactory progress towards the clinical year as well as potential attainment of the NAVLE.



BACKGROUND

- These standards for academic progress should also detect “**students at risk**” of dismissal on academic grounds.
- Earlier identification of students at risk would allow improved assistance and remediation of these students, or if not successful, earlier dismissal with less accrual of debt.
- The VMRCVM has concerns with the current standards, and specifically with the detection of students at risk early in the DVM program.



PROPOSAL

- The new standards for academic progress in semesters 1 through 6 of the DVM program:
 - ✓ include use of higher GPA threshold and/or the number of D grades for detection of students at risk;
 - ✓ a series of Academic Warning, Academic Probation, and Academic Review, which incrementally warn students regarding their academic performance and outline mechanisms for mentoring and remediation;
 - ✓ place the duty of care on the college.

- The college recommends these standards apply to students who entered in Fall 2010.

RESOLUTION TO CLARIFY RESEARCH LEAVE POLICIES

WHEREAS, the university provides one-year at half salary (study-research leave) or one semester at full salary (research assignment), with benefits, for tenured faculty members and faculty members on continued appointment for intensive study or research that increases their professional competencies and scholarly or instructional contributions; and

WHEREAS, the current statement of eligibility for study-research leave in sections 3.8 and 4.9 of the *Faculty Handbook* is unclear as to whether faculty members must accrue six years or seven years of full-time service for eligibility; and

WHEREAS, a review of leave eligibility policies for peer institutions determined that six years of full-time service is the standard period of eligibility for most institutions; and

WHEREAS, the university encourages faculty members to seek and participate in competitive fellowship opportunities, Fulbright scholar programs, and scholarly residencies as part of the research leave experience, but sections 3.9 and 4.10 of the *Faculty Handbook* do not provide adequate guidance on how special stipends or reimbursement for travel and other expenses should be dealt with, especially while on full-pay research assignment; and

WHEREAS, study-research and research assignment leave are intended to serve primarily those faculty members with academic instructional and research obligations; continued appointment faculty members with significant instructional and scholarly productivity obligations would be eligible for such leaves in support of these responsibilities;

NOW, THEREFORE, BE IT RESOLVED, that sections 3.8, 3.9, 4.9, and 4.10 of the *Faculty Handbook* be revised and corrected as indicated in the attached text (deleted text is crossed out; new text is in red).

RECOMMENDATION:

That the attached revisions and corrections to the text pertaining to research leaves in sections 3.8, 3.9, 4.9, and 4.10 of the *Faculty Handbook* be approved.

March 28, 2011

(Excerpts from Section 3.8, Study-Research Leave, concerning eligibility):

~~Full-time~~ tenured faculty members, ~~or faculty members on continued appointment,~~ with the rank of ~~assistant~~ **associate** professor or higher, ~~holding full-time faculty appointments and~~ having accrued a minimum of six years **of** service, are eligible ~~to request~~ **for** study-research leaves. ~~Following a period of study-research leave, such a leave,~~ an additional six years **of full-time** service ~~is~~ **are** necessary before a faculty member **is eligible** ~~may be considered~~ for another ~~research assignment or study-research leave.~~ **Requests may be submitted prior to completion of six years of service, but faculty members must have completed the sixth year before the leave period begins. Tenure-track faculty members are not eligible to apply for study-research leave until after tenure has been awarded.**

Instead of a proposal for a leave of a full academic or calendar year, faculty members may propose a sequence of semester leave periods at half-salary over several years, not to exceed totally one academic year (for a faculty member on academic year appointment) or 12 months (for a faculty member on calendar year appointment). If such a sequence of leaves is undertaken, all intervening periods of full-time appointment at Virginia Tech accrue toward the six-year minimum service required before **eligibility for** ~~consideration of a proposal for~~ another study-research leave or sequence of leaves.

(Excerpt from Section 3.8, Study-Research Leave, concerning additional compensation):

Recipients of a study-research leave may receive additional compensation from other approved sources up to a total equal to their annual salary from the university. **Faculty members may receive the additional half salary from sponsored grants or contracts, resulting in a one-year period at full salary from university sources; the appropriate level of effort must be expended on grant-related activities.** They may also obtain additional funds from external sources to cover expenses for travel, research, secretarial assistance, and the purchase of relevant materials. **Documentation of all external earnings and expected payments is required and must be reviewed and approved by the department head and provost.** Engagement in consulting activities **must** ~~shall~~ be consonant with existing university policy.

(Excerpt from Section 3.9, Research Assignment, concerning eligibility):

~~Full-time~~ tenured faculty members, ~~or faculty members on continued appointment,~~ with the rank of ~~assistant~~ **associate** professor or higher, ~~holding full-time faculty appointments and~~ having accrued a minimum of six years **of** service, are eligible ~~for to request~~ **for** research assignment leaves. ~~Following such a leave, an additional six years of fulltime service is necessary before a faculty member may be considered for another research assignment.~~ ~~or study-research leave.~~ **Requests may be submitted prior to completion of six years of service, but faculty members must have completed the sixth**

year before the leave period begins. Faculty members on calendar-year appointments may take research assignment leave for up to six months. Tenure-track faculty members are not eligible to apply for research assignment leave until after tenure has been awarded.

(Excerpt from Section 3.9, Research Assignment, concerning additional compensation):

~~Full salary is provided to recipients of research assignments. Faculty members take on no responsibilities for additional outside income except as provided in compliance with the university's consulting policy.~~

Approval for research assignment provides the faculty member with full salary and related benefits for the period of the leave; faculty members may not take on additional responsibilities for outside income except as allowed by the university's consulting policy. Modest stipends associated with competitive visiting scholar programs at other institutions, competitive national or international fellowships, the Fulbright scholar program, and similar prestigious opportunities to support study and/or scholarly research may be approved where there is clear benefit to the faculty member and the university. Similarly, externally funded reimbursements or allotments for travel, temporary relocation, and other expenses associated with the proposed research assignment may be approved. Documentation of all external earnings and expected payments is required and must be reviewed and approved by the department head and provost. When a faculty member proposes a period of paid employment greater than 50% of the annual salary in a corporate or governmental setting, leave without pay or a contract through Intergovernmental Personnel Act may be more appropriate than a research assignment.

(Excerpts from Section 4.9, Study-Research Leave, concerning eligibility):

~~Tenured faculty members, or f~~ Full-time faculty members holding on continued appointment with significant responsibility for instruction and scholarly productivity, with the rank of assistant professor or higher, ~~holding full-time faculty appointments, and~~ having accrued a minimum of six years of service, are eligible for to request study-research leaves. Following such a leave, an additional six years of full-time service are is necessary before a faculty member may be considered for another research assignment or study-research leave. Faculty on the continued appointment-track are not eligible to request study-research leave until they have been awarded continued appointment. Requests may be submitted prior to completion of six years of service, but faculty members must have completed the sixth year before the leave period begins.

Instead of a proposal for a leave of a full academic or calendar year, faculty members may propose a sequence of semester leave periods at half-salary over several years, not to exceed totally one academic year (for a faculty member on academic year

appointment) or 12 months (for a faculty member on calendar year appointment). If such a sequence of leaves is undertaken, all intervening periods of full-time appointment at Virginia Tech accrue toward the six-year minimum service required before **eligibility** ~~consideration of a proposal~~ for another study-research leave or sequence of leaves.

(Excerpt from Section 4.9, Study-Research Leave, concerning additional compensation):

Recipients of a study-research leave may receive additional compensation from other approved sources up to a total equal to their annual salary from the university. **Faculty members may receive the additional half salary from sponsored grants or contracts, resulting in a one-year period at full salary from university resources; the appropriate level of effort must be expended on grant-related activities.** They may also obtain additional funds from external sources to cover expenses for travel, research, secretarial assistance, and the purchase of relevant materials. **Documentation of all external earnings and expected payments is required and must be reviewed and approved by the department head and the provost.** Engagement in consulting activities **must** ~~shall~~ be consonant with ~~existing~~ university policy.

(Excerpt from Section 4.9, Study-Research Leave, concerning corrections of current text):

Requests for study-research leave to be taken in the following academic year are submitted to the **appropriate department head** ~~dean~~ or director by **November** ~~December~~ 1 for **approval**. ~~consideration by the board of visitors.~~ Requests are forwarded to the board, subject to recommendation of the dean or director and the provost, with the same recognition of the need for effective continuation of the division's program as in the case of educational leaves.

(Excerpt from Section 4.10, Research Assignment, concerning eligibility):

Research assignment is a special category of study-research leave that is awarded to a **faculty member holding continued appointment** ~~tenured academic faculty member~~ for one semester of intensive study or research that increases the quality of the individual's professional stature and future contribution to the university. It may be taken in lieu of an ordinary year-long study-research leave.

~~Tenured faculty members, or~~ **Full-time** faculty members **with the rank of assistant professor or higher holding on** ~~continued appointment, with the rank of assistant professor or higher, holding full-time faculty appointments~~ and having accrued a minimum of six years **of** service, are eligible ~~to request~~ **for** research assignment leaves. Following such a leave, an additional six years **of** service **are** ~~is~~ necessary before a faculty member may be considered for another research assignment or study-research

leave. Faculty on the continued-appointment track are not eligible to request research assignment leave until they have been awarded continued appointment. Requests may be submitted prior to completion of six years of service, but faculty members must have completed the sixth year before the leave period begins. Faculty members on calendar year appointments may take research assignment leave for up to six months.

(Excerpt from Section 4.10, Research Assignment, concerning additional compensation):

Approval for research assignment provides the faculty member with full salary and related benefits for the period of the leave; faculty members may not take on additional responsibilities for outside income except as allowed by the university's consulting policy. Modest stipends associated with competitive visiting scholar programs at other institutions, competitive national or international fellowships, the Fulbright Scholar Program, and similar prestigious opportunities to support study and/or scholarly research may be approved where there is clear benefit to the faculty member and the university. Similarly, externally funded reimbursements or allotments for travel, temporary relocation, and other expenses associated with the proposed research assignment may be approved. Documentation of all external earnings and expected payments is required and must be reviewed and approved by the department head and provost. When a faculty member proposes a period of paid employment greater than 50% of the annual salary in a corporate or governmental setting, leave without pay or a contract through Intergovernmental Personnel Act may be more appropriate than a research assignment.

(Excerpt from Section 4.10, Research Assignment, concerning corrections of current text):

The primary privilege of a research assignment is entire relief from teaching, administrative, ~~and other faculty~~ duties for one semester. A secondary privilege is that the assignment may be carried out at any location approved by the dean or director, although research programs that require facilities, library resources, or collaborations not available at the university are given special consideration.

An application for research assignment is submitted to the ~~appropriate department head or chair~~ by ~~December~~ November 1 of the academic year preceding that in which the assignment will be made. Application forms are available from the provost's website.

RESOLUTION TO DISCONTINUE ANNUAL REAPPOINTMENT LETTERS FOR REGULAR ADMINISTRATIVE AND PROFESSIONAL FACULTY

WHEREAS, regular administrative and professional faculty members are annually evaluated by their supervisors and they collaboratively prepare an annual performance plan; and

WHEREAS, when funding is available, pay increases occur in the fall and are based upon the annual performance evaluation; and

WHEREAS, independent of the evaluation or performance planning process that occurs in the fall, administrative and professional faculty members are provided with reappointment letters in July; and

WHEREAS, it is an unnecessary duplication of effort for supervisors to write annual performance evaluations in the fall and annual reappointment letters in July; and

WHEREAS, the Task Force on Administrative and Professional Faculty recommends the elimination of an annual reappointment letter for regular administrative and professional faculty; and

WHEREAS, elimination of an annual reappointment letter does not affect the standards of notice required for non-reappointment as described in section 2.8.3.4 of the *Faculty Handbook*; and

WHEREAS, elimination of an annual reappointment letter does not preclude the removal of an administrative and professional faculty member for just cause as described in section 7.6.2 of the *Faculty Handbook*; and

NOW, THEREFORE, BE IT RESOLVED, that section 7.3 of the *Faculty Handbook* be revised to omit language referring to an annual reappointment letter, as indicated in the attached text (deleted text is crossed out).

RECOMMENDATION:

That the attached revision to section 7.3 of the *Faculty Handbook* be approved.

March 28, 2011

7.3 Annual Evaluations

The supervisor is responsible for maintaining an up-to-date job description for each administrative and professional faculty member in the unit and for determining acceptable standards of performance. Goals and objectives are developed annually in consultation with the faculty member. These should relate closely to the functional title and job description of the position and should become criteria for judging professional performance in the subsequent year. All administrative and professional faculty members should complete an annual faculty activity report at a time determined by the appropriate administrator, but usually near the end of the academic or fiscal year, referencing their goals and objectives and citing their successes, shortfalls, and future directions. Additional items to report are service to the university, creative scholarship, and other professional activities and recognitions during the year. The performance of each administrative and professional faculty member is evaluated annually in a discussion with the supervisor and by written response. ~~, which may be in conjunction with the annual reappointment letter.~~ The annual faculty activity report and evaluation are part of the basis for salary adjustments and other personnel matters.

**RESOLUTION TO CLARIFY NON-REAPPOINTMENT FOR
ADMINISTRATIVE AND PROFESSIONAL FACULTY
ON RESTRICTED APPOINTMENTS**

WHEREAS, the *Faculty Handbook* provides guidance on matters pertaining to faculty employment; and

WHEREAS, as the *Faculty Handbook* outlines and defines parameters of employment for all faculty types; and

WHEREAS, restricted contracts can be terminated for a number of reasons including discontinuation of funding, or a change in research or other program priorities, resulting in the need to terminate the services of an employee; and

WHEREAS, the *Faculty Handbook* specifies the timeframes for termination of appointment for faculty on restricted contracts in the section of the handbook dedicated to special research faculty; and

WHEREAS, the section of the *Faculty Handbook* dedicated to administrative and professional faculty does not include specific language guiding the notification of termination of appointment for restricted appointments;

NOW, THEREFORE, BE IT RESOLVED, that the attached section 7.6.5 regarding termination of appointment for administrative and professional faculty on restricted contracts be added to the *Faculty Handbook* (new text is in red).

RECOMMENDATION:

That the attached text regarding termination of appointment for administrative and professional faculty on restricted contracts be approved and added to the *Faculty Handbook*.

March 28, 2011

7.6.5 Termination of Appointment for Administrative and Professional Faculty on Restricted Contracts

Administrative and professional faculty appointments may be terminated in the case where there are insufficient funds or no further need for services. The date of termination for a restricted faculty member is at least 30 calendar days from the date of notification. A faculty member on a regular appointment is entitled to notice of non-reappointment, as stated above. A proposed notice of termination because of insufficient funds or lack of need for services requires the approval of the department head, dean (or appropriate administrator), and the provost or president (or their designees).

Committee Minutes

BUILDINGS AND GROUNDS COMMITTEE

**Solitude Room, Skelton Conference Center
8:30 am**

March 28, 2011

Board Members Present: Mr. Douglas Fahl, Mr. John Rocovich, Mr. James Severt, Sr.

VPI&SU Staff: Mr. Kevin Bishop, Mr. Bob Broyden, Ms. Vickie Chiocca, Mr. Michael Coleman, Mr. David Dent, Ms. Lynn Eichhorn, Dr. Elizabeth Flanagan, Dr. Lance Franklin, Ms. Kimberly Haines, Mr. Tim Hagedorn, Mr. Larry Hincker, Mr. Rick Hinson, Dr. Gary Long, Ms. Heidi McCoy, Mr. Steve Mouras, Mr. Michael Mulhare, Mr. Chuck Shaver, Mr. Ken Smith, Ms. Heather Snidow, Dr. Charles W. Steger, Ms. Mary Grace Theodore, Mr. Ed Watson, Dr. Sherwood Wilson

1. **Opening Remarks and Approval of Minutes of November 8, 2010:** The minutes of the November 8, 2010 meeting were unanimously approved.
- * 2. **Resolution Endorsing Passenger Rail Service Extension:** Virginia Tech seeks to promote regional transportation and accessibility initiatives to better serve the university and the surrounding communities. The Virginia Department of Rail and Public Transportation has publicly announced the success of the recently initiated Lynchburg-Washington D.C. passenger rail service demonstrating that there is a demand for intercity passenger rail service in Virginia and is initiating new rail service from Norfolk and Richmond. The Committee recommended that the full Board endorse the extension of passenger rail service to Roanoke and to the New River Valley.
- * 3. **Resolution on Joint Appointment to the New River Valley Emergency Communications Regional Authority:** The Committee recommended full Board approval of the resolution appointing L. Allen Bowman as the at-large representative to the New River Valley Emergency Communications Regional Authority for a four-year term expiring March 31, 2015.
- * 4. **Resolution on Town of Blacksburg Airport Authority Water Line Easement:** In conjunction with the Virginia Tech/Montgomery Regional Airport Authority and as a part of the airport runway expansion, the Town of Blacksburg requested that the university grant an easement to document an existing water line on university property leased to the Airport Authority. This easement provides for the operation and maintenance of the water line, which provides services to both town and university properties in the vicinity. The Committee recommended full Board approval of the resolution granting the Town of Blacksburg an easement to document an existing water line on university property leased to the Airport Authority.

- * **5. Resolution on Newport News Water Line Easement:** The university is the designated recipient of \$12 million in funding from the Commonwealth of Virginia for the construction of a research facility in a collaborative effort with the National Institute of Aerospace Associates (NIA). As a part of this project, Newport News Waterworks requested that the university grant an easement for the installation of a water line on university property to provide water to the project. This easement provides for the installation, operation and maintenance of the water line that will serve the facility. The Committee recommended full Board approval of the resolution granting the Newport News Waterworks an easement for the installation of a water line on university property to provide water to the project.
- * **6. Resolution on Demolition of University Buildings:** The university requested approval to demolish several buildings on university property. These include a shed and two grain bins at Kentland Farm in Blacksburg, and two holding pens located at the Virginia-Maryland Regional College of Veterinary Medicine. The buildings are generally in poor condition and uneconomical to repair. The Committee recommended full Board approval of the resolution to demolish the above referenced buildings.
- 7. Informational Update on Three Non-Capital Construction Projects:** The Committee approved the design of three non-capital construction projects: the Kentland Farms unmanned drone airplane maintenance building, Building 439B Palpation Barn at the Center for Molecular Medicine and Infectious Disease (CMMID) compound, and the CMMID Swine Research Addition to Building 450. The Committee confirmed their desire to review all capital and non-capital project designs for buildings to be constructed on all Virginia Tech property regardless of size, scope, or budget. In the future, all projects will be presented to the Committee as separate agenda items.
- 8. Design Preview of Multi-Modal Transit Facility (MMTF) – Capital Project:** To facilitate long range improvements to campus transit services, this project involves moving the current transit hub from the front of Burruss Hall to a future transit hub located in the vicinity of Perry Street, north of the academic core. The MMTF will accommodate ridership waiting/transfers and will service multiple modes of alternative transportation. The 12,000 gross square foot facility will include a conditioned rider waiting area with information services, a bike share/bike co-op, multi-use meeting space, public restrooms, and administrative space for transit operations. Fourteen canopied bus loading/unloading bays will be grouped around a center green space. Dr. Gary Long, faculty representative to the Board, expressed concern that the fumes from the new facility would result in additional ventilation issues for surrounding academic buildings. An environmental study will be conducted for this project and a component of the study will be the impact of the fumes from the buses on nearby buildings. Mr. Rocovich commented that converting buses to natural gas would be one way to address this concern. A traffic analysis will also be conducted for the project. The Committee members asked that staff consider the disadvantages of a flat roof on the new facility, as well as ensure that mechanical, electrical, and other equipment be concealed as part

of the site design. The importance of a strong pedestrian linkage with the transit hub location, Cowgill, the Drillfield and the main campus should also be considered.

9. **Design Preview of Sigma Phi Epsilon House at Oak Lane – Capital Project:** The Committee previewed a design of the proposed Sigma Phi Epsilon House at Oak Lane, which would be the first of seventeen potential Special Purpose Housing facilities to be constructed near and around the existing Virginia Tech on-campus golf course. A committee member expressed concern with the size of the columns in proportion to the proposed building. The Committee otherwise expressed support of the preliminary design. A design should be ready for Board approval at the June meeting, with anticipated construction to begin in July-August 2011.
10. **Design Review of Perry Street Parking Structure Photovoltaic Addition - Capital Project:** The project includes design, installation and commissioning of a nominal 100 kWpeak dc, utility grid connected solar photovoltaic power system. It will generate approximately 100KW peak with an estimated 136,000 KWH annually or 13% of the facilities annual usage. The structure has been designed so it will not affect the structural design or integrity of the parking structure. The Committee approved the design of the solar photovoltaic power system to be installed atop the newly constructed Perry Street Parking Structure.
11. **Capital Project Status Report:** The Committee received an update on the status of all capital projects from Mr. Michael Coleman. Mr. Coleman specifically discussed two projects being designed, the Chiller Plant and the Signature Engineering Building.
12. **Introduction of Mr. Edward Watson:** Dr. Wilson introduced Mr. Edward Watson, the new Director for University Planning, Design and Construction to the Committee. Mr. Watson's appointment began January 2011.
12. **Joint Meeting with the Finance and Audit Committee:** The Committee held a joint meeting with the Finance and Audit Committee on four agenda items: to approve the 2012-2018 Capital Outlay Plan; to approve capital project for the Virginia Tech-Carilion Research Institute Third Floor Uplift; to approve capital project for repair of McComas Exterior Wall Structure, Phase II; and an update on the Visitors and Undergraduate Admissions Center Entrance. The Committee deferred to the Finance and Audit Committee for full Board approval and authorization.

There being no further business, the meeting adjourned at noon.

***Requires full Board approval.**

**Kentland Farms Unmanned Drone Maintenance Building
Non-Capital Project Information Summary**

THE BUILDINGS AND GROUNDS COMMITTEE

March 28, 2011

Title of Project:

Kentland Farms – Unmanned Drone Maintenance Building

Location:

At the Virginia Tech Kentland Farm in area adjacent to existing barns, sheds and silos.

Current Project Status and Schedule:

This project is in the Working Drawing design phase. Construction is contingent upon the favorable results of a competitive bid process and Departmental funding approvals. If bids are favorable and funding is approved, construction could start in April 2011. Construction is anticipated to last three months. The Estimated Project Budget is \$220,000.00.

Project Description:

The project will construct a 4,864 GSF facility to include workspace, restrooms, and open shed storage for use by the College of Agriculture and the Department of Aerospace and Ocean Engineering.

Brief Program Description:

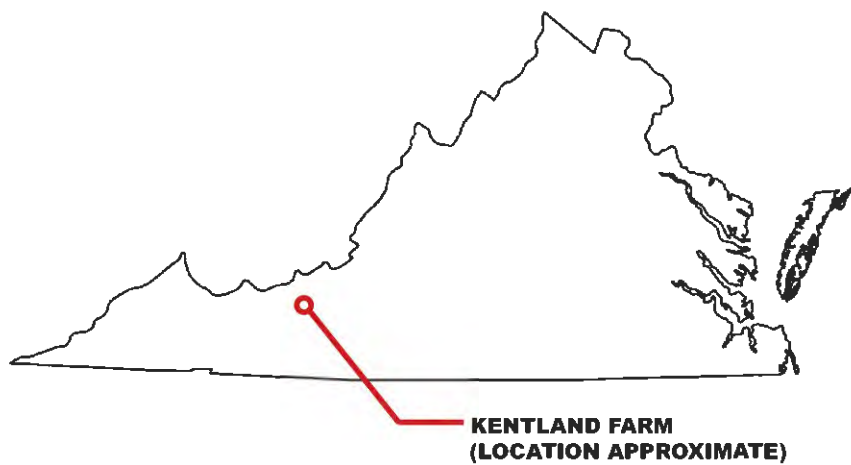
Storage and workspace in support of the activities at the adjacent Unmanned Drone Airstrip.

Contextual Issues and Design Intent:

This building will be located at Kentland Farm in an area composed of similar utility buildings. The exterior skin of the building will closely match the existing materials and colors found on the adjacent buildings.

Architect/Engineer:

Covenant Engineering, Inc.



**KENTLAND FARM
(LOCATION APPROXIMATE)**

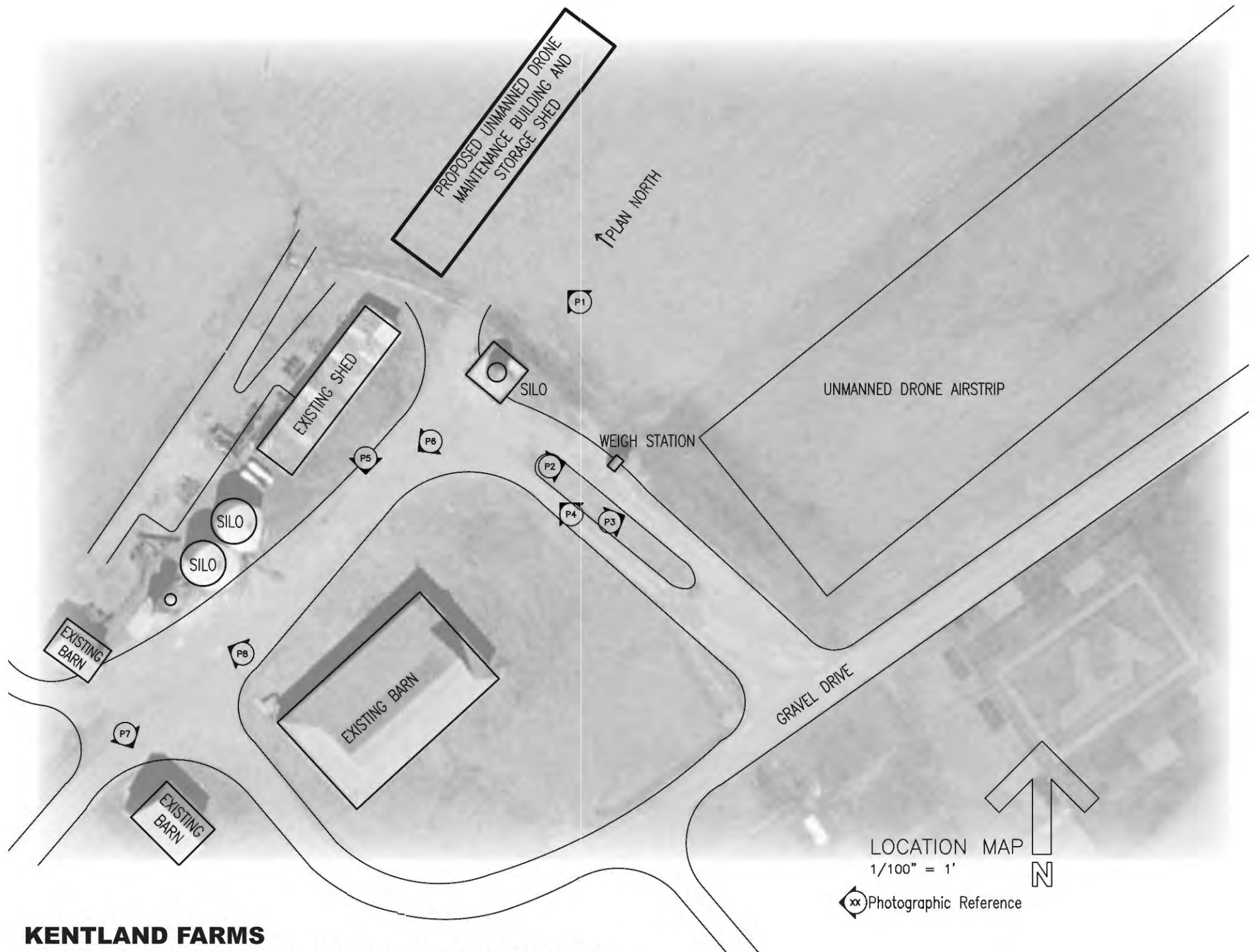
VIRGINIA TECH MAIN CAMPUS



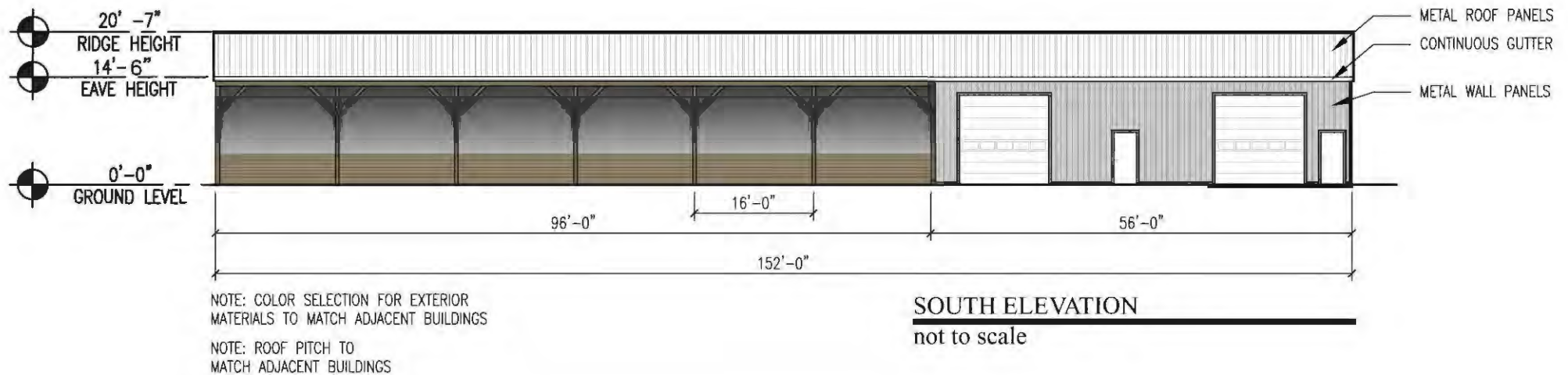
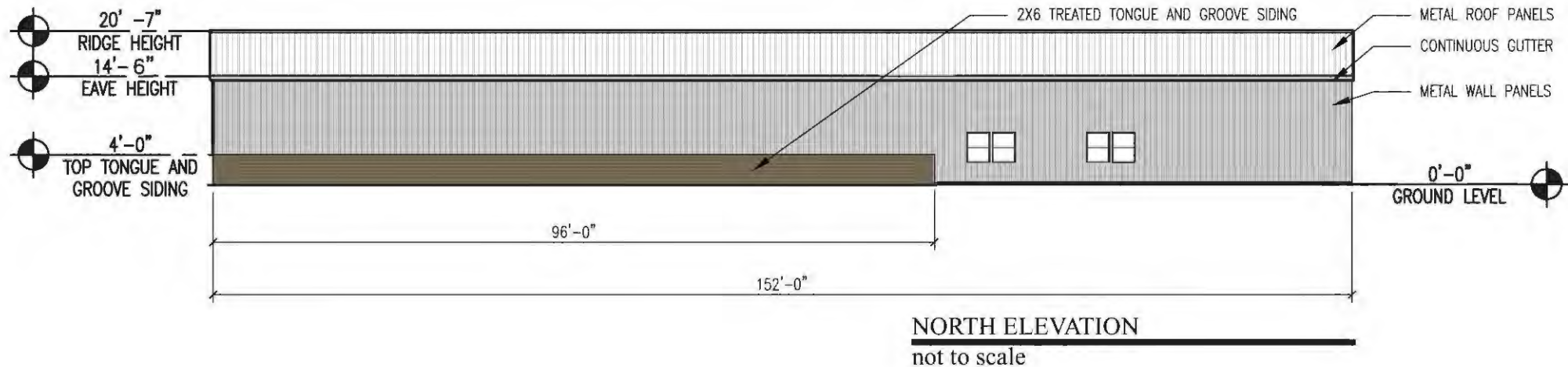
**LOCATION OF UNMANNED DRONE
MAINTENANCE BUILDING**

KENTLAND FARM

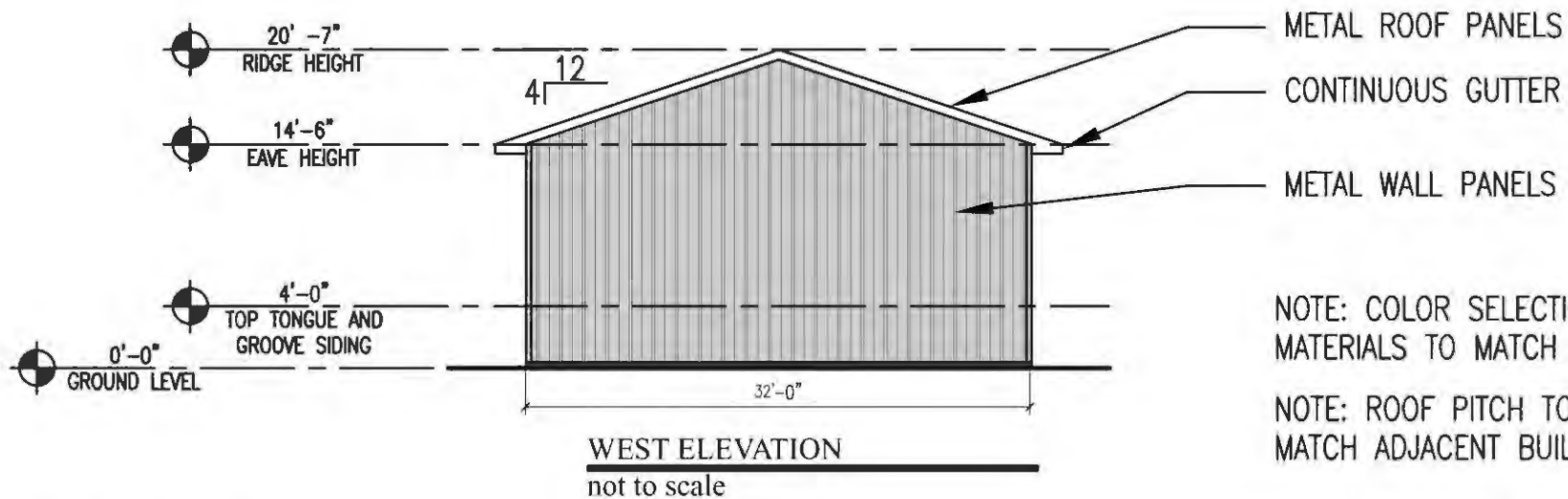
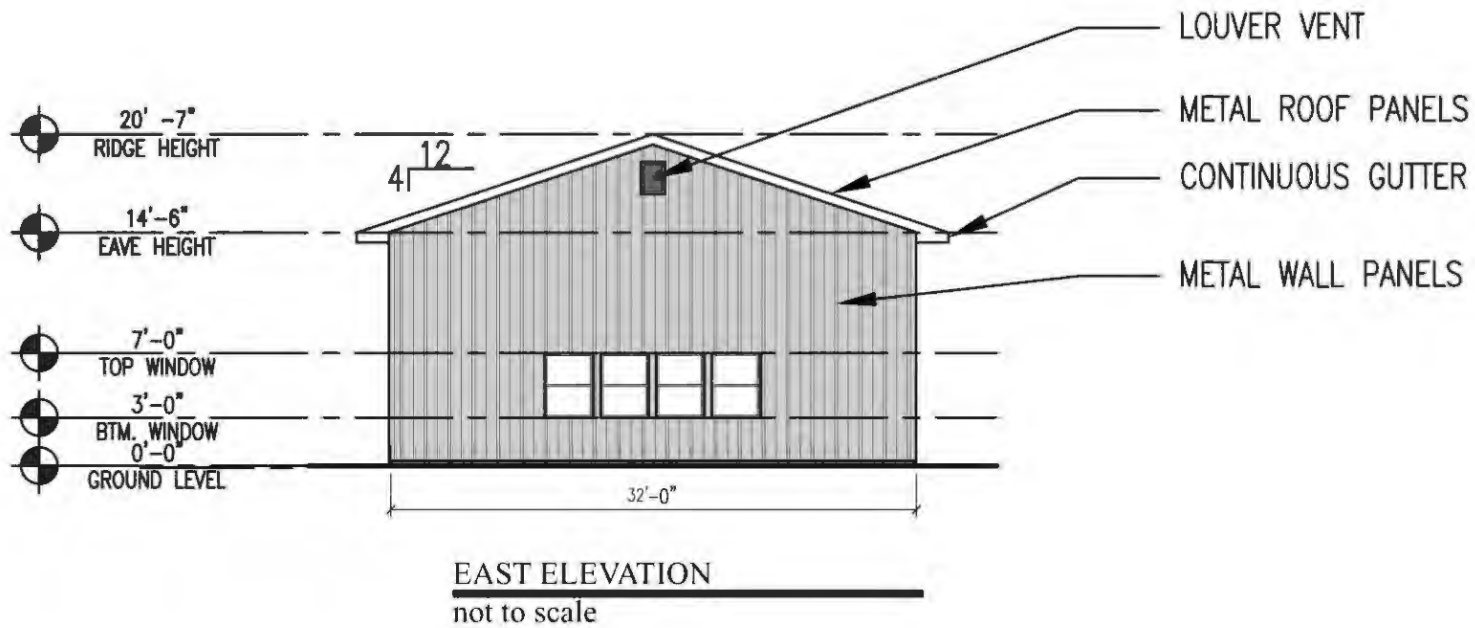
KENTLAND FARMS UNMANNED DRONE MAINTENANCE BUILDING



KENTLAND FARMS UNMANNED DRONE MAINTENANCE BUILDING



KENTLAND FARMS **UNMANNED DRONE MAINTENANCE BUILDING**



NOTE: COLOR SELECTION FOR EXTERIOR
MATERIALS TO MATCH ADJACENT BUILDINGS

NOTE: ROOF PITCH TO
MATCH ADJACENT BUILDINGS

KENTLAND FARMS UNMANNED DRONE MAINTENANCE BUILDING

**Bldg 439B Palpation Barn
Non-Capital Project Information Summary**

THE BUILDINGS AND GROUNDS COMMITTEE

March 28, 2011

Title of Project:

Bldg 439B Palpation Barn

Location:

Price's Fork Road and Hwy 460, located with the Center for Molecular Medicine and Infectious Disease (CMMID) compound.

Current Project Status and Schedule:

This project is in working drawing design phase. With approvals, construction could start April 2011. Construction is anticipated to last 4 months. (Estimated Cost \$150,000)

Project Description:

The Palpation Barn is a 4,000SF clear span, metal clad pole barn and will replace bldg 439B, which collapsed during the winter of 2010.

Brief Program Description:

Structure is to be used for livestock handling and evaluation in an enclosed area. Farm equipment will also be stored in the structure.

Contextual Issues and Design Intent:

Building site is research center with horse paddocks and a mix of existing barn structures with wooded or block siding with metal roofs. Intended building siding and roof color to match existing farm buildings – Tan and brown painted exteriors metal roof with translucent panel for day lighting. Roof pitch to match existing structures.

Architect/Engineer:

Palpation Barn: Structural Engineering Consultants

Construction Manager:

N/A



VIRGINIA TECH PALPATION BARN

VICINITY MAP

7 JAN 2011

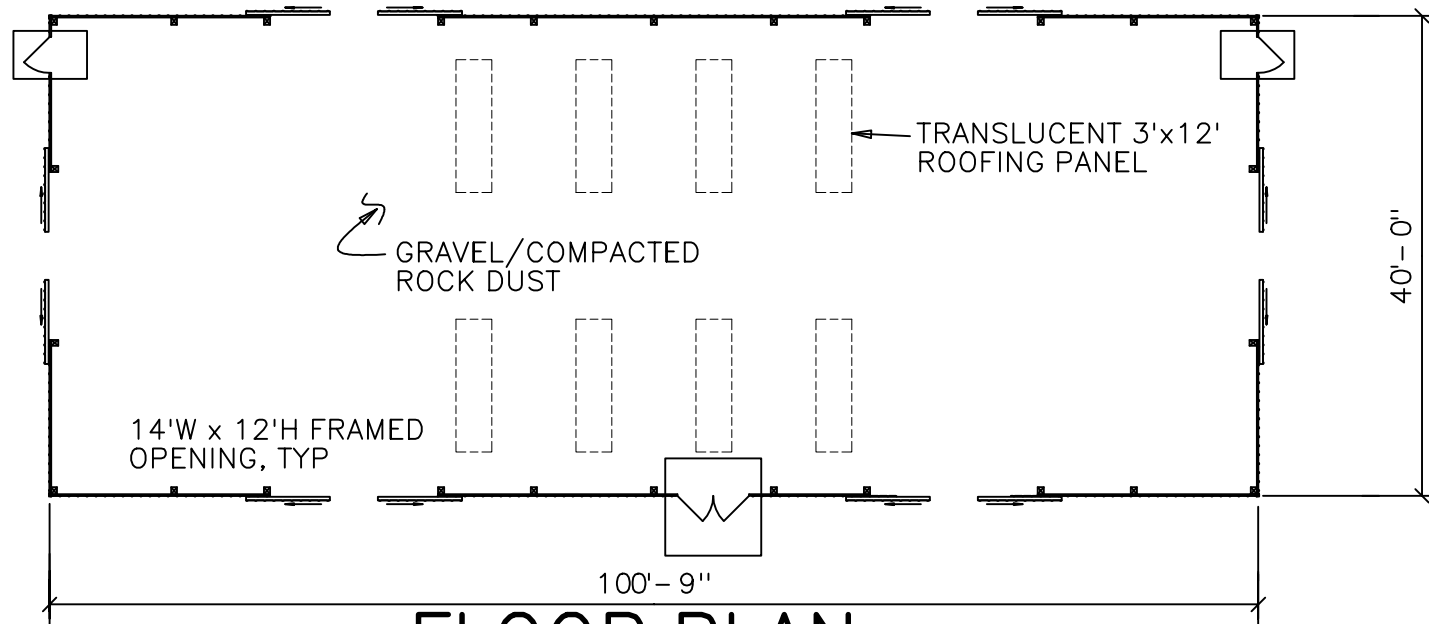
UNIVERSITY PLANNING, DESIGN AND CONSTRUCTION
67 STERRETT FACILITIES, BLACKSBURG, VA 24061



VIRGINIA TECH PALPATION BARN
VICINITY MAP

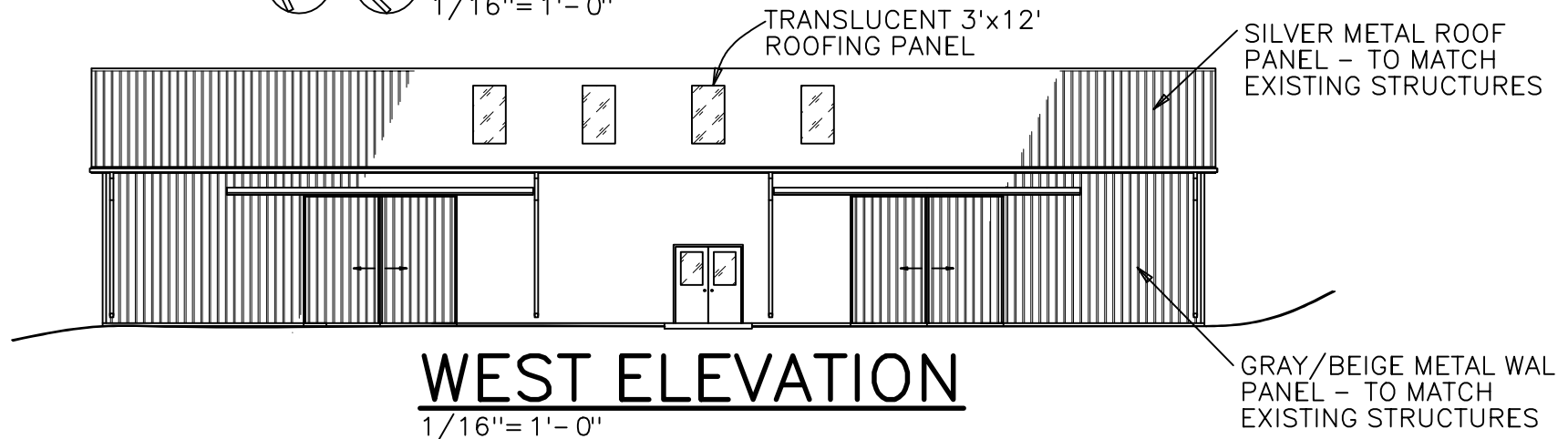
7 JAN 2011

UNIVERSITY PLANNING, DESIGN AND CONSTRUCTION
67 STERRETT FACILITIES
BLACKSBURG, VA 24061



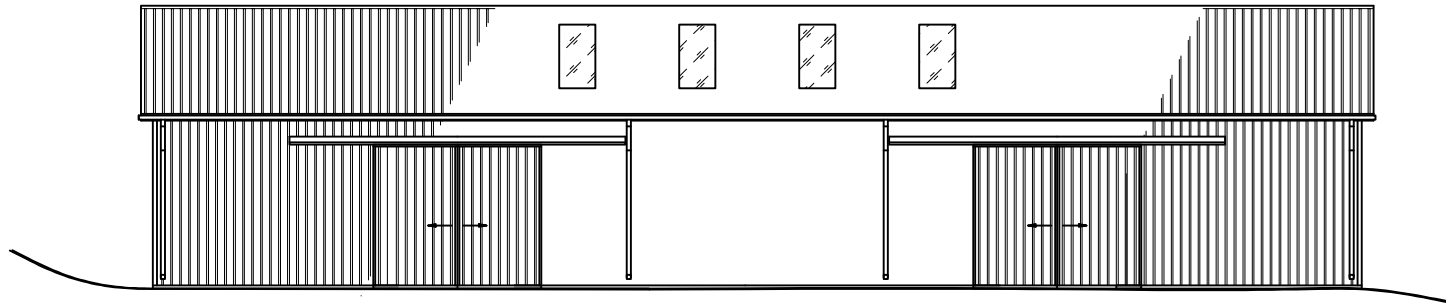
FLOOR PLAN

1/16" = 1'-0"



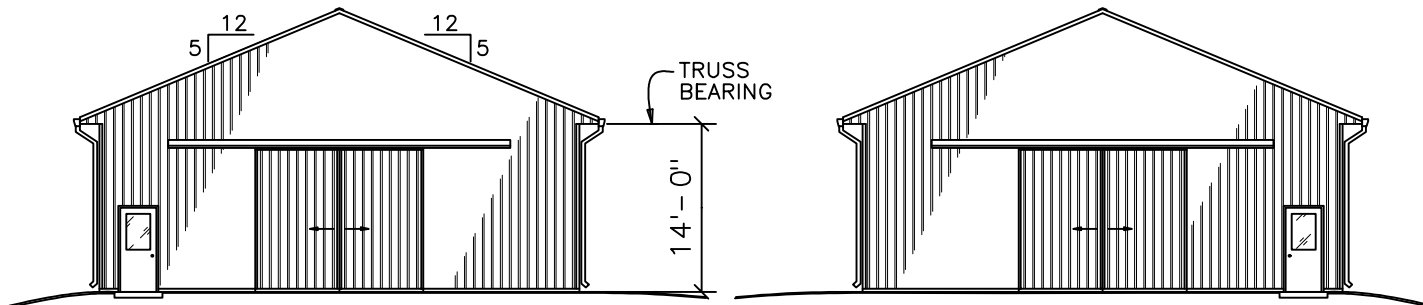
WEST ELEVATION

VET MED BUILDING 439B – PALPATION BARN
 VIRGINIA TECH, BLACKSBURG, VA JANUARY 7, 2011



EAST ELEVATION

$1/16'' = 1' - 0''$



NORTH ELEVATION

$1/16'' = 1' - 0''$

SOUTH ELEVATION

$1/16'' = 1' - 0''$

VET MED BUILDING 439B – PALPATION BARN
VIRGINIA TECH, BLACKSBURG, VA JANUARY 7, 2011

**CMMID Swine Research Addition to Bldg 450
Non-Capital Project Information Summary**

THE BUILDINGS AND GROUNDS COMMITTEE

March 28, 2011

Title of Project:

CMMID Swine Research Addition to Bldg 450

Location:

Price's Fork Road and Hwy 460, located with the Center for Molecular Medicine and Infectious Disease (CMMID) compound.

Current Project Status and Schedule:

This project is in working drawing design phase. With approvals, construction could start by April 2011. Construction is anticipated to last 4 months. (Estimated budget \$800,000)

Project Description:

Bldg 450 Addition: The project will construct a 2,262 GSF BSL-2 facility addition to Bldg 450. Construction will include 12 climate controlled holding pens.

Brief Program Description:

Bldg 450 addition will expand existing swine research capabilities for the Virginia-Maryland School of Veterinary Medicine.

Contextual Issues and Design Intent:

The structure is a single story modular building with metal clad siding and roof. Exterior finishes will match tan and brown surrounding sheds, barns, and utility buildings. This facility will not be visible from Hwy 460 or Price's Fork Road.

Architect/Engineer:

WE Bowman Construction and Zannino Engineering.

Construction Manager:

N/A



VIRGINIA TECH SWINE RESEARCH ADDITION

VICINITY MAP

7 JAN 2011

UNIVERSITY PLANNING, DESIGN AND CONSTRUCTION
67 STERRETT FACILITIES, BLACKSBURG, VA 24061



VIRGINIA TECH SWINE RESEARCH ADDITION
VICINITY MAP

7 JAN 2011

UNIVERSITY PLANNING, DESIGN AND CONSTRUCTION
67 STERRETT FACILITIES
BLACKSBURG, VA 24061

Design Preview of Multi-Modal Transit Facility – Capital Project

BUILDINGS AND GROUNDS COMMITTEE

March 28, 2011

Title of Project:

Multi-Modal Transit Facility (MMTF)

Location:

The 2006 Master Plan identified moving the current transit hub from the front of Burruss Hall to a future transit hub located in the vicinity of Perry Street north of the academic core, and bus traffic removed from the Drill Field as part of this plan. The Perry Street location was selected to take advantage of planned roadway improvements at West Campus Drive and Stanger Street. As conceptually designed, the new MMTF building will be located in the northeastern portion of the existing Derring parking lot, fronting Perry Street. The remaining northern portion of the Derring lot is planned to be a future academic building. Other portions of the Derring lot will be configured for bus ridership access, bus routing and pedestrian circulation.

Current Project Status and Schedule:

The project is in the conceptual planning phase. Subsequent design phases are expected to continue through the fall of 2011.

Project Description:

The 12,000 gross square foot MMTF will include a conditioned rider waiting area with information services, a bike share/bike co-op, multi-use meeting space, public restrooms, and administrative space for transit operations. Fourteen canopied bus loading/unloading bays will be grouped around a central green space.

Brief Program Description:

The MMTF will function as a station centralizing transit transfers and servicing multiple modes of alternative transportation. The facility will provide amenities for alternative transportation users, facilitate public interface, disseminate information, and integrate technology and mixed uses to promote alternative transportation.

Contextual Issues and Design Intent:

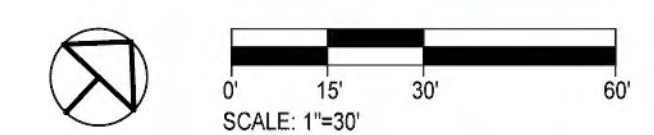
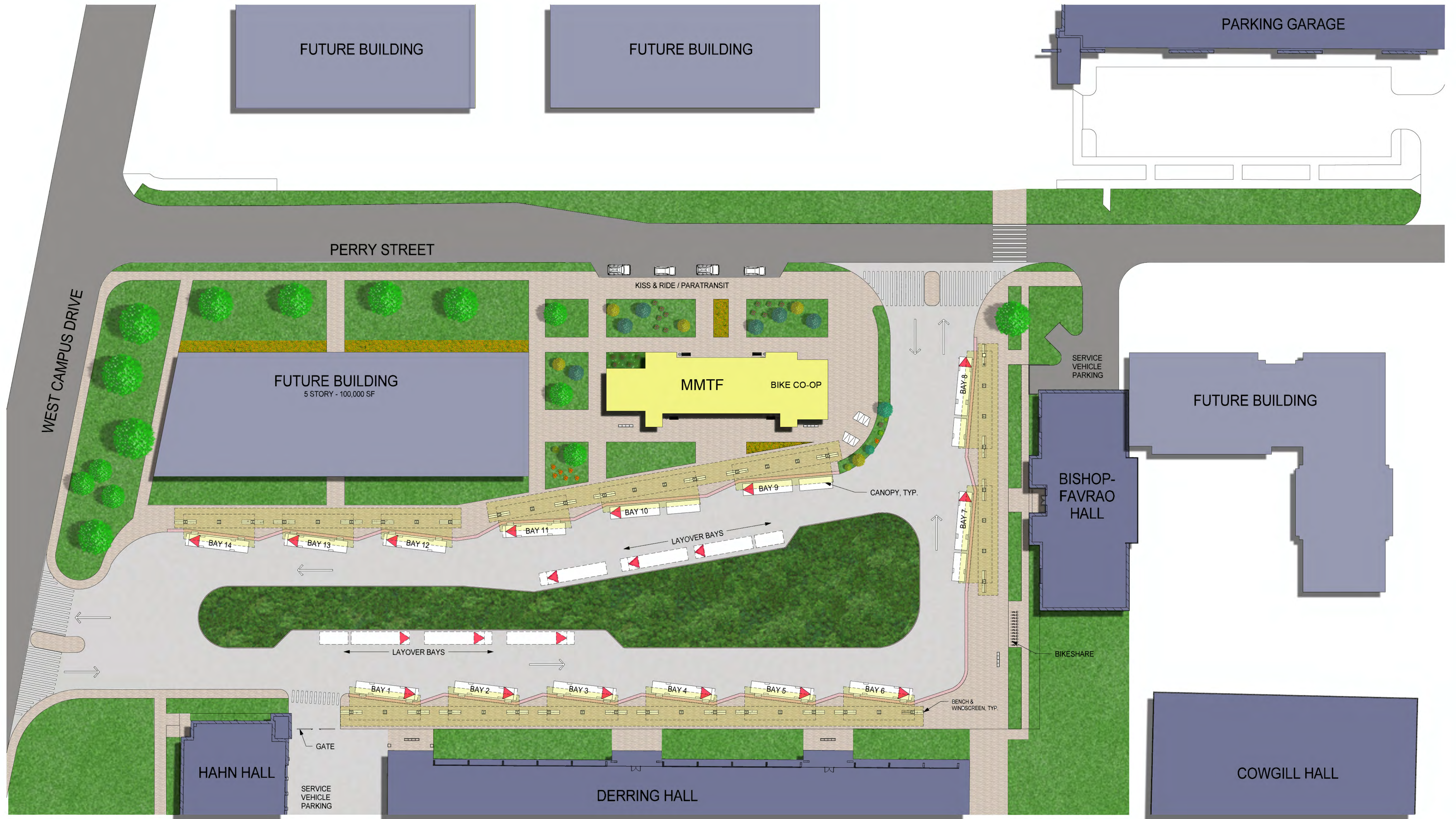
Primary exterior materials will include stone, precast concrete, curtainwall and operable windows, in keeping with the neighboring Bishop-Favro Hall and B-Lot parking deck structures. The envisioned two story structure will have flat roofs. Canopies are envisioned to be steel framing with translucent glazed roofing.

Architect/Engineer:

Wendel Companies in association with McDonough Bolyard Peck.

Construction Manager:

To be determined



SITE
02/10/11

Design Preview of Sigma-Phi Epsilon House at Oak Lane – Capital Project

BUILDINGS AND GROUNDS COMMITTEE

March 28, 2011

Title of Project:

Sigma Phi Epsilon House at Oak Lane

Project Description:

This would be the first of seventeen potential Special Purpose Housing facilities to be constructed near and around the existing on-campus golf course, which was proposed as part of a fourth phase to Oak Lane and approved by the Board of Visitors on March 22, 2010. The proposed Sigma Phi Epsilon ("SPE") fraternity house design will meet the fraternity's current and future space requirements.

Location:

The Va. Kappa Alumni Corporation of SPE is proposing to design, build, and lease a new Chapter House on the .63 acre lot closest to the Duckpond (in proximity to the current Hole Number Four Tee Box).

Current Project Status and Schedule:

An unsolicited Public-Private Education Facilities and Infrastructure Act (PPEA) Proposal was received January 12, 2011, which required public advertisement for competing proposals (completed the week of March 7, 2011). No competing proposals were received. The university is currently negotiating a PPEA comprehensive agreement with SPE and design should be ready for Board approval at the June meeting, with construction anticipated to begin July-August, 2011.

Brief Program Description:

Under the approved concept, individual groups have an opportunity to participate in the design of their house, and will contribute one-third of the construction cost of the fraternity house with the remaining two-thirds of the construction cost provided by the university. The construction of a new fraternity house in Oak Lane Phase IV will address the current need for viable Greek housing, and concurrently, provide reduced cost housing infrastructure that will help the university meet the increasing demand for on-campus student resident space.

Contextual Issues and Design Intent:

The proposed house will be a multi-story brick clad structure with columns on the front and simulated columns on the rear elevation, and will have a street level entry design that gives the appearance of a classic fraternity house. The roof will be a 50+ year life simulated slate shingle. It will be a certified LEED Silver facility. The house will include 36 sleeping/study rooms, an apartment for the adult House Director, common social and recreational spaces, common fraternity business space, an elevator (main floor to basement access), and ADA accessible bedroom(s) and bathroom(s) on the main level. The final design of the house will be based upon the Oak Lane Design Standards, dated May 10, 2010.

Architect/Engineer:

Balzer & Associates, Inc.

Construction Manager:

Lionberger Construction

Exhibit B



Va. Kappa Alumni Corporation of
Sigma Phi Epsilon ("SPE")



Design Review of Perry Street Parking Structure Photovoltaic Addition - Capital Project

THE BUILDINGS AND GROUNDS COMMITTEE

March 28, 2011

Title of Project:

Perry Street Parking Structure Photovoltaic Addition

Location:

The P5 (top) level of the Perry Street Parking Structure

Current Project Status and Schedule:

This project is in Schematic Drawing design phase. Construction is contingent upon university approvals and if approved, would start 3Q11. Construction is anticipated to last 9 months.

Project Description:

The project includes design, installation and commissioning of a nominal 100 kW_{peak} dc, utility grid connected solar photovoltaic power system. It will be approximately four hundred eighty (480) solar panels in approximately five (5) rows of ninety-six (96) panels, four (4) high (landscape orientation) and twenty-four (24) panels wide. The support structure will measure approximately 121'-8" by 131'-0" and cover approximately 16,000 square feet of area. The support structure will be anchored to the existing parking structure and will be designed and installed such that it will not affect the structural design or integrity of the parking structure.

Brief Program Description:

The preliminary analysis has determined that an array sized nominally at approximately 100 kW_{dc} can generate about 136,415 kWh annually or 13% of the estimated annual energy use of the facility.

Contextual Issues and Design Intent:

Solar photovoltaics is one of the most recognizable and popular of all renewable energy sources. Installed in this location, atop the newly constructed Parking Structure serves as another reminder of the dedication to build and live in a sustainable fashion at Virginia Tech.

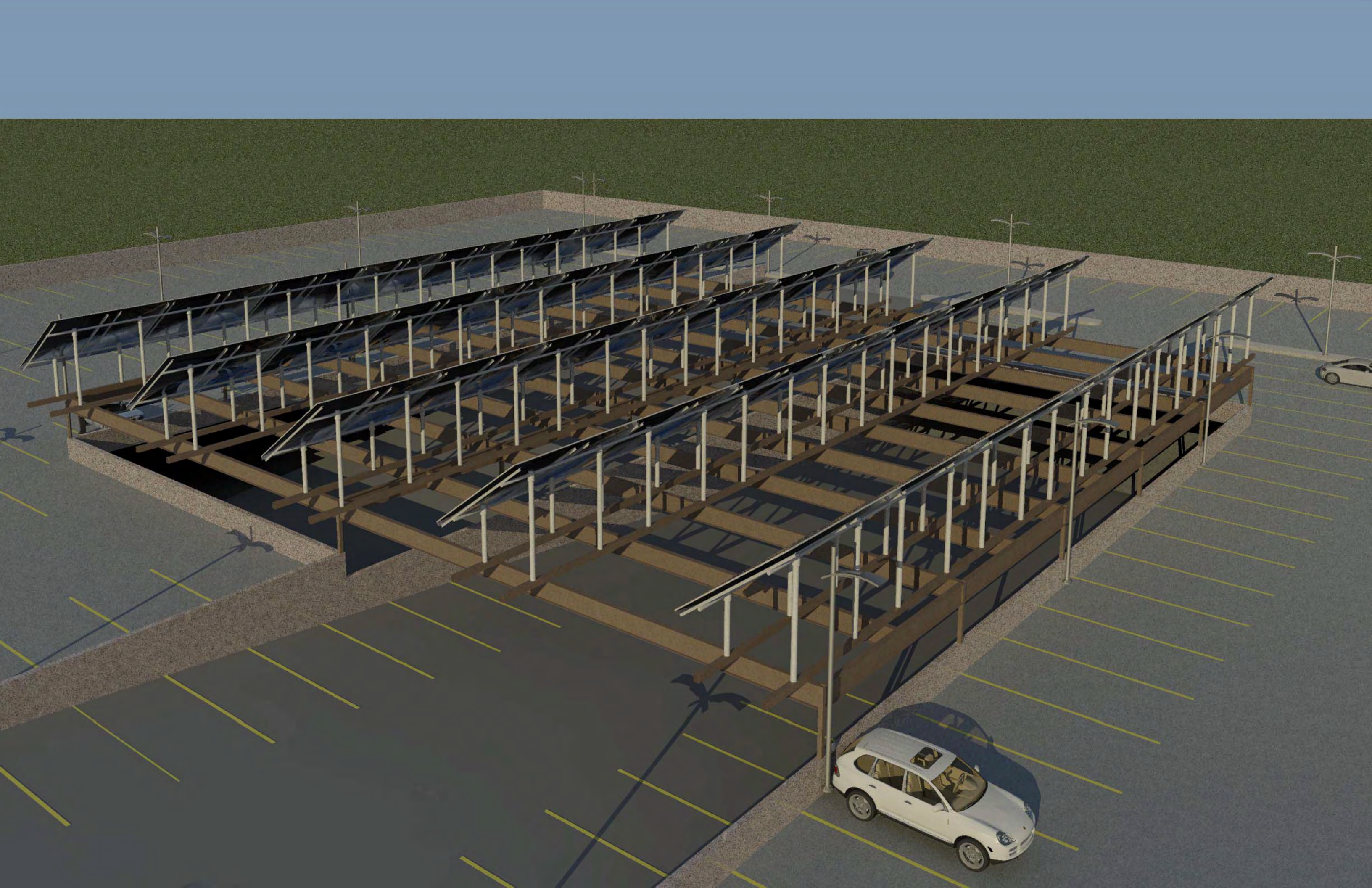
Architect/Engineer:

Wiley Wilson

Construction Manager:

Siemens Industry









Capital Project Status Report
BUILDINGS AND GROUNDS COMMITTEE

March 28, 2011

PROJECTS BEING DESIGNED

1. Campus Heat Plant - \$28,750,000 (60% GF and 40% NGF)

This project provides planning authorization for the design of new heating and cooling infrastructure to serve the various areas of campus.

A/E: Affiliated Engineers, Inc. – Chapel Hill, NC
Contractor: TBD

Status: Project split into various design and construction packages. Remaining bid packages include North Campus Distribution Piping, which is currently in Design-Build procurement process and Coal Storage Enclosure.

2. Signature Engineering Building – \$6,433,580 (21% GF and 79% NGF)

This project provides a new 153,800 GSF state-of-the-art, technology enhanced flagship building for the College of Engineering.

A/E: Zimmer Gunsul Frasca Architects LLP – Washington, DC
Construction Manager: Gilbane Building Company – Durham, NC

Status: Only design funding has been allocated at this time and Construction Drawings are underway. Pending construction activities are predicated on the state's schedule for allocating construction funding.

3. Chiller Plant I - \$980,000 (50% GF and 50% NGF)

This project provides for additions and improvements to the campus chilled water infrastructure, including an 18,600 GSF chiller plant in the SW section of campus.

A/E: Burns and Roe Service Corporation – Virginia Beach, VA
Construction Manager: The Whiting-Turner Contracting Co. – Charlotte, NC

Status: Only design funding has been allocated at this time and Preliminary Design is underway. Pending construction activities are predicated on the state's schedule for allocating construction funding.

4. Agriculture Program Relocation, Phases I and II - \$1,000,000 (100% NGF)

This project provides for a feasibility study to relocate the current lactating, non-lactating, and bovine palpation herds to Kentland Farm.

A/E: Hanbury Evans Wright Vlattas + Company – Norfolk, VA
Contractor: TBD

Status: Pre-planning/programming is underway.

5. Vet Med Instruction Addition - \$1,400,000 (100% NGF)

This project provides for the planning of additional instructional space to provide adequate classrooms, to relieve overcrowding of the existing facility. The proposed project will address space accommodation needs with new classrooms and teaching labs, and faculty spaces.

A/E: HKS, Inc. – Richmond, VA
Construction Manager: W.M. Jordan Company – Newport News, VA

Status: Preliminary Design is underway. Construction is tentatively scheduled to begin Spring of 2012 with Substantial Completion occurring in the Summer of 2013.

6. Phase IV of Oak Lane Community - \$23,500,000 (100% NGF)

This project constructs five new houses and infrastructure improvements east of the Oak Lane adjacent to the golf course.

A/E (Infrastructure Evaluation): Thompson + Litton – Radford, VA
Contractor (Infrastructure Improvements): TBD
PPEA Team (Houses): TBD

Status: A qualifying Unsolicited PPEA proposal has been received and is currently being solicited for public competition. An evaluation of the existing site/utilities infrastructure and Environmental Impact Report has been completed.

7. Technology Research and Innovation Center - \$11,896,644 (100% GF)

The project constructs a 60,000 GSF facility in Hampton, VA for the National Institute of Aerospace. The facility includes designated labs, flex space labs, offices, and unfinished shell space with a building foot print of approximately 20,000 SF.

PPEA Team: Concord Eastridge – Arlington, VA
Construction Manager: Alpha Corporation – Hampton Roads, VA

Status: Final design documents are being completed. Construction activities have begun on site. Substantial Completion is anticipated in December 2011.

CONSTRUCTION PROCUREMENT

1. Academic and Student Affairs Building

Skanska USA Building, Inc GMP #3 (Remaining Building Package)	\$ 11,645,484
-------------------------------------------------------------------------	----------------------

2. Center for the Arts

Holder Construction Company GMP #2 (Site and Building Package)	\$ 70,487,285
--------------------------------------------------------------------------	----------------------

3. West End Market Expansion & Renovation

Branch & Associates, Inc. GMP (Site and Building Package)	\$ 5,246,503
-------------------------------------------------------------------------	---------------------

PROJECTS UNDER CONSTRUCTION

1. Ambler Johnston Hall - Improve Residence and Dining Halls – \$72,113,670 (100% NGF)

This project will provide complete renovations to Ambler Johnston Hall (272,000 GSF) including replacement of building systems and addition of air conditioning. The project is envisioned to improve the sense of community by adding corridor day-lighting and an attractive entrance area. The project will be completed in multiple phases.

A/E: Clark Nexsen – Charlotte, NC

Construction Manager: Barton Malow Company – Charlottesville, VA

Status: Construction of Phase I is underway and Substantial Completion is scheduled for July 2011. Phase II will begin construction in May 2011 with Substantial Completion scheduled for July 2012.

2. Visitors and Undergraduate Admissions Center - \$10,500,000 (100% NGF)

This project will construct an 18,155 GSF facility to accommodate the growing needs of visitors to the campus and university admissions office.

A/E: Glavè & Holmes Associates – Richmond, VA

Construction Manager: BE&K Building Group – Charlotte, NC

Status: Construction is underway with Substantial Completion scheduled for June 2011.

3. Infectious Disease Research Facility - \$9,300,000 (33% GF and 67% NGF)

This project will construct a 15,800 GSF facility to accommodate infectious disease research laboratory space (60%), lab office space and support areas (40%).

A/E: CUH2A Architecture, Engineering, Planning – Bethesda, MD

Construction Manager: Branch & Associates, Inc. – Roanoke, VA

Status: Construction is underway with Substantial Completion scheduled for October 2011.

4. Academic and Student Affairs Building - \$45,153,000 (100% NGF)

This 77,500 GSF project will include a new dining facility, academic instruction areas, and other student space in a three-story building.

A/E: Burt Hill Kosar Rittleman Associates – Washington, D.C.
Construction Manager: Skanska USA Building, Inc. – Durham, NC

Status: Construction is underway with Substantial Completion scheduled for May 2012.

5. Center for the Arts - \$93,993,000 (30% GF and 70% NGF)

This project includes construction of a new 92,000 GSF Performance Hall with a 1,300-seat auditorium, as well as a Visual Arts Gallery. It also includes the renovation of Shultz Hall for Creative Technologies and support spaces.

A/E: Snohetta AS – New York, NY with STV Group, Inc. – Douglasville, PA
Construction Manager: Holder Construction Company – Charlotte, NC

Status: Construction is underway with Substantial Completion scheduled for September 2013 due to a three month delay in general fund allocation from Department of General Services.

6. West End Market Expansion & Renovation - \$7,310,000 (100% NGF)

The project consists of approximately 7,400 gross square feet of additional seating, expansion of the kitchen and food preparation areas, and increasing the number of restrooms and staff locker rooms. The project also includes approximately 6,000 gross square feet of renovation work for program enhancements and roof repairs.

A/E: Clark Nexsen – Charlotte, NC
Construction Manager: Branch & Associates, Inc. – Roanoke, VA

Status: Construction is underway with Substantial Completion scheduled for December 2011.

7. Campus Fiber Optic Improvements Project - \$2,000,000 (100% NGF)

The project will install a new fiber-optic backbone and building connections that increase capacity and diversity to ensure adequate and reliable service to the University.

A/E: N/A
Contractor: N/A

Status: Construction is underway with Substantial Completion scheduled for December 2011.

COMPLETED PROJECTS

1. Virginia Tech – Carilion Medical School and Research Institute - \$62,500,000 (94% GF and 6% NGF)

This project constructs a new medical school and research institute adjacent to the Carilion complex in Roanoke.

PPEA Team: Carilion Clinic, – Roanoke, VA
Hayes, Seay, Mattern & Mattern, Inc., - Roanoke, VA
Skanska USA Building, Inc. – Durham, NC

Status: Construction is substantially complete.

2. ICTAS – II - \$35,000,000 (50% GF and 50% NGF)

This project provides a 42,190 GSF facility which includes state-of-the-art research facilities with highly specialized research laboratories, which will support multi-disciplinary research areas including bio-nanotechnology, bio-materials, communications technology, and sensor technology.

A/E: SmithGroup – Washington, D.C.
Construction Manager: Skanska USA Building, Inc – Durham, NC

Status: Construction is substantially complete.

3. Football Locker Room Addition - \$16,118,658 (100% NGF)

This project constructs a 38,500 GSF locker room facility addition to house a new football locker room, a player's lounge, and an administrative area to serve the Athletics Department.

Criteria Consultant: Sportsplan Studio – Kansas City, MO
Design Build Team: Barton Malow Company – Charlottesville, VA

Status: Construction is complete.

4. McComas Hall - Additional Recreation, Counseling and Clinical Space - \$12,845,385 (100% NGF)

This project will expand McComas Hall by approximately 27,000 GSF to meet the growing demand for student recreation/exercise space for the university.

A/E: Hughes Group Architects – Sterling, VA
Construction Manager: The Whiting-Turner Contracting Co. – Charlotte, NC

Status: Construction is complete.

5. Materials Management Facility - \$3,500,000 (100% GF)

This project will construct a 7,500 GSF facility to manage, store, and process hazardous waste for disposal.

A/E: Wiley & Wilson - Lynchburg, VA

Contractor: G&H Contracting, Inc. – Salem, VA

Status: Construction is substantially complete.

6. Parking Structure - \$26,000,000 (100% NGF)

This project will provide a 1400 space parking structure in the Perry Street lot.

Criteria Consultant: DESMAN Associates – Vienna, VA

Design/Builder: Rentenbach Constructors – Greensboro, NC

Status: All parking spaces are now available for use. Construction of supporting building systems has reached substantial completion.

PROJECTS ON HOLD

1. VBI Addition Facility - \$2,400,000 (100% NGF)

This project provides for the planning of a 51,500 building addition that will include office space for faculty, researchers, research associates, and support personnel and associated conference and meeting space for growing Virginia Bioinformatics Institute (VBI) departments.

A/E: Perkins + Will – Charlotte, NC

Construction Manager: Skanska USA Building Inc. – Durham, NC

Status: Working Drawings are complete. A fund source for construction has not yet been identified.

2. Geosciences Building & Discovery Center - Sciences Research Laboratory (93,300 GSF) – CM @ Risk

This project will include a combination of offices, class laboratories, research offices and laboratories, and graduate student space that will be used to house a number of departments and programs for the College of Science. A significant portion of the building is envisioned to house the Department of Geosciences. The other focus of the building program envisions an expansion of the nano-science research field.

A/E (Programming Only): CUH2A Architecture, Engineering, Planning – Bethesda, MD

A/E: Payette/E. Verner Johnson – Boston, MA

Status: A program and site confirmation study has been completed. The project has been placed on hold until further direction from College.

3. Renovate Davidson Hall - \$2,256,000 (67% GF and 33% NGF)

This project provides for the demolition of the deteriorated center and rear sections of Davidson Hall and builds back approximately 45,000 GSF.

A/E: Einhorn Yafee Prescott – Washington, DC

Construction Manager: Barton Malow Company – Charlottesville, VA

Status: Design activities have been suspended at 90% Construction Drawings. Final design and pending construction activities are predicated on the state's schedule for allocating construction funding.

4. Human and Agricultural Biosciences Building I - \$4,140,000 (50% GF and 50% NGF)

This project provides for a new 92,500 GSF advanced agricultural research laboratory facility.

A/E: Lord, Aeck & Sargent, Inc. – Atlanta, GA

Construction Manager: Skanska USA Building, Inc. – Durham, NC

Status: Design activities have been suspended at 90% Construction Drawings. Final design and pending construction activities are predicated on the state's schedule for allocating construction funding.

5. North Chiller Plant - \$3,800,000 (100% NGF)

This project is to construct a 17,500 GSF shell building to house the chilled water infrastructure needed for the Prices Fork Lot precinct development.

Criteria Consultant: Trefz Engineering - Horsham, PA

Design/Builder: TBD

Status: Currently analyzing alternatives solutions to provide chilled water to the Price's Fork precinct.

UPDATE ON VISITORS AND UNDERGRADUATE ADMISSIONS CENTER ENTRANCE

As requested by the Buildings and Grounds Committee at its March 2009 meeting, the university remains committed to incorporating an entrance off of Price's Fork Road to the Visitors and Undergraduate Admissions Center, which is now under construction. Funding is currently not available for the entrance as part of the original construction budget. Virginia Tech administration is diligently attempting to identify sufficient funding over the next few years in order to implement this improvement.

Excerpt from March 23, 2009 Board of Visitors minutes:

- 10. Design Review of Visitors and Undergraduate Admissions Center:** Lynn Eichhorn, Executive Director, University Planning, Design, and Construction, presented the design for Committee review and approval. The Visitors and Undergraduate Admissions Center is planned as a two-story, 17,780 gross square foot building, which will house Undergraduate Admissions offices and a new visitor center, with reception area, a 180-seat assembly hall, and support areas. Parking space for 46 vehicles is included. The project will be located at the main campus entryway off Prices Fork Road, in the southwest corner of the intersection of Prices Fork Road and University City Blvd., adjacent to the Inn at Virginia Tech. The new building will have predominate exterior materials of Hokie Stone veneer, precast concrete, glass, and metal with a membrane roof. The Center is the first of Virginia Tech's construction projects that introduces the use of the four inch nominal Hokie Stone block for the exterior building envelope. The University will provide an in-depth briefing on this new concept at the June meeting of the Building and Grounds Committee. **The Committee approved the design with the following comments: an entrance off of Price's Fork Road should be incorporated into the project, with the stipulation that the current scope of the project not be reduced in order to fund the new entrance.**

RESOLUTION ENDORSING PASSENGER RAIL SERVICE EXTENSION

WHEREAS, Virginia Tech seeks to promote regional transportation and accessibility initiatives to better serve the university and the surrounding communities; and

WHEREAS, Virginia Tech strongly endorses the extension of passenger rail service to Roanoke and to the New River Valley; and

WHEREAS, Amtrak Virginia is a partnership between the Virginia Department of Rail and Public Transportation (DRPT) and Amtrak to provide more rail travel choices in Virginia; and

WHEREAS, the Lynchburg train was initiated in October 2009, and serves several Virginia stations including Charlottesville, Culpeper, Manassas, Burke Centre and Alexandria; and

WHEREAS, the Virginia Department of Rail and Public Transportation has publicly announced the success of the recently initiated Lynchburg-Washington D.C. passenger rail service demonstrating that there is a demand for intercity passenger rail service in Virginia and is initiating new rail service from Norfolk and Richmond; and

WHEREAS, the Virginia Tech Board of Visitors feels strongly that extended rail service is in the best interest of the university and the surrounding communities;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Visitors of Virginia Polytechnic Institute and State University enthusiastically endorses the extension of passenger rail service to Roanoke and to the New River Valley.

RECOMMENDATION:

That the above resolution endorsing the extension of passenger rail service to Roanoke and the New River Valley be approved.

March 28, 2011

**RESOLUTION ON JOINT APPOINTMENT TO THE
NEW RIVER VALLEY EMERGENCY COMMUNICATIONS REGIONAL AUTHORITY**

WHEREAS, the Virginia General Assembly enacted the “New River Valley Emergency Communications Regional Authority Act” permitting the formation of the New River Valley Emergency Communications Regional Authority (“Authority”); and

WHEREAS, the Act provides for the appointment of five persons, one from each participating political subdivision of the Authority, with the fifth member jointly appointed by the unanimous approval of the participating political subdivisions; and

WHEREAS, the jointly appointed member shall be appointed for an initial term of four years; and

WHEREAS, the Authority Board recommends that L. Allen Bowman serve as the jointly appointed member to serve at large, for an initial four-year term expiring March 31, 2015;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Visitors of Virginia Polytechnic Institute and State University approves the appointment of L. Allen Bowman as the at-large representative to New River Valley Emergency Communications Regional Authority, effective immediately upon approval by the local governing boards, for a four-year term expiring March 31, 2015.

RECOMMENDATION:

That the above resolution approving L. Allen Bowman’s appointment as the at-large representative to the New River Valley Emergency Communications Regional Authority be approved.

March 28, 2011

RESOLUTION ON TOWN OF BLACKSBURG WATER LINE EASEMENT

WHEREAS, in conjunction with the Virginia Tech/Montgomery Regional Airport Authority and as a part of the airport runway expansion, the Town of Blacksburg has requested that the university grant an easement to document an existing water line on university property leased to the Airport Authority; and

WHEREAS, this easement provides for the operation and maintenance of the water line which serves both university and town properties in the vicinity; and

WHEREAS, the 15' wide water line easement is approximately 2,800 feet long and contains approximately 0.964 acre of real property and is more particularly described on a drawing prepared by Anderson & Associates, Inc. dated February 3, 2011 entitled "Plat of 15' Waterline Easement to be Dedicated to the Town of Blacksburg", further identified as Document No. 2918001; and

WHEREAS, Virginia Polytechnic Institute and State University desires to grant said easement to the Town of Blacksburg;

NOW, THEREFORE, BE IT RESOLVED, that the university be authorized to execute the easement to the Town of Blacksburg in accordance with Section 23-38.88 of the Code of Virginia (1950), as amended.

RECOMMENDATION:

That the above resolution authorizing Virginia Polytechnic Institute and State University to execute the easement to the Town of Blacksburg be approved.

March 28, 2011

OWNER'S CONSENT:

THIS IS TO CERTIFY THAT THE REAL ESTATE EMBRACED WITHIN IS OWNED BY THE UNDERSIGNED, AND THAT THIS "15' WATERLINE EASEMENT TO BE DEDICATED TO THE TOWN OF BLACKSBURG", AS SHOWN, IS WITH MY FREE CONSENT AND IN ACCORDANCE WITH MY DESIRES.

DR. SHERWOOD G. WILSON, EXECUTIVE VICE PRESIDENT OF ADMINISTRATIVE SERVICES
VIRGINIA POLYTECHNIC INSTITUTE & STATE UNIVERSITY

DATE _____

NOTARY CERTIFICATE:

CITY/ COUNTY OF _____
STATE OF _____

I, _____, A NOTARY PUBLIC IN AND FOR THE AFORESAID CITY AND STATE, DO HEREBY CERTIFY THAT DR. SHERWOOD G. WILSON OF VIRGINIA POLYTECHNIC INSTITUTE & STATE UNIVERSITY, WHOSE NAME IS SIGNED TO THE FOREGOING HAS PERSONALLY APPEARED BEFORE ME IN MY CITY AND STATE AND HAVE ACKNOWLEDGED THE SAME ON THIS

THE ____ DAY OF _____, 2011.

MY COMMISSION EXPIRES: _____

NOTARY PUBLIC: _____

CONFORMING STATEMENT:

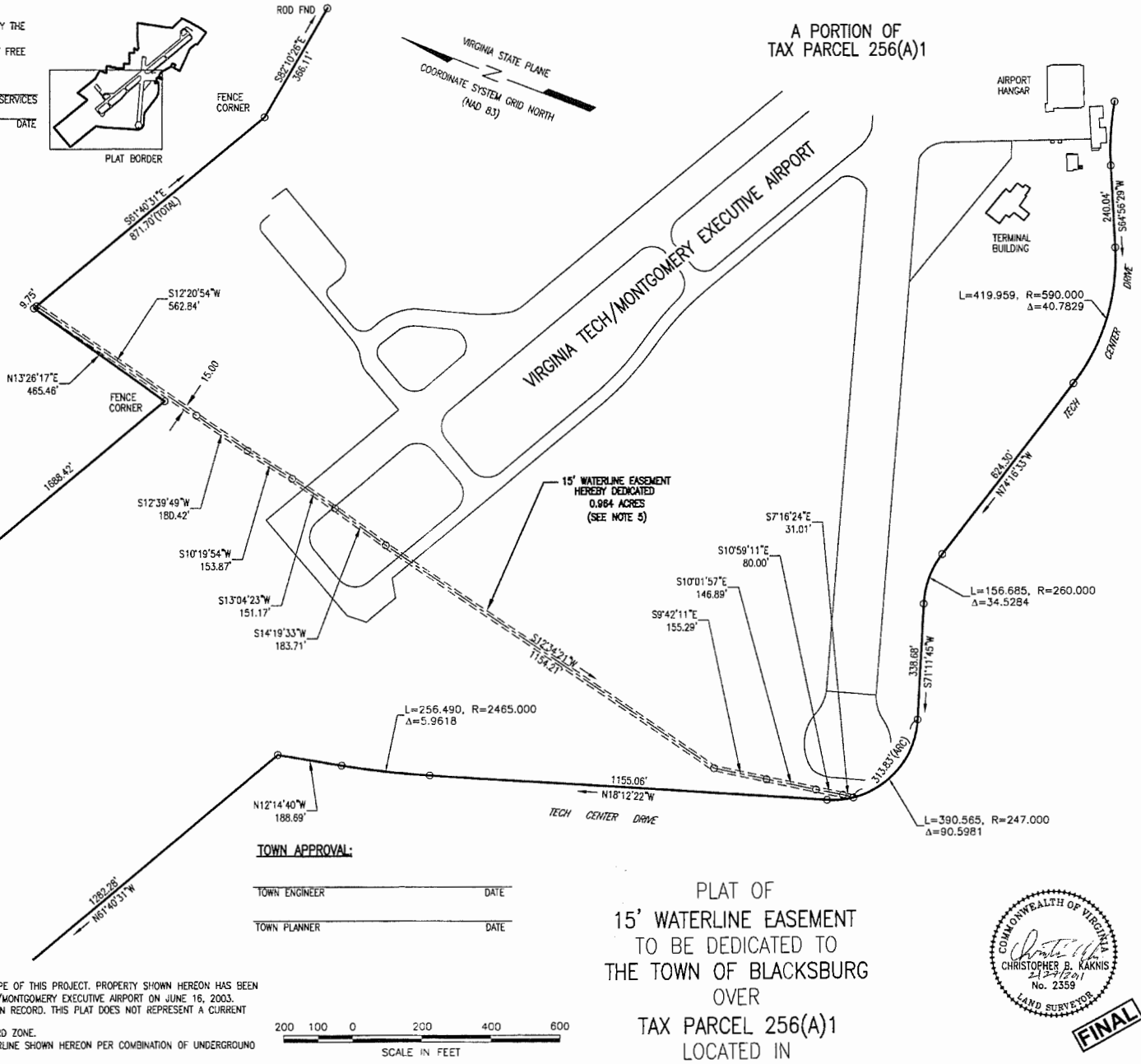
THIS IS TO CERTIFY THAT THIS 15' WATERLINE EASEMENT, IS ESTABLISHED TO CONFORM TO ALL OF THE REQUIREMENTS AND PROVISIONS OF THE SUBDIVISION AND ZONING ORDINANCES FOR THE TOWN OF BLACKSBURG, VIRGINIA.

CHRISTOPHER B. KAKNIS, L.S. 2359 DATE _____

DR. SHERWOOD G. WILSON DATE _____

NOTES:

1. THIS PLAT WAS PREPARED WITHOUT THE BENEFIT OF A TITLE REPORT.
2. REFERENCES MONTGOMERY COUNTY TAX MAP 256(A)1
3. A COMPLETE BOUNDARY SURVEY WAS NOT PERFORMED WITHIN THE SCOPE OF THIS PROJECT. PROPERTY SHOWN HEREON HAS BEEN TAKEN FROM COMPOSITE PROPERTY MAP PREPARED FOR VIRGINIA TECH/MONTGOMERY EXECUTIVE AIRPORT ON JUNE 16, 2003. PROPERTY MAY OR MAY NOT CONFORM TO CURRENT DEEDS & PLATS ON RECORD. THIS PLAT DOES NOT REPRESENT A CURRENT LAND BOUNDARY SURVEY.
4. THIS PROPERTY DOES NOT LIE WITHIN A H.U.D. 100 YEAR FLOOD HAZARD ZONE.
5. 15' EASEMENT WIDTH BASED ON CENTER OF EXISTING WATERLINE. WATERLINE SHOWN HEREON PER COMBINATION OF UNDERGROUND UTILITY DESIGNATION AND PLANS PROVIDED BY AIRPORT OFFICIALS.



ANDERSON & ASSOCIATES, INC.
Professional Design Services
www.andassoc.com

100 Ardmore St.
Blacksburg, Va. 24060
540-552-5592

DATE : 03 FEB 11
DESIGNED: _____
DRAWN : RLS
CHECKED: CBK
QA/QC : CBK

REVISIONS:

PRICES FORK MAGISTERIAL DISTRICT
BLACKSBURG, VIRGINIA

DOCUMENT NO.
2918001
SHEET
1 OF **1**

RESOLUTION ON NEWPORT NEWS WATERWORKS WATER LINE EASEMENT

WHEREAS, the university is the designated recipient of \$12 million in funding from the Commonwealth of Virginia for the construction of a research facility in a collaborative effort with the National Institute of Aerospace Associates (NIA). As a part of this project, Newport News Waterworks has requested that the university grant an easement for the installation of a water line on university property to provide water to the project; and

WHEREAS, this easement provides for the installation, operation and maintenance of the water line that will serve the facility; and

WHEREAS, the 10' wide water line easement is approximately 323 feet long and contains approximately 0.078 acre of real property and is more particularly described on a drawing prepared by Vanasse Hangen Brustlin, Inc. dated February 23, 2011 entitled "Exhibit Showing Proposed 10' and Variable Width Waterline Easement for Parcel D8, Hampton Roads Center, North Campus"; and

WHEREAS, Virginia Polytechnic Institute and State University desires to grant said easement to the Newport News Waterworks;

NOW, THEREFORE, BE IT RESOLVED, that the university be authorized to execute the easement to the Newport News Waterworks in accordance with Section 23-38.88 of the Code of Virginia (1950), as amended.

RECOMMENDATION:

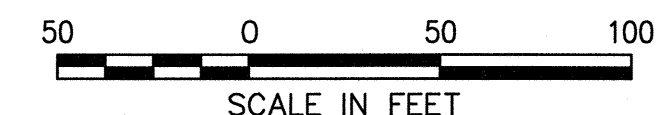
That the above resolution authorizing Virginia Polytechnic Institute and State University to execute the easement to the Newport News Waterworks be approved.

March 28, 2011



**One Columbus Center, Suite 1100
Virginia Beach, Virginia 23462
757/490-0132 • Fax 757/490-0136**

● WATER VALVE
 ● FIRE HYDRANT
 WM □ METER/SPRINKLER TAP



No.	Revision	Date	Approved by
Designed by	Drawn by	Checked by	
CAD checked by		Approved by	
Scale	1"=50'	Date	February 23, 2011
Project Title			

**EXHIBIT SHOWING
PROPOSED
10' AND VARIABLE WIDTH
WATERLINE EASEMENT
FOR
PARCEL D8
HAMPTON ROADS
CENTER
NORTH CAMPUS
CITY OF HAMPTON, VIRGINIA**

Drawing Number

Sv-1

Sheet 1 of 1

Project Number
33347.00

VIRGINIA STATE PLANE COORDINATE SYSTEM
SOUTH ZONE NAD 83

ARCHIE V. & RITA BELLE DEEL
N/F
LSRN #6000839
DOC. #05000233

PARCEL D9
(FORMERLY PARCEL 3)
D.B 987, PG. 295

N/F
MADISON CHASE
CONDOMINIUM
LSRN #6001130

EXPLORATION WAY
VARIABLE WIDTH R/W
M.P.B.3, PG.124

N15°25'38"E -

824.99'

201.46

U.S.A. EASEMENT
D.B. 945, PG.876
P.B. 10, PG.11

PARCEL D8

—PROPOSED 10' & VARIABLE
WIDTH WATERLINE EASEMENT
0.078 ACRES

FLOYD THOMPSON DRIVE
VARIABLE WIDTH R/W
M.P.B.3, PG.124

LINE TABLE		
LINE	LENGTH	BEARING
L1	8.73'	N57°54'45"E
L2	31.54'	S78°23'37"E
L3	8.57'	N12°18'11"E
L4	10.00'	S77°41'49"E
L5	8.57'	N12°18'11"E
L6	174.62'	S77°41'49"E
L7	48.97'	N57°54'45"E
L8	80.98'	N12°54'45"E
L9	15.00'	S77°05'15"E
L10	19.42'	N12°54'45"E
L11	5.00'	S77°05'15"E
L12	57.42'	N12°54'45"E
L13	40.75'	N57°54'45"E
L14	193.16'	S77°41'49"E
L15	3.02'	N57°54'45"E

NOTES:
1. HORIZONTAL DATUM BASE ON PRELIMINARY PLAT BY
MICHAEL SURVEYING AND MAPPING, P.C. DATED
5/22/10 AND PROVIDED BY CLIENT

RESOLUTION ON DEMOLITION OF UNIVERSITY BUILDINGS

WHEREAS, under the 2006 Management Agreement between the Commonwealth of Virginia and the university, the Board of Visitors has the authority to approve the disposition of any building; and

WHEREAS, a shed, building number 1314, and two grain bins, building number 1316, at Kentland Farm, located at 5250 Whitethorn Road, Blacksburg, Virginia, 24060, are in poor condition and uneconomical to repair; and

WHEREAS, two holding pens, building numbers 440M and 440N, at Virginia-Maryland Regional College of Veterinary Medicine, located at 1410 Prices Fork Road, Blacksburg, Virginia, 24061, are in poor condition and no longer needed; and

WHEREAS, the university will obtain the approvals of the Art and Architectural Review Board and the Department of Historic Resources for the demolition of these buildings prior to demolition;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Visitors approve the demolition of the shed and two grain bins located at Kentland Farm in Blacksburg (buildings 1314 and 1316) and the two holding pens located at the Virginia-Maryland Regional College of Veterinary Medicine (buildings 440M and 440N) in accordance with the applicable statutes of the Code of Virginia (1950), as amended.

RECOMMENDATION:

That the above resolution authorizing the demolition of the shed and two grain bins located at Kentland Farm in Blacksburg (buildings 1314 and 1316) and the two holding pens located at the Virginia-Maryland Regional College of Veterinary Medicine (buildings 440M and 440N), be approved.

March 28, 2011

**Building 1314
Kentland Farm**



**Building 1316 (2 Grain Bins)
Kentland Farm**



Building 440M
Virginia-Maryland College of Veterinary Medicine



Building 440N
Virginia-Maryland College of Veterinary Medicine



Committee Minutes

FINANCE AND AUDIT COMMITTEE

**Duck Pond Room, The Inn at Virginia Tech
8:30 a.m.**

March 28, 2011

Audit Closed Session

Board Members Present: Mr. Michael Anzilotti, Dr. Calvin Jamison, Mr. George Nolen, Mr. Paul Rogers

VPI & SU Staff: Ms. Kay Heidbreder, Ms. Sharon Kurek, Mr. M. Dwight Shelton, Jr., Dr. Lisa Wilkes

1. **Update on Fraud, Waste, and Abuse Cases:** The Committee met in Closed Session to receive an update on the outstanding fraud, waste, and abuse cases.
2. **Discussion with the Director of Internal Audit:** The Committee met in Closed Session with the Director of Internal Audit to discuss audits of specific departments and units where individual employees were identified.

Audit Open Session

Board Members Present: Mr. Michael Anzilotti, Dr. Calvin Jamison, Ms. Maxine Lyons – Staff Representative, Mr. Paul Rogers

VPI & SU Staff: Mr. Erv Blythe, Mr. Robert Broyden, Mr. Allen Campbell, Mr. Al Cooper, Mr. John Cusimano, Mr. Corey Earles, Mr. Tim Hodge, Ms. So-Young Hong, Ms. Elizabeth Hooper, Ms. Sarah Karpanty, Ms. Sharon Kurek, Mr. Ken Miller, Ms. Terri Mitchell, Ms. Kim O'Rourke, Ms. Kathy Sanders, Mr. M. Dwight Shelton, Jr., Mr. Ken Smith, Mr. Jeb Stewart, Ms. Melinda West, Dr. Lisa Wilkes

Guests: Ms. Michelle Sutherland, Collegiate Times

1. **Opening Remarks and Approval of Minutes of the November 8, 2010 Meeting:** The Committee reviewed and approved the minutes of the November 8, 2010 meeting.
1. **Review and Acceptance of University's Update of Responses to all Previously Issued Internal Audit Reports:** The Committee reviewed the university's update of responses to all previously issued internal audit reports. At

the November meeting, the university reported that as of September 30, 2010, twenty-one audit recommendations remained outstanding. Eight high or medium recommendations have been issued since then for a total of twenty-nine comments. As of December 31, 2010, the University has addressed twelve recommendations, leaving seventeen open recommendations in progress. The Committee received a briefing at the meeting that reviewed the status of the outstanding comments, including the comments that have been addressed since December 31, 2010. Through February 28, 2011, Internal Audit has closed eight recommendations, leaving nine open recommendations in progress.

The Committee accepted the report.

3. **Review of Internal Audit Department's Status Report as of December 31, 2010:** The Committee reviewed the Internal Audit Department's Status Report as of December 31, 2010. Of the thirty-one planned audit activities, fifteen have been completed. Consistent with the university's Audit Charter and the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing*, the department will undergo a Quality Assurance Review during the spring. This review is completed on a five-year cycle.

The Committee accepted the report.

4. **Review and Acceptance of the following Internal Audit Reports/Memos Issued:** The Committee reviewed and accepted the following Internal Audit Reports. Of the seven internal audit reports and four compliance reports issued, two received an "effective" rating, seven received "improvements are recommended" ratings, and two received "significant improvements are recommended" ratings.
 - a. Biological Sciences: The audit indicated that Biological Sciences management has designed and implemented controls that are often effective at reducing their exposure to many of the business risks it faces, but improvements are recommended to achieve a fully effective system of internal controls. Audit recommendations were issued to management where opportunities for further improvement were noted in the areas of laboratory safety and education abroad programs.
 - b. Office of Sponsored Programs – Post Award: The audit indicated that the Office of Sponsored Program management has designed and implemented controls that are often effective at reducing their exposure to many of the business risks it faces related to post award, but improvements are recommended to achieve a fully effective system of internal controls. Audit recommendations were issued to management where opportunities for further improvement were noted in the area of project close out.
 - c. Scholarships and Financial Aid: The audit indicated that the Office of University Scholarships and Financial Aid (USFA) management has designed and implemented controls that are generally effective at reducing their

exposure to many business risks, but improvements are recommended to achieve better utilization of financial aid funds. The Office of University Bursar processes related to the cash management of financial aid were effective.

- d. School of Architecture + Design: The audit indicated that the School of Architecture + Design management has designed and implemented controls and processes that are often effective at reducing its exposure to the many business risks it faces, but significant improvements are recommended to achieve a fully effective system of internal controls. Audit recommendations were issued to management where opportunities for further improvements were noted in the areas of funds handling, education abroad, management of sensitive data, machine shops, and personnel activity reporting. Given the number of recurring and high risk audit comments, the Committee requested that, at the June or August Board meeting, the Dean, College of Architecture and Urban Studies, provide a status report of the College's plan to fully address these comments.
- e. Veterinary Medicine Teaching Hospital: The audit indicated that the Veterinary Medicine Teaching Hospital management has designed and implemented controls and processes that are often effective at reducing its exposure to the many business risks it faces, but significant improvements are recommended to achieve a fully effective system of internal controls. Audit recommendations were issued to management where opportunities for further improvements were noted in the areas of IT project management, collection of past due receivables, timeliness of field service billings and inventory control. Given the number of recurring high risk audit comments, the Committee requested that, at the June or August Board meeting, the Dean, College of Veterinary Medicine provide a status report of the College's plan to fully address these comments.
- f. Northern Virginia Center – The audit indicated that management has designed and implemented controls that are often effective at reducing the Northern Virginia Center's exposure to some of the business risks it faces, but improvements are recommended to secure, monitor and record movable equipment to achieve a fully effective system of internal controls.
- g. Corps of Cadets: The audit indicated that management has designed and implemented controls that are often effective at reducing the Corps of Cadets' exposure to many of the business risks it faces, but improvements are recommended to achieve a fully effective system of internal controls. Audit recommendations were issued to management where opportunities for further improvements were noted in the areas of inventory control and funds handling.
- h. Vice President and Dean for Undergraduate Education: The compliance review indicated that internal controls and/or policy compliance within the Office of the Vice President and Dean for Undergraduate Education needs improvements. Specific areas where improvements were noted include monthly reconciliation processes, leave reporting, fixed assets management, information technology security, and emergency management planning.

- i. Vice President for National Capital Region: The compliance review indicated that internal controls and/or policy compliance within the Office of the Vice President for National Capital Region needs improvements. Specific areas where improvements were noted include monthly reconciliation processes, wage payroll handling, leave reporting, fixed assets management, and emergency management planning.
 - j. University Libraries: The compliance review indicated that internal controls and/or policy compliance within University Libraries is effective across the eleven areas reviewed.
 - k. Office of the President: The compliance review indicated that internal controls and/or policy compliance within the Office of the President is effective across the twelve areas reviewed.
5. **Presentation of Auditor of Public Accounts (APA) Intercollegiate Athletics Programs Report for Year Ended June 30, 2010:** The Committee received a report on the APA's 2010 Intercollegiate Athletics Review. The APA performed certain agreed-upon procedures to the university's Intercollegiate Athletics Programs for the fiscal year ended June 30, 2010, solely to assist the university in complying with National Collegiate Athletic Association (NCAA) bylaws. The university is responsible for the Intercollegiate Athletics Programs including preparation of the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs. During the APA review, no matters were brought to the APA's attention that would lead them to believe the amounts of the Schedule of Revenues and Expenses should be adjusted. This review does not constitute an audit and therefore no opinion is issued.

The Committee accepted the report.

6. **Review of Auditor of Public Accounts (APA) Statewide Reviews and Special Reports:** In addition to the annual audit of the university's financial statements and review of its Intercollegiate Athletics program, the APA has included Virginia Tech along with other agencies in recent program reviews designed to assess controls on a statewide basis. The Committee reviewed a report which provides an analysis of the APA's statewide audit activities to date and the university's planned approach to manage and report on these audit activities.

The Committee accepted the report.

7. **Review on Compliance with Audit Resolution of University-Related Corporations:** The Committee received a compliance report for the audits of the university-related corporations. These corporations include Virginia Tech Foundation, Inc., Virginia Tech Services, Inc., and Virginia Tech Intellectual Properties, Inc. Consistent with the Board of Visitors' resolution establishing university-related corporations, each corporation is annually required to provide audited annual financial statements, management letters from external auditors, and management's responses to the university's President. Each corporation is also required to submit an annual certification stating that all procedures outlined

in the resolution have been met. All corporations are in full compliance with the Board of Visitors' requirements regarding audits.

The Committee accepted the report.

Finance Closed Session

Board Members Present: Mr. Michael Anzilotti, Dr. Calvin Jamison, Mr. George Nolen, Mr. Paul Rogers

VPI & SU Staff: Ms. Kay Heidbreder, Ms. Sharon Kurek, Mr. M. Dwight Shelton, Jr., Dr. Lisa Wilkes

2. Motion for Closed Session

- * 2. **Ratification of Personnel Changes Report:** The Committee met in Closed Session to review and take action on the quarterly personnel changes report.

Finance Open Session

Board Members Present: Mr. Michael Anzilotti, Dr. Calvin Jamison, Ms. Maxine Lyons – Staff Representative, Mr. Paul Rogers

VPI & SU Staff: Mr. Erv Blythe, Mr. Robert Broyden, Mr. Ralph Byers, Mr. Allen Campbell, Mr. Al Cooper, Mr. John Cusimano, Mr. Corey Earles, Dr. Alan Grant, Ms. Natalie Hart, Mr. Tim Hodge, Ms. So-Young Hong, Ms. Elizabeth Hooper, Mr. Tom Kaloupek, Dr. Sarah Karpanty, Ms. Sharon Kurek, Mr. Ken Miller, Ms. Terri Mitchell, Ms. Kim O'Rourke, Ms. Kathy Sanders, Mr. M. Dwight Shelton, Jr., Dr. Barry Simmons, Mr. Ken Smith, Dr. Raymond Smoot, Jr., Dr. Charles Steger, Mr. Jeb Stewart, Mr. Kirk Wehner, Ms. Melinda West, Dr. Lisa Wilkes, Dr. Daniel Wubah

Guests: Ms. Michelle Sutherland, Collegiate Times

1. Motion to Reconvene in Open Session

- 2. **Approval of Items Discussed in Closed Session:** The Committee reviewed and ratified the quarterly personnel changes report.
- 3. **Opening Remarks and Approval of Minutes of the November 8, 2010 Meeting:** The Committee reviewed and approved the minutes of the November 8, 2010 meeting.
- 4. **Report on Scholarship Programs Expenditure Plans:** The Committee received an annual report on the scholarship programs expenditure plans and the February 28, 2011 cash balance in the endowment accounts. At the March

2006 Finance and Audit Committee meeting, the Committee requested that the Virginia Tech Foundation work with the university to develop action plans that would more fully utilize the available scholarship funds. Since that time, the university has worked with college deans and senior management areas where scholarships are held. Significant progress has been made towards utilizing available scholarship funds and, as of February 28, 2011, the majority of the areas fully met their action plan. University management will continue to work with units who have maintained high cash balances to develop further action plans to more fully utilize available scholarship funds. The Committee commended the university for the progress made towards fully utilizing available scholarship funds.

5. **Update on Cooperative Extension Restructuring Plan and Review of Related Accounting and Budgeting Policy and Practice:** The Committee received an update on Cooperative Extension restructuring, the outcome of the 2011 General Assembly Session, and a review of related accounting and budgeting policy and practice. This report provided information regarding the university's organizational structure, its resulting financial structure, and a high level view of the system of internal controls that the university employs to provide financial integrity over the financial activities of the university. The Committee requested that the Dean of the College of Agriculture and Life Sciences and the Director of Cooperative Extension provide a briefing to the Committee following discussions with the Cooperative Extension stakeholders group.
6. **Review of Higher Education Opportunity Act of 2011:** In March 2010 the Governor established the Governor's Commission on Higher Education Reform, Innovation, and Investment. The Commission's recommendations were introduced to the 2011 General Assembly as a comprehensive legislative package titled "Preparing for the Top Jobs of the 21st Century: The Virginia Higher Education Opportunity Act of 2011" (the Act) and approved by the legislature. The Act redefines, recommits, and significantly impacts the Commonwealth's higher education goals and institutional relationships. The result is a thorough reform of institutional goals, funding strategies, financial aid commitments, and operational frameworks such as institutional six-year planning models. The Act also creates the Higher Education Advisory Committee (HEAC), made up of representatives from the legislature, the administration, and institutions of higher education. The HEAC will study recommendations on various issues including restructuring and will allow institutions to directly participate in the higher education policy-making process. The Committee received a review of the major elements of the Act, as well as the potential impacts to the university and higher education in the Commonwealth.
7. **Report on the 2011 Legislative Session:** The Committee received a report on the results of the 2011 legislative session, including the Governor's Executive Budget presented on December 17, 2010. The General Assembly session opened on January 12, 2011 and adjourned on February 27, 2011. This report presented the major elements of the Executive Budget and General Assembly

actions for the remainder of the biennium and included a discussion on the development of 2011-2012 tuition and fees.

8. **Report on Implementation of Low Value Procedures for Procurement of Architectural and Engineering Services:** The Committee received a report on the implementation of low value procedures for procurement of Architectural and Engineering (A/E) Services. At the November 2010 meeting, the Board of Visitors approved a Resolution to Adopt Alternative Small Purchase Procedures for Procurement of Low Value Architectural and Engineering Services. The Committee authorized the Director of Materials Management to develop and implement purchase procedures and to provide a report back to the Finance and Audit Committee upon implementation.

A library of A/E proposals will be established under the custody of the University Planning, Design, and Construction Procurement Coordinator; project managers will refer to this library to begin researching for a suitable A/E for one-time projects with A/E fees valued less than \$50,000. A set of procedures for A/E selection has been developed for projects for which fees are not expected to exceed \$10,000 and for projects where fees are expected to be greater than \$10,000 but less than \$50,000. Steps are outlined for the processes to achieve a final contract. The Committee requested that the university continue to provide an annual update on achieving compliance with the university's SWAM plan.

9. **Presentation of University's Annual Financial Report:** The Committee received an overview of the University's Annual Financial Report for the fiscal year ending June 30, 2010. The financial statements have been prepared in accordance with generally accepted accounting principles, and the Auditor of Public Accounts issued an unqualified (or clean) opinion. The university had total net assets of \$1,048.7 million at June 30, 2010, a 14.1 percent increase over the prior year. Total revenues at year end were \$1,097 million, an increase of \$67.4 million or 6.5 percent over the previous year. The majority of the growth in operating revenues came from the grants and contracts, as well as capital grants and gifts. Total operating expenses decreased by \$2.8 million, due in part to the state appropriation reduction of \$26.1 million, a 10.2 percent decrease over the prior year.
- * 10. **Approval of Year-to-Date Financial Performance Report (July 1, 2010 – December 31, 2010):** The Committee reviewed the Year-to-Date Financial Performance Report for July 1, 2010 – December 31, 2010. For the second quarter, all programs of the university are on target and routine budget adjustments were made to reflect changes in General Fund revenues and expenditure budgets in academic and administrative areas.

During the second quarter, the General Fund revenue budget was increased by \$3.8 million in the University Division and \$1.67 million in Cooperative Extension/Agricultural Experiment Station Division to match the actual central appropriations transfer for fringe benefit rate changes and the one-time bonus.

These resources were contingent upon the Commonwealth achieving specified statewide financial performance.

Routine budget adjustments have been made during the second quarter in several auxiliaries to reflect revenue and expenditure changes. The Telecommunications budget was increased \$2 million to fund the campus fiber optic project. Intercollegiate Athletics budget was increased for participation in the ACC Conference football championship game and the Orange Bowl.

For the quarter ending December 31, 2010, \$41 million had been expended for Educational and General and General Obligation Bond Projects, and \$25 million in expenditures were incurred for Auxiliary Enterprises capital projects.

At a future meeting, the Committee requested a briefing on the university's progress towards implementation of alternative transportation programs, including student/faculty usage, and the impact to the university's parking services budget. Further, the Committee requested a briefing on the university's sustainability efforts related to parking and transportation.

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

Open Joint Session (with Buildings and Grounds Committee)

Board Members Present: Mr. Michael Anzilotti, Mr. Douglas Fahl, Dr. Calvin Jamison, Ms. Maxine Lyons – Staff Representative, Mr. John Rocovich, Jr., Mr. Paul Rogers, Mr. James Severt, Sr.

VPI & SU Staff: Mr. Erv Blythe, Mr. Robert Broyden, Mr. Allen Campbell, Mr. Mike Coleman, Mr. Al Cooper, Mr. John Cusimano, Mr. Corey Earles, Mr. Larry Hincker, Mr. Tim Hodge, Ms. So-Young Hong, Ms. Elizabeth Hooper, Ms. Sharon Kurek, Dr. Gary Long, Ms. Heidi McCoy, Mr. Ken Miller, Ms. Terri Mitchell, Ms. Kathy Sanders, Mr. M. Dwight Shelton, Jr., Ms. Kayla Smith, Mr. Ken Smith, Mr. Jeb Stewart, Ms. Melinda West, Dr. Lisa Wilkes, Dr. Sherwood Wilson

- * 1. **Approval of the 2012-2018 Capital Outlay Plan:** The Committees reviewed for approval the 2012-2018 Capital Outlay Plan. The university prepares an updated Six-Year Capital Outlay Plan every two years as part of the state budget cycle, with the next plan covering 2012-18 and due for submission to the state in the spring or summer of 2011.

Preliminary work has been done to identify potential projects for inclusion in the 2012-18 Capital Outlay Plan in anticipation of future guidance and instructions from the state. These projects are consistent with programmatic needs established for the prior planning period and with the strategic plan of the

university, and they position the university with options to respond to guidance from the state.

Since the submission date for the new Plan may occur before the June 2011 Board of Visitors meeting, the university is at this time requesting the review and approval of the list of potential projects for inclusion in the 2012-2018 Capital Outlay Plan. The university will provide an update to the status of the 2012-2018 Plan at the June 2011 Board of Visitors meeting.

The Committees recommended the 2012-2018 Capital Outlay Plan to the full Board for approval.

- * 2. **Approval of Capital Project for the Virginia Tech-Carilion Research Institute Third Floor Upfit:** The Committees reviewed for approval a Capital Project for the Virginia Tech-Carilion Research Institute Third Floor Upfit. The Virginia Tech-Carilion Research Institute (VTCRI) is operational and is successfully attracting and hiring renowned research faculty. The existing facility includes 100,000 gross square feet over three floors. The original building plan reserved the third floor as shell space for future upfits to meet specific program and faculty needs at the time of hire. The first two floors of the 100,000 gross square foot research facility are fully programmed, and the pace of hiring now requires the third floor to be specialized to support key research activities.

The proposed project to upfit the shelled 26,000 assignable square foot third floor includes accommodations for wet and dry laboratories, conference space, office space, and a 5,000 cage vivarium with the necessary support spaces and equipment to maintain the cages and animals. All upfits will meet NIH and Association for Assessment and Accreditation of Laboratory Animal Care International (AAALAC) requirements for animal study.

The estimated project cost of the proposed upfits to the third floor of the research institute, inclusive of all hard and soft costs, will not exceed \$15 million. As with all self-supporting projects, the university has developed a funding plan to provide assurance regarding the financial feasibility of the overall project.

The Committees recommended the Capital Project for the Virginia Tech-Carilion Research Institute Third Floor Upfit to the full Board for approval.

- * 3. **Approval of Capital Project for Repair McComas Exterior Wall Structure, Phase III:** The Committees reviewed for approval a Capital Project for the Repair McComas Exterior Wall Structure – Phase III. McComas Hall was constructed in 1998 as a combined use recreational sports, student health, and student counseling services building. Structural evaluation and facilities condition studies identified problems with structural supports and connections of precast panels that support the exterior walls.

In June 2007, the Board of Visitors approved a \$1.5 million capital project to initiate phase one of repairs to the building followed by a \$4.5 million capital

authorization for a phase two of repairs in November 2008. As repair work on McComas Hall has progressed, the intensity of the repairs has been more extensive than originally expected, including unforeseen foundation repairs and steel corrosion repairs. To ensure the building's entire envelope is repaired, a third phase effort is required. The estimated costs of phase three are \$3.1 million. The estimated project timeline is 16 months with a target completion date of July 2012.

McComas Hall houses three auxiliary enterprise units, and the project funding plan calls for 100 percent nongeneral fund support. As with all self-supporting projects, the university has developed a financing plan to provide assurance regarding the financial feasibility of the project.

The Committees recommended the Capital Project for Repair McComas Exterior Wall Structure, Phase III to the full Board for Approval.

4. **Update on Visitors and Undergraduate Admissions Center Entrance:** The Committees received an update on the Visitors and Undergraduate Admissions Center Entrance. As requested by the Buildings and Grounds Committee at its March 2009 meeting, the university remains committed to incorporating an entrance off of Price's Fork Road to the Visitors and Undergraduate Admissions Center, which is now under construction. Funding is currently not available for the entrance as part of the original construction budget. Virginia Tech administration is diligently attempting to identify sufficient funding over the next few years in order to implement this improvement. The Board requested that plans for building the new entrance to the Visitors and Undergraduate Admissions Center be brought back to the Committees in eighteen months.

***Requires full Board approval.**

There being no further business, the meeting adjourned at noon.

Update to Responses to Open Internal Audit Comments

FINANCE AND AUDIT COMMITTEE

December 31, 2010

As part of the internal audit process, university management participates in the opening and closing conferences and receives copies of all Internal Audit final reports. The audited units are responsible for implementing action plans by the agreed upon implementation dates, and management is responsible for ongoing oversight and monitoring of progress to ensure solutions are implemented without unnecessary delays. Management supports units as necessary when assistance is needed to complete an action plan. As units progress toward completion of an action plan, Internal Audit performs a follow up visit within two weeks after the target implementation date. Internal Audit is responsible for conducting independent follow up testing to verify mitigation of the risks identified in the recommendation and formally close the recommendation. As part of management's oversight and monitoring responsibility, this report is provided to update the Finance and Audit Committee on the status of outstanding recommendations. Management reviews and assesses recommendations with university-wide implications and shares the recommendations with responsible administrative departments for process improvements, additions or clarification of university policy, and inclusion in training programs and campus communications. Management continues to emphasize the prompt completion of action plans. Attachment 3 reflects performance in implementing recommendations on schedule over the last seven years. The 93 percent on schedule rate for FY2011 reflects closing 25 of 27 recommendations by the original due date.

Consistent with the report presented at the November board meeting, the report of open audit recommendations includes the following two sections:

- Attachment 1 summarizes each audit in order of final report date, with extended and on-schedule open high or medium priority recommendations grouped by priority.
- Attachment 2 details all open high or medium priority recommendations for each audit, in order of the original target completion date, and including an explanation for those having revised target dates or revised priority levels.

The report presented at the November 8, 2010 meeting covered internal audit reports reviewed and accepted through September 30, 2010 and included twenty-one open high or medium priority recommendations. Activity for the quarter ended December 31, 2010 resulted in the following:

Open recommendations as of September 30, 2010	21
Add: Medium & High priority recommendations accepted November 8, 2010	8
Subtract: recommendations addressed since November 8, 2010	12
Remaining open recommendations as of December 31, 2010	<u>17</u>

While this report is prepared as of the end of the quarter, management has traditionally conducted an informal review of the status of the open recommendations before the board meeting. Through February 28, 2011, Internal Audit has closed eight of the 17 outstanding medium and high priority recommendations. The remaining nine open recommendations are progressing as expected and are on track to meet their respective target due dates. Management is working jointly with all the units and providing assistance as needed to ensure the action plans are completed timely.

Open Recommendations by Priority Level

FINANCE AND AUDIT COMMITTEE

December 31, 2010

Report Date	Audit Name	Audit Number	Total Recommendations						
			ISSUED	COMPLETED	OPEN				
					Extended		On-schedule		Total
					High	Medium	High	Medium	Open
17-May-10	Department of Chemistry	909	6	4		2			2
17-May-10	Information Technology Security Office	904	4	2				2	2
17-May-10	University Scholarships & Financial Aid	908	3	2				1	1
03-Aug-10	Leave Accounting	918	2	1				1	1
03-Aug-10	University Unions and Student Activities	913	2				1	1	2
09-Aug-10	Departmental Scholarships	912	3	1			1	1	2
13-Oct-10	Animal Care and Resources	956	3				1	2	3
19-Oct-10	Emergency Preparedness	905	1				1		1
20-Oct-10	Construction Project Management Process	906	4	1			2	1	3
Totals:			28	11	0	2	6	9	17

Internal Audit Open Recommendations

FINANCE AND AUDIT COMMITTEE

December 31, 2010

Report Date	Item	Audit Number	Audit Name	Recommendation Name	Priority		Target Date		Follow Up Status	Status of Recommendations with Revised Priority / Target Dates
					Original	Revised	Original	Revised		
17-May-10	1	909	Department of Chemistry	Health and Safety	Medium		31-Aug-10	31-Jan-11	1	Target date extended to ensure all recommendations are properly addressed
17-May-10	2	909	Department of Chemistry	Service Center Administration	Medium		01-Dec-10	31-Jan-11	1	Target date extended to ensure all recommendations are properly addressed
13-Oct-10	3	956	Animal Care and Resources	Vivarium Facilities Security	Medium		01-Jan-11		2	
03-Aug-10	4	913	University Unions and Student Activities	Electronic Timekeeping System	High		15-Jan-11		2	
09-Aug-10	5	912	Departmental Scholarships	Compliance with Scholarships Criteria	Medium		01-Feb-11		2	
09-Aug-10	6	912	Departmental Scholarships	Utilization of Scholarship Funds	High		28-Feb-11		2	
20-Oct-10	7	906	Construction Project Management Process	Verification of State Licensure	High		01-Mar-11		2	
20-Oct-10	8	906	Construction Project Management Process	Project Cost Estimates	High		01-Mar-11		2	
20-Oct-10	9	906	Construction Project Management Process	SWaM Vendor Reports	Medium		01-Mar-11		2	
17-May-10	10	904	Information Technology Security Office	Reviewing Commercial-Off-The-Shelf Information Technology Hardware and Software Products	Medium		31-Mar-11		2	
19-Oct-10	11	905	Emergency Preparedness	Emergency Preparedness Improvements	High		31-Mar-11		2	
17-May-10	12	908	University Scholarships & Financial Aid	Improve Aid Disbursement Monitoring Process	High	Medium	01-Apr-11		1	Completed 2 of the interim dates and audit has revised the priority level to medium
17-May-10	13	904	Information Technology Security Office	Resetting Personal Identifier Passwords	Medium		15-Jun-11		3	
03-Aug-10	14	918	Leave Accounting	Automation Initiatives	Medium		30-Jun-11		3	
13-Oct-10	15	956	Animal Care and Resources	Full Time University Veterinarian	High		31-Jul-11		3	
13-Oct-10	16	956	Animal Care and Resources	Efficiency of Protocol Review and Communication	Medium		31-Jul-11		3	
03-Aug-10	17	913	University Unions and Student Activities	Production Services Equipment and Supplies	Medium		01-Aug-11		3	

(1) A revised target date and/or priority level has been established based on management's follow up with the auditee.

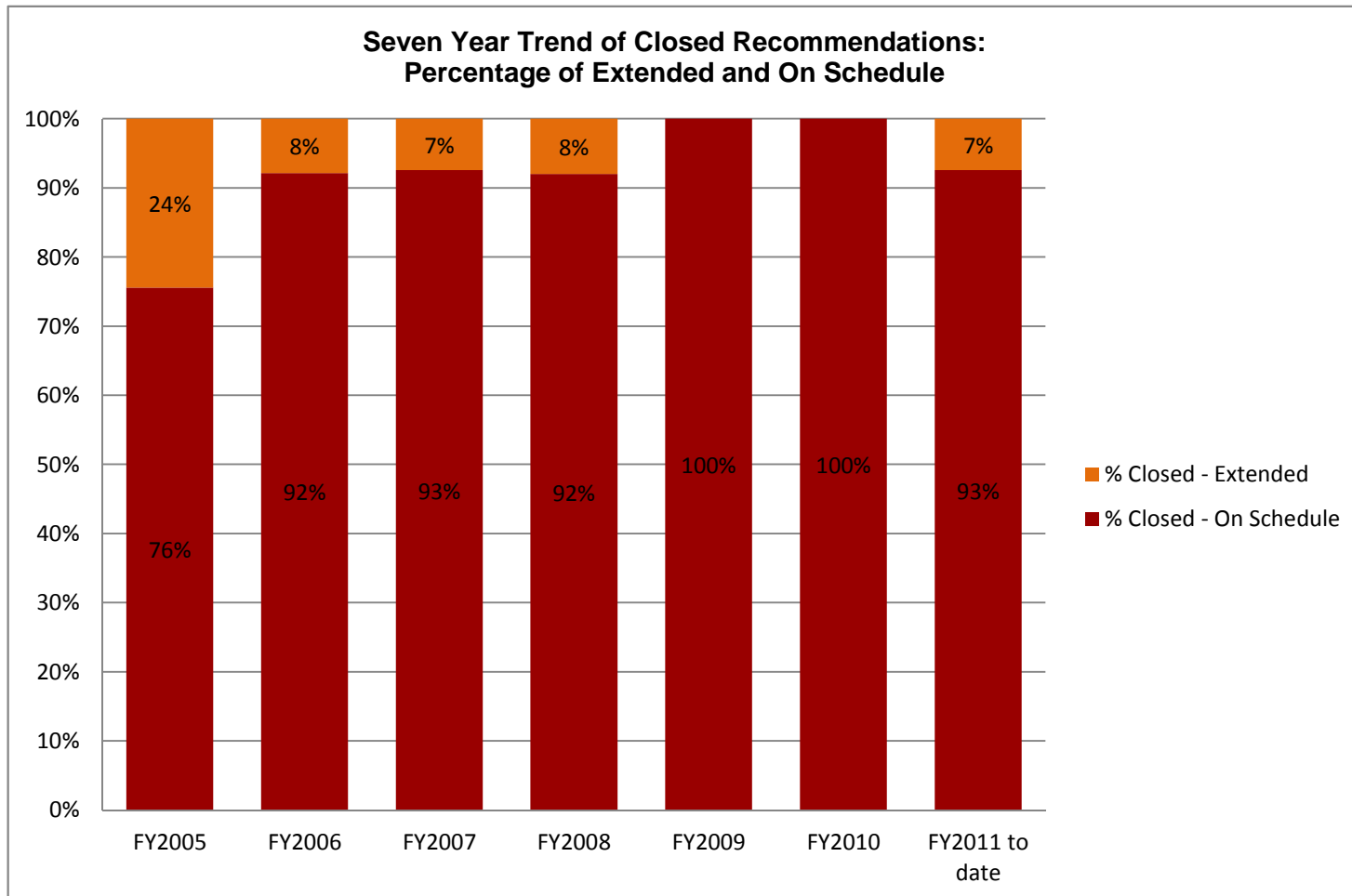
(2) As of December 31, 2010, management confirmed during follow up discussions with audit that actions are occurring and the target date will be met. The Audit department will conduct testing after the due date to confirm that the Management Action Plan is implemented in accordance with the recommendations.

(3) Target date is beyond current calendar quarter. Management has follow-up discussions with the auditees to monitor progress, to assist with actions that may be needed to meet target dates, and to assess the feasibility of the target date.

Management Performance and Trends Regarding Internal Audit Recommendations

FINANCE AND AUDIT COMMITTEE

December 31, 2010



Internal Audit Status Report
FINANCE AND AUDIT COMMITTEE

February 17, 2011

Audit Plan Update

Audits were performed according to the fiscal year 2010-11 annual audit plan approved by the Finance and Audit Committee of the Board of Visitors on August 30, 2010 and conducted in an objective manner at a level consistent with the resources of the Internal Audit Department. During the second quarter, Internal Audit completed 11 audit projects: Biological Sciences, Office of Sponsored Programs – Post Award, Scholarships and Financial Aid, School of Architecture + Design, Veterinary Medicine Teaching Hospital, Northern Virginia Center, Corps of Cadets, Vice President and Dean for Undergraduate Education, Vice President for National Capital Region, University Libraries, and Office of the President. The following audits are underway: Admissions, Controller's Office - Fixed Assets, Distance Learning and Summer Sessions, Secure Enterprise Technology Initiatives, and Tidewater and Hampton Roads ARECs along with the Vice Provost of Outreach compliance review and Air Transportation Services advisory service.

So far in fiscal year 2010-11, Internal Audit has completed 48% of its audit plan as depicted in Exhibit 1.

Exhibit 1
FY 2010-11 Completion of Audit Plan

Audits	
Total # of Audits Planned	30
Total # of Supplemental & Unplanned Carry forward	2
Total # of Planned Audits Canceled and/or Deferred	1
Total Audits in Plan as Amended	31
Total Audits Completed	15
Audits - Percentage Complete	48%
Note: Includes Compliance Reviews and Advisory Services	

Quality Assurance Review

Internal Audit submitted a Request for Proposal through Purchasing and contracted with an external consultant, Richard Tarr, to conduct a Quality Assurance Review (QAR). The objectives of the review are to evaluate the internal audit activity's compliance with the Institute of Internal Auditor's (IIA) *International Standards for the Professional Practice of Internal Auditing*. The review is being conducted in accordance with the *Quality Assessment Manual, Sixth Edition*, issued by the IIA. QAR activities are currently underway. A report detailing the results will be presented by Richard Tarr at the next board meeting in June.

Review and Acceptance of Internal Audit Reports Issued

FINANCE AND AUDIT COMMITTEE

February 17, 2011

Background

In concurrence with the fiscal year 2010-11 Internal Audit Plan approved by the Finance and Audit Committee at the August 30, 2010 Board of Visitors meeting, the department has completed seven risk-based audits and four compliance reviews during this reporting period. This report provides a summary of the ratings issued during the period and the rating system definitions. Internal Audit continues to make progress on the annual audit plan.

Ratings issued this period

Biological Sciences	Improvements are Recommended
Office of Sponsored Programs – Post Award	Improvements are Recommended
Scholarships and Financial Aid	Improvements are Recommended
School of Architecture + Design	Significant Improvements are Needed
Veterinary Medicine Teaching Hospital	Significant Improvements are Needed
Northern Virginia Center	Improvements are Recommended
Corps of Cadets	Improvements are Recommended
Vice President and Dean for Undergraduate Education	Improvements are Recommended
Vice President for National Capital Region	Improvements are Recommended
University Libraries	Effective
Office of the President	Effective

Summary of Audit Ratings

Internal Audit's rating system has four tiers from which to assess the controls designed by management to reduce exposures to risk in the area being audited. The auditor can use professional judgment in constructing the exact wording of the assessment in order to capture varying degrees of deficiency or significance.

Definitions of each assessment option

Effective – The audit identified opportunities for improvement in the internal control structure, but business risks are adequately controlled in most cases.

Improvements are Recommended – The audit identified occasional or isolated business risks that were not adequately or consistently controlled.

Significant or Immediate Improvements are Needed – The audit identified several control weaknesses that have caused, or are likely to cause, material errors, omissions, or irregularities to go undetected. The weaknesses are of such magnitude that senior management should undertake immediate corrective actions to mitigate the associated business risk and possible damages to the organization.

Not Reliable – The audit identified numerous significant business risks for which management has not designed or consistently applied controls prior to the audit. Persistent and pervasive control weaknesses have caused or could cause significant errors, omissions, or irregularities to go undetected. The weaknesses are of such magnitude that senior management must undertake immediate corrective actions to bring the situation under control and avoid (additional) damages to the organization.

RECOMMENDATION:

That the internal audit reports reviewed above be accepted by the Finance and Audit Committee.

**Presentation of Auditor of Public Accounts Intercollegiate Athletics Programs
Report for Year Ended June 30, 2010**

FINANCE AND AUDIT COMMITTEE

February 9, 2011

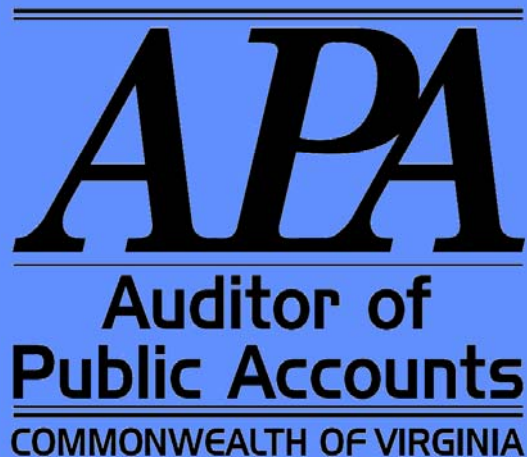
The Auditor of Public Accounts (APA) performed certain agreed-upon procedures to evaluate whether the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs of the university is in compliance with National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.16.1 for the year ended June 30, 2010. The APA did not perform an audit of the financial statements of the Intercollegiate Athletics Programs, so no opinion was issued. The APA performed procedures that addressed internal controls, affiliated and outside organizations, and schedule of revenues and expenses of intercollegiate athletics programs, and separate procedures for specific revenues and expenses. During the APA review, no matters were brought to the APA's attention that would lead them to believe the amounts on the Schedule of Revenues and Expenses should be adjusted.

The purpose of the Schedule is to present a summary of revenues and expenses of the intercollegiate athletics programs of the university for the year ended June 30, 2010. Total revenues of the Intercollegiate Athletics Programs for the year ended June 30, 2010 were \$63.6 million with the majority of the revenues coming from the football and basketball programs. Expenses for the year were \$55.7 million, and the excess of revenues over expenses were \$7.9 million.

See the attachment for the actual APA report on the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs for the year ended June 30, 2010.

**VIRGINIA POLYTECHNIC INSTITUTE
AND STATE UNIVERSITY**

**INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED
JUNE 30, 2010**



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Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

December 28, 2010

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable Charles J. Colgan
Chairman, Joint Legislative Audit
And Review Commission

Dr. Charles W. Steger
President, Virginia Polytechnic Institute and
State University

INDEPENDENT AUDITOR'S REPORT ON APPLICATION OF AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by the President of **Virginia Polytechnic Institute and State University**, solely to assist the University in evaluating whether the accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics Programs of the University is in compliance with National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.16.1, for the year ended June 30, 2010. The University's management is responsible for the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs and the Schedule's compliance with NCAA requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the University. Consequently, we make no representation regarding sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

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

The procedures that we performed and our findings are as follows:

Internal Controls

1. We reviewed documentation of accounting systems and operating procedures. 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 Intercollegiate Athletics Programs, which were not reviewed in connection with our audits of the University's financial statements.

2. We reviewed an organizational chart provided by Intercollegiate Athletics Department management and discussed it with appropriate personnel. We also made certain inquiries of management regarding control consciousness, the use of internal audit in the department, competence of personnel, and protection of records and equipment.
3. The University provided us with their procedures for gathering information on the nature and extent of affiliated and outside organizational activity for or on behalf of the Intercollegiate Athletics Programs.

Affiliated and Outside Organizations

4. Intercollegiate Athletics Department management identified all intercollegiate athletics-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 to us a summary of revenues and expenses for or on behalf of the Intercollegiate Athletics Programs by affiliated and outside organizations included in the Schedule.
6. We obtained any additional reports regarding internal control matters identified during the independent audits of affiliated and outside organizations and inquired as to the corrective action taken in response to such comments. We noted that the affiliated organizations had been audited by independent public accountants and we were not made aware of any internal control findings.

Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

7. We obtained the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs (Schedule) for the year ended June 30, 2010, as prepared by the University and shown in this report. We recalculated the addition of the amounts on the Schedule, traced the amounts on the Schedule to management's worksheets, and agreed the amounts on management's worksheets to the Intercollegiate Athletics Department's accounts in the accounting records. We noted no differences between the amounts in the Intercollegiate Athletics Department's accounts in the accounting records and the amounts on the worksheets. We discussed the nature of work sheet adjustments with management and are satisfied that the adjustments are appropriate.
8. We applied certain analytical review techniques to the balances reported on the Schedule in order to determine the reasonableness of amounts reported therein. These techniques included trend analyses and other tests using operating data and review of actual amounts expended in comparison to budgeted amounts.

Revenues

9. We compared each major revenue account to prior period amounts and budget estimates. We obtained and documented an understanding of all significant variances.
10. Intercollegiate Athletics Department management provided us with a reconciliation of tickets sold during the reporting period along with complimentary tickets and unsold tickets to the revenue recorded in the Schedule and related attendance figures. We reviewed these reconciliations for selected games and found such reconciliations to be accurate and agreed to amounts recorded as ticket revenue for those games.

11. 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 materially in agreement.
12. Intercollegiate Athletics Department management provided us with settlement reports and game guarantee agreements for away games during the reporting period. We reviewed these settlement reports and guarantee agreements for selected games and verified the mathematical accuracy and coding of the settlement reports and game guarantee agreements. We found that revenue was properly computed and deposited promptly and intact.
13. Intercollegiate Athletics Department management provided us with a listing of all contributions of moneys, goods or services received directly by the Intercollegiate Athletics Department 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. We confirmed payments made on behalf of Intercollegiate Athletics Programs with the Virginia Tech Foundation, Incorporated and ensured those payments were properly reported in the Schedule. Except for contributions received from the Virginia Tech Foundation, Incorporated, an affiliated organization, we noted no individual contribution which constituted more than ten percent of total contributions received for intercollegiate athletics.
14. From the summary of revenues and expenses for or on behalf of the Intercollegiate Athletics Programs by affiliated and outside organizations, we selected and tested receipts of such revenue and agreed each selection to supporting documentation and proper posting in the accounting records. We found all reviewed transactions to be in agreement.
15. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from tournaments, conference distributions, and NCAA distributions. We inspected the agreements and verified the mathematical accuracy and coding of the distribution amounts. We found that revenue was properly computed and deposited promptly and intact.
16. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from broadcast, television, radio, and internet rights. We inspected the agreements and verified the mathematical accuracy and coding of the revenue amounts. We found that revenue was properly computed and deposited promptly and intact.
17. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from royalties, advertisements, and sponsorships. We selected and tested receipts of such revenue and, for those items; we inspected the agreements and verified the mathematical accuracy and coding of the payment amounts. We found that revenue was properly computed and deposited promptly and intact.
18. Based on receipts as listed in the accounting records, we selected and tested collections by the Intercollegiate Athletics Programs. We compared and agreed the selected operating receipts to adequate supporting documentation. We found all reviewed amounts to be in agreement with supporting documentation and properly recorded in the accounting records.

Expenses

19. We compared each major expense account to prior period amounts and budget estimates. We obtained and documented an understanding of all significant variances.

20. Intercollegiate Athletics Department management provided us a listing of institutional student aid recipients during the reporting period. We selected individual student athletes across all sports and agreed amounts from the listing to their award letter. We also ensured that the total aid amount for each sport materially agreed to amounts reported as Financial Aid in the student accounting system.
21. Intercollegiate Athletics Department management provided us with settlement reports and game guarantee agreements for home games during the reporting period. We reviewed these settlement reports and guarantee agreements for selected games and verified the mathematical accuracy and coding of the settlement reports and game guarantee agreements. We found all reviewed amounts to be properly approved, in agreement with supporting documentation, and properly recorded in the accounting records.
22. 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 and compared amounts paid for one pay period or a bonus payment 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.
23. Intercollegiate Athletics Department management provided us with a listing of coaches, support staff, and administrative personnel employed and paid by the third-parties during the reporting period. We found that recorded expenses equaled amounts paid as salary and bonuses and were in agreement with approved contracts or other documentation.
24. Intercollegiate Athletics Department management provided us with a listing of severance payments made during the reporting period. We reviewed these amounts for reasonableness; however, since these payments in total were immaterial, we did not complete any detailed testing.
25. We discussed the University's recruiting expense and team travel policies with Intercollegiate Athletics Department management and documented an understanding of those policies.
26. Based on disbursements as listed in the accounting records, we selected and tested payments to third parties by the Intercollegiate Athletics Programs. These disbursements were for supplies, equipment, travel, and other general expenses. We compared and agreed the selected operating expenses to adequate supporting documentation. We found all reviewed amounts to be properly approved, in agreement with supporting documentation, and properly recorded in the accounting records.

We were not engaged to, and did not; conduct an examination, the objective of which would be the expression on an opinion 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. Had we performed additional procedures or had we made an audit of any financial statements of the Intercollegiate Athletics Department of Virginia Polytechnic Institute and State University in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to the University. This report relates only to the accounts and items specified above and does not extend to the financial statements of Virginia Polytechnic Institute and State University or its Intercollegiate Athletics Department taken as a whole.

This report is intended solely for the information and use of the President and the University 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.

AUDITOR OF PUBLIC ACCOUNTS

JS/alh

SCHEDULE

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY
SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
For the year ended June 30, 2010

	Football	Men's Basketball	Women's Basketball	Men's Other Sports	Women's Other Sports	Non-Program Specific	Total
Operating revenues:							
Ticket sales	\$ 13,990,100	\$ 2,606,440	\$ 144,393	\$ -	\$ -	\$ -	\$ 16,740,933
Student fees	-	-	-	-	2,140,348	4,393,408	6,533,756
Guarantees	2,341,501	70,000	-	-	4,500	-	2,416,001
Contributions	8,711,428	769,241	795,468	1,556,328	1,946,116	2,360,185	16,138,766
Third party support	185,000	-	-	-	-	-	185,000
Direct institutional support	-	-	-	-	-	372,303	372,303
NCAA/conference distributions							
including tournament revenues	5,856,210	4,613,008	29,688	119,401	110,744	1,352,141	12,081,192
Broadcast, television, radio, and internet rights	2,827,187	753,917	188,479	-	-	-	3,769,583
Program, concession, and novelty sales, and parking	1,079,262	157,381	24,151	23,476	12,805	360,434	1,657,509
Royalties, advertisements and sponsorships	526,408	151,998	86,711	92,500	92,000	376,649	1,326,266
Endowment and investment income	596,236	130,307	129,087	471,513	669,636	213,831	2,210,610
Other	10,755	-	-	52,254	52,254	66,283	181,546
Total operating revenues	<u>36,124,087</u>	<u>9,252,292</u>	<u>1,397,977</u>	<u>2,315,472</u>	<u>5,028,403</u>	<u>9,495,234</u>	<u>63,613,465</u>
Operating expenses:							
Athletic student aid	2,447,050	463,587	514,741	1,786,440	2,478,724	780,137	8,470,679
Guarantees	500,000	381,979	107,684	7,405	13,462	-	1,010,530
Coaching salaries, benefits, and bonuses	4,880,280	1,478,381	656,105	1,609,364	1,315,175	-	9,939,305
Coaching compensation and benefits paid by a third party	185,000	-	-	-	-	-	185,000
Support staff/administrative salaries, benefits and bonuses	1,053,630	188,330	122,132	69,280	94,254	6,682,959	8,210,585
Severance payments	10,135	26,576	343	20,789	13,177	6,901	77,921
Recruiting	236,628	197,269	139,550	191,310	158,683	-	923,440
Team travel	1,434,579	462,390	244,651	743,843	733,655	-	3,619,118
Equipment, uniforms and supplies	405,067	186,475	180,356	263,755	220,074	46,599	1,302,326
Game expenses	1,469,328	280,300	180,421	155,005	104,482	341,861	2,531,397
Fund raising, marketing and promotions	330,263	307,573	146,396	71,846	60,700	430,211	1,346,989
Direct facilities, maintenance, and rental	6,484,978	403,809	404,135	191,731	133,136	6,395,707	14,013,496
Spirit groups	428,735	49,796	10,612	6,606	10,465	140,345	646,559
Medical expenses and medical insurance	154,196	32,181	17,669	212,957	169,222	153,640	739,865
Memberships and dues	1,610	915	899	4,398	4,132	24,434	36,388
Other	1,249,504	294,766	110,260	177,020	126,026	727,458	2,685,034
Total operating expenses	<u>21,270,983</u>	<u>4,754,327</u>	<u>2,835,954</u>	<u>5,511,749</u>	<u>5,635,367</u>	<u>15,730,252</u>	<u>55,738,632</u>
Excess (deficiency) of revenues/ over (under) expenses	<u>\$ 14,853,104</u>	<u>\$ 4,497,965</u>	<u>\$ (1,437,977)</u>	<u>\$ (3,196,277)</u>	<u>\$ (606,964)</u>	<u>\$ (6,235,018)</u>	<u>\$ 7,874,833</u>

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

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY
NOTES TO THE SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
AS OF JUNE 30, 2010

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics 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 athletics programs of the University for the year ended June 30, 2010. The Schedule includes those intercollegiate athletics revenues and expenses made in 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 \$17,914,338 from the Virginia Tech Foundation, Incorporated. Approximately \$8,470,679 of these funds were for grant-in-aid scholarships for student-athletes. These amounts received are included in the accompanying schedule as follows: \$16,138,766 is included in the Contributions line item and \$1,775,572 is included in the Endowment and Investment Income line item.

3. LONG-TERM DEBT

In October 1996, a revenue bond of \$6,250,000 was issued for the Athletics Department. This bond was issued for athletics facility improvements. The majority of this debt was refinanced in May 2004 with a \$4,155,000 revenue bond. This bond has an outstanding balance of \$2,685,000 and will be repaid with general operating revenues through 2016.

In October 2001, a \$26,285,000 note was issued for the Athletics Department. This note was issued for the South End Zone addition to Lane Stadium. This note has an outstanding balance of \$13,710,000 and will be repaid with private fund raising and operating revenues through 2027. Part of this debt was refinanced in January 2008 with a \$2,860,000 note that will be repaid through 2020 and has an outstanding balance of \$2,845,000.

In May 2004, a \$52,715,000 revenue bond was issued for the Athletics Department. This bond was issued for the West Side Expansion to Lane Stadium which was substantially completed in 2006. This bond has an outstanding balance of \$39,295,000 and will be repaid with private fund raising and operating revenues through 2029.

In November 2009, a \$8,705,000 note was issued for the Athletics Department. This note was issued for the Hahn Hurst Basketball Practice Center which was substantially complete in 2009. This note has an outstanding balance of \$8,705,000 and will be repaid with private fund raising and operating revenues through 2030.

A summary of future principal and interest commitments for fiscal years subsequent to June 30, 2010 is presented as follows:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 2,645,000	\$ 3,207,869	\$ 5,852,869
2012	2,740,000	3,100,506	5,840,506
2013	2,865,000	2,977,950	5,842,950
2014	3,000,000	2,840,509	5,840,509
2015	3,145,000	2,695,650	5,840,650
2016-2020	15,875,000	9,922,019	25,797,019
2021-2025	19,620,000	6,956,413	26,576,413
2026-2030	<u>17,350,000</u>	<u>1,919,206</u>	<u>19,269,206</u>
Total	<u>\$ 67,240,000</u>	<u>\$ 33,620,122</u>	<u>\$ 100,860,122</u>

4. UNIVERSITY ADMINISTRATION FEE

As with all auxiliary enterprises, the University charges the Athletics Department an administrative fee. During the fiscal year, the Department paid \$2,808,762 to the University. This amount is included as direct facilities, maintenance, and rental, and includes \$62,636 in football, and \$2,746,126 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 is capitalized at actual cost as expenses are incurred. The major activity in construction in progress relates to the construction of the addition to the Jamerson Center and the completion of the Hahn-Hurst Basketball Practice Facility. All gifts of capital assets are recorded at fair market value as of the donation date.

Equipment is capitalized when the unit acquisition cost is \$2,000 or greater and the estimated useful life is one year or more. 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, 10 to 50 years for infrastructure and land improvements, and three to 30 years for fixed and movable equipment.

A summary of changes in capital assets follows for the year ending June 30, 2010 (dollars in thousands):

	Beginning			Ending
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
Depreciable capital assets				
Buildings	\$ 121,148	\$ 6,488	\$ -	\$ 127,636
Moveable equipment	4,301	453	233	4,521
Fixed equipment	6,800	18	-	6,818
Infrastructure	<u>15,845</u>	<u>-</u>	<u>-</u>	<u>15,845</u>
Total depreciable capital assets, at cost	<u>148,094</u>	<u>6,959</u>	<u>233</u>	<u>154,820</u>
Less accumulated depreciation:				
Buildings	\$ 23,519	\$ 2,810	\$ -	\$ 26,329
Moveable equipment	2,906	337	197	3,046
Fixed equipment	4,134	239	-	4,373
Infrastructure	<u>10,787</u>	<u>1,039</u>	<u>-</u>	<u>11,826</u>
Total accumulated depreciation	<u>41,346</u>	<u>4,425</u>	<u>197</u>	<u>45,574</u>
Total depreciable capital assets, net of accumulated depreciation	<u>106,748</u>	<u>2,534</u>	<u>36</u>	<u>109,246</u>
Non-depreciable capital assets				
Construction in progress	<u>17,859</u>	<u>11,701</u>	<u>26,949</u>	<u>2,611</u>
Total capital assets, net of accumulated depreciation	<u>\$ 124,607</u>	<u>\$ 14,235</u>	<u>\$26,985</u>	<u>\$ 111,857</u>

Auditor of Public Accounts Statewide Reviews and Special Reports

FINANCE AND AUDIT COMMITTEE

February 15, 2011

Background

In addition to the annual audits of the University's financial statements and its Intercollegiate Athletics program, the Auditor of Public Accounts (APA) has included Virginia Tech along with other agencies in program reviews designed to assess controls on a statewide basis. These special reviews are included as a part of the APA's annual audit plan. Due to the breadth of the programs and the dollar volume of activities at Virginia Tech, the university is often selected for inclusion in the reviews.

The following report provides an analysis of the APA's statewide audit activities consistent with the university's planned approach to manage and report on these audit activities.

Recent Audit Activity

Since our last report in August 2010, the APA has issued seven state-wide audit reports that reference or impact Virginia Tech; these APA reports are summarized below.

Commonwealth Cell Phone Study, July 2010

Virginia Information Technologies Agency (VITA) along with Northrop Grumman (as part of the Public/Private Partnership) offers contracts and service management for wireless services. For this audit, the APA reviewed three agencies' (Department of Transportation, State Police and Corrections) cellular telephones and related telecommunication device spending in detail. The three agencies selected represented 35 percent of the total wireless charges billed through VITA. Virginia Tech's cell phone information for charges billed through VITA was included in the Appendix of the report; Virginia Tech averaged 362 phones per month with average monthly expenses of \$13,396. The APA made 5 recommendations, 4 of which are directed to VITA specifically. The APA's broader recommendation is that once VITA and the Department of Accounts implement guidelines and VITA provides detailed electronic usage data, agencies should create policies and begin to execute meaningful usage reviews. *(The APA included no recommendations specific to Virginia Tech in this review.)*

Study of Commonwealth Investment Policies, August 2010

At the November 2010 Board of Visitors' meeting, the university's Associate Treasurer and Director of Investments and Debt Management presented the Study of Commonwealth Investment Policies. This review focused on the Virginia Retirement System, Virginia College Savings Plan, Virginia Lottery, Department of Treasury, and eight higher education institutions. Virginia Tech was included as one of the eight institutions.

Of the twenty-one items that the APA reviewed for inclusion in the investment policy, Virginia Tech's investment policy included all of the items. However, three of the items (responsibilities of all investment parties, reporting requirements and policy for monitoring the investment policy) in Virginia

Tech's investment policy needed additional work to consider them complete. At the November 2010 Board of Visitors' meeting the following changes were recommended and approved by the Board:

1. Inserted a reference in the policy that the university may invest its endowment and quasi-endowment funds with the Foundation's Consolidated Endowment Fund.
2. Inserted a statement that the University Treasurer will review the policy at least annually and report any changes to the university's Board of Visitors.
3. Inserted a statement that the University Treasurer will report any findings of non-compliance to the university's Board of Visitors.

The report concluded that generally the agencies and institutions had sound investment policies that complied with best practices. The review showed that, for certain institutions, the areas of monitoring, follow-up, and periodic review of investment policies require strengthening, and the APA proposed three recommendations: (1) Certain institutions of higher education should update their investment policies to include best practice standards and periodically review their policies for possible improvements; (2) Investment policies should include the best practices standards in sufficient detail to allow an external or internal investment manager to easily understand and follow the best practices; and (3) Senior management at institutions of higher education should annually complete a formal review of investment policies to ensure that policies are in compliance with the entity's investment objectives, identified risks, economic factors, and other factors that may affect investments.

2010 State of Information Security in the Commonwealth as of October 31, 2010

The purpose of the review was to provide a statewide perspective of information security program compliance across 114 agencies and institutions. The objectives of the audit were to provide a statewide summary of information security program compliance, provide a statewide analysis of common security program compliance issues, and to review agency server room transformation and migration process for those agencies that participate in the IT Infrastructure Partnership. The Partnership operates and manages a significant portion of the IT infrastructure used by Commonwealth agencies. VITA oversees the contract between the Commonwealth and the Partnership service provider, Northrop Grumman.

The report concluded that 5 percent of agencies and institutions (6 of 114) do not have an adequate information security program. The most predominant information security issue in the Commonwealth is employee computer access controls, followed closely by risk management and contingency plans. Virginia Tech was rated as being compliant in the report. *(The APA included no recommendations specific to Virginia Tech in this review.)*

Accounts Receivable Review, November 2010

The APA completed their final review of the Commonwealth of Virginia's accounts receivable. The review addressed the best practices used to collect receivables. The report showed Virginia Tech's receivables were \$45,389,560 and \$46,344,550 at June 30, 2009 and June 30, 2010, respectively. The report also noted that approximately 57 percent of the universities' receivables are due from the federal government and require no collection process other than billing the federal government.

The report identified six best practices that agencies should utilize to better manage and collect past due accounts. As a result of restructuring, some higher education institutions can implement their own collection processes and are exempt from using the Attorney General's Division of Debt Collection.

Virginia Tech uses various techniques for collecting delinquent receivables depending on the customer and type of account. For example, students must pay past due amounts before they are allowed to enroll for the next school term. Other delinquent accounts are placed with commercial collection agencies and the State Attorney General's Office for collection. The State Comptroller provides guidance on collection policies and procedures, and the university generally complies with the State Comptroller's recommendations, except where improved practices have been implemented under the authorities provided by the Restructured Higher Education Financial and Administrative Operations Act (Restructuring Act).

The report also mentions a study that the Comptroller initiated to evaluate the opportunities and feasibility of improving the collection and management of delinquent non-tax government debts within the Commonwealth. The recommendations from that study include centralization of non-tax debt collection, technology enhancements, best management practices, and policy changes.

The APA's report recommended two opportunities for the Commonwealth to improve the administration of accounts receivables. It was recommended that the Commonwealth evaluate the current collection process to determine if any process efficiencies can be gained, and that the Comptroller should take the necessary steps to determine if it would be beneficial for the entire Commonwealth to utilize the Federal Treasury Offset program. *(The APA included no recommendations specific to Virginia Tech in this review.)*

Commonwealth Data Point Transparency Best Practices, December 1, 2010

This report recommends that the General Assembly consider mandating that public employee salaries be available on the Commonwealth Data Point. The report also states that the Commonwealth must move forward with the implementation of an enterprise financial system and take special consideration when determining what and how this system should capture information. An enterprise financial system could also give the Commonwealth the ability to display both electronic copies of contracts and a link between budget and performance measurement information. *(The APA included no recommendations specific to Virginia Tech in this review.)*

Student Housing at Virginia's State-supported Universities (Phase Two), December 2010

The objective of this report was to review the impact of on-campus housing and mandatory on-campus residence requirement on the community housing markets. The report listed Virginia Tech as being located in a community with a large housing market, and listed Montgomery County as having a population of 91,395 (as of 2009) and containing 13,904 rental units. Virginia Tech is listed as having 27,887 full time students with 8,823 students living on campus (32 percent of full time students living on campus). The student population of Virginia Tech makes up 30 percent of the population of Montgomery County.

For the large housing market universities, it was concluded that without significant additional on-campus construction of student housing, these universities would not impact their local housing market. Student housing is a significant part of the local housing market, but not dominating, and the

universities that are considered to be in a large housing market generally have no plans to change either their supply of on-campus housing or their residency requirements.

The report also made a few overarching recommendations. The report stated that if the General Assembly wishes to increase its participation on how institutions set their on-campus residency requirements, it is recommended that the General Assembly amend the Code of Virginia concerning universities' six-year capital outlay plans. The report mentioned that the General Assembly could require universities to submit ALL construction or acquisition plans for facilities, including those auxiliary enterprise facilities not requiring Commonwealth resources or university commitments, and that the General Assembly may wish to require that universities allow for more community participation in the development of their master building plans. The report also recommends that universities could be required to make their six-year capital outlay plans and their master building plans available on their websites for public viewing. *(While the APA included no recommendations specific to Virginia Tech in this review, the recommendations made by the APA were for all higher education institutions and the report did not mention the possibility for an exemption for those higher education institutions under the Restructuring Act if the recommendations were implemented.)*

Study of State Disbursement Processes, November 2010

This report focused on identifying methods used to disburse funds, estimating the administrative costs associated with each of those methods, and recommending ways to further reduce administrative costs or improve efficiency for state agencies and institutions with respect to disbursing funds. The report discusses the cost and volume of transactions paid by the following methods from most to least costly: wire transfer, check, electronic data interchange, automated clearing house, electronic benefits transfer, and charge card program. The report showed Virginia Tech as having a volume of checks of 91,502 with total costs of \$110,966 equating to a cost per check of \$1.21.

The APA recommended that the Commonwealth may wish to consider consolidation of all check printing operations, including institutions of higher education, with the Treasury in order to realize economies of scale. There were six recommendations in total but the other recommendations were specific to Treasury, Taxation and the Department of Accounts. Virginia Tech submitted a response that was included in the report and focused on the goal of eliminating paper checks as a means of payment as the best strategy for reducing costs and gaining further efficiencies in disbursement processes. *(The APA included no recommendations specific to Virginia Tech in this review, but there was also no mention of a possible exemption for those higher education institutions under the Restructuring Act if the recommendations were implemented.)*

Report on Audits of University-Related Corporations

FINANCE AND AUDIT COMMITTEE

March 28, 2011

In accordance with the resolution passed by the Finance and Audit Committee on April 25, 1985, and as amended on November 13, 1995 and March 31, 2008, each University-related corporation is required to provide the University's President audited annual financial statements, management letters from the external auditors, management's responses thereto, and an annual certification that all procedures outlined in the resolution have been met. These financial statements, management letters, and management responses have been reviewed as of June 30, 2010, and found to meet the standards set forth in the audit resolution.

VIRGINIA TECH CORPORATIONS COMPLIANCE WITH AUDIT RESOLUTION

Corporation	Audited Financial Statement	Management Letter	Response to Management Letter	External Auditor Length of Service	Certification Letter
VT Foundation, Inc.	✓	1	1	2	✓
VT Intellectual Prop., Inc.	✓	1	1	2	✓
VT Services, Inc.	✓	1	1	2	✓

¹ No management recommendations resulted from the audit.

² Corporation using same audit firm as in years past; management team has been rotated within the past five years in accordance with the audit resolution.

Scholarship Programs Expenditure Plans

FINANCE AND AUDIT COMMITTEE

March 28, 2011

At the March 2006 Board meeting, the Finance and Audit Committee received a report on the Virginia Tech Foundation Endowment Scholarship Funds Expenditure Plans. The University worked with the college deans and senior management areas where scholarships are held to develop action plans that would fully address the Committee's request to (1) determine a proper level of reserve for the specific unit; and (2) fully utilize funds available annually.

The March 2011 report provides an annual update to the Committee on the scholarship programs expenditure plans. Information provided includes the December 31, 2010 and February 28, 2011 cash balances in the scholarship endowment income accounts compared to the previous year. The market value of the endowment provides a benchmark for the corpus of the account which can be used annually for comparison.

SUMMARY TABLE
VT Foundation Endowment Scholarship Funds Expenditure Plans Update
March 28, 2011

Unit	Proposed Reserve	Cash Balance Scholarship Endowment Income Account 12/31/2009 12/31/2010	Cash Returned to Endowment 1/1/09-12/31/09 1/1/10-12/31/10	Cash Balances After Spring Semester Awards 2/28/2010 2/28/2011 (Does <u>not</u> include income for Mar/Jun)	Scholarship Endowment Market Value 12/31/09 12/31/10
Agriculture and Life Sciences	Maintain a balance across all funds not to exceed \$90,000	\$544,203 \$503,942	\$12,806 \$7,272	\$295,063 \$178,494	\$11,408,428 \$12,297,555
Architecture and Urban Studies	Maintain waiting list; excess funds roll back to endowment	\$64,591 \$57,465	\$810 \$3,946	\$16,466 \$14,915	\$2,800,529 \$3,384,123
Science	Attempt to maintain a balance across all scholarships of 10% of annual earnings	\$171,038 \$112,298	\$34,668 \$67,520	\$55,738 \$12,603	\$6,221,176 \$6,043,164
Business	Excess rolled back to endowment	\$521,079 \$615,334	\$5,370 \$41,104	\$59,177 \$138,822	\$22,902,973 \$24,622,265
Engineering	Residual balance of \$200 per fund	\$875,625 \$798,514	\$16,200 \$9,107	\$(19,496) (\$53,807)	\$33,403,038 \$36,866,130
Liberal Arts and Human Sciences	Maintain 10%, with excess funds rolled back to endowment	\$351,696 \$357,427	\$0 \$25,477	\$269,661 \$227,183	\$5,355,810 \$5,860,747
Natural Resources	Excess balance rolled back to endowment	\$223,798 \$137,217	\$0 \$22,000	\$150,480 (\$28,447)	\$3,131,147 \$3,323,371
Veterinary Medicine	Under review; at present maintain a balance of \$100,000	\$1,210,731 \$837,618	\$0 \$1,075	\$1,055,362 \$732,070	\$11,090,516 \$11,355,887
Financial Aid	Target a 15% reserve	\$1,959,763 \$854,427	\$8,371 \$38,590	\$987,661 (204,923)	\$40,635,296 \$43,431,180
Totals		\$5,922,524 \$4,274,242	\$78,225 \$216,091	\$2,870,112 \$1,016,910	\$136,948,913 \$147,184,422

Scholarship Programs Expenditure Plan

Daniel Wubah

Vice President and Dean For Undergraduate
Education

&

Ray Smoot

CEO, Virginia Tech Foundation

Internal Audit findings

- Underutilization
- Lack of formal documented processes
- Limited understanding of awarding criteria
- Limited tracking and reporting tools
- Several publicity and application cycles
- Inconsistent reconciliation and record retention practices

Operational challenges

- Award Philosophy: more emphasis on “Reward” rather than “Attract and Retain”
- Lack of centralized coordination, accounting/tracking tools and reporting protocol
- Timing of application cycles
- Labor intensive

Steps taken

- Developed a Scholarship MOU
- Established scholarship administration policy
- Met with each college dean
- Developed USFA Scholarship Gateway
- Reviewed formal fund classification and reporting protocol

Ongoing efforts

- Monitor reporting protocol
- Explore adapting Banner scholarship functionality from University of Idaho
- Provide continuous training and assistance to colleges
- Review and improve centralized scholarship management tools
- Increase involvement of USFA in developing scholarship criteria

**Update on Cooperative Extension Restructuring,
Outcome of 2011 Session, and
Review of Accounting and Budgeting Policy and Practice**

FINANCE AND AUDIT COMMITTEE

February 28, 2011

Virginia Cooperative Extension (VCE) is an educational outreach program of Virginia's land-grant universities (Virginia Tech and Virginia State University), and is a cooperative effort between the local, state, and federal governments.

VCE helps bring resources of Virginia's land-grant universities to the people of the Commonwealth. Extension programs are delivered through a network of faculty and staff at two universities, 106 county and city offices, twelve agricultural research and Extension centers, and six 4-H educational centers. The system incorporates the expertise of faculty members in Virginia Tech's College of Agriculture and Life Sciences, College of Natural Resources, Virginia-Maryland Regional College of Veterinary Medicine, the Virginia Agricultural Experiment Station (VAES), as well as the School of Agriculture at Virginia State University.

2010 Budget Actions and the VCE Restructuring Plan

Since 2007, the state has reduced General Fund support for the VCE and the VAES by \$10.3 million, before the 2011 General Assembly reinvested \$1.5 million. Further, the 2010 Appropriation Act directed the VCE to report on the results of its strategic planning efforts and specifically charged the VCE to develop a plan that:

- prioritizes the historic mission of Extension to fulfill the land-grant mission in partnership with the U.S. Department of Agriculture,
- defines programming, locations, and funding sources,
- addresses potential duplication of effort with state and local agencies,
- eliminates low-priority programs, and
- seeks to restructure and consolidate local offices in a manner that is financially and logistically beneficial while preserving delivery of critical programs in high-priority areas.

In response, Virginia Tech announced a new five-year strategic plan as well as a restructuring plan to reorganize Virginia Cooperative Extension to better meet the needs of its clientele and address cumulative reductions. The restructuring plan was designed to allow VCE to reduce costs, maintain a local presence across the Commonwealth, and continue to provide high-quality, science-based educational programming for Virginia. This would allow resources to be directed to the highest-priority needs of the state and localities. In addition, the plan provided local governments the opportunity to customize programming based on the needs of their

community. The restructuring plan provided the infrastructure for VCE to fulfill its land-grant mission and preserve delivery of critical programs related to agriculture and natural resources, youth development, and families and communities.

Although the VCE five-year strategic plan was accepted by stakeholders, the discussions involving VCE restructuring were met with significant opposition from various stakeholders, and it became clear that various stakeholders wanted to be much more engaged in the planning process. Therefore, the decision was made to suspend work of the VCE restructuring implementation team, put aside the October 2010 restructuring plan, and begin a new process during 2011 in which internal and external stakeholders could be more engaged.

The goal of a revised restructuring plan will be to develop an Extension system that meets the present and future needs of all Virginians while recognizing the reality of reduced state support. The university has also committed to utilize a collaborative process that engages many stakeholder groups.

Outcome of 2011 General Assembly Session

Both the Executive budget and the Conference Committee provided additional support for Cooperative Extension. The Governor provided \$494,410 in state support of the reorganizational efforts of the Cooperative Extension service. The Conference amendments include an additional \$1 million GF in the second year to support 25 additional extension agents. As a result, \$1,494,410 in incremental state support is available for 2011-12. However, it is important to recognize that Agency 229 was previously assigned \$4.5 million in reductions for 2011-12 as part of the \$10.3 million in cumulative reductions assigned since October 2007.

The General Assembly also included the following language:

D.1. The Secretary of Education shall evaluate the organizational structure of Virginia Cooperative Extension. The analysis shall include a presentation of the advantages and disadvantages of the current organizational structure for Virginia Cooperative Extension as compared to the organization structure prior to the merger of the research and extension divisions. In addition, the Secretary of Education shall conduct a thorough analysis of Cooperative Extension and Agricultural Experiment Station operations. The Secretary shall determine appropriate reporting requirements for the agency so that the source of funds and the activities that the funds support are transparent. This examination will provide a thorough analysis of Cooperative Extension finances including (a) historical spending by fund source (state, local, federal) and type (teaching, research, extension) since 1990; and (b) on-campus extension spending which examines research products produced, the cost of each product, the distribution of the research to the field extension offices and administrative overhead.

2. The Secretary of Education shall report the findings to the Governor and the Chairmen of the House Appropriations and Senate Finance Committees by November 1, 2011.

F.1. Virginia Cooperative Extension shall not implement the Virginia Cooperative Extension Restructuring Plan dated October 2010. Any revision to the Virginia Cooperative Extension restructuring plan shall include input and collaboration with agricultural industry stakeholders, local governments and local agents which reflect geographical balance across the Commonwealth. Any revised plan must examine strengthening Cooperative Extension's historical mission regarding local delivery of pertinent research information to the agriculture industry, youth leadership development, and family and community viability. Any revised plan shall present the cost of implementation of any options and staffing levels for consideration provided that extension also presents an option that reflects no increase in the existing level of resources. The plan committee shall establish criteria for determination of need for any staffing recommendation, which may include population served, number of farmers, diversity of farmers and agricultural products, agricultural sales volume, number of youth served, travel distance of extension clients served, availability of consumer services and any other criteria that may be relevant.

Review of Related Accounting and Budgeting Policy and Practice

As the discussions involving the VCE restructuring plan unfolded from October through January 2011 and the expressions of concern by stakeholders grew, several allegations were raised regarding the university's financial management processes. As these events occurred, the university examined each question and reached a satisfactory understanding of its actions with regard to each inquiry. However, the university did not have the opportunity to describe the financial processes and controls that are in place to appropriately allocate and utilize resources in each of the two programs in Agency 229.

This report provides information regarding the university's organizational structure, its resulting financial structure, and a high level view of the system of internal controls that the university employs to provide financial integrity over the financial activities of the university.

Virginia Tech Organizational Structure

The university operates as a combination of two separate state agencies: the University Division, which holds the instructional and external research programs, and the Cooperative Extension/Agricultural Experiment Station Division, which

operates the university's land grant programs. The Commonwealth appropriates resources for each of these agencies separately. Schedule 1 displays a diagram of the university's financial structure.

Virginia Tech Financial Structure

Consistent with the appropriations provided by the Commonwealth, the university budgets and accounts for the financial resources, as well as other assets, of these two agencies as independent agencies, each of which must stand on its own. This financial structure creates a financial control environment in which the university budgets its annual activities to ensure that expenditures of each agency fall within the level of resources appropriated to it. The goal of this process is to have each agency stand on its own, without the creation of any subsidies or net resource transfers between the two agencies.

As of July 1, 1994, the state passed legislation that merged two previously independent state agencies that were a part of Virginia Tech (Agency 230 – the Research Division, and Agency 231 – the Extension Division) into one agency, Agency 229, thus consolidating the activities of the VCE and VAES. While not required by the legislation, Virginia Tech made a decision at that time to fully maintain the traditional separation and independence of the financial transactions for the two programs within the new agency. As a result, for the Cooperative Extension and Agricultural Experiment Station Division, the university's financial system has in the past and continues today to divide the agency's resources into two separate and independent sets of accounts. The university allocates all resources to the Virginia Cooperative Extension program and the Agricultural Experiment Station program based on the designated proportion of state funds received for each program. All activities within the agency are budgeted within one of those two programs, and all costs for those two programs are accounted for separately and allocated to those two programs.

System of Internal Controls

As a large and complex organization, Virginia Tech allocates and utilizes resources at two distinct levels. At the top level of these organizational units, resource allocation decisions are made by executive leadership. Once those decisions are made, the allocation of resources to programs throughout the university is made by the University Budget Office, under the specific approval of the Chief Financial Officer (CFO). Further, resources cannot subsequently be reallocated among divisions or major programs without approval by the CFO. As a result, the internal control structure provides assurance that resources are allocated and utilized by the programs as intended.

At the second level, once resources are allocated to academic programs, the deans and department heads have the authority to direct resources to carry out their activities as they determine is appropriate. This process recognizes a well accepted

business practice that, whenever appropriate, those individuals closest to the operations are in the best position to make resource allocations at the operational level. As a result, deans and department heads make allocations of resources, such as the allocation of a faculty member's time, based on how they best believe the program should be achieved, in accordance with the strategic guidance they receive from our executive leadership and the Board of Visitors. This process significantly impacts the allocation of resources within an academic program, such as the VCE, since eighty percent (80%) of Cooperative Extension and Agricultural Experiment Station Division expenditures are for personnel.

Cost Allocation Controls and Reviews

Within the university's decentralized control environment, it is important to understand one specific type of internal control that is in place for a majority of our personnel costs. The nature of higher education is such that in order to distribute costs across multiple programs and activities, allocations of employee work effort are required for faculty as well as other employees where possible. For Virginia Tech, and specifically within the Cooperative Extension and Agricultural Experiment Station programs, the university makes estimated allocations of costs for employees based on their planned activities for the fiscal year. Then, during the year, through the "effort reporting system," opportunities occur to confirm and/or adjust these cost allocations based on actual work activities for individual employees. All teaching and research faculty, as well as faculty specialists in the extension program, receive an end-of-semester "effort report" that identifies their initial cost allocations among program activities, between extension and research, or among those programs and instructional activities in the University Division. The faculty member either certifies, in writing, that those cost allocations are reasonable or indicates that the allocations are not correct, which in turn initiates an adjustment process to correct the cost allocations. The same effort reporting system is in place for extension agents and support staff, with confirmation or correction of the employee effort handled by a responsible employee within the agency.

As an incremental, separate control within the land grant functions, the faculty extension specialists and extension agents prepare a federal plan of work which indicates, at the beginning of the year, the work activities they plan to carry out, and then complete a reporting process at the end of the year that provides confirmation of this work effort. These reports are reviewed by agency officials as well as personnel within the dean's office.

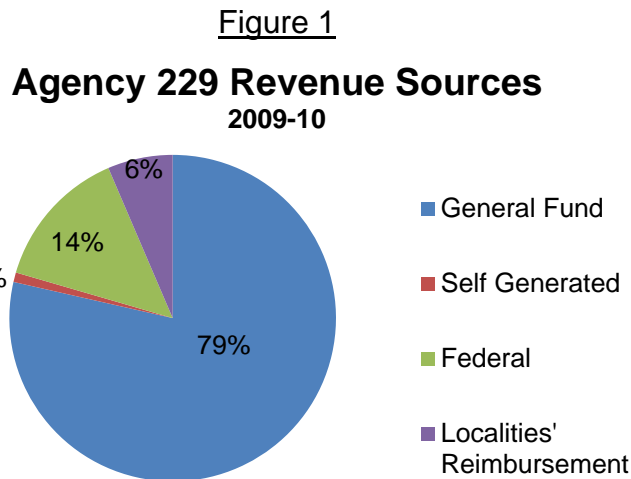
These internal controls provide multiple opportunities to confirm that allocations of personnel costs to our various academic programs represent a reasonable estimate of the agency's activities during the year.

The university is confident that these systems provide a high level of assurance in the integrity of the university's financial transactions in all elements of the university.

Review of the Finances of the Cooperative Extension/Agricultural Experiment Station Division

Funding

Total support for the Cooperative Extension/Agricultural Experiment Station is derived from multiple sources, with the greatest support from the state General Fund. Figure 1 below displays the share of the agency's total revenue by each fund source.



Since 79% of the agency's support comes from the state General Fund, the agency's resources are highly linked to the level of state support.

Schedule 2 reflects a roll-forward of the General Fund resources for the CE/AES agency, as reflected in the Appropriation Act for 12 years, from 2000-01 to the projection for 2011-12. This roll forward, which follows the change in General Fund appropriations, reflected the following items:

- Received approximately \$17.6 million for salary increases and increases in fringe benefits costs during the 10 year period ending June 30, 2010. This support does not add positions; rather, it is utilized to maintain the existing number of positions.
- Received almost \$600,000 for operation and maintenance of new facilities.
- Received \$100,000 for targeted initiatives.
- Received about \$6.4 million for staffing initiatives, primarily to address losses of faculty and agent positions during 2002-2004 and the 2011 Session actions. For prior years, these new resources were allocated within the agency to increase field extension agent and AREC specialist positions and program

areas which were in line with our budget requests; the same treatment will be recommended for new resources received in 2011-12.

- Lost \$21.3 million from budget reductions. These reductions were taken in a manner consistent with the budget reduction plans submitted to the Commonwealth, and the reductions were allocated to both extension and agriculture research activities based on strategic plans to maximize the program value to the Commonwealth.

In summary, the Agency has lost positions at a faster rate through \$21 million of budget reductions than positions have been restored through \$6.4 million of new allocations for staffing which has placed significant strain on the agency.

Program Mix

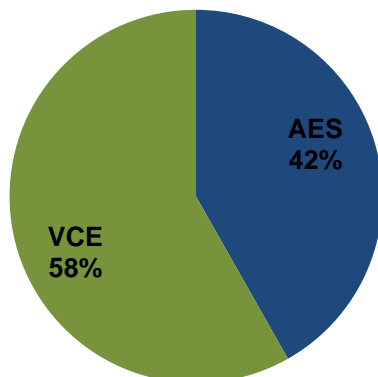
As the discussion about the VCE restructuring plan occurred, concerns were expressed regarding an ongoing shift of VCE resources to the research program and to the institution.

The university has allocated resources to the programs consistent with the amounts reflected on Schedule 2 and the narrative presented above. It is important to note that after the aforementioned budget reductions to Agency 229 over the preceding 10 years ending June 30, 2010, the percentage allocation of resources within the agency was 56 percent to Cooperative Extension (VCE) and 44 percent to the Agricultural Experiment Station (AES), as seen in Figure 2.

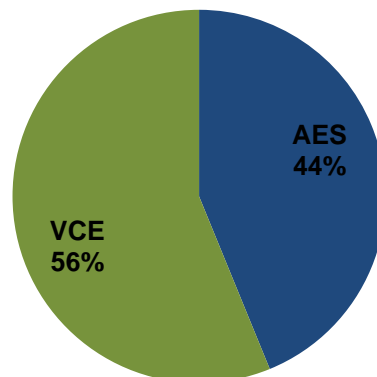
Figure 2

Agency 229 Expenditures by Program

2000-01



2009-10



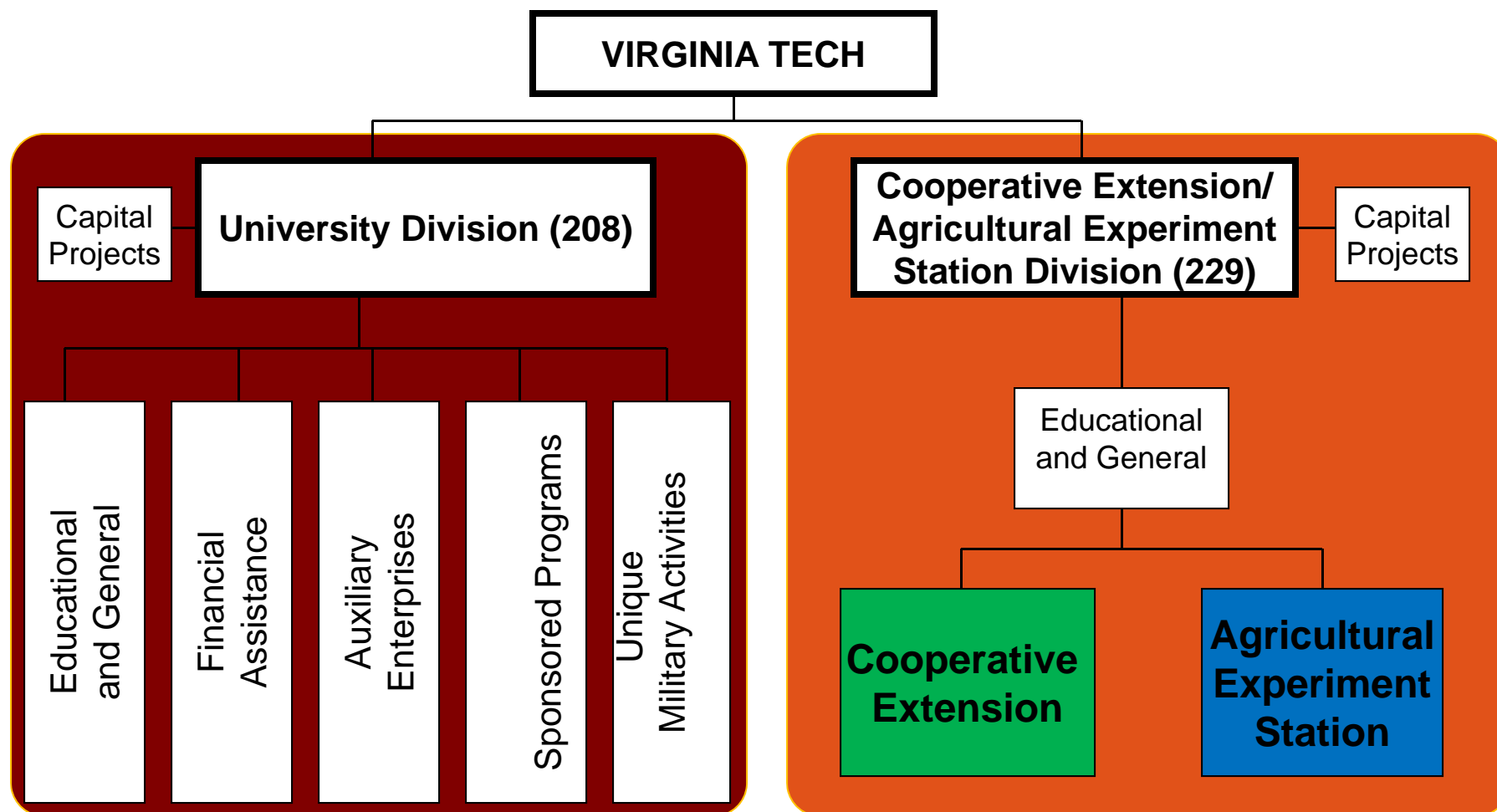
This program mix reflects a change of only 2 percentage points from the ratio since 2000-2001. These numbers demonstrate the university's efforts to continue to support both of these programs, to the greatest extent possible, within the available resources. The historical distribution of resources between the two programs is reflected in Schedule 3.

Summary

The finances of the Cooperative Extension and Agricultural Experiment Station Division have been adversely impacted by a decade of reductions in state support. The cumulative impact has resulted in several actions by the Agency to gain efficiencies while maintaining the effectiveness of its programs and operations. With the remaining resources available, the university remains committed to utilizing collaborative processes to develop an Extension system that meets the present and future needs of all Virginians.

Within this constrained financial environment, the university has consistently utilized its financial structure and resource allocation principles to support the VCE and VAES programs in accordance with the purposes of the funds it receives.

University Financial Structure



Agency 229 General Fund Appropriation History

February 28, 2011

In Thousands

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	Total
Beginning GF	\$ 56,187	\$ 60,335	\$ 61,027	\$ 57,129	\$ 51,859	\$ 55,586	\$ 58,357	\$ 63,291	\$ 62,804	\$ 64,697	\$ 63,548	\$ 62,498	
<i>Compensation & Benefits (1)</i>	3,597	743	362	392	2,471	1,389	4,002	1,240	4,451		(1,050)		\$ 17,598
<i>O&M New Facilities</i>						281	281						563
<i>Targeted Initiatives</i>													
Rural Prosperity Study Commission	100	(50)											
Commercial Fish & Shellfish Technology	50												
Implement Beekeeper study								250	(250)				
<i>Subtotal</i>													100
<i>Staffing Initiatives</i>													
Plan to Serve	400												
Restore 21 Ext Agents & 4 Ext Specialists				1,050									
Critical staffing initiative					1,257								
Commonwealth staffing initiative						1,100	650	461					
2011 Session Support												1,494	
<i>Subtotal</i>													6,412
<i>Budget Reduction</i>			(4,261)	(6,712)				(2,438)	(2,308)	(1,149)		(4,454)	\$ (21,322)
Ending GF	<u>\$ 60,335</u>	<u>\$ 61,027</u>	<u>\$ 57,129</u>	<u>\$ 51,859</u>	<u>\$ 55,586</u>	<u>\$ 58,357</u>	<u>\$ 63,291</u>	<u>\$ 62,804</u>	<u>\$ 64,697</u>	<u>\$ 63,548</u>	<u>\$ 62,498</u>	<u>\$ 59,538</u>	

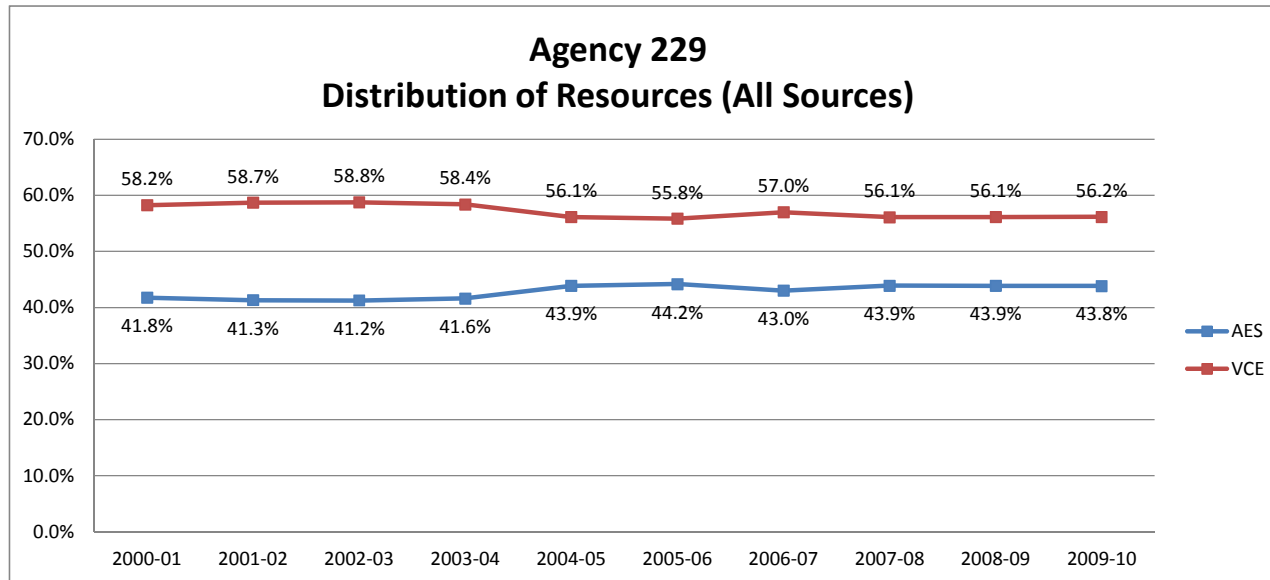
(1) Includes adjustments to central funds, salary, health, retirement, and other benefits.

Agency 229 Historical Distribution of Resources

February 28, 2011

In Thousands

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Total Resources	\$ 80,965	\$ 79,086	\$ 71,621	\$ 68,854	\$ 70,669	\$ 81,169	\$ 83,917	\$ 90,344	\$ 88,085	\$ 81,967





Virginia Cooperative Extension Restructuring

Alan Grant, Dean of the College of Agriculture and Life Sciences

Dwight Shelton, Vice President for Finance and Chief Financial Officer

March 28, 2011



Virginia Cooperative Extension

Budget Actions and Restructuring Plan

Alan Grant



2010 General Assembly Budget Actions

- 2010 General Assembly required restructuring plan to save costs and reorganize service delivery.
- Agency 229 has faced budget reductions of \$10.3 million since 2007.
 - \$4.5 million of this was scheduled for 2011-12
 - 2011 General Assembly has restored \$1.5 million for 2011-12



VCE Restructuring Plan

- Restructuring discussions met with significant resistance from various stakeholders.
- University suspended plan, began process to include additional stakeholder input.
- 2011 General Assembly included budget language requiring:
 - New restructuring plan to strengthen historical mission of delivering local research information, youth leadership development, and family and community viability.
 - Working with the Secretary of Education to thoroughly analyze current organization and potential improvements to promote transparency.



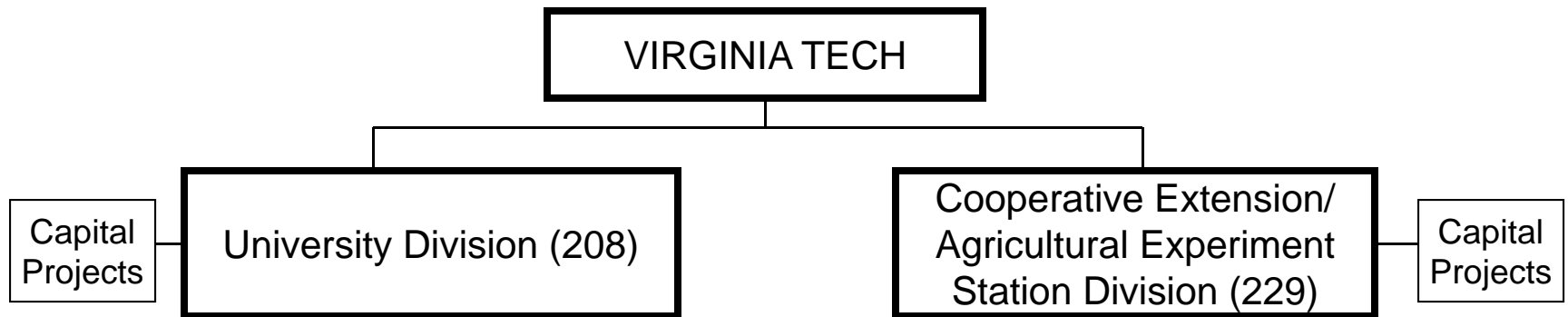
Virginia Cooperative Extension

Financial Management of Agency 229

Dwight Shelton

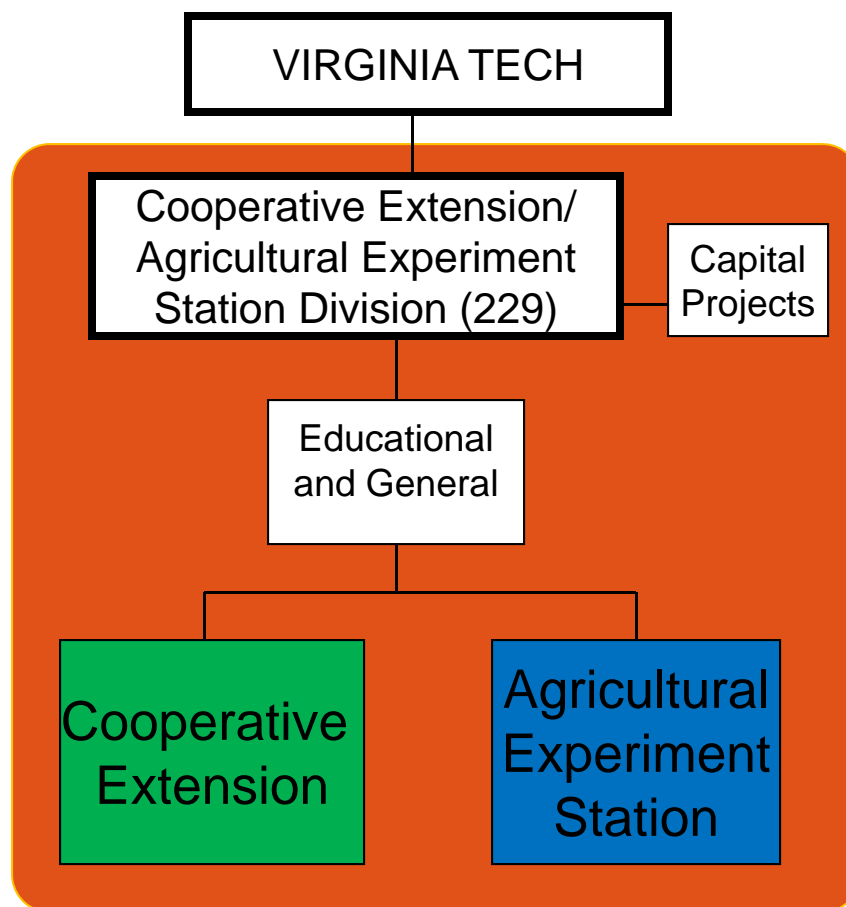


Virginia Tech Agency Structure





VCE/VAES Agency Structure





Financial Structure Principles

- Virginia Cooperative Extension/Virginia Agricultural Experiment Station (VCE/VAES) operates as separate state agency (Agency 229).
- Agency merger completed in 1994.
- Resource allocations, budgets, and accounting are maintained separately for VCE and VAES.



Resource Allocations

- Annual allocations approved by Executive leadership based on guidelines in the Strategic Plan and are approved by the BOV.
- University allocates resources to organizational units through CFO and University Budget Office.
- Deans and Department Heads then direct resources to carry out activities as appropriate.
- Changes in allocations across major organizational units require the approval of the CFO.



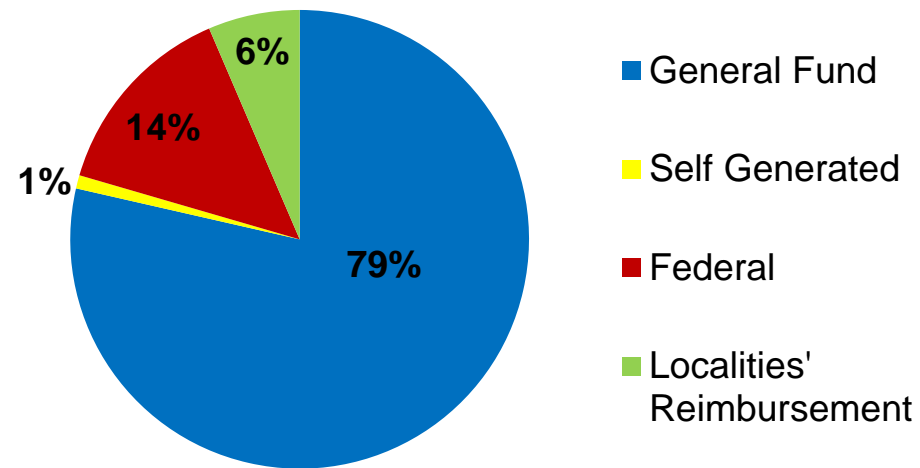
Cost Accounting

- Employee Effort Reporting System validates employee costs based on actual efforts
 - Faculty members certify in writing that semester-based reporting reflects reasonable estimate of their activities.
 - Agent and staff effort is reported through the same system, with confirmation by responsible party within the agency.
 - Federal reporting also requires separate plan of work for faculty Extension specialists and agents, with follow-up confirmation of actual activities.



Review of Finances of Agency 229

VCE/VAES Resources 2009-10





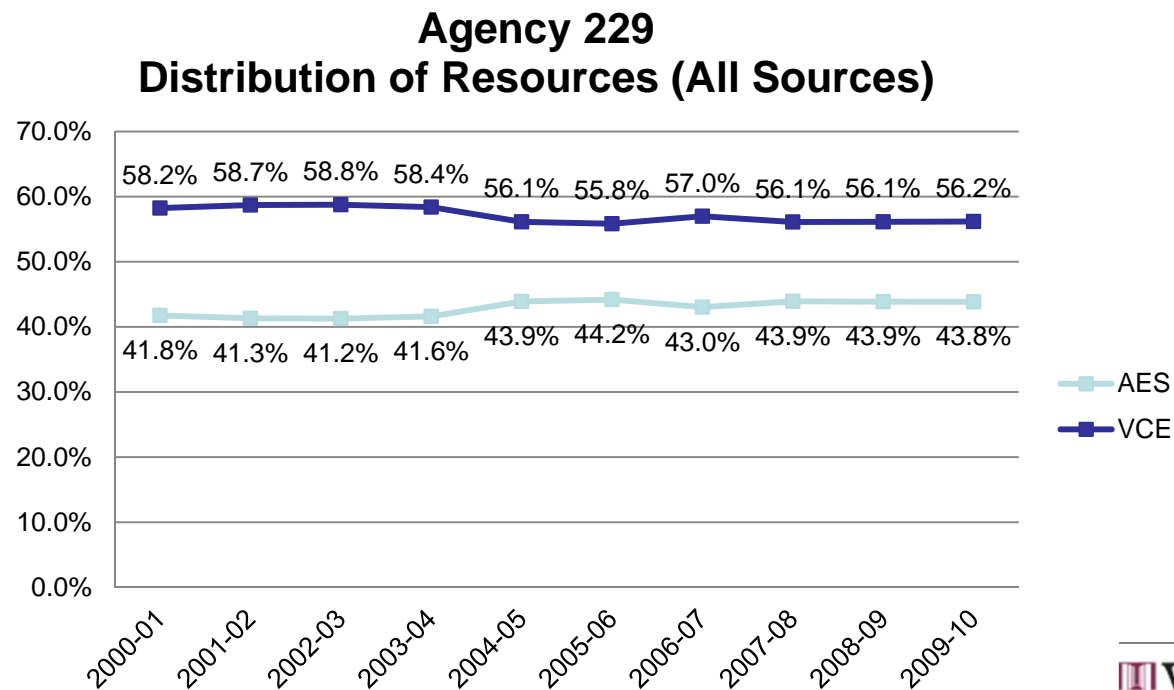
Review of Finances of Agency 229

- Since 2000-01 General Fund support has fluctuated, including:
 - Additions for designated purposes:
 - \$17.6m in compensation and benefit maintenance and increases
 - \$0.7m in O&M support and special initiatives
 - Changes to capacity:
 - Additions:
 - \$6.4m for staffing initiatives (including \$1.5m for 2011-12 in 2011 General Assembly)
 - Budget reductions (*total \$21.3m*):
 - (\$4.3m) in 2002-03
 - (\$6.7m) in 2003-04
 - (\$2.4m) in 2007-08
 - (\$2.3m) in 2008-09
 - (\$1.1m) in 2009-10
 - (\$4.5m) in 2011-12
 - Incremental funding for compensation allowed the VCE to continue efforts to recruit and retain agency employees.
 - The net (\$15m) in discretionary reductions have reduced the agency's capacity to develop cutting-edge research and deliver that research-based knowledge to the citizens of the Commonwealth.



Review of Finances of Agency 229

- Allocations to Cooperative Extension and Agricultural Experiment Station have remained largely unchanged over this period.





Virginia Cooperative Extension

- Budget reductions have adversely impacted the operation of the VCE/VAES.
- Actions have been taken to enhance efficiency and maintain agency effectiveness.
- University has consistently employed financial structure and resource allocation principles to support VCE and VAES programs in accordance with funding purposes.
- University is committed to utilizing a collaborative process to develop an Extension system that meets current and future needs of all Virginians.

Review of Higher Education Opportunity Act of 2011

FINANCE AND AUDIT COMMITTEE

March 3, 2011

On February 22, the 2011 General Assembly passed the Higher Education Opportunity Act of 2011 that redefines, recommits, and significantly impacts the Commonwealth's higher education goals and institutional relationships. The following summarizes the evolution and major components of the legislation.

Background

Governor McDonnell issued Executive Order No. 9 in March of 2010, establishing the Governor's Commission on Higher Education Reform, Innovation, and Investment. Made up of representatives from higher education, Virginia's business community, legislators, and members of the Governor's cabinet and staff, the Governor charged the Commission to develop "a comprehensive strategy for increased educational attainment, skills development, and lifelong learning that will equip Virginians to succeed at the highest levels of global economic competition." Specifically, the Governor's Executive Order charged the Commission to:

- increase degree attainment, financial aid, and workforce training;
- implement innovation and cost containment; and
- build regional strategies and partnerships for research and economic development.

The Commission met throughout the summer and fall of 2010 to discuss potential recommendations for improving higher education in the Commonwealth. In the interim report released in December, the Commission proposed a comprehensive strategy to address three primary goals of 1) economic opportunity, 2) reform-based investment, and 3) affordable access. The Commission's recommendations were introduced to the 2011 General Assembly as a comprehensive legislative package titled "*Preparing for the Top Jobs of the 21st Century: The Virginia Higher Education Opportunity Act of 2011.*"

From November through mid-January 2011, Virginia Tech joined a working group of representatives from higher education, the business community, the legislature, and the Executive branch to discuss key elements of the proposal, address concerns, and improve the legislation. The result is a thorough reform of state goals for higher education, funding models and strategies, financial aid commitments, and operational frameworks such as institutional six-year planning models. The major elements of the Act, as well as the potential impacts to the university and higher education in the Commonwealth, are outlined below.

Major Elements

Higher Education Advisory Committee: To assist in the implementation and maintenance of this legislation, as well as the restructured higher education operating environment, the Act creates a Higher Education Advisory Committee (HEAC) consisting of members of the Governor's cabinet, legislative representatives, and the Presidents, or their designees, of five higher education institutions in the state (two doctoral, two comprehensive, and the community college system). This panel, once convened, will work to define the remaining details of the Act, such as the definitions of low-income and middle-income, and specific requirements of the six-year planning process. The HEAC is also charged with reviewing the "State Ask" performance metrics of the restructured institutions' Management Agreements to ensure their continued congruency with statewide goals and objectives. The HEAC will make recommendations to the State Council of Higher Education for Virginia (SCHEV), who will review them and make final recommendations to the Governor and the Chairs of the House Committees on Appropriations and Education and Senate Committees on Finance and on Education.

Higher Education Funding Model: The existing funding model for higher education, Base Budget Adequacy, was retained as the basis for higher education funding. However, the funding elements were expanded and modified to clarify and codify major funding concepts. Institutional funding will now be based on four specific elements:

- 1) Basic operations and instruction:
 - The aggregate Cost of Education for enrolled students, required resources to reach the Commonwealth's goal of funding faculty at the 60th percentile of their peers, and other potential funding will be included.
 - The long-standing state goal of providing 67 percent state funding support for Virginia residents has been codified as the Commonwealth's fund split policy.
- 2) Each Virginia undergraduate student actually enrolled at the institution:
 - The Governor will recommend a per student amount that will follow each Virginia undergraduate student to their enrolled institution, incentivizing resident undergraduate enrollment growth.
 - The Governor may consider and recommend additional General Fund support to recognize unfunded enrollment growth of Virginia undergraduates since 2005-06.
- 3) Need-based financial aid:
 - Institutions will target students from low-income and middle-income families for financial aid support.
 - The definitions of low-income and middle-income will be developed by the HEAC in the spring of 2011.
- 4) Support for targeted financial incentives that encourage and reward progress towards statewide policy goals:
 - Several targeted economic and innovation incentives will be considered to promote the goals of the Act, including increased resident enrollment,

degree completion, retention and graduation, STEM production, research activity, year-round optimization, technology-based instruction, community college transfer programs, and other economic opportunity metrics.

Institutional Six-Year Plans: The six-year planning horizon has traditionally been updated every two years to account for changes in institutional needs and state support. These plans, previously due in the fall, will now be submitted to SCHEV, the Governor, and the Chairs of the House Committee on Appropriations and Senate Committee on Finance by July 1st of every odd year, with amendments or affirmations due on July 1st of each even year. The Act requires the consolidation of the previously separate academic and financial plans, including the various elements of:

- 1) anticipated General Fund, tuition, and other nongeneral fund revenue for each year of the next biennium, as well as the planned use of any projected increase in these revenue sources,
- 2) anticipated tuition and E&G fee charges by degree level and residency,
- 3) financial aid expectations,
- 4) degree conferral targets,
- 5) plans for optimal year-round use of facilities,
- 6) development of an instructional resource sharing program with other institutions in the Commonwealth,
- 7) plans related to any of the aforementioned incentive targets, and
- 8) identification of new programs or initiatives including quality improvements and the institution-specific funding required to implement them.

Tuition and Fees: Institutional tuition and fee-setting authority is retained by the Board of Visitors. However, total tuition and fee revenue is limited at the aggregate cost of education for all enrolled students, minus state General Fund support. Total E&G revenue available to fund the Cost of Education (COE) is comprised of:

- 1) basic operations General Fund support,
 - 2) per student General Fund support,
 - 3) Virginia resident tuition and E&G fees, and
 - 4) Nonresident tuition and E&G fees
- The Cost of Education (COE) of all enrolled students will be the maximum total allowable E&G revenue assignable to instructional and support activities.
 - Basic operations and Per-student GF funding will be set by the General Assembly, leaving the difference between state support and the COE ceiling to be filled by resident and nonresident tuition.
 - Improvements to the legislation inserted language to ensure flexibility and inclusion of specific institutional circumstances, missions, and goals. The model now allows for exclusion of Virginia resident tuition and fee revenue directed towards financial aid, an institution's NGF share of state mandated salary and fringe increases, improving faculty salary competitiveness, unavoidable cost increases such as O&M and utility rate increases, or other items essential to an institution's unique mission and contributions.

Assessments of Institutional Performance: Because the Act suspends existing performance metrics for institutions of higher education and calls on the HEAC to review and recommend a new set of measurements, the assessment of Institutional Performance Standards (IPS) for 2010-11 will be the last under the existing metrics. Institutions who receive certification and approval for restructuring incentives for the current year (in May 2011) will continue to operate under that certification through 2012-13, and will not be required to submit documentation for recertification until new metrics are in place in 2013-14.

Potential Impacts to the University and Higher Education System

In accordance with the Act, the university's six-year plan will be due on July 1, 2011. To meet this deadline, the university will need significant guidance from the state and time to construct the six-year plan. Also, the Board of Visitors will need to review and approve the plan at the June meeting. Many definitions and specific guidelines for the development of these plans will be determined by the HEAC once it is assembled. Turn-around time for the 2011 six-year plan is expected to be very short.

The establishment of tuition and fees, though limited by the formula in the legislation, is not expected to negatively affect the university at this time.

General Fund support may increase over the next several years due to the success of the university in increasing Virginia undergraduate enrollment since 2005-06. The strength of Virginia Tech in STEM degree production and research activity should also serve as opportunities for securing additional support from the Commonwealth.

Restructuring measures are immediately affected with the discontinuance of existing metrics and the call for the HEAC to recommend new standards. Additionally, the HEAC is called upon to recommend additional authorities that should be granted to public institutions of higher education, creating a mechanism for the university and other institutions to directly participate in changes to improve the system in the future.

Summary

The passage of the Higher Education Opportunity Act of 2011 further strengthens the Commonwealth's commitment to higher education, and provides a framework for growth and support for the future. Many details concerning funding models, performance metrics, and definitions of strategic goals have yet to be finalized. Moving forward, the university will continue to engage the statewide higher education community and the administration and legislature to ensure the needs of the institution are recognized and that the environment continues to foster success for the future.



Higher Education Opportunity Act of 2011

M. Dwight Shelton, Jr.

Vice President for Finance and CFO

March 28, 2011



Background

- Created *Governor's Commission on Higher Education Reform, Innovation, and Investment* (Executive Order No. 9) in March 2010
- Comprised of representatives from the legislature, business community, and higher education institutions, including Virginia Tech
- Met across the Commonwealth throughout 2010



Governor's Commission on Higher Education Reform, Innovation, and Investment

- Focused on three goals:
 - Enhance economic opportunity
 - Institute reform-based investments
 - Improve access and affordability
- Issued interim report in December 2010
- Consolidated ideas and priorities into legislative package for review in 2011



Governor's Commission on Higher Education Reform, Innovation, and Investment

- Established working group, comprised of representatives from legislature, higher education, business community, and Executive Branch
- Met from November through mid-January
- Discussed proposal, addressed issues, and revised proposed legislation



Governor's Commission on Higher Education Reform, Innovation, and Investment

- Introduced “*Preparing for the Top Jobs of the 21st Century: The Virginia Higher Education Opportunity Act of 2011*” at start of 2011 General Assembly
- Resulted in thorough reform of state goals for higher education, funding models and strategies, financial aid commitments, and operational frameworks



Major Elements of Legislation

- Higher Education Advisory Committee (HEAC)
- Higher Education Funding Model
- Institutional Six-Year Plans
- Tuition and Fee Development
- Institutional Performance Assessments
- Restructuring Opportunities



HEAC: Structure

- Secretary of Education representative
- Secretary of Finance representative
- State Council of Higher Education for Virginia (SCHEV) representative
- Chairs, House Appropriations and Senate Finance Committees, or representatives
- Presidents from five higher education institutions, or representatives
 - 2 Doctoral
 - 2 Comprehensive
 - 1 Virginia Community College System
- Private not-for-profit institution (non-voting)



HEAC: Responsibilities

- At least every five years, develop and review:
 - Per student funding methodology
 - Criteria for determining qualifications of low-income and middle-income
 - Performance criteria for measuring financial incentives of restructuring, and consequences for not meeting incentives included in institution's six-year plan
 - Economic opportunity metrics
 - Potential additional restructuring authorities
- Periodically review institution's success in achieving statewide goals and the strategic impact of new general fund investment in higher education



Higher Education Funding Model: Principles

- Retained Base Budget Adequacy as basis for higher education funding
 - Cost of education
 - Faculty salaries at 60th percentile
- Expanded funding elements and codified funding concepts to include four basic elements



Higher Education Funding Model: Basic Elements

1. Basic operations and instruction
2. Per-student funding for enrolled Virginia students
3. Need-based financial aid
4. Targeted financial incentives that promote goals of resident enrollment, retention and graduation, STEM degree production, research, and others



Institutional Six-Year Plans: Development

- Consolidates Six-Year Academic, Enrollment and Financial Plans
- Plans required July 1 of each odd year
- Amendments or affirmations due July 1 of each even year
- Submission required to SCHEV, Governor, Chairs of House Appropriations and Senate Finance Committees



Institutional Six-Year Plans: Components

- Anticipated state support, tuition and fee revenue, and other nongeneral fund revenue
- Tuition and fee rate projections by degree level and residence
- Financial aid expectations
- Degree conferral targets
- Plans for optimal year-round facilities usage
- Development of instructional resource sharing programs with other Virginia institutions
- Plans related to incentive targets
- Identification of new programs and initiatives



Tuition and Fee Development

- Authority remains with the Board of Visitors
- Limited at the aggregate cost of education, minus General Fund support
- Goal is to moderate tuition and fee rates by increasing General Fund support over time and making the cost of education a capacity constraint
- Flexibility for additional tuition revenue beyond cost of education for specific items:
 - Financial Aid
 - Mandated salary increases
 - Unavoidable cost increases
 - Institutional missions and contributions



Institutional Performance Assessment

- FY11 - Existing performance metrics used
- FY12 and FY13 - Existing performance metrics suspended; FY11 certification results carried forward
- New standards and measures will be recommended by HEAC, reviewed by SCHEV, and forwarded to the Governor
- FY14 - New standards and measures implemented



Restructuring Opportunities

- Restructuring
 - Restructuring was a key element of the Commission's report
 - Opportunities for expanding future restructuring benefits were examined
 - Legislation retains existing autonomy; does not directly increase institutional autonomy
 - Responsibility for reviewing and advising future opportunities to increase autonomy resides with HEAC



Other Areas of Impact

- Creation of Uniform Certificate of General Studies at the community college level that will be transferrable to four-year institutions
- STEM Public-Private Partnership to advise and collaborate with institutions to develop strategies aimed at increasing STEM educational opportunities and degree production
- Potential development of a Higher Education Revenue Stabilization Fund and a Higher Education *Institutional* Revenue Stabilization Fund to be reviewed by HEAC



Higher Education Opportunity Act: Impact Summary

- **Six-Year Planning:** Turn-around time is expected to be very short. No formal input from higher education community on yet-to-be-defined requirements
- **Tuition and Fees:** Though total revenue is limited by the formula, at this time, it is not expected to negatively affect Virginia Tech
- **General Fund Support:** May increase over next several years due to Virginia undergraduate enrollment gains and Virginia Tech strength of STEM degree production and research capability
- **Restructuring:** Future is impacted by recommendations of HEAC, and institutions should now have direct involvement in policy-making process

**2010-12 Appropriation Request
And Review of Executive Budget Amendments and Legislative Session**

FINANCE AND AUDIT COMMITTEE

February 28, 2011

Overview of the Appropriations Process

Traditionally, the university submits budget decision packages for consideration for inclusion in the Executive Budget in the fall. In October 2010, the University submitted materials to the Department of Planning and Budget and the Secretary of Education documenting the critical needs of the university and requesting their inclusion in the Governor's amendments to the 2010-12 biennial budget. Governor McDonnell presented his amendments to the Executive Budget on Friday, December 17, 2010. The General Assembly session opened on January 12, 2011 and adjourned on February 27, 2011. This report presents the major elements of the Executive Budget and General Assembly actions for the remainder of the biennium.

Executive Budget Amendments for 2010-12

The Executive Budget amendments included the following operating and capital budget recommendations for Virginia Tech; these actions are reflected on Schedule 1, which is attached to this report.

Compensation & Retirement Plans

The Governor's Executive Budget amendments proposed changes to the compensation and retirement plans for state employees hired prior to July 1, 2010. The treatment depends on an employee's retirement plan program:

- **For employees in the Virginia Retirement System (VRS):** Effective July 1, 2011, employees hired prior to July 1, 2010 would be required to pay the 5 percent *employee* share of contributions for their defined benefit retirement program, consistent with state employees hired after that date. A 3 percent salary increase was also proposed for employees in the VRS to offset a portion of the retirement cost.
- **For employees in the Optional Retirement Plan (ORP):** The *employer* contribution rate for optional retirement plans was proposed to be reduced from 10.4 percent to 8.5 percent for employees hired prior to July 1, 2010. No salary increase was proposed for these employees.
- **Capture of Nongeneral (NGF) savings:** The State Comptroller is required to capture the net NGF savings resulting from changes in employee retirement contributions and compensation. Constitutionally protected funds and amounts from federal sources are excluded from this action. The capture of nongeneral fund savings is a policy concern for institutions of higher education.

- **Bonus:** An opportunity for a one-time performance-contingent incentive bonus of up to 2 percent was proposed in December 2011 for all salaried state employees to offset a portion of the impact of the compensation changes listed above. The bonus would be based on the state generating operating budget savings of at least twice the amount of the bonus and contingent upon a satisfactory job performance evaluation.

New Statewide Funding Initiatives

- **Higher Education Incentive Funding:** The Governor's amendments proposed a central pool of \$50 million in General Fund (GF) to support targeted initiatives in higher education. To have the opportunity to access these incentive-based funds, institutions would provide proposals for potential use of this funding to improve student graduation, retention, enrollment, and STEM and health care degree programs. Of this funding, \$13 million was earmarked for proposals increasing undergraduate financial aid, \$1 million for proposals implementing new uses of technology in the classroom, and \$3 million for proposals to enhance the availability of on-line courses. The Secretary of Education, in consultation with the staff of SCHEV, House Appropriations, Senate Finance, and the Department of Planning and Budget, would determine the appropriate distribution of the funding.
- **Virginia Research and Technology Investment Fund:** The Governor also proposed a \$25 million GF pool to be used for grants or loans that generate innovation and commercialized research in the public and private sectors. This was a recommendation of the Governor's Commission on Economic Development and Job Creation and was intended to increase the research capabilities and partnerships of institutions of higher education as well as private firms.
- **College Partnership Laboratory Schools:** For FY12, \$600,000 in GF was proposed for the Office of the Secretary of Education to plan for the development and establishment of innovative education programs and to promote greater cooperation and coordination between institutions of higher education for preschool to grade 12 students through the establishment of College Partnership Laboratory Schools. The Secretary of Education would be authorized to select institutions of higher education to receive funding provided in this item.

University Operating Budget

- **Agency 229 Support:** An additional \$494,410 of GF was proposed in the second year of the biennium for Agency 229. This amendment *"supports the implementation of the restructuring plan, as required by the 2010 General Assembly, that includes emphasis on the continued delivery of services in the field through regional programming while maintaining a local presence for Extension, consolidation of administrative functions to create operational efficiencies, and campus-field linkages and professional development to ensure that the most current*

research-based information is available to the citizens of the Commonwealth.” (From the Governor’s Executive Budget summary narrative.)

- **Federal Stimulus Funding Adjustments:** Due to a recalculation of funding by the Department of Education, the Executive Budget increased the appropriation of federal stimulus funding in the first year of the biennium by \$233,127 in Agency 208 and \$149,399 in Agency 229.
- **Equipment Trust Fund:** The existing appropriation for the Equipment Trust Fund was continued. The allotment of these funds to the University remains subject to the report of the Secretary of Finance, due before the start of the 2011 General Assembly, on the statewide debt capacity for new debt issuance.
- **Auxiliary Balance Interest Earnings:** The Executive Budget continues to prohibit the State Comptroller from allocating any interest earnings to auxiliary units in either year of the biennium.
- **Interest Earnings and Credit Card Rebates:** The Governor’s amendments restored the E&G interest earnings and credit card rebates, both benefits of meeting Management Agreement performance metrics, that had not been appropriated in the second year of the original biennial budget. This action restores approximately \$350,000 in interest and \$100,000 in credit card rebates for Virginia Tech.

Other areas of interest

- **Virginia Higher Education Opportunity Act of 2011:** The Governor’s Commission on Higher Education Reform, Innovation, and Investment made recommendations to Governor McDonnell to address three specific areas of higher education: economic opportunity, reform-based investment, and affordable access.
- **Tuition Authority:** The Executive Budget maintained the tuition and fee-setting authority of the Board of Visitors, and provided no additional language restricting that authority. However, Governor McDonnell identified Virginia Commonwealth University for their 2010-11 tuition increase (32.4 percent gross), and withheld half of the Nongeneral fund increase necessary to accommodate the increase.
- **Public Broadcasting:** The Governor proposes reducing funding for public broadcasting by \$2.1 million GF in the second year and fully eliminating state support in the next biennium. This proposal has an estimated impact of \$100,000 in reduced support to WVTF.

Capital

- **Maintenance Reserve:** The Executive Budget amendments increased the total appropriation level for the second year and provide allocation amounts that were not specified in the prior budget. The amount for Virginia Tech in the second year is \$5,649,158, the highest amount in the system. The allotment of these funds remains subject to the report of the Secretary of Finance, due before the start of the 2011 General Assembly, on the statewide debt capacity for new debt issuance.

- **College of Veterinary Medicine's Infectious Disease Laboratory:** The Governor's amendments included \$863,000 of General Fund support for equipment for the Infectious Disease Laboratory.
- **Visitors and Undergraduate Admissions Center:** As requested, the Executive Budget amendments included pooled debt authorization of \$7.1 million in 9(d) bond proceeds and \$3.4 million in NGF support for the Visitors and Undergraduate Admissions Center.

2011 Legislative Session Amendments

After evaluation of the Executive Budget, Virginia Tech submitted the following institution-specific amendments for consideration by the General Assembly:

Support for Commonwealth Research Initiative: This amendment requested General Fund Support for the Commonwealth Research Initiative to support infrastructure and growth of existing research programs throughout the university. The increasing competitiveness and multidisciplinary requirements of research necessitate flexible funding support to secure matching grants. The university sought restoration of the Commonwealth Research Initiative funding of \$5 million.

Support for the Virginia Cooperative Extension and Agricultural Experiment Station (Agency 229): This amendment requested General Fund support to reinvest in the restructured statewide operation of the Virginia Cooperative Extension, ensuring the continued access of citizens to the applied research and economic development opportunities it provides. The university sought an investment of \$1 million to assist in the reorganization of extension services across the state.

Support for the operation of the Institute for Creativity, Arts, and Technology (ICAT): This amendment requested General Fund support for the operation of the newly created Institute for Creativity, Arts, and Technology at the university. This institute promotes the creation of unique teaching pedagogies and classroom technologies through the collaboration of university faculty and students with K-12 teachers throughout the Commonwealth. The university sought an investment of \$1 million to allow stable funding during the early development of the Institute.

Nongeneral Fund Language: This language amendment would have reinforced the nongeneral fund retention of institutions of higher education that is prescribed in the Management Agreements codified by the Commonwealth. Over the past several years, the General Assembly has made incremental actions to address fiscal issues, many of which have impacted nongeneral fund retention by the university. The university requested clarifying language to ensure the retention of university-generated nongeneral fund revenue for university needs, prohibiting the transfer of such funds to the General Fund to address non-university financial needs.

House and Senate Recommendations for Virginia Tech

On February 4, 2011 Governor McDonnell released an updated revenue projection that included an additional \$150 million in revenue for the biennium, allowing for additional General Fund expenditure by the House and Senate. The House and Senate amendments to the Executive Budget were passed by their respective bodies on February 10, 2011.

Compensation & Retirement Plans

The House and Senate each offered alternatives to the Governor's Executive Budget amendments to the compensation and retirement plans for state employees hired prior to July 1, 2010.

- **For employees in the Virginia Retirement System (VRS):**
 - The House proposed requiring employees hired prior to July 1, 2010 to pay the 5 percent *employee* share of contributions for their defined benefit retirement program, consistent with state employees hired after that date. A 5 percent salary increase was also proposed for these employees in the VRS to offset the required contribution.
 - The Senate proposed reversing the Governor's changes, requiring no *employee* contribution to VRS for members hired prior to July 1, 2010. No salary increase for VRS members was proposed by the Senate.
- **For employees in the Optional Retirement Plan (ORP):**
 - The House and Senate both proposed reversing the Governor's reduction and restoring the full 10.4 percent benefit for members hired prior to July 1, 2010. Neither body instituted a mandatory employee contribution. No salary increase was proposed for ORP members.
- **Bonus:** The House retained the Governor's proposed performance-contingent bonus of up to two percent for all salaried employees. The Senate removed the proposed bonus.
- **New Defined Contribution Plan for Employees hired on or after July 1, 2010:** The House proposed a new optional retirement plan for all employees hired on or after July 1, 2010: an irrevocable election to participate in a defined contribution program instead of the VRS. This proposal would have been available on January 1, 2012, and all employees hired on or after July 1, 2010 would have sixty days to elect to participate or be defaulted into the VRS. This program would include a 5 percent *employer* contribution, and would provide a 100 percent *employer* match of up to 3.5 percent in voluntary *employee* contributions.
- **NGF Rate Savings:** The House and Senate continued to collect nongeneral fund savings generated from rate changes, though the financial impact was reduced due to the changes in retirement proposals as well as fringe benefit rates. There was also legislation proposed to shield nongeneral fund resources at covered institutions of higher education.

- **Tuition Authority:** The House proposed a cap on E&G nongeneral fund revenue increases of \$17 million, effectively limiting the additional revenue potential of tuition and E&G fees. Increases that would result in more than \$17 million NGF would have needed to be justified to and approved by the Governor. This proposal conflicted with the tuition authority of the Board of Visitors granted by the Management Agreement and the sum-sufficient authority contained in the Appropriation Act. The Senate proposed no changes to the existing tuition authority of the Board of Visitors.
- **Higher Education Incentive Funding:** As part of the recommendations of the Governor's Commission on Higher Education Reform, Innovation, and Investment, the Executive Budget amendments created a central pool of \$50 million in General Fund (GF) to support targeted initiatives in higher education. However, rather than requiring institutions to apply for such funding, the House and Senate distributed the funding to institutions based on several factors.
 - The House distributed this funding statewide to address access, affordability, and new degree production. General Fund support was proposed in the second year to the university in the following areas:
 - \$1,770,000 in recognition of in-state enrollment growth.
 - \$1,220,000 to support operation and maintenance of new facilities.
 - \$500,000 for fifty additional in-state undergraduate seats.
 - The Senate also distributed the funding according to many specific areas across the state, including enrollment, retention, STEM, base operations, and operations and maintenance of new facilities. For Virginia Tech, the Senate recommended General Fund support in the second year to support the following initiatives:
 - \$3,799,403 for enrollment, retention, graduation and operations.
 - \$155,674 for operation and maintenance of new facilities.
- **Student Financial Aid:** The House proposed no additional support of student financial aid. The Senate proposes an additional \$672,683 General Fund to support low and middle-income students.

New Statewide Funding Initiatives

- **Academic Transformation through Technology:** The Senate included a \$3.1 million General Fund pool to be used in the second year to enhance the availability of on-line courses. Institutions may submit proposals for use of the funding to the Secretary of Education.
- **4VA Cisco Partnership:** The House proposed providing \$850,000 GF in the second year to Virginia Tech, UVa, JMU, and GMU, for a total of \$3.4 million to collaborate with Cisco Systems on a technologically advanced teleconferencing system that will promote shared learning across campuses.

Cooperative Extension and Agricultural Experiment Station (Agency 229)

- **Agency 229 Operating Support:** The Governor's Executive Budget included an additional \$494,410 General Fund support to support the reorganizational efforts of the Cooperative Extension service. The House provided no additional support. The Senate proposed an additional \$2 million General Fund support to add fifty Extension agents across the state.
- **Agency 229 Reorganization:**
 - The House proposed budget language that would require the development of a revised restructuring plan. This plan would require stakeholder input from many constituents, including the agricultural industry, local governments, and extension agents. Progress reports would be required to be submitted to the General Assembly throughout the process. The House also required detailed expenditure reports outlining the uses of the agency's funding.
 - The Senate proposed budget language that would require the development of a new reorganization plan that would include input from stakeholders from across the Commonwealth. Additional guidance on required reporting would be provided by the Secretary of Education and Secretary of Agriculture and Forestry.

Capital

- **Energy Efficiency Projects:** The House and Senate both proposed raising the threshold for energy efficiency projects before being considered in the capital outlay budgeting process. The House raised the threshold from \$3 million to \$7 million, while the Senate raised the threshold from \$3 million to \$10 million.
- **Institutions of Higher Education Capital Threshold:** The House and Senate proposed raising the threshold from \$1 million to \$2 million for projects at institutions of higher education before being considered in the capital outlay budget process.
- **4-H Educational Center in Northern Virginia:** The House included language allowing for a renovation and restoration project to move forward at the Remount Depot in Front Royal, Virginia without being subject to approval or involvement of Virginia Tech or Virginia Tech Extension.

Joint Budget Conference Committee

House and Senate conferees reconciled each chamber's budget proposals, and the final version was passed by the House and Senate on Sunday, February 27, 2011.

Compensation & Retirement Plans

- **For employees in the Virginia Retirement System (VRS):**
 - The Conference amendments require employees hired prior to July 1, 2010 to pay the 5 percent *employee* share of contributions for their defined benefit retirement program, consistent with state employees hired after that date. A 5 percent salary increase for employees hired prior to July 1, 2010 and participating in the VRS will offset the required employee contribution.
- **For employees in the Optional Retirement Plan (ORP):**
 - The Conference amendments reverse the Governor's reduction and restore the full 10.4 percent benefit for members hired prior to July 1, 2010. No mandatory contribution is implemented, nor is there a salary increase for ORP members.
- **Bonus:** The Conference amendments eliminated the Governor's proposed performance-contingent bonus of up to two percent for all salaried employees.
- **New Defined Contribution Plan for Employees hired on or after July 1, 2010:** The Conference amendments did not include a previously proposed Optional Retirement Program for all employees, nor did the stand-alone legislation pass the legislature.
- **NGF Rate Savings:** While legislation to prohibit the transfer of NGF resources to the state General Fund gained wide support, it did not ultimately pass the legislature as proposed. Significant attention was focused on the issue. Raising the 3 percent salary increase for VRS employees to 5 percent mitigated the assessment of agency NGF resources, though other assessments remain. Ensuring the availability of NGF resources for university needs continues to be an important issue moving forward for higher education.
- **Tuition Authority:** No additional language is included in the Conference amendments on tuition authority. Tuition authority remains under the purview of the Board of Visitors.
- **Nonresident Enrollment Cap:** As in prior years, attempts were made to impose legislative limits on nonresident enrollment at institutions of higher education. To have the legislation withdrawn, the university agreed to increase in-state student seats in exchange for full General Fund support of these students.
- **Additional In-state Undergraduate Seats:** \$500,000 GF is provided to provide fifty additional in-state undergraduate seats (see Nonresident Enrollment Caps above).
- **Base Budget Adequacy:** \$1,263,375 GF was provided in recognition of the institution's base budget adequacy shortfall.
- **Operation and Maintenance of New Facilities:** \$311,349 GF to support the cost of operating and maintain facilities coming on-line.
- **Undergraduate Student Financial Aid:** \$733,310 GF was provided for need based undergraduate student financial aid.

New Statewide Funding Initiatives

- **4VA Cisco Partnership:** The Conference amendments include \$850,000 GF in the second year to Virginia Tech, UVa, JMU, and GMU, for a total of \$3.4 million to collaborate with Cisco Systems on a technologically advanced teleconferencing system that will promote shared learning across campuses.

Cooperative Extension and Agricultural Experiment Station (Agency 229)

- **Agency 229 Operating Support:** The Conference amendments include an additional \$1 million GF in the second year to support 25 additional extension agents. This funding is in addition to the Governor's proposed \$494,410 GF in support of the reorganizational efforts of the Cooperative Extension service.
- **Restructuring Plan:** The Conference amendments include language that requires the development of a revised restructuring plan. This plan is required to have stakeholder input from many constituents, including the agricultural industry, local governments, and extension agents.
- **Review:** The Conferees include language that requires the Secretary of Education to evaluate the organizational structure of Cooperative Extension and determine appropriate reporting requirements to ensure transparency.

Capital

- **Energy Efficiency Thresholds:** The Conference amendments raise the threshold for energy efficiency projects for inclusion in the capital outlay budgeting process from \$3 million to \$7 million.
- **Institutions of Higher Education Capital Threshold:** The Conference amendments raise the threshold from \$1 million to \$2 million for projects at institutions of higher education for inclusion in the capital outlay budget process.
- **4-H Educational Center in Northern Virginia:** Language proposed during the legislature to allow a capital project to take place on this property without the consult of Virginia Tech was not ultimately accepted by the Conference Committee.

Schedule 1 provides an overview of the changes recommended by the Conference Committee and approved by the General Assembly for the university's operating and capital budgets.

Other Areas of Interest

In addition to the budget proposals of the General Assembly, legislation affecting the operation of the university was considered. The following issues held specific interest to the university:

- **Higher Education Opportunity Act of 2011:** Based upon the recommendations of the Governor's Commission on Higher Education Reform, Innovation, and Investment, this legislation addresses most aspects of university operation, funding, enrollment, and performance. The final passage of the legislation creates a new Higher Education Advisory Committee to review the performance of institutions, refocuses the six-year planning process around statewide goals in several areas, and codifies the Commonwealth's commitment to funding resident students and promoting financial aid programs for low and middle-income households. A separate report details the impacts of this legislation.
- **Office of State Inspector General:** Stemming from recommendations from Governor McDonnell's Commission on Government Reform and Restructuring, the legislature created the Office of the State Inspector General (OSIG). Reporting to the Governor, this office will review complaints of fraud, waste, abuse, and corruption within state and non-state agencies receiving state funding. The State Inspector General will also coordinate and recommend standards for existing internal audit programs within agencies and conduct performance reviews to evaluate the utilization of appropriations, effectiveness of programs, and recommend necessary changes in the law to improve such activities to the Governor and General Assembly. The Department of State Internal Audit, which currently manages the state hotline, and several existing Inspector General offices within agencies, will now be absorbed by the central OSIG.

Internal audit departments, such as Virginia Tech's, will continue to handle internal reviews and investigations and report to their department head or to the Board of Visitors. Specific language was added to the bill on the handling of complaints related to a public institution of higher education or any of its officers or employees to ensure that the State Inspector General refers complaints to the Internal Audit Department for investigation, unless the complaint concerns the president of the institution or its internal audit department, in which case the investigation shall be conducted by the State Inspector General. Periodic updates from these agencies will be made available to OSIG. The bill contains a delayed effective date of July 1, 2012.

Reconvened Session

The General Assembly's final budget proposal requires Governor McDonnell's approval. He has approximately 30 days to sign the Budget Bill as it is or submit additional amendments before the reconvened session on April 6, 2011.

Status Report on Development of 2011-12 Tuition and Fees

Background

The university has traditionally developed tuition and fee proposals in February and March of each year. The final rates were submitted to the Board of Visitors in late March or April which allowed the university to incorporate into the tuition and fee proposals the impact of actions taken by the General Assembly session each year.

Development of 2011-12 Tuition and Fees Proposal

The Conference Committee of the 2011 Session of the General Assembly completed work on the state budget on February 27. Governor McDonnell has 30 days to sign the revised Budget Bill as it is or submit additional amendments before the reconvened session on April 6, 2011.

At the time these materials were prepared, the university was still working to fully understand all of the actions of the state budget proposed by the Conferees which impact higher education. Once the actions are completely understood, the university needs adequate time to fully consider the implications on the university's budget. These items have evolved significantly from the Governor's proposed Executive Budget and will impact the university's budget planning process.

The university's budget and tuition and fee rates are highly dependent on the final decisions of the state budget. While the state budget proposes a modest increase of over \$2 million in General Fund support for the University Division, since 2007 the university has absorbed significant reductions in this fund source. For the Educational and General program of the University Division, \$16.6 million of previously scheduled incremental reductions remain to be applied in the 2011-12 fiscal year. This reduction will be compounded by the expiration of \$21 million in federal stimulus funding. In total, the University Division will be faced with a "funding cliff" of \$37 million in 2011-12. While significant planning has gone into preparing for this eventuality, further careful consideration must be given to mitigating the impact of these reductions and ensuring the quality of university programs in light of the most recent developments in the state budget.

Despite these formidable challenges, the university intends to continue to pursue progress with regard to its Strategic Plan while being sensitive to the total cost of education. The results of the 2011 General Assembly Session and the impact on tuition and fees revenues from new funding requirements will be critical to the operations of the university in 2011-12. University management believes that it must take sufficient time to fully assess its revenue options and opportunities. Additionally, concern at the state level regarding percentage increase in tuition presents another set of factors in evaluating the tuition and fee scenarios. Considering these factors, it is apparent that this work could not be completed, including critical internal review and approval, in such

time to submit the tuition and fees package to the Board of Visitors for approval as of March 28, 2011.

Consistent with prior years, the university intends to develop its 2011-12 tuition and fees proposals in light of the parameters provided by the General Assembly. In developing the rate proposals, the university will use the principles previously shared with the Board of Visitors concerning the establishment of market-based tuition and fee rates over a period of several years, in relationship to the university's benchmark institutions. The rate proposals must also factor in mandatory cost increases, critical campus needs, the structural balance of the budget, student financial aid, maintaining access goals, and the impacts of the state budget. In order to address the funding actions of the General Assembly and to adhere to these principles and funding requirements in the development of the tuition and fee rates, the university proposes that the 2011-12 tuition and fees proposal be submitted to the Executive Committee of the Board of Visitors for approval as soon as is practical after the Reconvened Session on April 6, 2011.

PROPOSED BUDGET ADJUSTMENTS BY THE EXECUTIVE BUDGET AND EACH HOUSE OF THE GENERAL ASSEMBLY

as of February 28, 2011

Amounts in Thousands of Dollars -- All amounts are General Fund unless otherwise noted

OPERATING BUDGET

University Division

Educational and General Budget

E&G Interest Earnings & Credit Card Rebate (est)
Federal Stimulus (ARRA Recalculation)
New In-State Undergraduate Seats
4VA Cisco Instructional Partnership
Base Adequacy Allocation
Operation and Maintenance of New Facilities
Total Educational and General

Student Financial Aid

Undergraduate Student Financial Aid

Total University Division

Cooperative Extension/AES Division

Educational and General Budget

ARRA Recalculation (Federal Stimulus NGF)
Reorganization Support
Additional Extension Agents

Total Cooperative Extension/AES Division

Total Increased Operating Support for Virginia Tech

Executive Budget	
2010-11	2011-12
	\$ 450
\$ 233	
	500
	850
	1,263
	311
233	450
233	450
149	494
149	494
\$ 383	\$ 944

Conference Budget	
2010-11	2011-12
	\$ 450
\$ 233	
	500
	850
	1,263
	311
233	3,375
233	733
233	4,108
149	494
	1,000
149	1,494
\$ 383	\$ 5,602

OTHER AGENCIES

Central Pools

Reduction Pool (from last session)
Higher Education Incentive Pool
Virginia Research and Technology Investment Fund
K-12 Partnership
Two-Year College Transfer Grant Program
Virginia Military Survivors and Dependents Program
Subtotal central pools

2010-11	2011-12
	\$ (10,000)
	50,000
	25,000
	600
	300
	250
	\$ 65,600

2010-11	2011-12
	\$ (10,000)
	10,000
	600
	300
	250
	\$ 1,150

CAPITAL BUDGET

Equipment Funding

FF&E Infectious Disease Facility

Educational and General Projects

Visitors and Admissions Center (9d)
Visitors and Admissions Center (NGF)

Total Increased Capital Outlay Support for Virginia Tech

Executive Budget	
2010-12	
State	NGF
\$ 863	
	\$ 7,100
	3,400
\$ 863	\$ 10,500

Conference Committee	
2010-12	
State	NGF
\$ 863	
	\$ 7,100
	3,400
\$ 863	\$ 10,500

Report on Implementation of Low Value Procedures for Procurement of Architectural and Engineering Services

FINANCE AND AUDIT COMMITTEE

March 28, 2011

At the November 2010 the Board of Visitors approved a Resolution to Adopt Alternative Small Purchase Procedures for Procurement of Low Value Architectural and Engineering Services: Virginia Tech completes hundreds of small-dollar value construction, renovation and maintenance projects each year that require outside Architecture and/or Engineering services. Procurement and contracting procedures currently available to university staff, however, are neither efficient nor cost effective for many of these projects. The Committee authorized the Director of Materials Management to develop and implement purchase procedures that will provide for the efficient and competitive procurement of Architectural and Engineering (A/E) services for small projects with A/E fees under \$50,000.

In approving the resolution, the Finance and Audit Committee requested that the university provide an update on the implementation results of these new procedures. This report provides the procedures which the university implemented in January 2011.

A/E Selection Process for Small Projects (Fees less than \$50,000)

January 24, 2011

Low-value A/E Proposal Library

A library of A/E proposals will be established under the custody of the University Planning, Design, and Construction Procurement Coordinator. Project Managers will refer to this library to begin research to locate a suitable A/E for one-time projects with A/E fees valued less than \$50,000. Only firms with a proposal on file in the library may be considered for award using these procedures.

Proposals will be labeled to indicate if the firm is a certified small, woman-owned or minority-owned business (SWaM). In order to support attainment of university objectives, Project Managers should give priority consideration to certified SWaM firms. If sufficient certified SWaM firms are not available within the library, non-SWaM firms may be considered.

The Purchasing Assistant Director for Facilities Support will maintain an open solicitation for A/E proposals. When a new proposal is received, it will be validated and SWaM status determined. It will then be given to the UPDC Procurement Coordinator for inclusion in the library. The proposal may remain in the library indefinitely until replaced or refreshed by the A/E firm.

Procedures for A/E selection

- A. For projects for which **fees are not expected to exceed \$10,000** the Project Manager will:
1. Either select a term contract A/E firm, or, select one certified SWaM firm that appears to be qualified from the proposal library. If a firm with a term contract is chosen, obtain a written A/E proposal and enter a requisition into the HokieMart for creation of a Purchase Order. Attach a copy of the proposal to the requisition. If term contractor is not selected, proceed through the steps following. If a certified SWaM firm that has the desired qualifications is not available, a non-SWaM firm may be selected.
 2. Conduct a telephone or personal interview with the selected firm to determine current workload, capability to meet the proposed schedule, personnel qualifications/expertise and performance on similar projects.
 3. Negotiate a fixed price/lump sum fee.
 4. Obtain a written fixed fee A/E proposal. Verbal quotes are permitted on projects under \$2000 or for emergency needs.
 5. Complete a VTCO-2.1a form that documents the selection process for the firm contacted. Route VTCO-2.1a form internally for UPDC contracting approvals.
 6. Once the form is signed by all parties, enter a HokieMart requisition. Attach a scanned copy of the A/E proposal (as an external/supplier attachment), and VTCO-2.1a (as an internal attachment/note) to the requisition. Enter the following product

description within the requisition: “**A/E Small Project services for _____**
per proposal dated _____.”

Final contract documentation will consist of a Purchase Order and the A/E proposal. A two-party contract will not be prepared at this value level. Change Orders cannot be issued against the Purchase Order.

B. For projects where **fees are expected to be greater than \$10,000, but less than \$50,000**, the Project Manager will:

1. Either select a term contract A/E firm, or, select three certified SWaM firms that appear to be qualified from the proposal library. If a firm with a term contract is chosen, obtain a written proposal and enter a requisition into the HokieMart for creation of a Purchase Order. Attach a copy of the proposal to the requisition. If a term contractor is not selected, proceed through the steps following. If three certified SWaM firms that have the desired qualifications are not available, a non-SWaM firm(s) may be selected.
2. Conduct a telephone or personal interview with the selected firms to determine current workload and capability to meet the proposed schedule, personnel qualifications, expertise and performance on similar projects.
3. Rank the three firms.
4. Negotiate hourly billing rates and a fixed or not-to-exceed project fee with the number one ranked firm. If a mutually agreeable fee cannot be determined, terminate negotiations with the number one ranked firm and begin negotiations with the number two ranked firm.
5. Obtain a written A/E proposal incorporating a CO-2.3 worksheet from the selected firm.
6. Complete a VTCO-2.1b form that documents the selection process. Route VTCO-2.1b form internally for UPDC contracting approvals.
7. Once the form is signed by all parties, enter a HokieMart requisition. Attach a scanned copy of the A/E proposal (as an external/supplier attachment), and VTCO-2.1b (as an internal attachment/note) to the requisition. Enter the following product description within the requisition: “**A/E Small Project services for _____**
per proposal dated _____.”

Once the requisition is approved in HokieMart, VT Purchasing will prepare a CO-3.2 (contract) with the selected firm and distribute for signatures. The completed original will be held by Purchasing and a copy will be forwarded to the Procurement Coordinator. Purchasing then issues a purchase order for the work.

Final contract documentation will consist of the purchase order, the proposal, and a two-party contract.

Presentation of the University's Annual Financial Report

FINANCE AND AUDIT COMMITTEE

February 9, 2011

Fiscal year 2010 represented a challenging period to continue the advancement of Virginia Tech. While the university continued to grow the quality and reach of its instructional and research programs, the national recession and its effect on Virginia resulted in significant impacts with regard to the university's finances. Resources continue to be constrained at the state level and the university had to work harder than ever in the face of diminished resources. Despite the challenges, we had a successful year on several fronts. While continuing to move forward with our academic programs, we have managed operations with structurally balanced budgets, realized growth in unrestricted net assets and capital assets, and maintained a significant ongoing capital campaign.

Summary of Audit Results

- Unqualified audit opinion
- No material weakness in internal controls
- No instances of noncompliance or other matters required to be reported under Government Auditing Standards
- Two written audit recommendations involving internal control findings

Assets, Liabilities and Net Assets at June 30, 2009 and 2010

(all dollars in millions)

	2010	2009	Change	
			Amount	Percent
Current assets	\$ 296.2	\$ 268.0	\$ 28.2	10.5 %
Noncurrent cash and cash equivalents	127.8	59.1	68.7	116.2%
Capital assets, net	1,095.5	972.1	123.4	12.7 %
Other assets	134.5	130.3	4.2	3.2%
Total assets	1,654.0	1,429.5	224.5	15.7 %
Current liabilities	192.5	207.5	(15.0)	(7.2) %
Noncurrent liabilities	412.8	303.0	109.8	36.2 %
Total liabilities	605.3	510.5	94.8	18.6 %
Invested in capital assets, net	734.9	669.7	65.2	9.7 %
Restricted	135.3	113.1	22.2	19.6%
Unrestricted	178.5	136.2	42.3	31.1%
Total net assets	\$ 1,048.7	\$ 919.0	\$ 129.7	14.1%

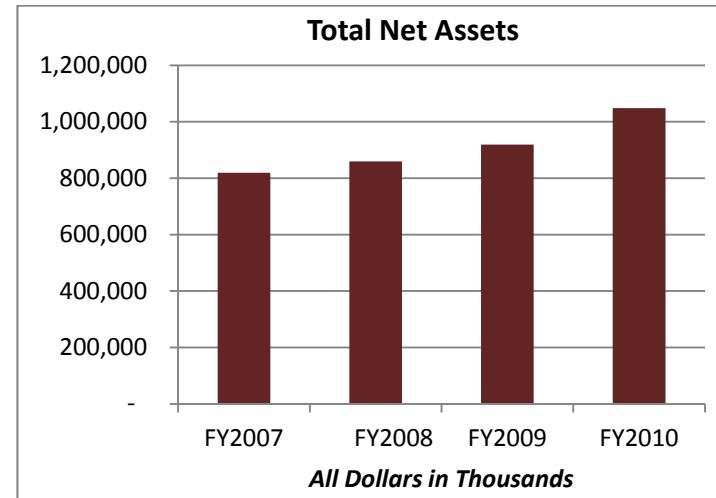
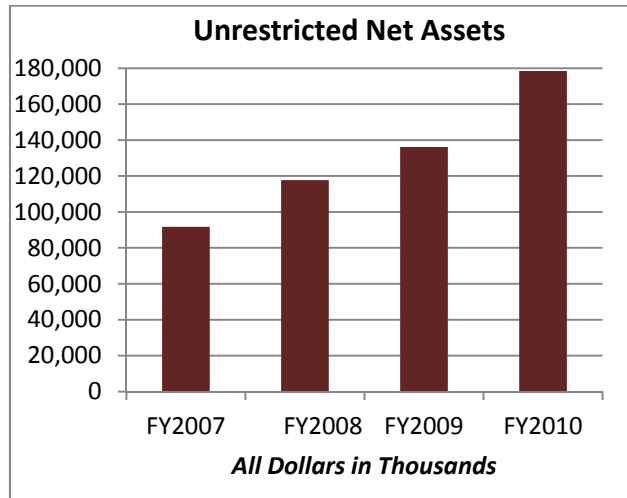
The balance sheet shows positive results for fiscal year 2010 with the key indicators as follows:

- Assets increased more than liabilities and Net Assets increased by \$129.7 million.
- The largest increase (over \$100 million) occurred in Capital Assets.

Improvement Trends in Financial Position / Net Assets

(all dollars in thousands)

	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2010</u>
Capital Assets, Net of Related Debt	\$ 568,395	\$ 622,885	\$ 669,721	\$ 734,875
Restricted, Nonexpendable	356	358	358	363
Restricted, Expendable				
Capital projects	52,280	9,390	7,738	14,074
Other	106,765	109,111	104,980	120,876
Unrestricted	91,740	117,750	136,154	178,471
Total Net Assets	\$ 819,536	\$ 859,494	\$ 918,951	\$ 1,048,659



Ongoing Investments in Capital Assets

Summary Changes in Capital Assets for FY2010
(all dollars in millions)

	Beginning Balance	Additions	Retirements	Ending Balance
Depreciable capital assets				
Buildings	\$ 895.1	\$ 83.2	\$ -	\$ 978.3
Moveable equipment	365.0	29.1	17.4	376.7
Software and intangible assets	7.2	1.4	-	8.5
Fixed equipment	80.9	2.8	.1	83.7
Infrastructure	112.6	.3	-	112.9
Library books	69.5	2.3	-	71.8
Total depreciable capital assets, at cost	1,530.3	119.1	17.5	1,631.9
Less accumulated depreciation				
Total accumulated depreciation	718.4	62.8	16.0	765.2
Total depreciable capital assets, net	811.9	56.3	1.5	866.7
Nondepreciable capital assets				
Land	44.6	1.0	.1	45.5
Livestock	.6	-	-	.6
Construction in progress	116.3	150.6	84.3	182.6
Total nondepreciable capital assets	161.5	151.6	84.4	228.7
Total capital assets, net	\$ 973.4	\$ 207.9	\$ 85.9	\$ 1,095.4

Summary of Revenues, Expenses, and Changes in Net Assets for FY2010

(all dollars in millions)

	2010	2009	Change	
			Amount	Percent
Operating revenues	\$ 715.1	\$ 684.5	\$ 30.6	4.5%
Operating expenses	967.3	970.1	(2.8)	(0.3)%
Operating loss	(252.2)	(285.6)	33.4	(11.7)%
State appropriations	229.3	255.4	(26.1)	(10.2)%
Other non-operating revenues and expenses	62.5	43.6	18.9	43.3%
Non-operating income	291.8	299.0	(7.2)	(2.4)%
Income before other revenues & expenses	39.6	13.4	26.2	195.5%
Other revenues, expenses, gains or losses	90.1	46.1	44.0	95.4%
Increase in net assets	129.7	59.5	70.2	118.0%
Net assets - beginning of year	919.0	859.5	59.5	6.9%
Net assets - end of year	\$ 1,048.7	\$ 919.0	\$ 129.7	14.1%

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

Despite significant reductions in state appropriations and net investment income, budgetary controls and fiscal management practices resulted in income before other revenues & expenses consistent with the previous year.

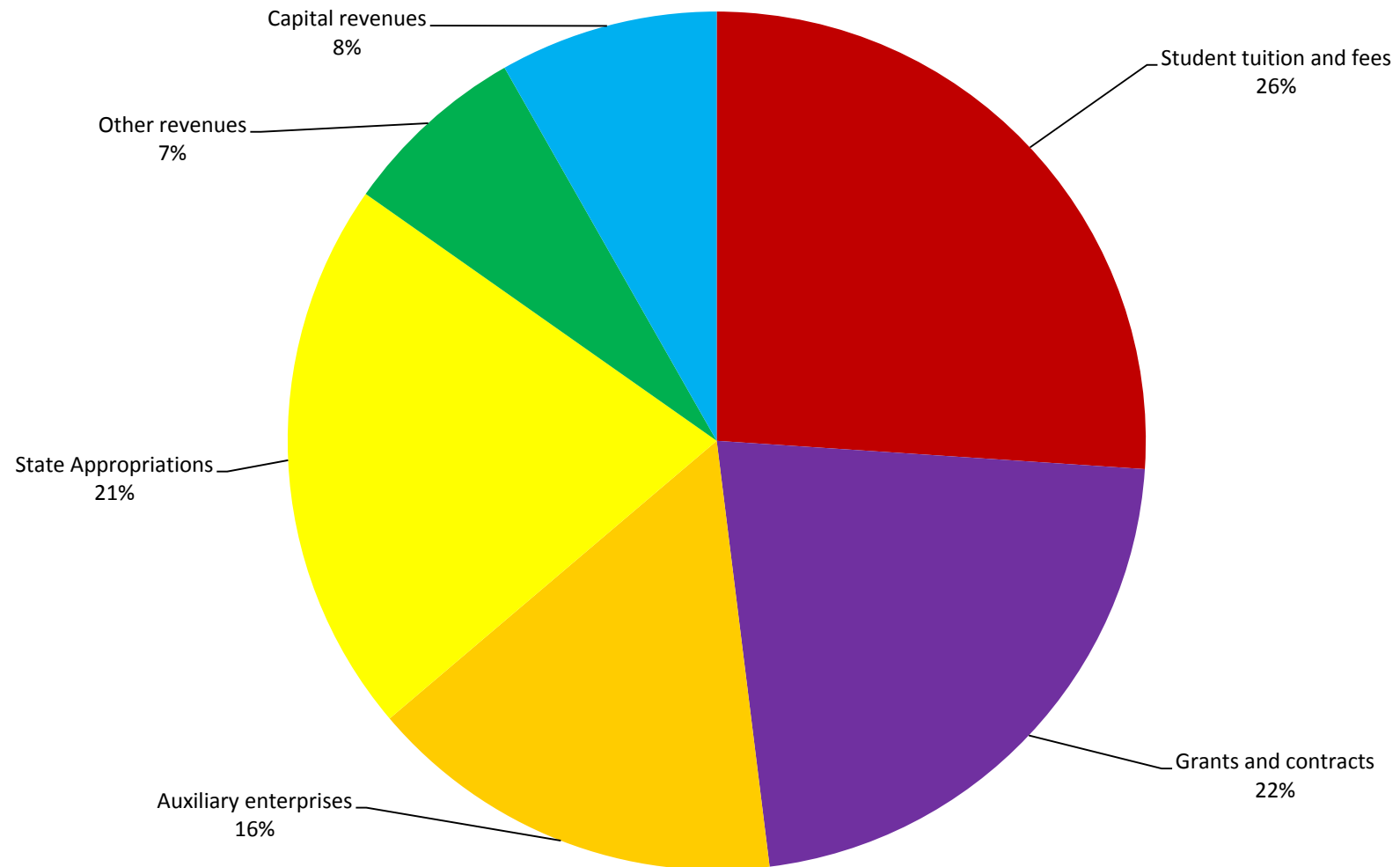
Increase (Decrease) in Revenues for Fiscal Year 2010

(all dollars in millions)

	2010	2009	Change	
			Amount	Percent
Operating revenues				
Student tuition and fees, net	\$ 285.1	\$ 275.1	\$ 10.0	3.6%
Grants and contracts	240.5	225.2	15.3	6.8%
Auxiliary enterprises	172.6	165.6	7.0	4.2%
Other operating revenue (1)	16.9	18.6	(1.7)	(9.1)%
Total operating revenues	715.1	684.5	30.6	4.5%
Non-operating activity				
State appropriations	229.3	255.4	(26.1)	(10.2)%
Other non-operating revenues (1)	62.5	43.6	18.9	43.3%
Total non-operating revenues	291.8	299.0	(7.2)	(2.4)%
Other revenues				
Capital appropriations	-	(12.3)	12.3	100.0%
Capital grants and gifts	91.2	59.7	31.5	52.8%
Loss on disposal of capital assets	(1.1)	(1.3)	0.2	15.4%
Total capital revenues, gains	90.1	46.1	44.0	95.4%
Total revenues	\$ 1,097.0	\$ 1,029.6	\$ 67.4	6.5%

(1) Includes gifts, net investment income, interest expense on debt related to capital assets, federal PELL grants, federal ARRA stabilization funds, and other non-operating revenues. Most of the increase was related to the federal fiscal stabilization which was new for 2010 and investment income.

Revenue by Source for Fiscal Year 2010

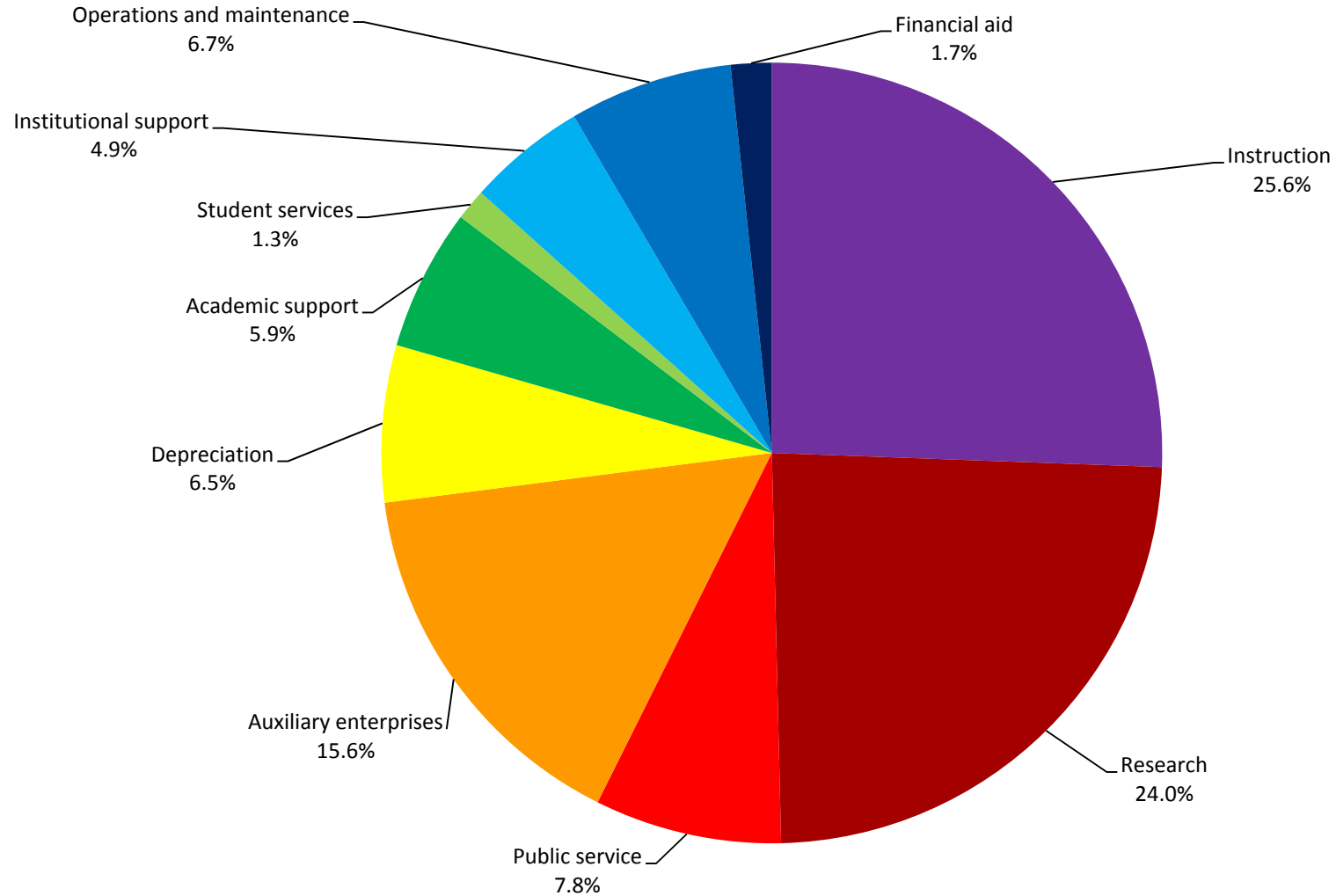


Increase (Decrease) in Operating Expenses for Fiscal Year 2010

(all dollars in millions)

	2010	2009	Change	
			Amount	Percent
Instruction	\$ 247.4	\$ 253.3	\$ (5.9)	(2.3)%
Research	232.5	231.2	1.3	0.6%
Public service	75.0	75.9	(0.9)	(1.2)%
Auxiliary enterprises	150.9	148.3	2.6	1.8%
Depreciation and amortization expense	62.8	61.0	1.8	3.0%
Subtotal	768.6	769.7	(1.1)	(0.1)%
Support, maintenance, and other expenses				
Academic support	56.8	62.5	(5.7)	(9.1)%
Student services	12.5	12.8	(0.3)	(2.3)%
Institutional support	47.6	46.9	0.7	1.5%
Operations and maintenance	65.5	64.7	0.8	1.2%
Student financial assistance, loan admin. fees and collection costs	16.3	13.5	2.8	20.7%
Total support, maint, and other expenses	198.7	200.4	(1.7)	(0.8)%
Total expenses	\$ 967.3	\$ 970.1	\$ (2.8)	(0.3)%

2010 Operating Expenses



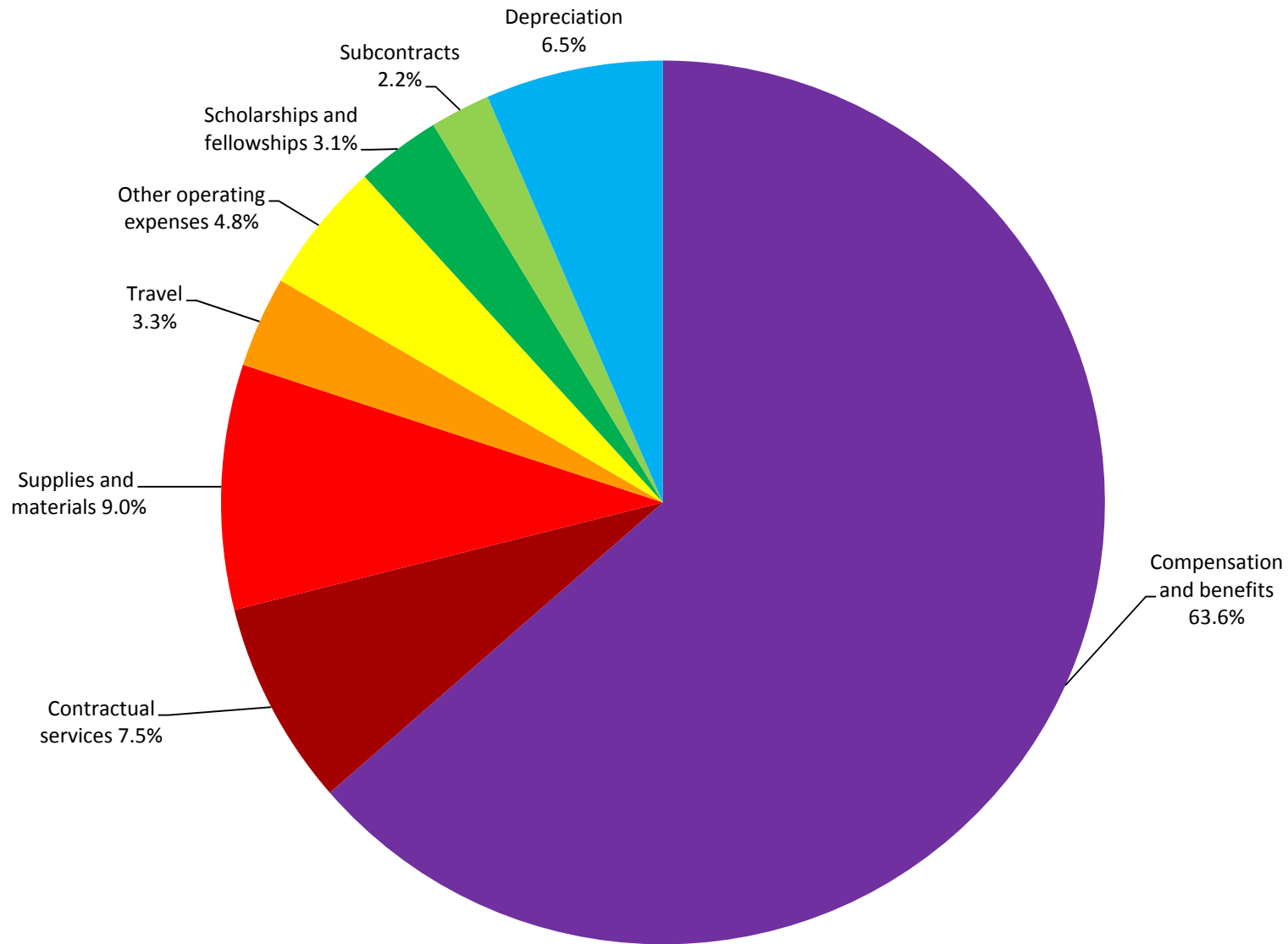
Expense by Natural Classification for Fiscal Year 2010

(all dollars in millions)

	2010	2009	Change	
			Amount	Percent
Compensation and benefits	\$ 615.1	\$ 630.8	\$ (15.7)	(2.5)%
Contractual services	72.5	69.1	3.4	4.9%
Supplies and materials	86.7	89.8	(3.1)	(3.5)%
Travel	32.2	32.3	(0.1)	(0.3)%
Other operating expenses	46.7	38.8	7.9	20.4%
Scholarships and fellowships (1)	30.0	25.7	4.3	16.7%
Sponsored program subcontracts	21.3	22.4	(1.1)	(4.9)%
Depreciation and amortization	62.8	61.2	1.6	2.6%
Total operating expenses	\$ 967.3	\$ 970.1	\$ (2.8)	(0.3)%

(1) Under GASB reporting, this number includes only part of the total financial aid provided. This number is net of \$83.8 million of scholarship allowance items such as university funded waivers, graduate tuition remission, other sponsored funding, etc.

Expenses by Natural Classifications for Fiscal Year 2010



Changes in Long-term Debt Payable Activity
As of June 30, 2010
(all dollars in millions)

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion
Bonds payable					
Section 9(c) general obligation	\$ 62.1	\$ 80.1	\$ 7.4	\$ 134.8	\$ 4.6
Section 9(d) revenue bonds	74.0	-	5.0	69.0	5.3
Notes payable	121.1	48.7	5.0	164.8	5.6
Capital lease obligations	27.5	-	1.1	26.4	1.2
Installment purchase obligations	<u>1.2</u>	<u>-</u>	<u>.4</u>	<u>.8</u>	<u>.4</u>
Total Long-term debt payable	\$ <u>285.9</u>	<u>128.8</u>	<u>18.9</u>	\$ <u>395.8</u>	\$ <u>17.1</u>
Current year debt defeasance		(2.6)	(2.6)		
Total additions/retirements, net of current year defeasance		<u>\$ 126.2</u>	<u>\$ 16.3</u>		

Growth in Externally Sponsored Programs

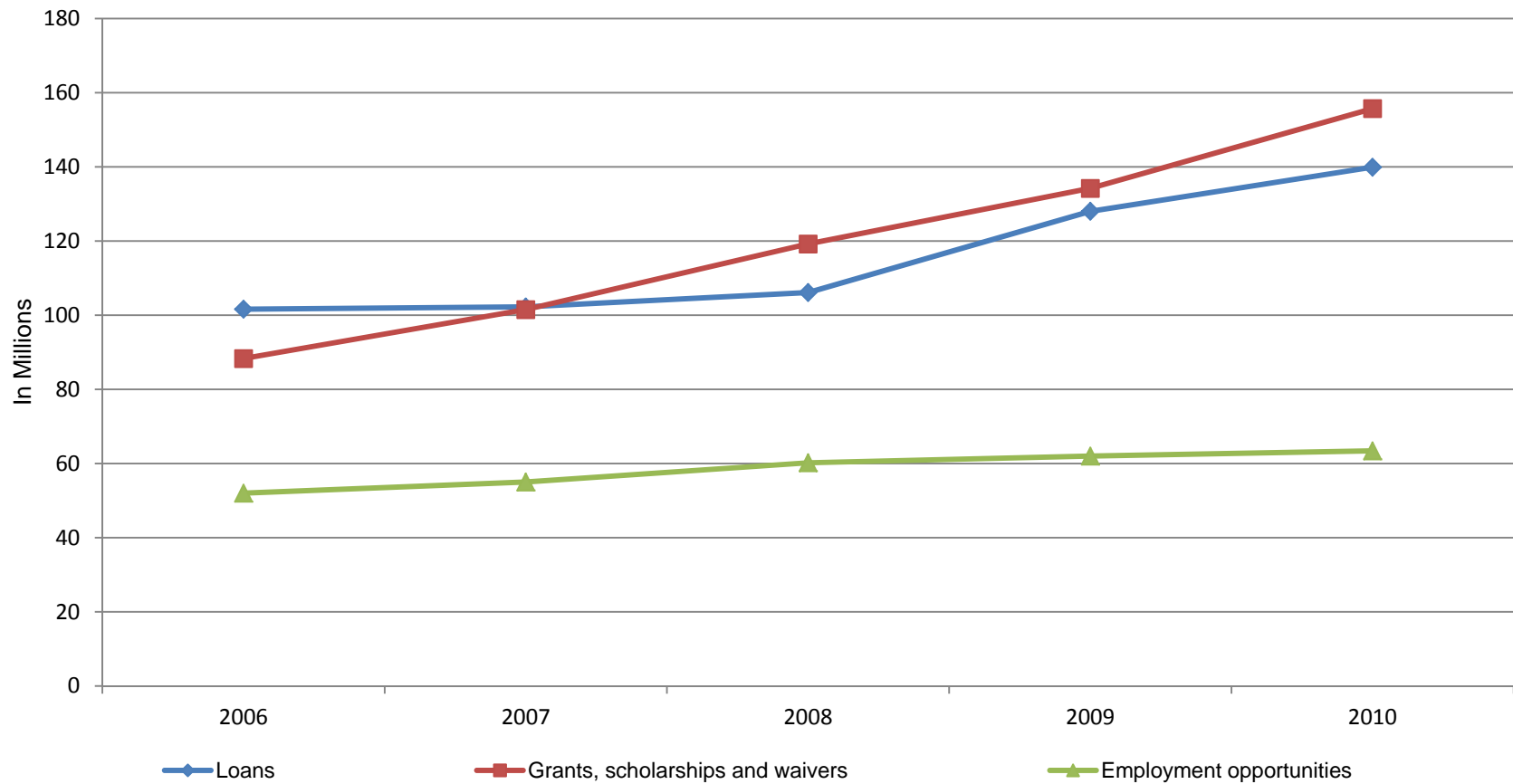
	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Number of Awards	2,122	2,131	2,263	2,384	2,516
Value of Awards <i>(in millions)</i>	\$ 195.9	\$ 203.1	\$ 227.6	\$ 232.3	\$ 312.4
Research Expenditures Reported to NSF	\$ 321.7	\$ 367.0	\$ 373.3	\$ 396.7	\$ 398.2
NSF Rank	54	42	46	44	N/A

Growth in Financial Aid

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
<u>Number of Students</u>					
Loans	11,146	11,072	11,382	12,085	12,896
Grants, scholarships, and waivers	15,947	17,028	17,635	18,406	27,134
Employment opportunities	8,234	8,260	8,836	8,734	8,514
<u>Total Amount (in millions)</u>					
Loans	\$ 101.6	\$ 102.2	\$ 106.1	\$ 128.0	\$ 139.9
Grants, scholarships, and waivers	88.3	101.5	119.2	134.2	155.7
Employment opportunities	52.0	55.0	60.2	62.0	63.4
Total Financial Aid	\$ 241.9	\$ 258.7	\$ 285.5	\$ 324.2	\$ 359.0

Loans increased by 9%; however, total grants and scholarships still exceed loans by \$15.8 million, and total financial aid awards from all sources continued to grow when compared to previous years.

Growth in Financial Aid FY06-FY10



Summary Composition of Investments at June 30, 2010

(all dollars in millions)

<u>Description and Credit Rating</u>	<u>Cash Equivalents</u>	<u>Short-Term Investments</u>	<u>Long-Term Investments</u>	<u>Total</u>
U.S. Treasury Securities (N/A)	\$ 204.9		\$.8	\$ 205.7
Federal Agency Securities (AAA to Aaa)			13.3	13.3
Debt Securities (A1 to A3)			28.2	28.2
Repurchase Agreements (N/A)	37.1			37.1
Snap Funds (AAAm)	64.2			64.2
Investments with VTF (N/A)	.9		44.0	44.9
Other Investments (AAA to BBB+)	<u>1.6</u>	<u>1.4</u>	<u>21.4</u>	<u>24.4</u>
June 30, 2010 Balance	\$ 308.7	\$ 1.4	\$ 107.7	\$ 417.8
June 30, 2009 Balance	<u>259.9</u>	<u>1.1</u>	<u>96.9</u>	<u>357.9</u>
Change in Investment Balances	\$ 48.8	\$.3	\$ 10.8	\$ 59.9

Conclusion:

Despite significant fiscal challenges 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
- Continued growth in liquidity / unrestricted net assets to support the growth in debt
- Successful progress towards the \$1 billion goal of the capital campaign (\$946.3 million raised as of June 30)
- Strong student demand – we continue to have growth in applications and the successive improvements of overall quality of each entering class



[financial report] 2009-10

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

Message from the Vice President for Finance and Chief Financial Officer

As we complete another year fraught with fiscal challenges, the university continues to grow the quality and reach of its instructional and research programs and remains enthusiastic about the opportunities ahead. Resources continue to be constrained at the state level and the university has had to work harder than ever in the face of diminished resources. Despite these issues, we have had a successful year on several fronts. While continuing to move forward with our academic programs, we have managed operations within structurally balanced budgets, realized growth in unrestricted net assets and capital assets, and maintained a significant ongoing capital campaign.

In support of its research and instructional programs, the university is in the midst of the largest capital construction program in its history, approximately one-half billion dollars, consisting of a significant number of research, educational and instructional, and auxiliary operations support facilities. Expenditures on capital projects totaled \$165 million for the year ended June 30, 2010, and we expect capital expenditures of \$162 million for fiscal year 2011. In the midst of the constrained economic environment, the university was able to work with the state to realign capital resources to fund the Center for Creative Technologies Laboratory. This success was a linchpin in moving forward with the more comprehensive arts program, and it allowed the university to initiate the construction process for the facility in June 2010. Closely related to the capital program is the need to maintain a strong bond rating in relationship to our issuance of debt for nongeneral fund supported projects. The debt ratings have improved, and the university continues to take explicit actions to strengthen its bond rating such as improving its overall liquidity position and unrestricted net assets balances. The university retains a significant level of debt capacity to support future projects with a yearend debt ratio of 3.18 percent.

Despite resource constraints and losses, the university continues to work and achieve major elements of its strategic plan. One academic goal is the establishment of the Virginia Tech Carilion School of Medicine and Research Institute. The university made significant progress in 2009-10 in establishing the required financial commitments, business



M. Dwight Shelton, Jr.

practices, and plans for providing the financing for these projects. The School of Medicine accepted its first class of 42 students in August 2010 and the Research Institute opened in October 2010.

As a land-grant institution, one of our core values is the advancement of research within the local, state, and global environment. Continued growth in research remains a significant element of the university's strategic plan. The university has realized growth in its research program over the last several years, and that trend continued in fiscal year 2010. The university continues to

support that continued growth with investments in strategic areas such as the Virginia Tech Carilion Research Institute, high performance computing initiatives, and research computing capacity. The recent initiatives and collaborative efforts such as the newly created Virginia Tech Carilion School of Medicine and Research Institute will continue to provide major new research opportunities in biomedical areas in the future. Further, the university expects a growth in research expenditures over the next one to two years resulting from an increase in awards from proposal activity related to federal stimulus grant allocations to the major granting agencies of National Institutes of Health and the National Science Foundation.

The university is in the midst of a capital campaign with a goal of \$1 billion. Despite the economic difficulties at the national level, our capital campaign continues on target to meet its goal of \$1 billion by the end of December 2010. Pledges to the campaign totaled \$946.3 million as of June 30, 2010. Private funds represent an increasing element of support for the university's operations and are creating the incremental funds necessary to ensure the continuation of quality instructional and research programs for our students and the citizens of the commonwealth.

The economic environment continues to require reductions in financial support from the Commonwealth of Virginia. The university has lost approximately \$48.4 million of General Fund support during fiscal years 2008, 2009 and 2010 that covered university instructional, land grant, and research programs. Through additional nongeneral fund revenues and operating efficiencies, the university was able to limit reductions to operating units and minimize the im-

impact on personnel resources as well as avoiding a furlough of employees. However, previously assigned reductions to the university totaling an additional \$24.8 million of General Fund resources are expected in fiscal year 2012 which will coincide with the end of one-time state stabilization funds from the federal government. Because of cost control and containment efforts, judicious use of new revenue, and some enrollment growth, as well as other budget mitigation strategies, the university minimized the impact to a budget reduction of only 2.9 percent for its academic and administrative units in fiscal year 2011.

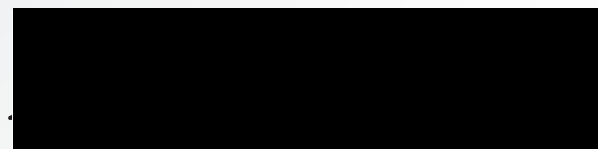
Continued General Fund revenue losses accelerate the need for the university to plan for alternative revenue resources to support its programs and identify cost reductions to offset the impact of the loss in state support. We anticipate that the generation of nongeneral fund revenues including tuition and fees, research, business activities, and private support will represent a larger proportion of university financial resources in the future.

The ability of the university to manage resources and strategic increases in tuition and fees to support accessibility and a wide array of undergraduate and graduate programs is integral to ensuring the continued integrity and success of our academic programs. The university continues to be very sensitive to the total costs to students. In comparison to its national peer group, the university is still very competitively positioned, with total costs below the 60th percentile and ranking 21st of the 24 peer institutions. The university is confident that a Virginia Tech education continues to be a significant value for our students. The university continues to maximize the allocation of tuition and fees to the Educational and General programs, primarily instruction. In fact, 84 percent of the university's tuition and required fees are assigned to instructional activities, which is the highest percentage of any higher education institution in Virginia.

While losses in state support have adversely impacted the university's instructional budget, other elements of the operating budget have continued to grow. The university's annual budget exceeded \$1 billion in 2009-2010. Tuition and fees budget represents the single largest source of revenue for the university, approximately \$297 million. While this amount represents only 28 percent of the total university's budget, it has become the major source of support (61 percent) for the instructional program budget due to the continued erosion of state support. Although the university has been able to sustain or slightly grow its overall operations, there is an ongoing shift in support away from state funding. As the commonwealth's revenues have declined during the economic downturn, it has not been able to maintain traditional funding levels for higher education.

In the midst of those resource constraints, the university has also focused on controlling costs and becoming more efficient wherever possible. These strides are occurring in both the academic and administrative support areas. While the university has captured significant savings in the area of energy management and conservation, the university is making investments in administrative systems to reduce future costs and increase capacity and capabilities for the future.

In closing, the university continues to make progress towards achieving the various elements of its strategic plan to improve the overall quality of mission critical programs. The administration and finance areas are taking actions to fully support these goals and be a part of the solution as Virginia Tech moves forward to be a leader in higher education and research and to Invent the Future.



M. Dwight Shelton Jr.
Vice President for Finance and Chief Financial Officer

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Management's Responsibility for Financial Reporting and Internal Controls

The information in this *Annual Financial Report*, including the accompanying basic financial statements, notes, management's discussion and analysis, and other information is the responsibility of Virginia Tech executive management. Responsibility for the accuracy of the financial information and fairness of its presentation, including all disclosures, rests with the management of the university. Management believes the information is accurate in all material respects and fairly presents the university's revenues, expenses, and changes in net assets as well as its overall financial position. This report was prepared in accordance with generally accepted accounting principles for public colleges and universities in the United States of America as prescribed by the Governmental Accounting Standards Board. Management is responsible for the objectivity and integrity of all representations herein. The *Annual Financial Report* includes all disclosures necessary for the reader of this report to gain a broad understanding of the university's operations for the year ended June 30, 2010.

The administration is responsible for establishing and maintaining the university's system of internal controls. Key elements of the university's system of internal controls include: careful selection and training of administrative personnel; organizational structure that provides appropriate division of duties; thorough and continuous monitoring, control, and reporting of operating budgets versus actual operating results; well communicated written policies and procedures; annual self-assessments led by the Office of the University Controller; a growing management services segment; and an extensive internal audit function. Although there are inherent limitations to the effectiveness of any system of accounting controls, management believes that the university's system provides reasonable, but not absolute, assurances that assets are safeguarded from unauthorized use or disposition, and accounting records are sufficiently reliable to permit preparation of financial statements and appropriate accountability for assets and liabilities.

The Finance and Audit Committee of the Virginia Tech Board of Visitors reviews and monitors the university's financial reporting and accounting practices. The committee meets with external independent auditors annually to review the *Annual Financial Report* and results of audit examinations. The committee also meets with internal auditors and university financial officers at least quarterly. These meetings include a review of the scope, quality, and results of the internal audit program, and a review of issues related to internal controls and quality of financial reporting.

The Auditor of Public Accounts (APA), the office of the Commonwealth of Virginia's auditors, has examined these annual financial statements and the report thereon appears on the facing page. The APA examination includes a study and evaluation of the university's system of internal controls, financial systems, policies, and procedures, resulting in the issuance of a management letter describing various issues considered worthy of management's attention. The university has implemented policies and procedures for the adequate and timely resolution of such issues. No material weaknesses were found on internal control matters by the APA for the fiscal year ended June 30, 2010.

M. Dwight Shelton, Jr.
Vice President for Finance and Chief Financial Officer

Report of the Independent Auditor

November 4, 2010

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable Charles J. Colgan
Chairman, Joint Legislative Audit
and Review Commission

Board of Visitors
Virginia Polytechnic Institute and State University

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of Virginia Polytechnic Institute and State University, a component unit of the Commonwealth of Virginia, as of and for the year ended June 30, 2010, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the component units of the University, which are discussed in note 1. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units of the University is based on the reports of the other auditors. The prior year summarized comparative information has been derived from the University's fiscal year 2009 financial statements, and in our report dated November 5, 2009, we expressed an unqualified opinion on the respective financial statements of the University.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the component units of the University that were audited by other auditors upon whose reports we are relying were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and aggregate discretely presented component units of the University as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 6 through 13 is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements of Virginia Polytechnic Institute and State University. The consolidating schedules and affiliated corporations' financial highlights are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The consolidating schedules and affiliated corporations' financial highlights have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2010 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.


AUDITOR OF PUBLIC ACCOUNTS

Management's Discussion and Analysis

(UNAUDITED)

Virginia Polytechnic Institute and State University, popularly known as Virginia Tech, is a comprehensive, land-grant university located in Blacksburg, Virginia. The university offers 193 graduate, undergraduate, and professional degree programs through its eight academic colleges (Agriculture and Life Sciences, Architecture and Urban Studies, Pamplin College of Business, Engineering, Science, Liberal Arts and Human Sciences, Natural Resources and Environment, and the Virginia-Maryland College of Veterinary Medicine). The university serves 30,870 students and employs 2,183 full-time teaching and research faculty members.

Virginia Tech has evolved into a position of increasing national prominence since its founding in 1872, consistently ranking among the nation's top universities for undergraduate and graduate programs. The university's research program was ranked 44th by the National Science Foundation among the top research institutions in the United States in its latest survey measuring annual research expenditures.

The university is an agency of the Commonwealth of Virginia, and therefore included as a component unit in the Commonwealth of Virginia's *Comprehensive Annual Financial Report*. The 14 members of the Virginia Tech Board of Visitors govern university operations. Members of the board are appointed by the Governor of Virginia.

Overview

This unaudited Management's Discussion and Analysis (MD&A) is required supplemental information under the Governmental Accounting Standards Board's (GASB) reporting model. It is designed to assist readers in understanding the accompanying financial statements and provides an overall view of the university's financial activities based on currently known facts, decisions, and conditions. This discussion includes an analysis of the university's financial condition and results of operations for the fiscal year ended June 30, 2010. Comparative numbers are included for the fiscal year ended June 30, 2009. Since this presentation includes highly summarized data, it should be read in conjunction with the accompanying basic financial statements, including notes and other supplementary information. The university's management is responsible for all of the financial information presented, including this discussion and analysis.

The university's financial statements have been prepared in accordance with GASB Statement 35, *Basic Financial Statements — and Management's Discussion and Analysis — for Public Colleges and Universities*, as amended by GASB Statements 37 and 38. The three required financial statements are the *Statement of Net Assets* (balance sheet), the *Statement of Revenues, Expenses, and Changes in Net Assets* (operating statement), and the *Statement of Cash Flows*. These statements are summarized and analyzed in the following sec-

tions. Combining schedules are included in the supplementary information. These schedules indicate how major fund groups were aggregated to arrive at the single column totals.

Using criteria provided in GASB Statement 39, *Determining Whether Certain Organizations Are Component Units*, an amendment of GASB Statement 14, the university's six affiliated corporations were evaluated on the nature and significance of their relationship to the university. The Virginia Tech Foundation Inc. (VTF or 'the foundation') and Virginia Tech Services Inc. (VTS) were determined to be component units and are presented in a separate column on the university's financial statements. The foundation is not part of this MD&A, but additional detail regarding its financial activities can be found in note 24 of the *Notes to Financial Statements*. Transactions between the university and these component units have not been eliminated in this year's financial statements.

The following GASB statements of standards became effective in fiscal year 2010: Statement 51, *Accounting and Financial Reporting for Intangible Assets*; Statement 53, *Accounting and Financial Reporting for Derivative Instruments*; and Statement 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. The university has revised its capital asset note disclosure to more clearly describe software and other intangible assets in accordance with Statement 51. The university does not utilize complex financial arrangements, derivative instruments, such as those described in Statement 53. The university does not currently have a reporting requirement based on the implementation of Statement 58.

Statement of Net Assets

The *Statement of Net Assets* (SNA) presents the assets, liabilities, and net assets of the university as of the end of the fiscal year. The purpose of the statement is to present a snapshot of the university's financial position to the readers of the financial statements.

The data presented aids readers in determining the assets available to continue operations of the university. It also allows readers to determine how much the university owes to vendors, investors, and lending institutions. Finally, the SNA provides a picture of net assets and their availability for expenditure by the university. Sustained increases in net assets over time are one indicator of the financial health of the organization.

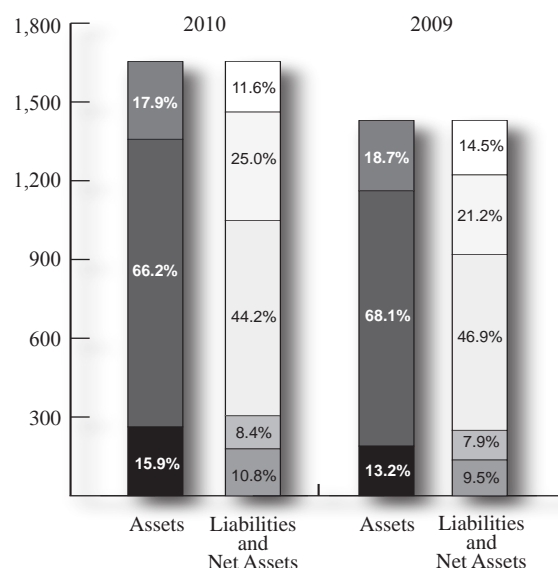
The university's net assets are classified as follows:

Invested in capital assets — Invested in capital assets, net of related debt, represent the university's total investment in capital assets, net of accumulated depreciation, amortization and outstanding debt obligations related to those capital assets. Debt incurred, but not yet expended for capital assets, is not included as a component of invested in capital assets, net of related debt.

Assets, Liabilities and Net Assets

For the years ended June 30, 2010 and 2009
(all dollars in millions)

	2010	2009	Change	
			Amount	Percent
Current assets	\$ 296.2	\$ 268.0	\$ 28.2	10.5 %
Capital assets, net	1,095.5	973.5	122.0	12.5 %
Other assets	262.3	188.0	74.3	39.5 %
Total assets	1,654.0	1,429.5	224.5	15.7 %
Current liabilities	192.5	207.5	(15.0)	(7.2)%
Noncurrent liabilities	412.8	303.0	109.8	36.2 %
Total liabilities	605.3	510.5	94.8	18.6 %
Invested in capital assets, net	734.9	669.7	65.2	9.7 %
Restricted	135.3	113.1	22.2	19.6 %
Unrestricted	178.5	136.2	42.3	31.1 %
Total net assets	\$ 1,048.7	\$ 919.0	\$ 129.7	14.1 %



Restricted net assets, expendable — Expendable restricted net assets include resources the university is legally or contractually obligated to expend in accordance with restrictions imposed by external third parties. These assets partially consist of quasi-endowments totaling \$44.0 million. The quasi-endowments are managed by VTF.

Restricted net assets, nonexpendable — Nonexpendable restricted net assets consist of endowment and similar type funds where donors or other outside sources have stipulated, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income to be expended or added to principal. The university's nonexpendable endowments of \$0.4 million are included in its column on the SNA.

Unrestricted net assets — Unrestricted net assets represent resources used for transactions relating to academic departments and general operations of the university, and may be used at the discretion of the university's board of visitors to meet current expenses for any lawful purpose in support of the university's primary missions of instruction, research, and outreach. These resources are derived from student tuition and fees, state appropriations, recoveries of facilities and administrative (indirect) costs, and sales and services of auxiliary enterprises and educational departments. The auxiliary enterprises are self-supporting entities that provide services for students, faculty, and staff. Some examples of the university's auxiliaries are intercollegiate athletics and student residential and dining programs.

Total university assets increased by \$224.5 million or 15.7% during fiscal year 2010, bringing the total to \$1,654.0 million at year-end. Growth in current assets and the major components of noncurrent assets (capital assets, cash equivalents

and long-term investments) accounted for the majority of the rise in total assets. The largest increase in current assets was in cash and cash equivalents (\$22.7 million). Smaller increases, totaling \$5.5 million, were present in the remaining current asset categories. The growth in net capital assets (\$122.0 million) reflects the ongoing construction of major research buildings and the capitalization of completed research and instructional facilities discussed in detail in the following section, Capital Asset and Debt Administration. In addition, two noncurrent assets categories, cash and cash equivalents (\$68.7 million) and long-term investments (\$10.8 million), contributed significantly to the rise in total assets. The majority of this increase was due to unspent bond proceeds from debt issued during the fiscal year to fund capital projects under construction. This growth was partially offset by the reduction in amounts due from the commonwealth (\$3.0 million) and noncurrent accounts receivable (\$1.7 million).

Total university liabilities increased \$94.8 million or 18.6% during fiscal year 2010. The current liabilities category decreased \$15.0 million and the noncurrent liabilities category increased \$109.8 million. The majority of the decrease in current liabilities was in commercial paper (\$17.8 million) used as temporary financing for capital construction and accrued compensated absences (\$4.0 million). These decreases partially offset increasing liabilities in accounts payable (\$3.0 million), deferred revenue (\$2.6 million), and the current portion of long-term debt (\$1.0 million). The growth in noncurrent liabilities primarily results from net additions to long-term debt (\$108.9 million). For more detailed information, see the Capital Asset and Debt Administration section.

The increase in total assets was greater than the corresponding increase in total liabilities, thus increasing the university's net assets by \$129.7 million (14.1%). Invested in capital

assets, net of related debt, unrestricted assets and restricted assets increased \$65.2 million, \$42.3 million, and \$22.2 million respectively. This reflects the university's continued investment in new facilities and equipment in support of the university's missions as well as prudent management of the university's fiscal resources.

Capital Asset and Debt Administration

One of the critical factors in ensuring the quality of the university's academic, research, and residential life functions is the development and renewal of its capital assets. The university continues to maintain and upgrade current structures as well as pursue opportunities for additional facilities. Investment in new structures and the upgrade of current structures serves to enrich high-quality instructional programs, residential lifestyles, and research activities.

Note 7 of the *Notes to Financial Statements* describes the university's significant investment in depreciable capital assets with gross additions of \$119.1 million during fiscal year 2010. The completion of the New Hall West residence hall (\$29.6 million), Hahn-Hurst Basketball Practice Facility (\$20.5 million), and the Henderson Hall renovation and Black Box Theatre (\$14.8 million) projects were the significant components of the \$83.2 million in building additions this fiscal year. Ongoing investments in instructional, research, and computer equipment totaled \$29.0 million. Depreciation and amortization expense related to capital assets was \$62.8 million with net asset retirements of \$1.5 million. The net increase in depreciable capital assets for this period was \$54.8 million. The largest increase in nondepreciable capital assets resulted from the net increase in the construction-in-progress category, primarily related to the continuing construction of the Virginia Tech Carilion School of Medicine and Research Institute, the Institute for Critical Technologies and Applied Science II (ICTAS-II), and the new parking structure. Proceeds from the sale of commercial paper were used to provide temporary funding for some of these projects under construction. The majority of this temporary financing was replaced with permanent debt financing through the issuance of long-term bonds and long-term notes.

Noncurrent liabilities sustained a net increase of \$109.8 million during fiscal year 2010. The majority of the net increase in noncurrent liabilities (\$108.9 million) resulted from the issuance of debt for the ongoing construction of the following projects: Ambler Johnston Hall renovation (\$42.7 million), a new parking structure (\$24.6 million), ICTAS-II (\$13.0 million), McComas Hall recreation, counseling and clinical space addition (\$12.4 million), Hahn-Hurst Basketball Practice Facility (\$8.7 million), campus heat plant upgrade (\$5.9 million) and McComas Hall exterior repairs (\$4.4 million). The increases in the amount of long-term debt, accrued compensated absences and other liabilities reclassified to a current liability partially offset this year's additions to long-term debt in the noncurrent liabilities category. See notes 11 and 12 of the *Notes to Financial Statements* for more details.

Capital projects in progress carried commitments to construction contractors, architects, and engineers totaling \$89.6 million at June 30, 2010. These obligations are for future effort and as such have not been accrued as expenses or liabilities on the university's financial statements. The majority of the financial commitment is attributed to three projects: the Ambler Johnston Hall renovation (\$32.5 million), the Virginia Tech Carilion School of Medicine and Research Institute (\$13.8 million), and the Technology Research and Innovation Center (\$9.7 million). These commitments represent only a portion of the university's capital projects currently under construction or authorized by the commonwealth.

The educational and general (E&G) portion of the university's capital outlay program represents five projects currently in various stages of completion. Two of the largest projects in this category are the Virginia Tech Carilion School of Medicine and Research Institute (\$62.5 million) and the Institute for Critical Technologies and Applied Science-II (\$35.0 million). In addition to the capital projects underway, there were several new construction and renovation projects approved for instructional and research facilities. The larger of the approved new construction projects are: the Center for the Arts, Academic and Student Affairs building, Sciences Research Laboratory I, and the Human and Agricultural Biosciences

Funding for Authorized Current and Future Capital Projects

As of June 30, 2010
(all dollars in millions)

	State Funds (1)	Other Funds (2)	University Debt Issued Before June 30, 2010	University Debt To Be Issued After June 30, 2010	Total Funding	Cash Basis Project-To-Date Expenses
Current education and general	\$ 100.0	\$ 17.7	\$ 17.5	\$ 7.1	\$ 142.3	\$ 85.9
Current auxiliary enterprise	-	27.8	141.3	-	169.1	69.0
Total current	100.0	45.5	158.8	7.1	311.4	154.9
Future education and general	46.1	19.1	-	117.6	182.8	18.0
Future auxiliary enterprise	-	5.1	-	80.5	85.6	0.6
Total future	46.1	24.2	-	198.1	268.4	18.6
Total authorized	\$ 146.1	\$ 69.7	\$ 158.8	\$ 205.2	\$ 579.8	\$ 173.5

(1) Includes the general fund, capital appropriations and the general obligation bonds of the Commonwealth of Virginia.

(2) Includes private gifts, auxiliary surpluses, student fees, and other customer revenues.

Building I. The Commonwealth of Virginia will provide partial funding for several of these E&G projects.

The university's auxiliary enterprises have approval for six new capital projects. These future capital projects include two new residence hall projects, an indoor athletic training facility, a new chiller plant, installation of a photo voltaic array on the recently completed parking structure, and the renovation of existing dining space. Since auxiliaries are required to be self-supporting, no state general funds or capital appropriations are provided for these projects. The projects have been

or will be funded from a combination of private gifts, student fees, other customer revenues, and debt financing.

Virginia Tech had a total authorization of \$579.8 million in capital building projects as of June 30, 2010, requiring approximately \$205.2 million in additional debt financing.

The university's bond ratings of Aa1 and AA from Moody's and Standard & Poor's, respectively, reflect strong student demand, balanced operating performance, and adequate reserves to address unforeseen expenses.

Summary of Revenues, Expenses and Changes in Net Assets

For the years ended June 30, 2010 and 2009

(all dollars in millions)

	2010	2009	Change	
			Amount	Percent
Operating revenues	\$ 715.1	\$ 684.5	\$ 30.6	4.5 %
Operating expenses	967.3	970.1	(2.8)	(0.3)%
Operating loss	(252.2)	(285.6)	33.4	(11.7)%
Non-operating revenues and expenses	291.8	299.0	(7.2)	(2.4)%
Income (loss) before other revenues, expenses, gains or losses	39.6	13.4	26.2	195.5 %
Other revenues, expenses, gains or losses	90.1	46.1	44.0	95.4 %
Increase in net assets	129.7	59.5	70.2	118.0 %
Net assets - beginning of year	919.0	859.5	59.5	6.9 %
Net assets - end of year	\$ 1,048.7	\$ 919.0	\$ 129.7	14.1 %

Statement of Revenues, Expenses, and Changes in Net Assets

Operating and non-operating activities creating changes in the university's total net assets are presented in the *Statement of Revenues, Expenses, and Changes in Net Assets* found on page 15. The purpose of the statement is to present all revenues received and accrued, all expenses paid and accrued, and gains or losses from investments and capital assets.

Operating revenues are generally received through providing goods and services to the various customers and constituencies of the university. Operating expenses are expenditures made to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the missions of the university. Salaries and fringe benefits for faculty and staff are the largest type of operating expense. Non-operating revenues are revenues received for which goods and services are not directly provided. State appropriations and gifts, included in this category, provide substantial support for paying operating expenses of the university. Therefore, the university, like most public institutions, will expect to show an operating loss.

Operating Revenues

Total operating revenues increased by \$30.6 million or 4.5% over the prior fiscal year. The majority of the growth in operating revenues came from grants and contracts revenue

(\$16.1 million and 7.7%). The increases in federal grants and contracts (\$21.7 million) were offset by reductions in state and local grants and contracts (\$2.2 million) and commercial grants and contracts (\$3.4 million). The increases were primarily from sponsored research supported by multiple federal agencies in the research areas managed by the Virginia Bio-informatics Institute, Virginia Tech Transportation Institute, and programs conducted in the major engineering and science disciplines.

The remaining revenue increases were in student tuition and fee revenues and auxiliary enterprise revenues (\$10.0 million or 3.6% and \$7.0 million or 4.2% respectively). The increase in student tuition and fees was expected given the rise in both in-state and out-of-state tuition and fee rates, effective with the fall 2009 semester. Auxiliary enterprise revenue growth was primarily from increased student fees (\$6.5 million) and athletic game revenue (\$2.6 million) partially offset by an increase in scholarship discount and allowances (\$2.1 million). Overall, the university's operating revenue increased to \$715.1 million in fiscal year 2010, compared to \$684.5 million in 2009.

Non-operating and Other Revenues

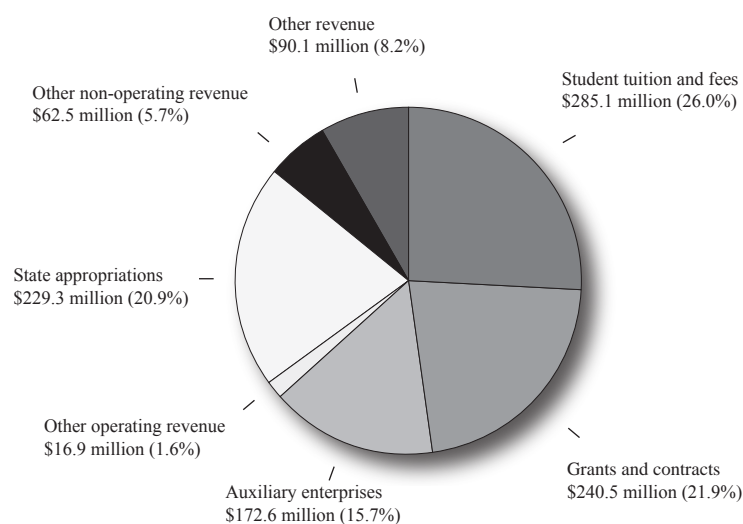
Non-operating revenue totaled \$291.8 million, a decrease of \$7.2 million from the previous year. The revenue decrease in this category results primarily from the reduction of state

Revenues

Increase (Decrease) in Revenue For the years ended June 30, 2010 and 2009 (all dollars in millions)

	2010	2009	Change	
			Amount	Percent
Operating revenue				
Student tuition and fees, net	\$ 285.1	\$ 275.1	\$ 10.0	3.6 %
Grants and contracts	240.5	225.2	15.3	6.8 %
Auxiliary enterprises	172.6	165.6	7.0	4.2 %
Other operating revenue	16.9	18.6	(1.7)	(9.1)%
Total operating revenue	715.1	684.5	30.6	4.5 %
Non-operating revenue				
State appropriations	229.3	255.4	(26.1)	(10.2)%
Other non-operating revenue*	62.5	43.6	18.9	43.3 %
Total non-operating revenue	291.8	299.0	(7.2)	(2.4)%
Other revenue				
Capital appropriations	0.0	(12.3)	12.3	100.0 %
Capital grants and gifts	91.2	59.7	31.5	52.8 %
Loss on disposal of capital assets	(1.1)	(1.3)	0.2	15.4 %
Total other revenue	90.1	46.1	44.0	95.4 %
Total revenue	\$ 1,097.0	\$ 1,029.6	\$ 67.4	6.5 %

Total Revenue by Source For the year ended June 30, 2010



* Includes gifts, investment income, interest expense on debt related to capital assets, federal PELL grants, federal ARRA stabilization funds, and other non-operating revenue.

appropriations (\$26.1 million), the reversion of nongeneral funds (\$4.5 million) to the commonwealth, and the increase to interest expense of \$2.6 million. The majority of the reduction in non-operating revenue was offset by federal American Recovery and Reinvestment Act (ARRA) stabilization funds (\$11.5 million), increased net investment income (\$8.3 million), and additional federal student financial aid (\$4.7 million). The state reduced current year appropriation revenues as part of budget adjustments necessary to accommodate declines in statewide general revenue collections.

Total other revenue, expenses, gains and losses increased by \$44.0 million, in comparison to the prior year. Increased funding from the 21st Century bond program (\$36.6 million), private gifts (\$4.8 million) and donated assets (\$1.2 million) made up the majority of the rise in revenues in this category.

As shown in the chart above, revenues from all sources (operating, non-operating, and other) for fiscal year 2010 totaled \$1,097.0 million, increasing by \$67.4 million from the prior year. Operating expenses (shown in the chart on the facing page) totaled approximately \$967.3 million for fiscal year 2010, a year-over-year reduction of \$2.8 million. Total revenues less total expenses resulted in an increase to net assets of \$129.7 million for fiscal year 2010. Details about changes in operating expenses are included in the following section.

Total Expenses

The university is committed to recruiting and retaining outstanding faculty and staff. The personnel compensation package is one way to successfully compete with peer institutions and nonacademic employers. The natural expense category, compensation and benefits, comprises \$615.1 million or 63.6% of the university's total operating expenses. This category decreased by \$15.7 million (2.5%) from the previous year. Generally, changes to expenses in this category come

from three sources: increases/reductions in the number of personnel, annual salary increases, and the general trends in the costs of fringe benefits. No salary increases were funded by the commonwealth in FY2010 and total fringe benefit expenses decreased by \$12.0 million. The reduction in fringe benefit expenses reflects the partial suspension of fourth quarter fringe benefit costs by the commonwealth as part of an overall budget reduction strategy.

Operating expenses for fiscal year 2010 totaled \$967.3 million, down \$2.8 million from fiscal year 2009. The net decrease resulted from reductions in the functional categories of instruction (\$5.9 million) and academic support (\$5.7 million), partially offset by increases in student financial assistance (\$2.8 million), auxiliary enterprises (\$2.6 million), depreciation and amortization (\$1.8 million) and research (\$1.3 million). The overall decrease in operating expenses reflects the university's efforts to contain and reduce costs where appropriate, thereby managing the budget reductions resulting from declining state appropriations.

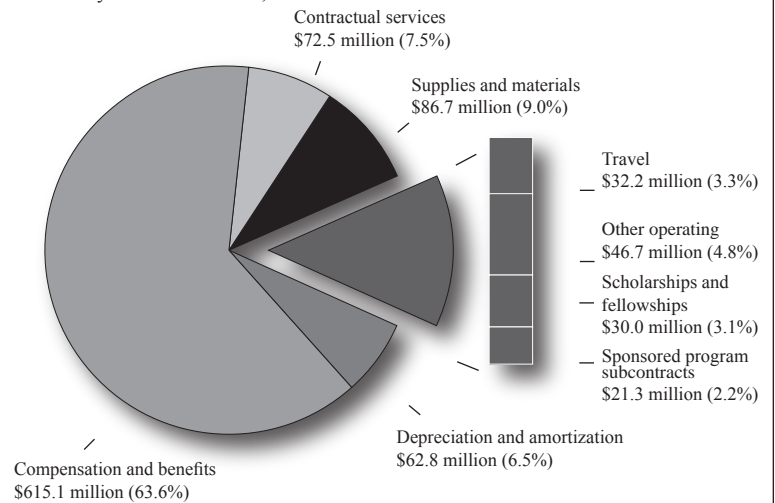
Significant reductions in the educational and general funding for the instruction category (\$15.0 million) were partially offset by the allocation of federal ARRA stabilization funds (\$9.3 supporting faculty and graduate student salaries and fringe benefits, and \$2.2 million used to mitigate increases in student tuition and fees). The university received increased federal research grant and contract funding from several federal agencies. The major funding agencies were the National Science Foundation (\$4.0 million), the Department of Defense (\$4.8 million) and the Department of Health and Human Services (\$4.1 million). The increase in federally supported research expenditures was partially offset by a reduction in grant and contract support from the commonwealth (\$4.0 million), commercial sponsors (\$2.9 million) and an increase in overhead and fringes cost recoveries (\$4.2

Expenses by Natural Classification

Increase (Decrease) in Expenses by Natural Classification
For the years ended June 30, 2010 and 2009
(all dollars in millions)

	2010	2009	Change	
			Amount	Percent
Compensation and benefits	\$ 615.1	\$ 630.8	\$ (15.7)	(2.5)%
Contractual services	72.5	69.1	3.4	4.9 %
Supplies and materials	86.7	89.8	(3.1)	(3.5)%
Travel	32.2	32.3	(0.1)	(0.3)%
Other operating expenses	46.7	38.8	7.9	20.4 %
Scholarships and fellowships	30.0	25.7	4.3	16.7 %
Sponsored program subcontracts	21.3	22.4	(1.1)	(4.9)%
Depreciation and amortization	62.8	61.2	1.6	2.6 %
Total operating expenses	<u>\$ 967.3</u>	<u>\$ 970.1</u>	<u>\$ (2.8)</u>	<u>(0.3)%</u>

Total Expenses by Natural Classification
For the year ended June 30, 2010



million) from grants and contracts. The growth in research reflects the continued expansion of existing research efforts and new initiatives supported in part through the expansion of federally sponsored research grants and contracts.

The largest growth in operating expenses was in the student financial assistance category, a direct result of increasing financial support to students due to rising tuition and fees. The auxiliary enterprises category sustained the second largest increase in operating expenses representing the increased cost of services provided to students, faculty and staff. The largest percentage growth in operating expenses was in depreciation and amortization expense (3.0% or \$1.8 million). This moderate increase reflects the continued investment by the university in new facilities and equipment.

In the support categories, operations and maintenance expense continues its upward trend (\$0.8 million or 1.2%) at a somewhat slower pace than the past year. The impact of additional facilities and moderate cost increases in utility services such as water, sewer and refuse, and, to a smaller extent, power generation (electricity, gas and coal) is reflected in the net increase.

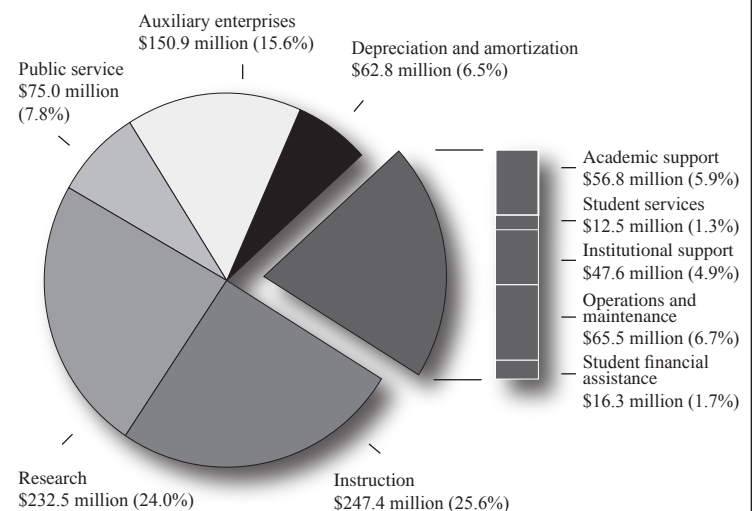
The largest percentage decrease was in the academic support category (9.1% or \$5.7 million). This was due to cost reductions reflected in faculty and staff salaries and fringe benefits (\$2.8 million), lessened overhead spending (\$1.4 million), and reduced purchases of management services and equipment (\$1.3 million). Expenses in the instruction category declined by a similar amount (\$5.9 million) due to decreases

Expenses by Function

Increase (Decrease) in Expenses by Function
For the years ended June 30, 2010 and 2009
(all dollars in millions)

	2010	2009	Change	
			Amount	Percent
Instruction	\$ 247.4	\$ 253.3	\$ (5.9)	(2.3)%
Research	232.5	231.2	1.3	0.6 %
Public service	75.0	75.9	(0.9)	(1.2)%
Auxiliary enterprises	150.9	148.3	2.6	1.8 %
Depreciation and amortization expense	62.8	61.0	1.8	3.0 %
Subtotal	<u>768.6</u>	<u>769.7</u>	<u>(1.1)</u>	<u>(0.1)%</u>
Support, maintenance, other expenses				
Academic support	56.8	62.5	(5.7)	(9.1)%
Student services	12.5	12.8	(0.3)	(2.3)%
Institutional support	47.6	46.9	0.7	1.5 %
Operations and maintenance of plant	65.5	64.7	0.8	1.2 %
Student financial assistance, loan administrative fees and collection costs	16.3	13.5	2.8	20.7 %
Total support, maintenance, other	<u>198.7</u>	<u>200.4</u>	<u>(1.7)</u>	<u>(0.8)%</u>
Total expenses	<u>\$ 967.3</u>	<u>\$ 970.1</u>	<u>\$ (2.8)</u>	<u>(0.3)%</u>

Total Expenses by Function
For the year ended June 30, 2010



in salaries (\$2.8 million) and fringe benefits (\$3.1 million). The reduction in fringe benefits resulted from the associated reduction in salaries as well as the suspension of fourth quarter payments to the Virginia Retirement System as part of the commonwealth's budget reduction strategy. These cost reductions reflect the university wide application of cost controls to meet budget targets adjusted to manage the effect of declining state appropriations.

The university's operating revenues grew by \$30.6 million or 4.5% over the preceding year, while operating expenses decreased by \$2.8 million or 0.3%. This resulted in a smaller operating loss for the current fiscal year (\$252.2 million) in comparison to the operating loss (\$285.6 million) generated during the past year. The primary reason for the decrease in the operating loss was the growth in revenues across all major operating areas, with the largest increases being in revenues from auxiliary enterprises and external grants and contracts. State appropriations, federal ARRA stabilization funds, and other net non-operating revenues were used to meet operating expenses not offset by operating revenues.

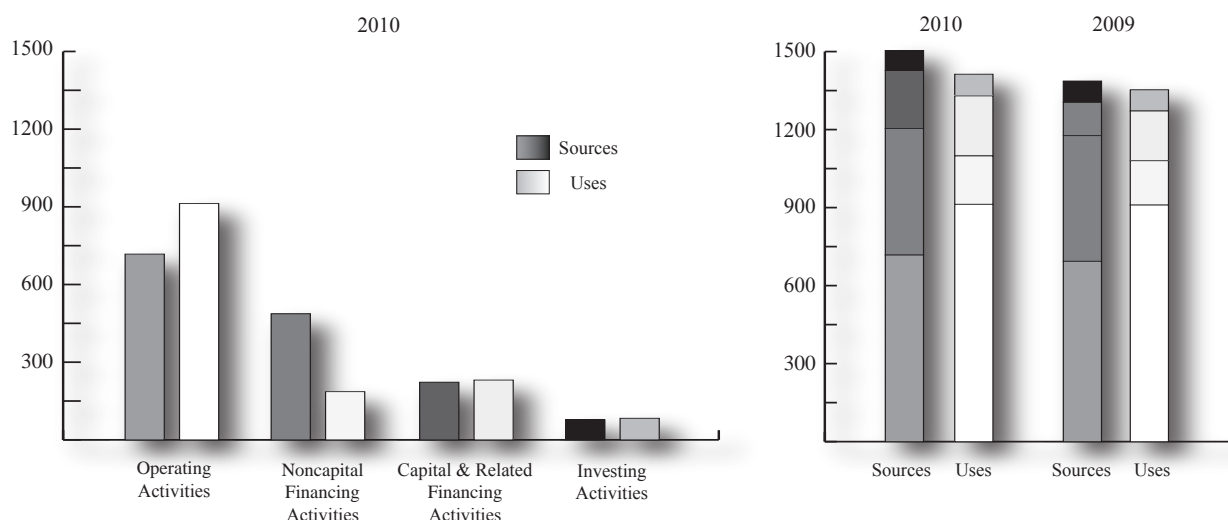
Statement of Cash Flows

The *Statement of Cash Flows* presents detailed information about the cash activity of the university during the year. Cash flows from operating activities will always be different from the operating loss on the *Statement of Revenues, Expenses and Changes in Net Assets* (SRECNA). This difference oc-

curs because the SRECNA is prepared on the accrual basis of accounting and includes noncash items, such as depreciation expenses, whereas the *Statement of Cash Flows* presents cash inflows and outflows without regard to accrual items. The *Statement of Cash Flows* should help readers assess the ability of an institution to generate sufficient cash flows necessary to meet its obligations.

The statement is divided into five sections. The first section, *Cash flows from operating activities*, deals with operating cash flows and shows net cash used by operating activities of the university. The *Cash flows from noncapital financing activities* section reflects cash received and disbursed for purposes other than operating, investing and capital financing. GASB requires general appropriations from the commonwealth and noncapital gifts be shown as cash flows from noncapital financing activities. *Cash flows from capital and related financing activities* presents cash used for the acquisition and construction of capital and related items. Plant funds and related long-term debt activities (except depreciation and amortization), as well as gifts to endowments, are included in cash flows from capital financing activities. *Cash flows from investing activities* reflects the cash flows generated from investments which include purchases, proceeds, and interest. The last section reconciles the operating income or loss reflected on the *Statement of Revenues, Expenses, and Changes in Net Assets* for fiscal year 2010 to net cash used by operating activities.

Summary of Cash Flows



(The graphs above demonstrate the relationship between sources and uses of cash. The graph on the left shows activity for fiscal year 2010 only, grouped by related sources and uses of cash, while the graph on the right compares that same activity across fiscal years 2010 and 2009 in a stacked format.)

For the years ended June 30, 2010 and 2009
(all dollars in millions)

	2010	2009	Change	
			Amount	Percent
Net cash used by operating activities	\$ (195.9)	\$ (216.3)	\$ 20.4	9.4%
Net cash provided by noncapital activities	300.7	312.8	(12.1)	(3.9)%
Net cash used by capital and related financing activities	(8.2)	(63.1)	54.9	87.0%
Net cash provided (used) by investing activities	(5.2)	0.3	(5.5)	(1833.0)%
Net increase in cash and cash equivalents	91.4	33.7	57.7	171.2 %
Cash and cash equivalents - beginning of year	256.5	222.8	33.7	15.1 %
Cash and cash equivalents - end of year	\$ 347.9	\$ 256.5	\$ 91.4	35.6 %

Major operating activity sources of cash for the university included student tuition and fees (\$284.8 million), grants and contracts (\$227.1 million), and auxiliary enterprise revenues (\$171.7 million). Major operating activity uses of cash included compensation and benefits (\$619.7 million) and operating expenses (\$275.6 million). Operating activity uses of cash significantly exceed operating activity sources of cash due to classification of state appropriations (\$224.8 million) and gifts (\$48.6 million) as noncapital financial activities.

Economic Outlook

The university, as a public institution, is subject to many of the economic conditions impacting the Commonwealth of Virginia. The commonwealth currently supports 21% of the university's budget through general fund appropriations. While the commonwealth has not assigned any new reductions in general fund support for the fiscal year 2011, the 2010-12 biennial budget includes additional reductions in general fund support for the second year of the biennium (FY2012). The commonwealth did mitigate the significant impact of the general fund reduction in FY2011 on a one-time basis through the allocation of federal funds provided to the commonwealth under the American Recovery and Reinvestment Act (ARRA) to stimulate economic recovery through revenue stabilization. Additional ARRA funds are not expected for FY2012. The Commonwealth of Virginia maintained the university's board of visitors' authority to establish tuition and fee rates. The university anticipates that there will be continued pressure on general fund support from the state given the demands on the state budget and constrained revenues. The university is watching the Governor's Commission on Higher Education Reform, Innovation and Investment, as well as the Governor's Commission on Government Reform and Restructuring to determine the potential impacts of commission outcomes on the operations of the public institutions of higher education in Virginia. The university will continue to employ cost containment and income enhancement techniques which have helped to successfully manage reductions in the past. In addition, the university will continue to employ strategic planning processes to minimize the impact on the university's core missions of instruction, research and public service.

Virginia Tech, along with all other Virginia institutions of higher education, continues to maintain significant decentralized authority from the Commonwealth of Virginia through the requested restructuring of higher education, which has built upon the success of the decentralization authority received from the commonwealth over the last decade. Restructuring provides additional flexibility and authority to the participant institutions with the potential for increased efficiencies and cost savings. The university is working to leverage existing authorities to drive efficiencies for cost savings and helping to facilitate a statewide discussion of additional restructuring with the commonwealth in an attempt

to gain additional efficiencies for higher education in Virginia in the future.

The university has managed its exposure to risk through the implementation of its investment policy. The university's investment policy, established by the board of visitors and monitored by the board's Finance and Audit Committee, requires that its public funds be invested in accordance with the *Investment of Public Funds Act*, Section 2.2-4500 through 2.2-4516, et seq., *Code of Virginia*. The university has limited its investment in securities outside the scope of the Investment in Public Funds Act to restricted gift funds, local funds, and nongeneral fund reserves and balances designated by management as quasi-endowments. These funds are invested in Virginia Tech Foundation's consolidated endowment fund and managed in accordance with the provisions of the *Uniform Prudent Management of Institutional Funds Act* (Section 55-268.11 et seq.). At the end of the fiscal year, the value of the university's quasi-endowments invested in the foundation totaled \$44.0 million, an increase of \$8.8 million over the preceding year.

The university continually monitors the valuation of its investments. At September 30, 2010 the market value for the university's nonendowed cash, cash equivalents, and investments totaled \$437.7 million including unrealized gains on investments of \$1.5 million.

Executive management believes the university will maintain its solid financial foundation and is well positioned to continue its excellence in teaching, research, and public service. Management's policies of cost containment and investing in strategic initiatives will ensure the university is well prepared to manage changes in state support while continuing to grow and expand. The financial position of the university is strong as evidenced by its diversified portfolio of research funding, strengthened National Science Foundation research ranking, strong student demand from increasingly talented students, auxiliary enterprises with high customer satisfaction, low total cost of attendance, growing contributions to endowments, and quality debt ratings from Moody's (Aa1) and Standard and Poor's (AA). These debt ratings allow the university to obtain funding for capital projects with advantageous terms.

Virginia Tech continues the university's largest private capital campaign and anticipates that private support will continue to grow. The campaign has raised \$946.3 million of its \$1 billion goal as of June 30, 2010. The university is grounded by an impressive community of students, faculty, and staff. These assets will sustain Virginia Tech's bright future as the commonwealth's largest university offering more career options than any other Virginia university.

The university's overall financial position remains strong. Management continues to maintain a close watch over resources to ensure the ability to react to unknown internal and external issues and sustain its current high quality financial position.

Statement of Net Assets

As of June 30, 2010, with comparative financial information as of June 30, 2009
(all dollars in thousands)

	2010		2009	
	Virginia Tech	Component Units	Virginia Tech	Component Units
Assets				
<i>Current assets</i>				
Cash and cash equivalents (Note 4)	\$ 220,065	\$ (14,527)	\$ 197,379	\$ (16,524)
Short-term investments (Note 4, 24)	1,387	17,111	1,106	19,523
Accounts and contributions receivable, net (Notes 1, 5, 24)	44,363	27,381	41,723	36,726
Notes receivable, net (Note 1)	1,601	232	1,464	469
Due from Commonwealth of Virginia (Note 6)	6,761	-	5,135	-
Inventories	11,354	7,211	10,455	8,389
Prepaid expenses	10,634	938	10,722	419
Other assets	-	2,934	-	2,722
Total current assets	<u>296,165</u>	<u>41,280</u>	<u>267,984</u>	<u>51,724</u>
<i>Noncurrent assets</i>				
Cash and cash equivalents (Note 4)	127,813	64,761	59,141	61,181
Due from Commonwealth of Virginia (Note 6)	6,495	-	9,581	-
Accounts and contributions receivable, net (Notes 1, 5, 24)	6,517	43,706	8,192	41,719
Notes receivable, net (Note 1)	12,927	18,156	13,362	16,730
Net investments in direct financing leases	-	24,066	-	25,291
Irrevocable trusts held by others, net	-	7,968	-	7,404
Long-term investments (Notes 4, 24)	107,741	608,251	96,927	574,868
Depreciable capital assets, net (Notes 7, 24)	866,782	124,844	810,614	115,456
Nondepreciable capital assets (Notes 7, 24)	228,730	98,350	161,539	55,687
Intangible assets, net	-	680	1,333	654
Other assets	841	4,091	798	3,996
Total noncurrent assets	<u>1,357,846</u>	<u>994,873</u>	<u>1,161,487</u>	<u>902,986</u>
Total assets	<u>1,654,011</u>	<u>1,036,153</u>	<u>1,429,471</u>	<u>954,710</u>
Liabilities				
<i>Current liabilities</i>				
Accounts payable and accrued liabilities (Note 8)	112,833	15,165	109,796	12,030
Accrued compensated absences (Notes 1, 14)	14,837	586	18,828	535
Deferred revenue (Notes 1, 9)	38,749	1,833	36,163	2,182
Funds held in custody for others	6,092	-	5,840	-
Commercial paper (Note 10)	2,975	-	20,810	-
Long-term debt payable (Notes 10, 11, 24)	17,070	14,238	16,108	14,816
Other liabilities	-	6,395	-	4,373
Total current liabilities	<u>192,556</u>	<u>38,217</u>	<u>207,545</u>	<u>33,936</u>
<i>Noncurrent liabilities</i>				
Accrued compensated absences (Notes 1, 14)	19,330	38	18,902	30
Federal student loan program contributions refundable (Note 14)	13,260	-	13,210	-
Deferred revenue	-	6,050	-	6,356
Long-term debt payable (Notes 11, 12, 24)	378,671	188,296	269,757	181,546
Liabilities under trust agreements	-	25,231	-	24,334
Agency deposits held in trust (Note 24)	-	55,972	-	46,193
Other liabilities	1,535	14,006	1,106	12,418
Total noncurrent liabilities	<u>412,796</u>	<u>289,593</u>	<u>302,975</u>	<u>270,877</u>
Total liabilities	<u>605,352</u>	<u>327,810</u>	<u>510,520</u>	<u>304,813</u>
Net Assets				
Invested in capital assets, net of related debt	734,875	63,045	669,721	38,050
Restricted, nonexpendable	363	327,775	358	306,297
Restricted, expendable				
Scholarships, research, instruction, and other	65,813	247,267	59,962	243,859
Capital projects	14,074	37,011	7,738	37,011
Debt service	55,063	-	45,018	-
Unrestricted	178,471	33,245	136,154	24,680
Total net assets	<u>\$ 1,048,659</u>	<u>\$ 708,343</u>	<u>\$ 918,951</u>	<u>\$ 649,897</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Net Assets

As of June 30, 2010, with comparative financial information as of June 30, 2009
(all dollars in thousands)

	2010		2009	
	Virginia Tech	Component Units	Virginia Tech	Component Units
Operating revenues				
Student tuition and fees, net (Note 1)	\$ 285,135	\$ -	\$ 275,056	\$ -
Gifts and contributions	-	51,893	-	34,714
Federal appropriations	14,466	-	15,379	-
Federal grants and contracts	171,705	-	154,615	-
Federal ARRA grants and contracts	4,641	-	-	-
State grants and contracts	11,179	-	13,656	-
Local grants and contracts (Note 3)	14,133	-	13,806	-
Nongovernmental grants and contracts	24,401	-	27,799	-
Sales and services of educational activities	12,732	-	13,586	-
Auxiliary enterprise revenue, net (Note 1)	172,629	45,374	165,569	48,160
Other operating revenues	4,118	30,011	5,037	30,458
Total operating revenues	715,139	127,278	684,503	113,332
Operating expenses				
Instruction	247,389	4,882	253,313	3,762
Research	232,543	4,858	231,212	5,352
Public service	74,913	4,608	75,928	3,892
Academic support	56,829	13,692	62,485	18,531
Student services	12,524	-	12,751	-
Institutional support	47,632	31,072	46,941	31,333
Operation and maintenance of plant	65,472	9,344	64,715	8,622
Student financial assistance	15,925	21,330	13,281	19,582
Auxiliary enterprises	150,933	39,067	148,252	43,526
Depreciation and amortization (Note 7)	62,800	5,579	60,946	5,158
Other operating expenses	318	14,897	285	9,214
Total operating expenses	967,278	149,329	970,109	148,972
Operating loss	(252,139)	(22,051)	(285,606)	(35,640)
Non-operating revenues (expenses)				
State appropriations (Note 19)	229,305	-	255,423	-
Gifts	48,542	-	46,504	-
Non-operating grants and contracts	1,755	-	2,167	-
Federal student financial aid (PELL)	13,693	-	9,000	-
Federal fiscal stabilization (ARRA)	11,531	-	-	-
Investment income, net	5,379	8,557	(2,918)	9,273
Net gain (loss) on investments	-	39,401	-	(70,149)
Other additions	456	-	585	-
Nongeneral fund reversion	(4,507)	-	-	-
Interest expense on debt related to capital assets	(14,405)	(3,583)	(11,812)	(3,691)
Net non-operating revenues (expenses)	291,749	44,375	298,949	(64,567)
Income (loss) before other revenues, expenses, gains, or losses	39,610	22,324	13,343	(100,207)
Capital appropriations	-	-	(12,338)	-
Change in valuation of split interest agreements	-	2,164	-	(7,034)
Change in valuation of contributions receivables	-	-	-	1,875
Capital grants and gifts (Note 6)	91,193	15,135	59,770	9,537
Loss on disposal of capital assets	(1,095)	(114)	(1,318)	(192)
Additions to permanent endowments	-	19,917	-	20,892
Other expenses	-	(980)	-	(1,302)
Total other revenues, expenses, gains, and losses	90,098	36,122	46,114	23,776
Increase (decrease) in net assets	129,708	58,446	59,457	(76,431)
Net assets—beginning of year	918,951	649,897	859,494	726,328
Net assets—end of year	\$ 1,048,659	\$ 708,343	\$ 918,951	\$ 649,897

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Cash Flows

As of June 30, 2010, with comparative financial information as of June 30, 2009
(all dollars in thousands)

	2010	2009
Cash flows from operating activities		
Student tuition and fees	\$ 284,812	\$ 274,771
Federal appropriations	14,466	15,379
Grants and contracts	227,130	213,597
Sales and services of educational activities	12,732	13,586
Auxiliary enterprises	171,671	167,339
Other operating receipts	4,066	5,217
Payments for compensation and fringe benefits	(619,650)	(629,385)
Payments for operating expenses	(275,630)	(263,955)
Payments for scholarships and fellowships	(15,606)	(12,941)
Loans issued to students	(2,488)	(3,394)
Collection of loans from students	2,570	3,479
Net cash used by operating activities	(195,927)	(216,307)
Cash flows from noncapital financing activities		
State appropriations	224,798	255,423
Federal fiscal stabilization (ARRA)	11,531	-
Gifts received for other than capital purposes	48,634	46,428
Non-operating grants and contracts	1,755	2,167
Federal student financial aid (Pell)	13,693	9,000
Federal Direct Lending Program—receipts	122,792	108,903
Federal Direct Lending Program—disbursements	(122,794)	(108,901)
Funds held in custody for others—receipts	63,627	61,513
Funds held in custody for others—disbursements	(63,373)	(61,736)
Net cash provided by noncapital financing activities	300,663	312,797
Cash flows from capital and related financing activities		
Capital appropriations	-	(12,338)
Capital grants and gifts	93,917	66,535
Proceeds from capital debt	128,831	42,380
Proceeds from the sale of capital assets and insurance recoveries	(639)	(733)
Acquisition and construction of capital assets	(176,570)	(143,865)
Principal paid on capital debt and leases	(18,955)	(21,478)
Short-term debt, commercial paper	(17,835)	18,855
Interest paid on capital debt and leases	(16,886)	(12,443)
Net cash used by capital and related financing activities	(8,137)	(63,087)
Cash flows from investing activities		
Proceeds from sales and maturities of investments	76,284	75,756
Interest on investments	1,845	6,098
Purchase of investments and related fees	(83,370)	(81,493)
Net cash provided (used) by investing activities	(5,241)	361
Net increase in cash and cash equivalents	91,358	33,764
Cash and cash equivalents—beginning of year	256,520	222,756
Cash and cash equivalents—end of year	\$ 347,878	\$ 256,520

The accompanying Notes to Financial Statements are an integral part of this statement.

Statement of Cash Flows (continued)

As of June 30, 2010, with comparative financial information as of June 30, 2009
(all dollars in thousands)

	<u>2010</u>	<u>2009</u>
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	\$ (252,139)	\$ (285,606)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation and amortization expense	62,800	60,946
Changes in assets and liabilities		
Receivables, net of allowance for doubtful accounts	(2,777)	5,235
Inventories	(899)	1,612
Prepaid items and other assets	45	(2,261)
Notes receivable, net of allowance for doubtful accounts	298	310
Accounts payable and accrued liabilities	(1,358)	1,859
Accrued payroll and other liabilities	(952)	1,240
Compensated absences	(3,562)	147
Deferred revenue	2,586	(28)
Credit card rebate	(19)	223
Federal loan program contributions refundable	<u>50</u>	<u>16</u>
Total adjustments	<u>56,212</u>	<u>69,299</u>
Net cash used by operating activities	<u>\$ (195,927)</u>	<u>\$ (216,307)</u>
 Noncash investing, capital, and financing activities		
Change in accounts receivable related to non-operating income	\$ 1,812	\$ (2,174)
Capital assets acquired through in-kind donations as a component of capital gifts and grants income	\$ 2,395	\$ 1,193
Change in fair value of investments recognized as a component of interest income	\$ 2,638	\$ (3,658)
Change in fair value of interest payable affecting interest paid	\$ 1,164	\$ (11)
Capital assets acquired through installment purchase agreements	\$ -	\$ 140
Change in interest receivable affecting interest received	\$ (62)	\$ (176)

The accompanying Notes to Financial Statements are an integral part of this statement.

Notes to Financial Statements

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1. Summary of Significant Accounting Policies

Reporting Entity

Virginia Polytechnic Institute and State University is a public land-grant university serving the Commonwealth of Virginia, the nation, and the world community. The discovery and dissemination of new knowledge are central to its mission. Through its focus on teaching and learning, research and discovery, and outreach and engagement, the university creates, conveys, and applies knowledge to expand personal growth and opportunity, advance social and community development, foster economic competitiveness, and improve the quality of life.

The university includes all funds and entities over which the university exercises or has the ability to exercise oversight authority for financial reporting purposes.

Under Governmental Accounting Standards Board (GASB) Statement 39, Virginia Tech Foundation Inc. (VTF) and Virginia Tech Services Inc. (VTS) are included as component units of the university.

A separate report is prepared for the Commonwealth of Virginia that includes all agencies, boards, commissions, and authorities over which the commonwealth exercises or has the ability to exercise oversight authority. The university is a component unit of the Commonwealth of Virginia and is included in the basic financial statements of the commonwealth.

Virginia Tech Foundation Inc.

The foundation is a legally separate, tax-exempt organization established in 1948 to receive, manage, and disburse private gifts in support of Virginia Tech programs. The foundation is governed by a 35-member board of directors. The bylaws of the foundation provide that the rector of the board of visitors, the president of the alumni association, the president of the athletic fund, and the president of the university be members of the foundation board. The remainder of the board is composed of alumni and friends of the university who actively provide private support for university programs. Directors are elected by a vote of the foundation members. Membership is obtained by making gifts at or above a specified level to the foundation.

The foundation serves the university by generating significant funding from private sources and aggressively managing its assets to provide funding which supplements state appropriations. It provides additional operating support to colleges and departments, assists in the funding of major building projects, and provides seed capital for new university initiatives. Although the university does not control the timing or amount of receipts from the foundation, the majority of resources, or incomes which the foundation holds and invests, are restricted to the activities of the university by the donors. Because these restricted resources held by the foundation can only be used by or for the benefit of the university, the foundation is considered a component unit of the university and is discretely presented in the financial statements. The administrative offices of Virginia Tech Foundation Inc. are located on the 4th floor of the University Gateway Center, 902 Prices Fork Road, Blacksburg, Virginia 24061.

During the year ended June 30, 2010, the foundation distributed \$68,733,000 to the university, for both restricted and unrestricted purposes.

Virginia Tech Services Inc.

Virginia Tech Services Inc. was formed as a separate nonprofit corporation to own and operate bookstores and provide other services for the use and benefit of the students, faculty, staff, and alumni of Virginia Tech. VTS transfers any surplus funds to the university or the foundation for allocation and use by the university as the president of the university and board of visitors deem appropriate. Although the university does not control the timing or amount of receipts from VTS, the majority of resources or income thereon that VTS holds is for the benefit of the university. Because these resources are for the benefit of the university, VTS is considered a component unit of the university and is discretely presented in the financial statements. The administrative offices of Virginia Tech Services Inc. are located at University Bookstore, Blacksburg, Virginia 24061.

During the year ended June 30, 2010, VTS paid \$1,260,000 to the university, primarily for the rental of facilities.

Financial Statement Presentation

GASB Statement 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, issued November 1999, establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of GASB Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. The standards are designed to provide financial information that responds to the needs of three groups of primary users of general-purpose external financial reports: the citizenry, legislative and oversight bodies, and investors and creditors. The university is required under this guidance to include Management's Discussion and Analysis, and basic financial statements, including notes, in its financial statement presentation.

In fiscal year 2010 the following GASB statements of standards became effective: Statement 51, *Accounting and Financial Reporting for Intangible Assets*; Statement 53, *Accounting and Financial Reporting for Derivative Instruments*; and Statement 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. Statement 51 establishes standards of accounting and reporting for intangible assets to address inconsistencies among state and local governments, particularly in the areas of recognition, initial measurement and amortization. Statement 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. The university is not currently invested in derivative instruments. Statement 58 does not require any additional disclosures by the university as a result of operations during this reporting period.

Basis of Accounting

For financial reporting purposes, the university is considered a special-purpose government engaged only in business-type activities. Accordingly, the university's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

The university has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The university has elected not to apply FASB pronouncements issued after the applicable date.

Cash Equivalents

For purposes of the statements of net assets and cash flows, the university considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents.

Investments

GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that purchased investments, interest-bearing temporary investments classified with cash, and investments received as gifts be recorded at fair value (see Note 4). Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the *Statement of Revenues, Expenses, and Changes in Net Assets*.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students, and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from federal, state and local governments, and nongovernmental sources, in connection with reimbursement of allowable expenses made pursuant to the university's grants and contracts. Accounts receivable are recorded net of allowance for doubtful accounts. See Note 5 for a detailed list of accounts receivable amounts.

Notes Receivable

Notes receivable consists of amounts due from the Federal Perkins Loan Program, the Health Professional Student Loan Program, and from other student loans administered by the university. Notes receivable is recorded net of allowance for doubtful accounts for current and noncurrent notes receivable, which totaled \$41,000 and \$299,000, respectively, as of June 30, 2010.

Inventories

Inventories are stated at the lower of cost or market value (primarily first-in, first-out method) and consist mainly of expendable supplies, fuel for the physical plant, and publications.

Noncurrent Cash and Investments

Noncurrent cash and investments are externally restricted to make debt service payments or purchase other noncurrent assets.

Capital Assets

Capital assets consisting of land, buildings, infrastructure, and equipment are stated at appraised historical cost or actual cost where determinable. Construction in progress and equipment in process are capitalized at actual cost as expenses are incurred. Library materials are valued using published average prices for library acquisitions, and livestock is stated at estimated market value. All gifts of capital assets are recorded at fair market value as of the date of donation.

Equipment is capitalized when the unit acquisition cost is \$2,000 or greater and the estimated useful life is one year or more. 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, 10 to 50 years for infrastructure and land improvements, 10 years for library books, and 3 to 30 years for fixed and movable equipment. Livestock is not depreciated, as it tends to appreciate over the university's normal holding period.

Special collections are not capitalized due to the collections being: (1) held for public exhibition, education, or research in the furtherance of

public service rather than financial gain; (2) protected, kept unencumbered, cared for, and preserved; and (3) subject to university policy requiring the proceeds from the sales of collection items to be used to acquire other items for collections.

Interest Capitalization

Interest expense incurred during the construction of capital assets is capitalized, if material, net of interest income earned on resources set aside for this purpose. The university incurred and capitalized net interest expense related to the construction of capital assets totaling \$2,775,000 for the fiscal year ended June 30, 2010.

Accrued Compensated Absences

Certain salaried employees' attendance and leave regulations make provisions for the granting of a specified number of days of leave with pay each year. The amount reflects, as of June 30, all unused vacation leave, sabbatical leave, and the amount payable upon termination under the Commonwealth of Virginia's sick leave pay out policy. The applicable share of employer related taxes payable on the eventual termination payments is also included. The university's liability and expense for the amount of leave earned by employees but not taken, as of June 30, 2010, is recorded in the *Statement of Net Assets*, and is included in the various functional categories of operating expenses in the *Statement of Revenues, Expenses, and Changes in Net Assets*.

Deferred Revenues

Deferred revenue represents revenue collected but not earned as of June 30, 2010. This amount is primarily composed of revenue for grants and contracts, prepaid athletic ticket sales, and prepaid student tuition and fees. Summer Session I tuition and fees received during the fiscal year are considered earned at the end of the refund period, approximately June 15th of each year. Tuition and fees received prior to year end for Summer Session II are deferred and recognized as revenue in the next fiscal year. See Note 9 for a detailed list of deferred revenue amounts.

Noncurrent Liabilities

Noncurrent liabilities include: (1) the principal amounts of revenue bonds payable, notes payable, and capital lease obligations with maturities greater than one year and (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

Net Assets

The university's net assets are classified as follows:

Invested in capital assets, net of related debt — Invested in capital assets, net of related debt, represents the university's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets, expendable — Expendable restricted net assets include resources for which the university is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Restricted net assets, nonexpendable — Nonexpendable restricted net assets consist of endowment and similar type funds where donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, to be expended or added to principal.

Unrestricted net assets — Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, recoveries of facilities and administrative (indirect) costs, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational departments and the general operations of the university, and may be used at the discretion of the university's board of visitors to meet current expenses for any lawful purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the university's policy is to apply the expense towards restricted resources before unrestricted resources.

Income Taxes

The university, as a political subdivision of the Commonwealth of Virginia, is excluded from federal income taxes under Section 115 (1) of the *Internal Revenue Code*, as amended.

Classifications of Revenues

The university has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating revenues — Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowance; (2) sales and services of auxiliary enterprises, net of scholarship allowance; (3) most federal, state, local, and nongovernmental grants and contracts and federal appropriations; and (4) interest on institutional student loans.

Non-operating revenues — Non-operating revenues are revenues received for which goods and services are not provided. State appropriations, gifts, and other revenue sources that are defined as non-operating revenues by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis—for State and Local Governments* are included in this category.

Scholarship Allowance

Student tuition and fees, certain auxiliary revenues, and student financial assistance expenses are reported net of scholarship allowance in the *Statement of Revenues, Expenses, and Changes in Net Assets*. Scholarship allowance is the difference between the stated charge for goods and services provided by the university and the amount paid by students and/or third parties making payments on the students' behalf. For the fiscal year ended June 30, 2010, the scholarship allowance for student tuition and fee revenue and auxiliary enterprise revenue totaled \$67,992,000 and \$15,844,000 respectively. Scholarship allowance to students is reported using the alternative method prescribed by the National Association of College and University Business Officers (NACUBO). The alternative method is an algorithm that computes scholarship allowance on a university-wide basis rather than on an individual student basis.

Comparative Data

The university presents its financial information on a comparative basis. The basic financial statements include certain prior year summarized comparative information in total, but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, the prior year information should be read in conjunction with the university's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

2. Related Parties

In addition to the component units discussed in Note 1, Virginia Tech also has related parties that are not considered significant. These financial statements do not include the assets, liabilities, and net assets of the related parties that support university programs. The related parties of the university are: Virginia Tech Alumni Association, Virginia Tech Athletic Fund Inc., Virginia Tech Intellectual Properties Inc., Virginia Tech Corps of Cadets Alumni Inc., and any subsidiaries of these corporations.

The organizations are related to the university by affiliation agreements. These agreements, approved by the board of visitors, require an annual audit to be performed by independent auditors. Affiliated organizations that hold no financial assets and certify all financial activities or transactions through the Virginia Tech Foundation Inc. may be exempt from the independent audit requirement. Exemption requirements are met by Virginia Tech Alumni Association, Virginia Tech Athletic Fund Inc., and Virginia Tech Corps of Cadets Alumni Inc. They are therefore not required to have an annual audit. Virginia Tech Intellectual Properties Inc. is required to have an annual audit. Auditors have examined the financial records of the organization and a copy of their audit report has been provided to the university.

3. Local Government Support

The university, through the operation of its Cooperative Extension Service, maintains offices in numerous cities and counties throughout the Commonwealth of Virginia. Personnel assigned to these locations receive a portion of their compensation from local governments. Also included in the expenses of these extension offices are unit support services, which include such items as rent, telephone, supplies, equipment, and extension program expenses. The amount contributed by

various local governments totaled \$12,621,000 in 2010, and has been included in revenues and expenses of the accompanying financial statements. The university received other local government support of \$1,512,000 in 2010.

4. Cash, Cash Equivalents, and Investments

The following information is provided with respect to the university's cash, cash equivalents, and investments as of June 30, 2010. The following risk disclosures are required by GASB Statement 40, *Deposit and Investment Risk Disclosures*:

Custodial credit risk (Category 3 deposits and investments) — The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The university had no category 3 deposits or investments for 2010.

Credit risk — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. GASB Statement 40 requires the disclosure of the credit quality rating on any investments subject to credit risk.

Concentration of credit risk — The risk of loss attributed to the magnitude of a government's investment in a single issuer is referred to as concentration of credit risk. GASB Statement 40 requires disclosure of any issuer with more than five percent of total investments. The university's investment policy requires its investment pools and sub-portfolios be diversified so that no more than 5% of the value of

Categorization of credit quality and interest rate risk

Investments held on June 30, 2010 (*all dollars in thousands*)

Investment type	Credit Rating	Less than 1 Year	1-5 Years	6-10 Years	Fair Value
U.S. Treasury and Agency securities (1)	N/A	\$ 204,956	\$ 688	\$ -	\$ 205,644
Debt securities					
Corporate notes	Aaa	-	6,476	-	6,476
Corporate notes	Aa2	-	1,172	-	1,172
Corporate notes	Aa3	1,415	1,163	-	2,578
Corporate notes	A2	508	1,222	-	1,730
Corporate notes	A3	-	1,423	-	1,423
Corporate notes	A1	3,000	-	-	3,000
Corporate bonds	Aaa	-	602	-	602
Corporate bonds	A1	-	2,736	-	2,736
Corporate bonds	A2	517	4,183	-	4,700
Corporate bonds	A3	-	725	-	725
Corporate bonds	Aa1	-	948	-	948
Corporate bonds	Aa2	-	786	-	786
Corporate bonds	Aa3	-	1,301	-	1,301
Repurchase agreements	N/A	37,118	-	-	37,118
Asset backed securities	Aaa	9,028	10,922	-	19,950
Asset backed securities (2)	AAA	254	1,168	-	1,422
Federal agency securities					
Unsecured bonds and notes	Aaa	331	5,601	-	5,932
Mortgage backed securities (2)	AAA	1,862	5,386	-	7,248
Mortgage backed securities	Aaa	142	-	-	142
Money market and mutual funds (2)	AAA	2,988	-	-	2,988
Other:					
Deposits with VTF	N/A	973	-	-	973
Dairymen's Equity (2)	BBB+	-	-	60	60
Short-term investment fund (2)	AAAm	1	-	-	1
SNAP (2)	AAAm	64,150	-	-	64,150
Subtotal		\$ 327,243	\$ 46,502	\$ 60	373,805
Investments without specific maturities, held with VTF					44,036
Total					\$ 417,841

(1) Credit quality ratings are not required for U.S. Government securities that are explicitly guaranteed by the United States Government.

(2) Credit ratings are from Moody's Investors Service except for these investments which are rated by Standard & Poor's.

the respective portfolios be invested in securities of any single issuer. The university does not have investments subject to risks due to the concentration of credit.

Interest rate risk — This is the risk that interest rate changes will adversely affect the fair value of an investment. GASB Statement 40 requires disclosure of maturities for any investments subject to interest rate risk. The university uses a duration methodology to measure the maturities of its investment portfolios. The university's *Statement of Policy Governing the Investment of University Funds* established two investment pools, Primary Liquidity Pool and Total Return Pool, managed by external investment firms. Asset allocations to the Primary Liquidity Pool are targeted at 75% of total investments with approximate maturities between 15 to 90 days. The Total Return Pool is structured into three sub-portfolios; a Short Duration Portfolio, an Intermediate Duration Portfolio, and an Extended Duration Portfolio with target investment maturity durations of 1.7 years, 3.8 years and 4.8 years, respectively.

Foreign currency risk — This risk refers to the possibility that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The university had no foreign investments or deposits for 2010.

Cash and Cash Equivalents

Cash deposits held by the university are maintained in accounts that are collateralized in accordance with the *Virginia Security for Public Deposits Act*, Section 2.2-4400, et seq., *Code of Virginia*. Cash and cash equivalents represent cash with the treasurer, cash on hand, certificates of deposit and temporary investments with original maturities of 90 days or less, and cash equivalents with the Virginia State Non-Arbitrage Program (SNAP). SNAP is an open-end management investment company registered with the Securities and Exchange Commission (SEC). Cash and cash equivalents reporting requirements are defined by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*.

Investments

The investment policy of the university is established by the board of visitors and monitored by the board's Finance and Audit Committee. Authorized investments are set forth in the *Investment of Public Funds Act*, Section 2.2-4500 through 2.2-4516, et seq., *Code of*

Virginia. Authorized investments include: U.S. Treasury and agency securities, corporate debt securities of domestic corporations, asset-backed securities, mortgage-backed securities, AAA rated obligations of foreign governments, bankers acceptances and bank notes, negotiable certificates of deposit, repurchase agreements, and money market funds.

A categorization of university investments follows. Short-term investments have an original maturity of over 90 days but less than or equal to one year. Long-term investments have an original maturity greater than one year.

Summary of investments As of June 30, 2010 (all dollars in thousands)			
Investment type	Current Assets	Noncurrent Assets	Total
Cash and cash equivalents	\$ 220,065	\$ 127,813	\$347,878
Short-term investments	1,387	-	1,387
Long-term investments	-	107,741	107,741
Cash and investments	<u>\$ 221,452</u>	<u>\$ 235,554</u>	<u>457,006</u>
Less cash			<u>39,165</u>
Total investments			<u>\$417,841</u>

5. Accounts Receivable

Accounts receivable consists of the following as of June 30, 2010 (all dollars in thousands):

Current receivables	
Grants and contracts	\$ 37,146
Accrued investment interest	295
Student tuition and fees	3,494
Auxiliary enterprises and other operating activities	<u>6,116</u>
Total current receivables before allowance	47,051
Less allowance for doubtful accounts	<u>2,688</u>
Net current accounts receivable	<u>44,363</u>
Noncurrent receivables	
Capital gifts, grants and other receivables	6,381
Accrued investment interest	<u>136</u>
Total noncurrent receivables	<u>6,517</u>
Total receivables	<u>\$ 50,880</u>

6. Commonwealth Equipment and Capital Project Reimbursement Programs

The commonwealth has established several programs to provide state-supported institutions of higher education with bond proceeds for financing the acquisition and replacement of instructional and research equipment and facilities. During fiscal year 2010, funding has been provided to the university from three sources: general obligation bonds [code section 9(b)], and two programs (21st Century program and the Equipment Trust Fund) managed by the Virginia College Building Authority (VCBA). The VCBA issues bonds and uses the proceeds to reimburse the university and other institutions of higher education for expenses incurred in the acquisition of equipment and facilities.

The *Statement of Revenues, Expenses, and Changes in Net Assets* includes the amounts listed below for the year ended June 30, 2010, in the "Capital grants and gifts" line item for equipment and facilities obtained with funding under these three programs. Part of the funding

for these programs is receivable from the commonwealth at June 30, 2010 as shown in the following paragraph (all dollars in thousands):

VCBA 21st Century program	\$ 67,602
VCBA Equipment Trust Fund program	8,640
General obligation bonds 9(b)	<u>212</u>
	<u>\$ 76,454</u>

The line items, "Due from the Commonwealth of Virginia", on the *Statement of Net Assets* for the year ended June 30, 2010, represent pending reimbursements from the following programs (all dollars in thousands):

Capital appropriations receivable	\$ 24
VCBA Equipment Trust Fund program	6,289
Credit card rebate/accrued interest	473
VCBA 21st Century program	6,430
General obligation bonds 9(b)	<u>40</u>
	<u>\$ 13,256</u>

7. Capital Assets

The beginning balance in the data listed below has been adjusted to list capitalized software and intangible assets separately. In prior years these assets were included in moveable equipment. A summary of changes in capital assets follows:

For the year ending June 30, 2010 (all dollars in thousands)				
	Beginning Balance	Additions	Retirements	Ending Balance
Depreciable capital assets				
Buildings	\$ 895,147	\$ 83,175	\$ -	\$ 978,322
Moveable equipment	365,006	29,081	17,389	376,698
Software and intangible assets	7,160	1,364	-	8,524
Fixed equipment	80,972	2,830	71	83,731
Infrastructure	112,555	335	-	112,890
Library books	69,503	2,335	41	71,797
Total depreciable capital assets, at cost	<u>1,530,343</u>	<u>119,120</u>	<u>17,501</u>	<u>1,631,962</u>
Less accumulated depreciation and amortization				
Buildings	287,178	24,738	-	311,916
Moveable equipment	249,851	28,768	15,915	262,704
Software and intangible assets	4,930	883	-	5,813
Fixed equipment	41,763	3,112	61	44,814
Infrastructure	77,467	2,884	-	80,351
Library books	57,207	2,415	40	59,582
Total accumulated depreciation and amortization	<u>718,396</u>	<u>62,800</u>	<u>16,016</u>	<u>765,180</u>
Total depreciable capital assets, less accumulated depreciation and amortization	<u>811,947</u>	<u>56,320</u>	<u>1,485</u>	<u>866,782</u>
Nondepreciable capital assets				
Land	44,594	1,000	48	45,546
Livestock	636	-	57	579
Construction in progress	115,133	148,443	83,108	180,468
Equipment in process	1,176	2,049	1,150	2,075
Software in development	-	62	-	62
Total nondepreciable capital assets	<u>161,539</u>	<u>151,554</u>	<u>84,363</u>	<u>228,730</u>
Total capital assets, net of accumulated depreciation and amortization	<u>\$ 973,486</u>	<u>\$ 207,874</u>	<u>\$ 85,848</u>	<u>\$ 1,095,512</u>

8. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2010, consist of the following (all dollars in thousands):

Accounts payable	\$ 52,490
Accrued salaries and wages payable	53,726
Retainage payable	<u>6,617</u>
Total current accounts payable and accrued liabilities	<u>\$ 112,833</u>

Retainage payable represents funds held by the university as retainage on various construction contracts for work performed. The funds retained will be remitted to the various contractors upon satisfactory completion of the construction projects.

9. Deferred Revenue

Deferred revenue consists of the following at June 30, 2010 (all dollars in thousands):

Grants and contracts	\$ 15,312
Prepaid athletic tickets	13,989
Prepaid tuition and fees	7,340
Other auxiliary enterprises	<u>2,108</u>
Total deferred revenue	<u>\$ 38,749</u>

10. Short-term Debt

On March 31, 2008, the Virginia Tech Board of Visitors approved the short-term financing of capital projects with commercial paper issued through the Virginia Municipal League / Virginia Association of Counties (VML/VACo) commercial paper program. This tax-exempt commercial paper financing program gives the university access to a revolving facility to finance or refinance up to \$50 million for capital projects under construction that have been previously approved for debt financing by either the board of visitors or the General Assembly of the Commonwealth of Virginia.

At June 30, 2010 the amount outstanding was \$2,975,000. The average days-to-maturity was 25 days with a weighted average effective interest rate of 1.08%.

11. Summary of Long-term Indebtedness

Bonds Payable

The university has issued two categories of bonds pursuant to section 9 of Article X of the *Constitution of Virginia*.

Section 9(d) bonds are revenue bonds which are limited obligations of the university, payable exclusively from pledged general revenues, and which are not legal or moral debts of the Commonwealth of Virginia. Pledged general revenues include general fund appropriations, student tuition and fees, facilities and administrative (indirect)

cost recoveries, auxiliary enterprise revenues, and other revenues not required by law to be used for another purpose. The university has issued section 9(d) bonds directly through underwriters and also participates in the Public Higher Education Financing Program (Pooled Bond Program) created by the Virginia General Assembly in 1996. Through the Pooled Bond Program, the Virginia College Building Authority issues section 9(d) bonds and uses the proceeds to purchase debt obligations (notes) of the university and other institutions of higher education. The notes are secured by pledged general revenues of the university. For more information, see the following description of notes payable and Note 12, Detail of Long-term Indebtedness.

Section 9(c) bonds are general obligation revenue bonds issued by the Commonwealth of Virginia on behalf of the university and secured by the net revenues of the completed project and the full faith, credit, and taxing power of the Commonwealth of Virginia.

Bond covenants related to some of these bonds, both 9(c) and 9(d), established or continued groups of accounts called systems. The investment firms of Standish Mellon and Merganser hold these systems in trust for managing the net revenues and debt service of certain university auxiliaries. The revenue bonds issued by the Dorm and Dining Hall System, the University Services System (comprised of the Student Centers, Recreational Sports, and Student Health auxiliaries), the Utility System (the Electric Service auxiliary), and the Athletic System are secured by a pledge of each system's net revenues generated from student or customer fees, and are further secured by the pledged general revenues of the university.

Notes Payable

Notes payable are debt obligations between the Virginia College Building Authority (VCBA) and the university. The VCBA issues bonds through the Pooled Bond Program and uses the proceeds to purchase debt obligations (notes) of the university. The notes are secured by the pledged general revenues of the university.

Capital Leases

Capital leases represent the university's obligation to Virginia Tech Foundation Inc. for lease agreements related to the Student Services building, Southgate Center addition, Hunter Andrews Information Systems building addition, and the Integrated Life Sciences building (ILSB), including a separate lease for the Vivarium located within the ILSB. The assets under capital lease are recorded at the net present value of the minimum lease payments during the lease term.

Installment Purchase Obligations

The university has entered into various installment purchase contracts to finance the acquisition of equipment. The length of the purchase agreements ranges from two to five years with variable rates of interest. The outstanding principal is included in the "Long-term debt payable" line items on the *Statement of Net Assets*.

A summary of the university's long-term indebtedness, including activity for fiscal year 2010, future principal commitments, and future interest commitments, is presented below.

Changes in long-term debt payable activity

As of June 30, 2010)

(all dollars in thousands)

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion
Bonds payable					
Section 9(c) general obligation revenue bonds	\$ 62,147	\$ 80,141	\$ 7,366	\$ 134,922	\$ 4,567
Section 9(d) revenue bonds	73,992	-	5,034	68,958	5,340
Notes payable	121,060	48,690	5,044	164,706	5,565
Capital lease obligations	27,506	-	1,100	26,406	1,162
Installment purchase obligations	1,160	-	411	749	436
Total long-term debt payable	<u>\$ 285,865</u>	<u>128,831</u>	<u>18,955</u>	<u>\$ 395,741</u>	<u>\$ 17,070</u>
Current year debt defeasance		(2,633)	(2,633)		
Total additions/retirements, net of current year defeasance		<u>\$ 126,198</u>	<u>\$ 16,322</u>		

Future principal commitments

For fiscal years subsequent to 2010

(all dollars in thousands)

	Section 9(c)Bonds	Section 9(d)Bonds	Notes Payable	Capital Lease Obligations	Installment Purchase Obligations	Total Long-term Debt Payable
2011	\$ 4,567	\$ 5,340	\$ 5,565	\$ 1,162	\$ 436	\$ 17,070
2012	5,982	5,540	6,810	1,230	201	19,763
2013	6,248	5,815	7,125	1,299	58	20,545
2014	5,657	6,105	7,480	1,377	21	20,640
2015	5,977	6,380	7,860	1,458	21	21,696
2016 – 2020	29,152	16,850	44,495	8,669	12	99,178
2021 – 2025	31,765	11,605	43,215	6,716	-	93,301
2026 – 2030	26,680	11,465	34,000	4,495	-	76,640
2031 – 2035	6,460	-	1,420	-	-	7,880
Unamortized premium	12,114	947	7,260	-	-	20,321
Deferral on debt defeasance	320	(1,089)	(524)	-	-	(1,293)
Total future principal requirements	<u>\$ 134,922</u>	<u>\$ 68,958</u>	<u>\$ 164,706</u>	<u>\$ 26,406</u>	<u>\$ 749</u>	<u>\$ 395,741</u>

Future interest commitments

For fiscal years subsequent to 2010

(all dollars in thousands)

	Section 9(c) Bonds	Section 9(d) Bonds	Notes Payable	Capital Lease Obligations	Installment Purchase Obligations	Total Interest
2011	\$ 6,019	\$ 3,297	\$ 7,400	\$ 1,449	\$ 18	\$ 18,183
2012	5,795	3,086	7,117	1,389	6	17,393
2013	5,517	2,820	6,770	1,327	2	16,436
2014	5,211	2,533	6,411	1,260	1	15,416
2015	4,952	2,245	5,432	1,190	1	13,820
2016 – 2020	20,297	7,662	19,870	4,733	-	52,562
2021 – 2025	13,143	4,469	13,613	2,530	-	33,755
2026 – 2030	4,933	1,393	3,774	496	-	10,596
2031 – 2035	827	-	34	-	-	861
Total future interest requirements	<u>\$ 66,694</u>	<u>\$ 27,505</u>	<u>\$ 70,421</u>	<u>\$ 14,374</u>	<u>\$ 28</u>	<u>\$ 179,022</u>

12. Detail of Long-term Indebtedness
Bonds payable

As of June, 30, 2010 (all dollars in thousands)

	Interest rates	Maturity	2010
<i>Revenue Bonds</i>			
Dormitory and dining hall system			
Series 2004A, issued \$2,710 – refunding series 1996A*	2.00% - 5.00%	2016	\$ 1,755
Series 2004A, issued \$1,665 – refunding series 1996A*	2.00% - 5.00%	2016	1,075
Series 2004B, issued \$1,265 – refunding series 1996B*	2.00% - 4.00%	2016	785
University services systems			
Student Health and Fitness Center			
Series 2004C, issued \$15,105 – refunding series 1996C*	2.00% - 5.00%	2016	9,515
Athletic system			
Athletic facility – improvements			
Series 2004D, issued \$4,155 – refunding series 1996A*	2.00% - 5.00%	2016	2,685
Lane Stadium west sideline expansion			
Series 2004D, issued \$52,715	3.00% - 5.13%	2029	39,295
Northern Virginia Graduate Center			
Series 2004A, issued \$7,860 – refunding series 1996A*	2.00% - 5.00%	2020	6,030
Architectural/engineering			
Series 2004A, issued \$4,685 – refunding series 1996A*	2.00% - 5.00%	2016	3,040
Coal fired facility			
Series 2004A, issued \$6,005 – refunding series 1996A*	2.00% - 5.00%	2016	3,895
Series 2004A, issued \$1,585 – refunding series 1996A*	2.00% - 5.00%	2016	1,025
Unamortized premium (discount)			947
Deferral on debt defeasance			(1,089)
Total revenue bonds			<u>68,958</u>
<i>General Obligation Revenue Bonds</i>			
Dormitory and dining hall system			
Series 2003A, issued \$2,694 – refunding series 1993B*	2.50% - 5.50%	2011	375
Series 2004B, issued \$9,995 – partial refunding series 1997*	2.00% - 5.00%	2017	7,366
Series 2004B, issued \$1,928 – partial refunding series 1998*	2.00% - 5.00%	2018	1,586
Series 2004B, issued \$1,168 – partial refunding series 1999*	2.00% - 5.00%	2019	1,051
Series 2004A, issued \$4,800	3.75% - 5.00%	2024	1,785
Series 2007A, issued \$5,995	4.00% - 5.00%	2027	5,775
Series 2007A, issued \$13,130	4.00% - 5.00%	2027	12,650
Series 2008B, issued \$1,813 – refunding series 1998R*	4.38% - 4.70%	2013	1,108
Series 2008B, issued \$969 – refunding series 1998R*	4.38% - 4.70%	2013	591
Series 2008B, issued \$1,010 – refunding series 1998R*	4.38% - 4.70%	2013	621
Series 2008B, issued \$17,185	3.00% - 5.00%	2028	16,610
Series 2009D, issued \$1,891 – partial refunding series 2004A*	5.00%	2022	1,891
Series 2009B, issued \$39,005	4.00% - 5.00%	2029	39,005
Series 2009B, issued \$3,720	4.00% - 5.00%	2029	3,720
University services system – student center			
Series 2003A, issued \$1,755 – refunding series 1993B*	2.50% - 5.50%	2011	243

Parking facilities			
Series 2002, issued \$975	2.50% - 5.00%	2017	205
Series 2003A, issued \$2,268 – refunding series 1993B*	2.50% - 5.50%	2011	318
Series 2004B, issued \$951 – partial refunding series 1997*	2.00% - 5.00%	2017	697
Series 2006B, issued \$685	4.00% - 5.00%	2026	390
Series 2008B, issued \$1,545	3.00% - 5.00%	2028	1,445
Series 2009D, issued \$190 – partial refunding series 2006B*	5.00%	2022	190
Series 2009C, issued \$276 – partial refunding series 2002*	3.00% - 4.00%	2017	276
Series 2009B, issued \$24,590	4.00% - 5.00%	2034	24,590
Unamortized premium (discount)			12,114
Deferral on debt defeasance			320
Total general obligation revenue bonds			<u>134,922</u>
Total bonds payable			<u>\$ 203,880</u>

Notes payable

Notes payable to VCBA under the pooled 9(d) bond program at June 30, 2010
(all dollars in thousands)

	Average coupon rate	Maturity	2010
Dormitory and dining hall system			
Series 1998A, issued \$10,145 – partial refunding*	4.53%	2019	\$ 1,055
Series 2004B, issued \$1,120 – partial refunding series 1999*	5.00%	2014	1,120
Series 2004B, issued \$7,420 – partial refunding series 1999A*	3.00% - 5.00%	2020	7,205
Series 2005, issued \$2,815	3.50% - 5.00%	2026	2,455
Series 2007B, issued \$3,395 – partial refunding series 1998A*	4.00% - 4.50%	2019	3,390
University services system – Smith Career Center			
Series 2002A, issued \$4,405*	5.19%	2023	1,780
Series 2007B, issued \$1,621 – partial refunding series 2002A*	4.00% - 4.50%	2020	1,606
Utility system			
Series 2000A, issued \$2,925 – partial refunding*	5.25%	2021	510
Series 2002A, issued \$2,875*	5.19%	2023	1,160
Series 2004B, issued \$870 – partial refunding series 2000A*	3.00% - 5.00%	2017	844
Series 2007B, issued \$646 – partial refunding series 2000A*	4.00% - 4.50%	2020	646
Series 2007B, issued \$1,060 – partial refunding series 2002A*	4.00% - 4.50%	2020	1,050
Athletic system			
Lane Stadium expansion			
Series 2001A, issued \$26,285*	4.70%	2027	13,710
Series 2007B, issued \$2,860 – partial refunding series 2001A*	4.00% - 4.50%	2020	2,845
Series 2009B, issued \$8,705	2.00% - 5.00%	2030	8,705
Infectious waste facility			
Series 2000A, issued \$1,640 – partial refunding*	5.25%	2021	285
Series 2004B, issued \$480 – partial refunding series 2000A*	3.00% - 5.00%	2017	471
Series 2007B, issued \$359 – partial refunding series 2000A*	4.00% - 4.50%	2020	359
Biomedical facility			
Series 2002A, issued \$21,930	5.11%	2028	13,175
Series 2007B, issued \$5,649 – partial refunding series 2002A*	4.00% - 4.50%	2020	5,594
Alumni and conference center, series 2003A, issued \$21,585	4.63%	2031	19,555
Life Sciences-I, series 2005, issued \$8,295	3.50% - 5.00%	2026	7,230
ICTAS-I, series 2006A, issued \$16,145	3.00% - 5.00%	2027	14,600
Boiler pollution controls, series 2006A, issued \$1,925	3.00% - 5.00%	2027	1,740
Surge space building, series 2006A, issued \$7,025	4.00% - 5.00%	2022	6,000
Campus heating plant			
Series 2007A, issued \$3,880	4.50% - 5.00%	2028	3,755
Series 2009B, issued \$5,875	2.00% - 5.00%	2030	5,875
McComas exterior repairs			
Series 2009A, issued \$1,475	2.75% - 5.00%	2029	1,420
Series 2009B, issued \$4,365	2.00% - 5.00%	2030	4,365
ICTAS-II, series 2009B, issued \$13,045	2.00% - 5.00%	2030	13,045
McComas recreation, counseling and clinical space, series 2009B, issued \$12,420	2.00% - 5.00%	2030	12,420
Unamortized premium (discount)			7,260
Deferral on debt defeasance			(524)
Total notes payable			<u>\$ 164,706</u>

*See Note 13 – Long-term Debt Defeasance

Other long-term debt

At June 30, 2010 (*all dollars in thousands*)

Capital leases payable for agreements related to the Student Services building, Southgate Center addition, Hunter Andrews addition, Integrated Life Sciences (ILSB) buildings, separate Vivarium lease, and equipment	\$ 26,406
Installment purchase obligations for equipment purchases through June 2010 with various interest rates and maturing through 2015	749
Total other long-term debt	<u>\$ 27,155</u>

13. Long-term Debt Defeasance

Current Year

The university issued \$2,357,000 of section 9(c) bonds to refund \$2,520,000 of section 9(c) bonds in fiscal year 2010. The resulting net gain of \$163,000 will be amortized over the life of the new debt. For financial reporting purposes, these bonds are considered an in-substance defeasance and have therefore been removed from the long-term debt payable line item of the *Statement of Net Assets*. The assets in escrow have similarly been excluded. The details of each bond issue refunded are presented below.

Bond issues refunded As of June 30, 2010 (<i>all dollars in thousands</i>)	True Interest Cost	Bonds Refunded	Refunding Bonds Issued	Accounting Gain	Reduction in Debt Service	Gain Discounted at TIC	Defeased Debt
Series 2002, issued \$975	3.17%	\$ 325	\$ 276	\$ 49	\$ 69	\$ 62	\$ 325
Series 2004A, issued \$4,800	3.17%	2,005	1,891	114	191	168	2,005
Series 2006B, issued \$685	3.17%	190	190	-	4	4	190
Total		<u>\$ 2,520</u>	<u>\$ 2,357</u>	<u>\$ 163</u>	<u>\$ 264</u>	<u>\$ 234</u>	<u>\$ 2,520</u>

Previous Years

In previous fiscal years in accordance with GASB Statement 7, *Advance Refundings Resulting in the Defeasance of Debt*, the university has excluded from its financial statements the assets in escrow and the section 9(c) or 9(d) bonds payable that were defeased in-substance. For the year ended June 30, 2010, bonds payable considered defeased in previous years totaled \$6,640,000.

14. Change in Other Liabilities

A summary of the changes in other liabilities for the year ended June 30, 2010, follows (*all dollars in thousands*):

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Accrued compensated absences	\$ 37,730	\$ 20,549	\$ 24,112	\$ 34,167	\$ 14,837
Federal student loan program contribution refundable	13,210	240	190	13,260	-
Total other liabilities	<u>\$ 50,940</u>	<u>\$ 20,789</u>	<u>\$ 24,302</u>	<u>\$ 47,427</u>	<u>\$ 14,837</u>

15. Lease Commitments

The university has entered into numerous agreements to lease land, buildings, and equipment. With some of these agreements, the university is committed under various operating leases for equipment and space. In general, the leases are for three to five-year terms and the university has renewal options. During the normal course of business the university expects similar leases to replace these leases. The total lease expense was approximately \$18,255,000 for the year ended June 30, 2010. This amount includes approximately \$6,932,000 in lease payments to the Virginia Tech Foundation Inc. for office and laboratory space. In addition, the total lease expense includes approximately \$2,086,000 of short-term equipment rentals that can be terminated at any time. The short-term equipment rental costs are not included in the summary of future lease payments listed in the adjacent table.

A summary of future minimum lease payments under operating leases as of June 30, 2010, follows (*all dollars in thousands*):

2011	\$ 12,287
2012	7,649
2013	3,746
2014	2,038
2015	1,237
2016 – 2020	4,338
2021 – 2025	1,333
2026 – 2030	77
2031 – 2034	54
Total	<u>\$ 32,759</u>

16. Capital Improvement Commitments

The amounts listed in the following table represent the value of obligations remaining on capital improvement project contracts. These obligations are for future effort and as such have not been accrued as expenses or liabilities on the university's financial statements. Outstanding contractual commitments for capital improvement projects as of June 30, 2010 are listed below.

Capital commitments by project (all dollars in thousands)		
Ambler Johnston Hall renovation	\$	32,532
Virginia Tech Carilion School of Medicine and Research Institute		13,800
Technology Research and Innovation Center		9,706
Visitor and Undergraduate Admissions Center		6,585
ICTAS - II		4,909
Center for the Arts		5,325
Signature Engineering building		4,087
Parking structure		3,056
McComas Hall recreation, counseling and clinical space addition		2,158
Human and Agriculture Biosciences Building I		1,474
Academic and Student Affairs building		1,248
Football locker room addition		1,017
Davidson Hall renovation		883
Other projects		2,857
Total	\$	<u>89,637</u>
Capital commitments by source of funding (all dollars in thousands)		
General obligation bond proceeds	\$	51,088
Capital appropriations		27,279
Facilities and administrative (indirect) cost recoveries, university education and general funds		4,939
Private funds		4,662
Auxiliary enterprise funds		1,338
State general appropriations		331
Total	\$	<u>89,637</u>

17. Contributions to Pension Plans

Virginia Retirement System

Employees of the university are employees of the Commonwealth of Virginia and therefore participate in the commonwealth's defined benefit retirement plan. This plan is administered by the Virginia Retirement System (VRS). VRS is a multiple-employer public employee retirement system that acts as a common investment and administrative agency for the Commonwealth of Virginia and its political subdivisions.

VRS does not measure assets and pension benefit obligations separately for individual state institutions. Information related to this plan is available at the statewide level only and can be found in the Commonwealth of Virginia's *Comprehensive Annual Financial Report*. The commonwealth, not the university, has the overall responsibility for contributions to this plan.

The university's expenses include the amount assessed by the commonwealth for contributions to VRS, which totaled approximately \$22,192,000 for the year ended June 30, 2010.

Optional Retirement Plan

Full-time faculty and certain administrative staff participate in a defined contribution plan administered by three different providers other

than VRS. The three different providers are TIAA/CREF Insurance Companies, Fidelity Investments Tax-Exempt Services Co., and the Variable Annuity Life Insurance Company (VALIC). This plan is a defined contribution program where the retirement benefits received are based upon the employer's (5.4%) and employees' (5%) contributions, plus interest and dividends.

Individual contracts issued under the plan provide for full and immediate vesting of both the university's and the employees' contributions. Total pension costs under this plan were approximately \$18,111,000 for year ended June 30, 2010. Contributions to the optional retirement plan were calculated using the base salary amount of approximately \$174,616,000 for this fiscal year.

Deferred Compensation Plan

Employees of the university are employees of the Commonwealth of Virginia. State employees may participate in the commonwealth's Deferred Compensation Plan. Participating employees can contribute to the plan each pay period with the commonwealth matching up to \$20 per pay period. The dollar amount match can change depending on the funding available in the commonwealth's budget. The Deferred Compensation Plan is a qualified defined contribution plan under section 401(a) of the *Internal Revenue Code*. The university expense for contributions under the Deferred Compensation Plan, which is an amount assessed by the commonwealth, was approximately \$1,977,000 for the fiscal year 2010.

Federal Pension Plans

Certain Cooperative Extension Service (CES) professional employees are participants in either the Federal Employee Retirement System (FERS) or the Federal Civil Service Retirement System (CSRS). FERS and CSRS are defined benefit plans in which benefits are based upon the highest base pay over any three consecutive years and the years of creditable service. Pension costs under these plans were approximately \$292,000 for the year ended June 30, 2010. Contributions to FERS and CSRS were calculated using the base salary amount of approximately \$3,607,000 for the fiscal year 2010.

In addition, the university contributed \$37,000 for the year ended June 30, 2010, in employer contributions to the Thrift Savings Plan. The Thrift Savings Plan is a defined contribution plan in which the university matches employee contributions within certain limitations.

18. Postemployment Benefits

The commonwealth sponsors postemployment benefit programs that are administered by VRS. These programs, a statewide group life insurance program and the Virginia Sickness and Disability Program's long-term care plan, provide postemployment benefits to eligible retired and terminated employees. Health care credits are also provided to offset the monthly health insurance premiums for retirees who have at least 15 years of service. Information related to these plans is available at the state-wide level in the commonwealth's *Comprehensive Annual Financial Report*.

19. Appropriations

The Appropriation Act specifies that unexpended general fund appropriations that remain on the last day of the current year, ending on June 30, 2010, shall be reappropriated for expenditure in the first month of the next year, beginning on July 1, 2010, except as may be specifically provided otherwise by the General Assembly. The governor may, at his discretion, unallot funds from the reappropriated balances that relate to unexpended appropriations for payments to individuals, aid to localities, or any pass-through grants.

The following adjustments were made to the university's appropriation during the year ended June 30, 2010 (*all dollars in thousands*):

Original legislative appropriation (per Chapter 781 as amended)	
Education and general programs	\$ 245,491
Student financial assistance	17,661
Commonwealth research initiative	3,122
Unique military activities	1,570
Engineering research center fund	221
Total appropriation	<u>268,065</u>
Adjustments	
Budget reductions	(34,626)
Health insurance premium	(439)
Virginia Retirement System	(2,207)
Virginia Sickness and Disability program	(751)
Group life insurance premium	(321)
State employee furlough	(656)
Student financial assistance	103
Other adjustments	137
Total adjustments	<u>(38,760)</u>
Adjusted appropriation	<u>\$ 229,305</u>

20. Grants and Contracts Contingencies

The university has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Claims against these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the outlay of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the university.

In addition, the university is required to comply with various federal regulations issued by the Office of Management and Budget. Failure to comply with certain system requirements of these regulations may result in questions concerning the allowance of related direct and indirect charges pursuant to such agreements. As of June 30, 2010, the

university estimates that no material liabilities will result from such audits or questions.

21. Federal Direct Lending Program

The university participates in the Federal Direct Lending Program. Under this program, the university receives funds from the U.S. Department of Education for Stafford and Parent PLUS Loan Programs and disburses these funds to eligible students. The funds can be applied to outstanding student tuition and fee charges or refunded directly to the student.

These loan programs are treated as student payments with the university acting as a fiduciary agent for the student. Therefore, the receipt of the funds from the federal government is not reflected in the federal government grants and contracts total on the *Statement of Revenues, Expenses, and Changes in Net Assets*. The activity is included in the noncapital financing section of the *Statement of Cash Flows*. For the fiscal year ended June 30, 2010, cash provided by the program totaled \$122,792,000 and cash used by the program totaled \$122,794,000.

22. Risk Management and Employee Health Care Plans

The university is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; nonperformance of duty; injuries to employees; and natural disasters. The university participates in insurance plans maintained by the Commonwealth of Virginia. The state employee health care and worker's compensation plans are administered by the Department of Human Resource Management and the risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes property, general liability, medical malpractice, faithful performance of duty bond, automobile, boiler and machinery, and air and watercraft plans. The university pays premiums to each of these departments for its insurance coverage. In addition, the university contracts with private insurers to provide additional fidelity bonding coverage, automobile physical damage coverage, business interruption coverage for the Equine Medical Center and overseas liability coverage. Information relating to the commonwealth's insurance plans is available in the Commonwealth of Virginia's *Comprehensive Annual Financial Report*.

23. Expenses by Natural Classification within Functional Classification

The university's operating expenses by functional classification were as follows for the year ended June 30, 2010 (*all dollars in thousands*):

	Compensation and Benefits	Contractual Services	Other Supplies and Materials	Travel	Operating Expenses	Scholarships and Fellowships	Sponsored Program Subcontracts	Total
Instruction	\$ 224,754	\$ 9,744	\$ 5,388	\$ 4,194	\$ 2,227	\$ 958	\$ 124	\$ 247,389
Research	156,191	12,652	19,562	10,292	1,952	11,410	20,484	232,543
Public service	46,626	16,387	3,347	6,305	1,389	213	646	74,913
Academic support	41,120	3,636	9,645	682	1,539	207	-	56,829
Student services	9,384	1,524	847	593	121	54	1	12,524
Institutional support	40,209	2,513	1,990	1,711	788	417	4	47,632
Operation and maintenance of plant	24,859	6,247	15,488	141	18,721	16	-	65,472
Student financial assistance	319	37	18	174	-	15,377	-	15,925
Auxiliary enterprises	71,674	19,719	30,384	8,120	19,976	1,053	7	150,933
Subtotal before other costs	<u>\$ 615,136</u>	<u>\$ 72,459</u>	<u>\$ 86,669</u>	<u>\$ 32,212</u>	<u>\$ 46,713</u>	<u>\$ 29,705</u>	<u>\$ 21,266</u>	<u>904,160</u>
Depreciation and amortization expense								62,800
Loan administrative fees and collection costs								318
Total operating expenses								<u>\$ 967,278</u>

24. Component Units Financial Statements and Notes

The component units' statements on the following pages, and subsequent notes, comply with the General Accounting Standards Board (GASB) presentation format. Both Virginia Tech Foundation Inc. and Virginia Tech Services Inc. follow the Financial Accounting Standards Board (FASB) presentation format in their audited financial statements. Consequently, reclassifications have been made to convert their statements to the GASB format.

Component Units

Consolidating Statement of Net Assets

The financial position for the university's component units as of June 30, 2010
(all dollars in thousands)

	Virginia Tech Foundation	Virginia Tech Services	Total Component Units
Assets			
<i>Current Assets</i>			
Cash and cash equivalents	\$ (15,867)	\$ 1,340	\$ (14,527)
Short-term investments	13,699	3,412	17,111
Accounts and contributions receivable, net	27,108	273	27,381
Notes receivable, net	232	-	232
Inventories	447	6,764	7,211
Prepaid expenses	725	213	938
Other assets	2,934	-	2,934
Total current assets	29,278	12,002	41,280
<i>Noncurrent assets</i>			
Cash and cash equivalents	64,761	-	64,761
Accounts and contributions receivable, net	43,706	-	43,706
Notes and deeds of trust receivable, net	18,156	-	18,156
Net investments in direct financing leases	24,066	-	24,066
Irrevocable trusts held by others, net	7,968	-	7,968
Long-term investments	608,251	-	608,251
Depreciable capital assets, net	124,297	547	124,844
Nondepreciable capital assets	98,350	-	98,350
Intangible assets, net	680	-	680
Other assets	4,091	-	4,091
Total noncurrent assets	994,326	547	994,873
Total assets	1,023,604	12,549	1,036,153
Liabilities			
<i>Current liabilities</i>			
Accounts payable and accrued liabilities	8,645	6,520	15,165
Accrued compensated absences	302	284	586
Deferred revenue	796	1,037	1,833
Long-term debt payable	14,238	-	14,238
Other liabilities	5,895	500	6,395
Total current liabilities	29,876	8,341	38,217
<i>Noncurrent liabilities</i>			
Accrued compensated absences	38	-	38
Deferred revenue	6,050	-	6,050
Long-term debt payable	188,296	-	188,296
Liabilities under trust agreements	25,231	-	25,231
Agency deposits held in trust	55,972	-	55,972
Other liabilities	14,006	-	14,006
Total noncurrent liabilities	289,593	-	289,593
Total liabilities	319,469	8,341	327,810
Net assets			
Invested in capital assets, net of related debt	62,498	547	63,045
Restricted, nonexpendable	327,775	-	327,775
Restricted, expendable			
Scholarships, research, instruction, and other	247,267	-	247,267
Capital projects	37,011	-	37,011
Unrestricted	29,584	3,661	33,245
Total net assets	\$ 704,135	\$ 4,208	\$ 708,343

Component Units

Consolidating Statement of Revenues, Expenses, and Changes in Net Assets

The university's component unit activity for the year ended June 30, 2010

(all dollars in thousands)

	Virginia Tech Foundation	Virginia Tech Services	Total Component Units
Operating revenues			
Gifts and contributions	\$ 51,893	\$ -	\$ 51,893
Auxiliary enterprise revenue			
Hotel Roanoke	17,799	-	17,799
River Course	1,148	-	1,148
Bookstore	-	26,427	26,427
Other revenues			
Rental income	19,392	-	19,392
Other	10,619	-	10,619
Total operating revenues	<u>100,851</u>	<u>26,427</u>	<u>127,278</u>
Operating expenses			
Instruction	4,882	-	4,882
Research	4,858	-	4,858
Public service	4,608	-	4,608
Academic support	13,692	-	13,692
Institutional support			
Other university programs	19,766	-	19,766
Fund-raising	8,942	-	8,942
Management and general	2,364	-	2,364
Operation and maintenance of plant			
Operation and maintenance of plant	4,186	-	4,186
Research cost centers	5,158	-	5,158
Student financial assistance	21,330	-	21,330
Auxiliary enterprises			
Hotel Roanoke	11,355	-	11,355
River Course	1,328	-	1,328
Bookstore	-	26,384	26,384
Depreciation expense	5,579	-	5,579
Other expenses	14,897	-	14,897
Total operating expenses	<u>122,945</u>	<u>26,384</u>	<u>149,329</u>
Operating income (loss)	<u>(22,094)</u>	<u>43</u>	<u>(22,051)</u>
Non-operating revenues (expenses)			
Investment income, net	8,557	-	8,557
Net gains on investments	39,401	-	39,401
Interest expense on debt related to capital assets	(3,583)	-	(3,583)
Net non-operating revenues	<u>44,375</u>	<u>-</u>	<u>44,375</u>
Income before other revenues, expenses, gains, or losses	<u>22,281</u>	<u>43</u>	<u>22,324</u>
Change in valuation of split interest agreements	2,164	-	2,164
Capital grants and gifts	15,135	-	15,135
Loss on disposal of capital assets	(114)	-	(114)
Additions to permanent endowments	19,917	-	19,917
Other revenues (expenses)	(980)	-	(980)
Total other revenues, expenses, gains, or losses	<u>36,122</u>	<u>-</u>	<u>36,122</u>
Increase in net assets	<u>58,403</u>	<u>43</u>	<u>58,446</u>
Net assets - beginning of year	645,732	4,165	649,897
Net assets - end of year	<u>\$ 704,135</u>	<u>\$ 4,208</u>	<u>\$ 708,343</u>

Notes to Component Units Statements

Contributions Receivable – Virginia Tech Foundation Inc.

The following summarizes unconditional promises to give at June 30, 2010 (*all dollars in thousands*):

Current receivables	
Receivable in less than one year	\$ 26,236
Noncurrent receivables	
Receivable in one to five years	35,928
Receivable in more than five years	8,490
Total noncurrent receivable before allowance	44,418
Less allowance for uncollectible contributions	(2,504)
Net noncurrent contributions receivable	41,914
Total contributions receivable	<u>\$ 68,150</u>

The discount rates ranged from 0.65% to 1.85% in 2010. As of June 30, 2010, there were no conditional promises to give.

Investments – Virginia Tech Foundation Inc.

Investments by type of security at June 30, 2010 (*all dollars in thousands*):

	Cost	Fair value
Short-term investments		
Corporate debt securities	\$ 1,199	\$ 1,186
U.S. Government treasuries	6,374	6,218
U.S. Government agencies	6,295	6,295
Total short-term	<u>13,868</u>	<u>13,699</u>
Long-term investments		
Cash and cash equivalents	8,779	8,779
U. S. Government treasuries	36,092	36,905
U. S. Government agencies	26,845	27,436
State, county and municipal securities	2,648	2,783
Corporate debt securities	37,932	39,170
Common and preferred stock	106,440	107,647
Partnerships and other joint ventures	312,430	301,776
Foreign securities	46,127	37,742
Real estate	25,927	26,579
Other	7,154	7,154
Total long-term investments	<u>610,374</u>	<u>595,971</u>

Restricted to investment in land, buildings and equipment

Cash and cash equivalents	21,549	21,549
U.S. Government treasuries	8,755	8,788
U.S. Government agencies	3,460	3,492
Total restricted	<u>33,764</u>	<u>33,829</u>
Total investments	<u>\$ 658,006</u>	<u>\$ 643,499</u>

As of June 30, 2010, long-term investments include investment assets held in internally managed trust funds with a carrying value totaling \$41,069.

During 2004, the foundation invested \$1,000 to become a member of a communications network infrastructure. Additionally, the foundation entered into an agreement to make additional investments in the communications network infrastructure over a four-year period. The foundation contributed \$800 in 2008, 2007, 2006, 2005, and 2004, under the agreement. During 2010 and 2009, the foundation invested \$350 and \$700, respectively, as an additional investment outside the original agreement. Included in other long-term investments as of June 30, 2010, is \$6,050 related to this communications network infrastructure.

The following tabulation summarizes changes in relationships between cost and fair value of investments (*all dollars in thousands*):

	Fair Value	Cost	Net gains (losses)
June 30, 2010	\$ 643,499	\$ 658,006	\$ (14,507)
June 30, 2009	609,485	664,684	(55,199)
Unrealized net gain for FY2010, including net gain on agency deposits held in trust of \$2,597			40,692
Realized net loss for FY2010, including net gain on agency deposits held in trust of \$1,238			(1,406)
Total net gain for FY2010, including net gain on agency deposits held in trust of \$3,835			<u>\$ 39,286</u>

Investment management fees incurred in 2010 totaled \$2,082.

Land, Buildings, Equipment - Virginia Tech Foundation Inc.

A summary of land, buildings, and equipment at cost, less accumulated depreciation for the year ending June 30, 2010 is presented as follows (*all dollars in thousands*):

Depreciable capital assets	
Buildings	\$ 153,612
Equipment and other	17,318
Land improvements	14,412
Total depreciable capital assets, at cost	185,342
Less accumulated depreciation	(61,045)
Total depreciable capital assets, net	<u>124,297</u>
Nondepreciable capital assets	
Land	65,704
Vintage and other collection items	4,495
Livestock	1,713
Construction in progress	26,438
Total nondepreciable capital assets	<u>98,350</u>
Total capital assets, net	<u>\$ 222,647</u>

As of June 30, 2010 outstanding contractual commitments for projects under construction approximated \$20,983.

Long-Term Debt Payable - Virginia Tech Foundation Inc.

Notes payable

The following is a summary of outstanding notes payable at June 30, 2010 (*all dollars in thousands*):

Unsecured commercial note payable due September 10, 2014, plus interest at 4.65%	\$ 705
Unsecured variable rate commercial note payable due June 30, 2011 with automatic yearly renewal, plus interest at the 30-day LIBOR rate plus 35 basis points (0.70% at June 30, 2010), principal balance not to exceed \$13.8 million	10,572
Secured variable rate promissory note payable upon sale of collateral, or receipt of any insurance payment due to destruction of collateral, plus interest at the LIBOR rate plus 300 basis points (3.35% at June 30, 2010) collateralized by interest in a Citation Excel airplane	617
Unsecured fixed rate promissory note payable due December 1, 2019, plus interest at 6.59%	2,789
Total VTF notes payable	<u>14,683</u>
Unsecured note payable upon the sale of the hotel and repayment of all debt of the hotel and the Hotel Roanoke Foundation (HRF)	1,775

Unsecured note payable to the City of Roanoke Redevelopment and Housing Authority due in aggregate annual installments of \$497, interest at 4.05%, guaranteed by the U.S. Department of Housing and Urban Development, maturing June 30, 2014	2,208
Total HRF notes payable	<u>3,983</u>
Secured fixed rate promissory note payable due October 10, 2017, plus interest at 7.00%, collateralized by certain real properties by Virginia Tech Real Estate Foundation, Inc.	8,200
Total VTREF notes payable	<u>8,200</u>
Total notes payable	<u>\$ 26,866</u>

During 2003, the foundation used proceeds from borrowings on notes payable totaling \$13,800 to provide a loan to an unrelated party through a promissory note receivable proceeds from which the unrelated party used to purchase the University Mall building located in Blacksburg, Virginia. The promissory note receivable, which requires interest payments only until maturity, earns interest at a fixed rate of 6.18% through June 30, 2013 and 6.96% thereafter through June 30, 2023, the maturity date. The promissory note receivable is secured by a first deed of trust in the real property of the University Mall building, as well as the assignment of leases and rents, security agreements and fixture filing statements.

During 2009, the foundation entered into a capital lease obligation with an unrelated party. During 2010, the foundation amended the lease agreement to include additional properties. As of July 1, 2010, annual payments under the lease agreement are \$357. The lease agreement terminates in 25 years, at which time the title to the land will transfer to the foundation. The capital lease obligation is included in deferred revenue and other liabilities in the accompanying consolidated statement of financial position. As of June 30, 2010, the capital lease obligation was \$4,707.

The aggregate annual maturities of notes payable for each of the five years and thereafter subsequent to June 30, 2010, are (*all dollars in thousands*):

2011	\$ 11,607
2012	814
2013	995
2014	1,047
2015	464
Later years or as cash becomes available from hotel net operating income	<u>11,939</u>
Total notes payable	<u>\$ 26,866</u>

Bonds payable

HRF is obligated under City of Roanoke Redevelopment and Housing Authority Taxable Redevelopment Revenue Term Bonds (Series 1998). Bond proceeds were used to prepay the first mortgage notes payable to a lender group and provide long-term financing for the renovation of the Hotel Roanoke. On June 1, 2003, the bonds were remarketed to VTREF and the new term rate of 4.10% extended through May 31, 2008. On June 1, 2008, the bonds were remarketed and the new term rate of 5.00% will extend through May 31, 2013. The Term Bonds are subject to mandatory annual sinking fund redemption through 2018 in varying amounts ranging from \$310 to \$490 and are guaranteed by HRLLC. The Term Bonds are eliminated for consolidation purposes as of June 30, 2010.

The foundation is obligated under Industrial Development Authority of Craig County, Virginia Variable Rate Demand Revenue Refund-

ing Bonds (Series 2000). Bond proceeds were used to finance the construction of office facilities and laboratory space being leased to the university. The Series 2000 bonds, which mature on November 1, 2020, bear a fixed interest rate of 3.55%.

The foundation is obligated under Industrial Development Authority of Montgomery County, Virginia Variable Rate Revenue Bonds dated August 25, 2005 (Series 2005). Bond proceeds were used to refinance previously outstanding Series 2001A and Series 2002A bonds. The remainder was used to finance the construction of and equipment purchases for three facilities to be used in support of the university. The bonds, which mature June 1, 2035, bear a variable interest rate, which including remarketing and credit enhancement fees, was 0.465% at June 30, 2010.

The foundation was previously obligated under Industrial Development Authority of Montgomery County, Virginia Variable Rate Revenue Bonds dated January 23, 2007 (Series 2007). Bond proceeds were used to finance the construction of several facilities to be used in support of the university. The bonds, which were to mature on June 1, 2027, bore a variable interest rate. During 2008, the foundation gave the owners of the Series 2007 bonds their notice of borrower intent to bid in auction to repurchase the Series 2007 bonds. Through June 30, 2008, the foundation incrementally repurchased approximately 88% of the Series 2007 bonds at par value plus accrued interest. During 2009, the foundation incrementally repurchased the majority of the remaining approximately 12% of the Series 2007 bonds at par value plus accrued interest. These bonds held in treasury were refinanced in February 2009 in connection with the foundation's 2009 bond offering described below.

The foundation is obligated under Industrial Development Authority of Montgomery County, Virginia Revenue Bonds (Series 2009A) and Taxable Revenue Bonds (Series 2009B) dated February 12, 2009. Bond proceeds were used to refinance the previously outstanding Series 2007 bonds, the unsecured variable rate promissory note payable, and the unsecured variable rate commercial note payable, as well as finance the construction of several facilities, primarily for the National Capital Region facility, to be used in support of the university. During 2010, an additional \$2,865 was requisitioned on the Series 2009B bonds to finance property acquisitions to be used in support of the university. The Series 2009A bonds, which mature on February 1, 2039, bear a variable interest rate, which including remarketing and liquidity fees, was 0.735% on June 30, 2010. The Series 2009B bonds, which mature on February 1, 2039, bear a variable interest rate, which including remarketing and liquidity fees, was 0.875% on June 30, 2010.

As of June 30, 2010, the majority of the unused proceeds from the Series 2009A and Series 2009B bond offering, which are restricted to investment in land, buildings and equipment, have been temporarily invested in investment securities as disclosed in the investment note above and are separately recorded in the consolidated statement of financial position.

Principal amounts outstanding for these bonds as of June 30, 2010, are as follows (*all dollars in thousands*):

Bond Series:	
Series 2000	\$ 2,418
Series 2005	37,745
Series 2009A	68,820
Series 2009B	<u>66,685</u>
Total bonds payable	<u>\$ 175,668</u>

Notes to Component Units Statements (continued)

The aggregate annual maturities of bonds payable for each of the five years and thereafter subsequent to June 30, 2010, are as follows (*all dollars in thousands*):

2011	\$ 2,630
2012	2,728
2013	2,855
2014	2,972
2015	3,115
Later years	161,368
Total	<u>\$ 175,668</u>

To comply with the terms of the Series 2005 bond agreement, the foundation maintains a letter of credit with a lender in the amount of \$40,454 at annual fees equal to 0.20% of the total commitment. At June 30, 2010, no funds were outstanding under this commitment.

To comply with the terms of the Series 2009A and Series 2009B bond agreement, the foundation maintains a revolving credit facility in the amount of \$149,996 at annual fees equal to 0.45% of the total commitment. At June 30, 2010, no funds were outstanding under this commitment.

Interest Rate Swaps

Effective April 1, 2003, the foundation entered into an interest rate swap agreement (Swap 1) with a lending institution. The agreement was based on the principal balance (notional amount of \$2,585) of a promissory note payable. The foundation participated as a fixed rate payer, with a fixed interest rate of 3.715% for a seven-year term which ended February 1, 2010. The lending institution participated as a floating rate payer, with a variable interest rate, which is calculated based on the LIBOR and was 0.31% at June 30, 2009. The change in fair value of Swap 1 was a gain of approximately \$59 for fiscal year 2009. The fair value of the interest rate swap agreement approximated \$59 in favor of the lending institution as of June 30, 2010.

Effective September 1, 2005, the foundation entered into an interest rate swap agreement (Swap 2) with a lending institution. This agreement was based on the principal balances (notional amount of \$21,535) of the Series 2001A and Series 2002A bond issues, which were refinanced by the Series 2005 bonds. The foundation participates as a fixed rate payer, with a fixed rate of 3.265% for a 17-year term ending June 30, 2022. The lending institution participates as a floating rate payer, with a floating interest rate, which is calculated based on the weighted average of 70% of USD-LIBOR-BBA and was 0.245% at June 30, 2010. The change in fair value of Swap 2 was a loss of approximately \$562 for fiscal year 2010. The fair value of the interest rate swap agreement approximated \$1,813 in favor of the lending institution as of June 30, 2010.

On September 1, 2005, the foundation entered into two separate interest rate swap agreements (Swap 3) with a lending institution. These agreements were based on the principal balances (notional amounts of \$17,065) for the Series 2005 bond issue and were effective September 1, 2006. The foundation participates as a fixed rate payer, with a fixed rate of 3.035% and 3.213% ending August 1, 2010 and June 1, 2025, respectively. The lending institution participates as a floating rate payer, with a floating interest rate, which is calculated based on the weighted average of 70% of USD-LIBOR-BBA and was 0.245% at June 30, 2009. The change in fair value of Swap 3 was a loss of approximately \$280 for fiscal year 2010. The fair value of the interest rate swap agreements approximated \$1,086 in favor of the lending institution as of June 30, 2010.

Effective March 12, 2007, the foundation entered into two separate interest rate swap agreements (Swap 4) with a lending institution. These agreements were based on the principal balances (notional amounts of \$24,480) of the Series 2007 bond issue. The foundation participates as a fixed rate payer, with a fixed rate of 3.737% and 3.467% ending June 1, 2027 and June 1, 2012, respectively. The lending institution participates as a floating rate payer, with a floating interest rate, which is calculated based on the weighted average of USD-BMA Municipal Swap Index and was 0.295% at June 30, 2010. The change in fair value of Swap 4 was a loss of approximately \$772 for fiscal year 2010. The fair value of the interest rate swaps agreements approximated \$1,939 in favor of the lending institution as of June 30, 2010.

Effective April 1, 2009, the foundation entered into three separate interest rate swap agreements (Swap 5) with two lending institutions. These agreements were based on principal balances (notional amounts of \$103,380) for Series 2009A and Series 2009B bond issue. For two of the agreements, the foundation participates as a fixed rate payer, with a fixed rate of 1.165% and 1.486% ending June 11, 2011. For the third agreement, the foundation participates as a floating rate payer, with a floating interest rate, which is calculated on the weighted average of USD-SIFMA Municipal Swap Index, with a rate of 0.485% as of June 30, 2010, ending June 1, 2027. The lending institutions participate as a floating rate payer, with a floating interest rate, which is calculated based on the weighted average of 59% of USD-LIBOR-BBA plus 0.25%, the weighted average of USD-LIBOR-BBA and the weighted average of 90.10% of USD-LIBOR-BBA and was 0.456%, 0.350%, and 0.295% at June 30, 2010, respectively. The change in fair value of Swap 5 was a loss of approximately \$516 for fiscal year 2010. The fair value of the interest rate swap agreements approximated \$532 in favor of the lending institution as of June 30, 2010.

The following table summarizes the fair values of the foundation's interest rate swaps and changes in the fair values of the swaps (*all dollars in thousands*):

	Fair Values	Change in Fair Value
Swap 1	\$ -	\$ (59)
Swap 2	1,813	562
Swap 3	1,086	280
Swap 4	1,939	772
Swap 5	532	516
Total	<u>\$ 5,370</u>	<u>\$ 2,071</u>

Total interest expense incurred in the aggregate related to notes payable and bonds payable in 2010 totaled \$3,376.

Agency Deposits Held in Trust - Virginia Tech Foundation Inc.

Under an agreement between the university and the foundation, the foundation serves as agent in connection with the investment, management, and administration of the Pratt Estate Funds and Donaldson Brown Endowment Funds. In addition, the foundation serves as agent and maintains investments for the Virginia Tech Alumni Association Inc., Virginia Tech Services Inc., and certain other associations.

A summary of agency deposits held in trust for the year ending June 30, 2010 is presented as follows (*all dollars in thousands*):

University—Pratt Estate	\$ 36,172
University—Donaldson Brown Endowment	653
University—Other	8,173
Virginia Tech Alumni Association, Inc.	3,503
Virginia Tech Services, Inc.	3,412
Other	4,059
Total agency deposits held in trust	<u>\$ 55,972</u>

25. Joint Ventures

The Hotel Roanoke Conference Center Commission was created by a joint resolution of the university and the City of Roanoke. The purpose of the commission is to establish and operate a publicly owned conference center in Roanoke adjacent to the renovated Hotel Roanoke. The powers of the commission are vested in commissioners. Each participating governing body appoints three commissioners for a total of six commissioners. The commission has the authority to issue debt, and such debt is the responsibility of the commission. The intention of the commission is to be self-supporting through its user fees. The university and the City of Roanoke equally share in any operating deficit or additional funding needed for capital expenditures. The university made contributions of \$80,000 using private funds to the commission for the fiscal year ended June 30, 2010.

The Virginia Tech Carilion School of Medicine was established as a 501(c)3 nonprofit organization. This joint venture will receive oversight from a board of directors. Virginia Tech and Carilion Clinic will each appoint a specific number of board members. These board members will elect the remaining members of the board of directors. The commonwealth has provided the capital funds for the building's construction on land owned by Carilion Clinic under a public-private partnership. Construction of the \$59 million, 154,000 square-foot facility commenced during September 2008 with expected completion within two years. This facility will house the Virginia Tech Carilion School of Medicine and the new Virginia Tech Carilion Research Institute, a part of Virginia Tech. Approximately two-thirds of the building will be occupied by the university's research institute with the remaining space allocated to the School of Medicine.

26. Jointly Governed Organizations

Blacksburg-Christiansburg and VPI Water Authority

Created by a concurrent resolution of the university and the towns of Blacksburg and Christiansburg, the authority operates and maintains the water supply system for the university and the other participating governing bodies. A five-member board governs the authority with one member appointed by each governing body and two at-large members appointed by the joint resolution of each of the governing bodies. The authority's indebtedness is not an obligation of the university and is payable solely from the revenues of the authority. The university paid \$595,000 to the authority for the purchase of water for the fiscal year ended June 30, 2010.

Blacksburg-VPI Sanitation Authority

Created by a concurrent resolution of the university and the town of Blacksburg, the authority operates and maintains the wastewater treatment system for the participating governing bodies. Each participating governing body appoints one member of the five-member board of directors. Three at-large members are appointed by the joint resolution of each of the governing bodies. The authority's indebtedness is not an obligation of the university and is payable solely from the revenues of the authority. The university paid \$680,000 to the authority for the purchase of sewer services for the fiscal year ended June 30, 2010.

Montgomery Regional Solid Waste Authority

Created by a joint resolution of the university, the towns of Blacksburg and Christiansburg, and the county of Montgomery, the authority represents its members in solid waste and recycling issues as well as operating a recycling facility. The authority is governed by its board with each participating governing body appointing one board member, and all governing bodies jointly appointing the fifth at-large member. Each governing body provides collection of solid waste and recycla-

bles from within its jurisdiction and delivers the collected materials to the authority for disposal of the waste, and the processing and marketing of the recyclables. All indebtedness is the obligation of the authority and payable from its revenues. The university paid \$186,000 to the authority for tipping fees for the fiscal year ended June 30, 2010.

Virginia Tech/Montgomery Regional Airport Authority

Created by a joint resolution of the university, the towns of Blacksburg and Christiansburg, and the county of Montgomery, this authority serves to develop a regional airport based on the mission of servicing corporate executive markets and other general aviation markets; obtaining grants, loans and other funding for airport improvements and other activities; and in promoting and assisting in regional economic development. The authority is governed by its board, which consists of five members. Each participating governing body appoints one member of the board, and jointly all governing bodies appoint the fifth member. All indebtedness is the obligation of the authority and payable from its revenues. The university's funding commitment for fiscal year 2010 was \$50,000, all of which Virginia Tech paid to the authority.

27. Pending Litigation

The university has been named as a defendant in a number of lawsuits. The final outcome of the lawsuits cannot be determined at this time. However, management is of the opinion that any ultimate liability to which the university may be exposed will not have a material effect upon the university's financial position.

28. Subsequent Events

The university has secured short-term financing for capital projects through the Virginia Municipal League/Virginia Association of Counties (VML/VACo) commercial paper program. The university makes monthly draws from this program to meet capital project funding requirements. As of October 15, 2010, the university has a total balance of commercial paper outstanding of \$7,475,000.

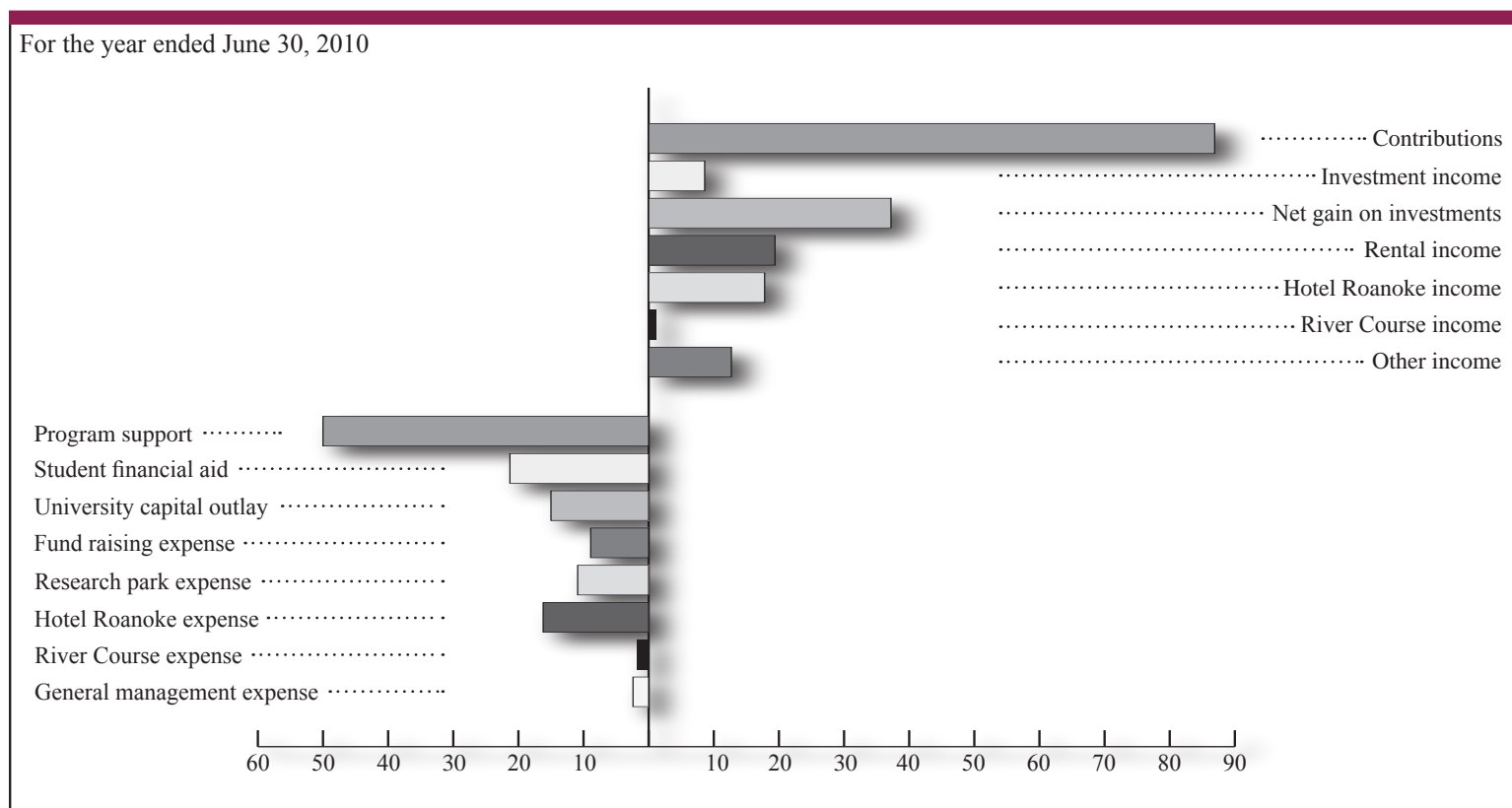
On October 27, 2010, the Virginia Department of the Treasury, on behalf of the university, issued Series 2010 9(c) bonds totaling \$35,903,000. Proceeds from the bonds will fund the Academic and Student Affairs building (\$35.2 million) and ongoing parking improvement projects (\$0.8 million). These bonds are an obligation of the university and are secured by the net revenues of the completed project and the full faith, credit, and taxing power of the Commonwealth of Virginia.

Supplementary Information

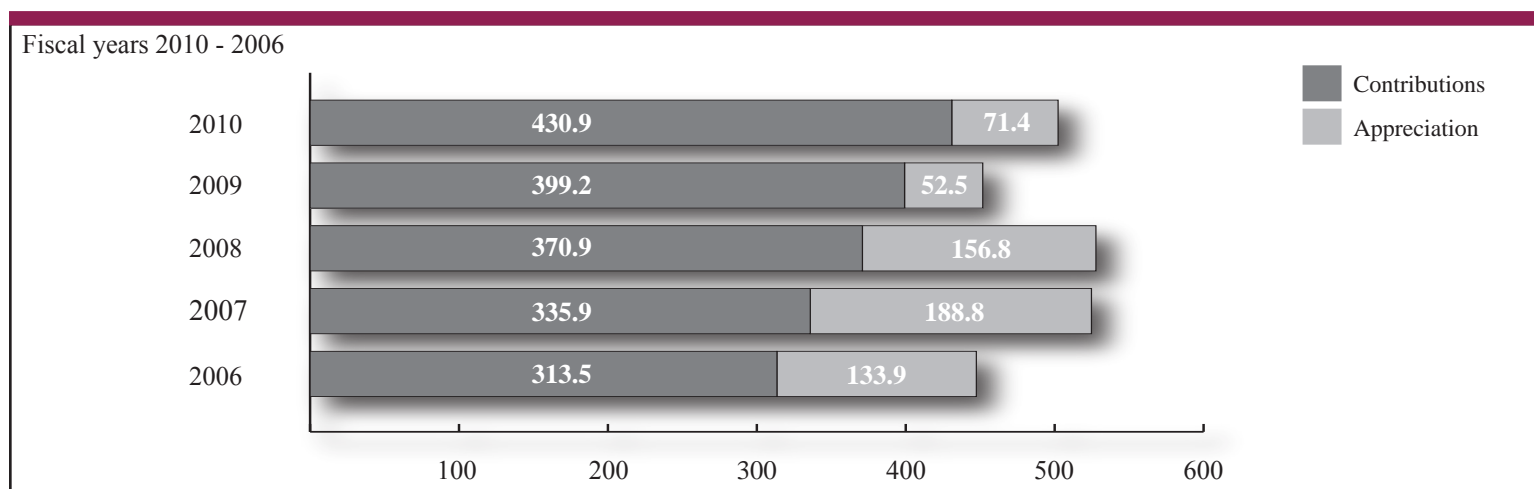
Virginia Tech Foundation Inc.

The purpose of Virginia Tech Foundation Inc. is to receive, invest, and manage private funds given for the support of programs at Virginia Tech and to foster and promote the growth, progress, and general welfare of the university. During the current fiscal year, the foundation recognized \$86.9 million in contributions for support of the university. Investment income of \$8.6 million, along with net gains on investments of \$37.2 million, resulted in a \$47.9 million net gain on investment activity. Property rental, hotel operating, and golf course income totaled \$38.3 million. Other income accounted for \$12.7 million. Total income of \$183.7 million was offset by \$126.5 million in expenses that supported the university and its programs. Direct support to various university programs aggregated \$86.4 million, which included \$21.3 million in scholarship support to students and faculty and \$15.1 million towards university capital projects. Additional expenses such as fund-raising, management and general, research center, hotel operating, golf course, and other costs totaled \$40.1 million. Total net assets increased by \$58.4 million over the previous year. The graphs below are categorized as presented in the audited financial statements for the foundation which follows the Financial Accounting Standards Board (FASB) presentation requirements (*all dollars in millions*):

Virginia Tech Foundation Inc. Revenues, Expenses, Gains and Losses



Virginia Tech Foundation Inc. Endowment Market Value*



*Market value of endowment funds includes agency deposits held in trust of \$60.0 million. (Source: Virginia Tech investment managers, unaudited)

Affiliated Corporations Financial Highlights

For the years ended June 30, 2010-2006

(all dollars in thousands)

	2010	2009	2008	2007	2006
Assets					
Virginia Tech Foundation Inc.	\$ 1,023,604	\$ 942,103	\$ 925,994	\$ 940,879	\$ 808,912
Virginia Tech Services Inc.	12,549	12,607	13,021	11,713	8,861
Virginia Tech Intellectual Properties, Inc.	2,283	1,012	1,035	726	1,180
Total Assets	<u>\$ 1,038,436</u>	<u>\$ 955,722</u>	<u>\$ 940,050</u>	<u>\$ 953,318</u>	<u>\$ 818,953</u>
Revenues					
Virginia Tech Foundation Inc.	\$ 183,748	\$ 54,884	\$ 145,715	\$ 201,521	\$ 167,458
Virginia Tech Services Inc.	26,427	27,800	29,917	24,918	21,946
Virginia Tech Intellectual Properties Inc.	2,522	1,873	1,183	1,193	779
Total Revenues	<u>\$ 212,697</u>	<u>\$ 84,557</u>	<u>\$ 176,815</u>	<u>\$ 227,632</u>	<u>\$ 190,183</u>
Expenses					
Virginia Tech Foundation Inc.	\$ 124,365	\$ 136,313	\$ 130,894	\$ 103,393	\$ 102,663
Virginia Tech Services Inc.	26,384	27,865	29,607	23,312	22,338
Virginia Tech Intellectual Properties Inc.	1,911	1,841	1,558	1,708	954
Total Expenses	<u>\$ 152,660</u>	<u>\$ 166,019</u>	<u>\$ 162,059</u>	<u>\$ 128,413</u>	<u>\$ 125,955</u>

The organizations included above are related to the university by affiliation agreements. These agreements, approved by the Virginia Tech Board of Visitors, require an annual audit to be performed by independent auditors. These auditors have examined the financial records of the organizations presented in the table above and copies of their audit reports have been provided to the university. Values presented in this table are based solely upon these audit reports and do not include any consolidation entries to alter these amounts. Affiliated organizations that hold no financial assets and certify all financial activities or transactions through the Virginia Tech Foundation Inc. may be exempt from the independent audit requirement. The Virginia Tech Athletic Fund Inc., the Virginia Tech Corps of Cadets Alumni Inc., and the Virginia Tech Alumni Association meet exemption requirements and are not presented separately in this table.

Consolidating Schedule Of Net Assets

As of June 30, 2010

(all dollars in thousands)

	Current Funds		Loan	Endowment and	Plant	Agency	Total
	Unrestricted	Restricted	Funds	Similar Funds	Funds	Funds	
Assets							
<i>Current assets</i>							
Cash and cash equivalents	\$ 193,298	\$ 17,190	\$ 2,490	\$ -	\$ -	\$ 7,087	\$ 220,065
Short-term investments	1,387	-	-	-	-	-	1,387
Accounts receivable, net	7,746	36,617	-	-	-	-	44,363
Notes receivable	-	-	1,601	-	-	-	1,601
Due from Commonwealth of Virginia	6,761	-	-	-	-	-	6,761
Inventories	11,354	-	-	-	-	-	11,354
Prepaid expenses	10,291	343	-	-	-	-	10,634
Due to (from) other funds	16,531	6,262	(70)	186	(21,914)	(995)	-
Total current assets	<u>247,368</u>	<u>60,412</u>	<u>4,021</u>	<u>186</u>	<u>(21,914)</u>	<u>6,092</u>	<u>296,165</u>
<i>Noncurrent assets</i>							
Cash and cash equivalents	-	-	-	(4)	127,817	-	127,813
Due from Commonwealth of Virginia	-	-	-	-	6,495	-	6,495
Accounts receivable, net	-	-	-	-	6,517	-	6,517
Notes receivable	-	250	12,677	-	-	-	12,927
Long-term investments	48,752	-	-	38,868	20,121	-	107,741
Depreciable capital assets, net	-	-	-	-	866,782	-	866,782
Nondepreciable capital assets	-	-	-	-	228,730	-	228,730
Other assets	841	-	-	-	-	-	841
Total noncurrent assets	<u>49,593</u>	<u>250</u>	<u>12,677</u>	<u>38,864</u>	<u>1,256,462</u>	<u>-</u>	<u>1,357,846</u>
Total assets	<u>296,961</u>	<u>60,662</u>	<u>16,698</u>	<u>39,050</u>	<u>1,234,548</u>	<u>6,092</u>	<u>1,654,011</u>
Liabilities							
<i>Current liabilities</i>							
Accounts payable and accrued expenditures	64,723	16,289	1	-	31,820	-	112,833
Accrued compensated absences	12,564	2,273	-	-	-	-	14,837
Deferred revenue	23,299	15,450	-	-	-	-	38,749
Funds held in custody for others	-	-	-	-	-	6,092	6,092
Commercial paper	-	-	-	-	2,975	-	2,975
Long-term debt payable	-	-	-	-	17,070	-	17,070
Total current liabilities	<u>100,586</u>	<u>34,012</u>	<u>1</u>	<u>-</u>	<u>51,865</u>	<u>6,092</u>	<u>192,556</u>
<i>Noncurrent liabilities</i>							
Accrued compensated absences	16,369	2,961	-	-	-	-	19,330
Federal student loan contributions refundable	-	-	13,260	-	-	-	13,260
Long-term debt payable	-	-	-	-	378,671	-	378,671
Other liabilities	1,535	-	-	-	-	-	1,535
Total noncurrent liabilities	<u>17,904</u>	<u>2,961</u>	<u>13,260</u>	<u>-</u>	<u>378,671</u>	<u>-</u>	<u>412,796</u>
Total liabilities	<u>118,490</u>	<u>36,973</u>	<u>13,261</u>	<u>-</u>	<u>430,536</u>	<u>6,092</u>	<u>605,352</u>
Net assets							
Invested in capital assets, net of related debt	-	-	-	-	734,875	-	734,875
Restricted, nonexpendable	-	-	-	363	-	-	363
Restricted, expendable							
Scholarships, research and instruction	-	23,689	3,437	38,687	-	-	65,813
Capital projects	-	-	-	-	14,074	-	14,074
Debt service	-	-	-	-	55,063	-	55,063
Unrestricted	<u>178,471</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>178,471</u>
Total net assets	<u>\$ 178,471</u>	<u>\$ 23,689</u>	<u>\$ 3,437</u>	<u>\$ 39,050</u>	<u>\$ 804,012</u>	<u>\$ -</u>	<u>\$ 1,048,659</u>

Consolidating Schedule Of Revenues, Expenses, and Changes in Net Assets

For the year ended, June 30, 2010

(all dollars in thousands)

	Current Funds		Loan	Endowment and	Plant	Total
	Unrestricted	Restricted	Funds	Similar Funds	Funds	
Operating revenues						
Student tuition and fees	\$ 282,102	\$ 3,033	\$ -	\$ -	\$ -	\$ 285,135
Federal appropriations	-	14,466	-	-	-	14,466
Federal grants and contracts	39,068	132,637	-	-	-	171,705
Federal ARRA grants and contracts	-	4,641	-	-	-	4,641
State grants and contracts	825	10,354	-	-	-	11,179
Local grants and contracts	186	13,947	-	-	-	14,133
Nongovernmental grants and contracts	4,872	19,576	-	-	(47)	24,401
Sales and services of educational departments	12,732	-	-	-	-	12,732
Auxiliary enterprise revenue	172,628	1	-	-	-	172,629
Other operating revenues	2,717	1,349	51	-	1	4,118
Total operating revenues	515,130	200,004	51	-	(46)	715,139
Operating expenses						
Instruction	231,843	15,546	-	-	-	247,389
Research	73,906	158,637	-	-	-	232,543
Public service	40,236	34,677	-	-	-	74,913
Academic support	54,974	1,855	-	-	-	56,829
Student services	11,502	1,022	-	-	-	12,524
Institutional support	43,704	3,928	-	-	-	47,632
Operation and maintenance of plant	50,887	(43)	-	-	14,628	65,472
Student financial assistance	128	15,797	-	-	-	15,925
Auxiliary enterprises	150,933	-	-	-	-	150,933
Depreciation and amortization	-	-	-	-	62,800	62,800
Other operating expenses	230	-	88	-	-	318
Total operating expenses	658,343	231,419	88	-	77,428	967,278
Operating Loss	(143,213)	(31,415)	(37)	-	(77,474)	(252,139)
Non-operating revenues (expenses))						
State appropriations	207,243	22,062	-	-	-	229,305
Gifts	12,370	36,011	161	-	-	48,542
Non-operating grants and contracts	-	1,755	-	-	-	1,755
Federal student financial aid (PELL)	-	13,693	-	-	-	13,693
Federal fiscal stabilization (ARRA)	-	11,531	-	-	-	11,531
Investment income, net of investment expense	1,710	(723)	-	3,543	849	5,379
Other additions and deductions	-	-	-	-	456	456
Nongeneral fund reversion	(4,507)	-	-	-	-	(4,507)
Interest expense on debt for capital assets	-	-	-	-	(14,405)	(14,405)
Net non-operating revenues (expenses)	216,816	84,329	161	3,543	(13,100)	291,749
Income (loss) before other revenues, expenses, gains, or losses	73,603	52,914	124	3,543	(90,574)	39,610
Capital grants and gifts	1,558	2,347	-	-	87,288	91,193
Loss on disposal of capital assets	-	-	-	-	(1,095)	(1,095)
Total other revenues, expenses, gains, losses	1,558	2,347	-	-	86,193	90,098
Increase (decrease) in net assets before transfers	75,161	55,261	124	3,543	(4,381)	129,708
Mandatory transfers	(33,023)	-	-	-	33,023	-
Nonmandatory transfers	(29,254)	(353)	2	(504)	30,109	-
Equipment and library book transfers	(13,464)	(9,320)	-	-	22,784	-
Scholarship allowance transfer	42,897	(42,897)	-	-	-	-
Total transfers	(32,844)	(52,570)	2	(504)	85,916	-
Increase in net assets after transfers	42,317	2,691	126	3,039	81,535	129,708
Net assets – beginning of year	136,154	20,998	3,311	36,011	722,477	918,951
Net assets – end of year	\$ 178,471	\$ 23,689	\$ 3,437	\$ 39,050	\$ 804,012	\$ 1,048,659

Vice President for Finance and Chief Financial Officer

M. Dwight Shelton, Jr.

University Treasurer

Raymond D. Smoot, Jr.

Vice President for Administrative Services

Sherwood G. Wilson

Associate Vice President for Facilities

Michael J. Coleman

University Controller

Kenneth E. Miller

Director of Internal Audit

Sharon M. Kurek

Associate Treasurer

John J. Cusimano

Financial report prepared by the Office of the University Controller,
Virginia Tech
www.co.vt.edu/Financial_Reporting/financial_reporting



Financial Performance Report

Tim Hodge, University Budget Director

March 28, 2011



Overview

- The University continuously monitors financial performance
- Each quarter the University provides the Board with an update on financial performance
- The annual budget represents the University's projection of operations
 - The original budget is as approved by the Board in June
 - The adjusted budget is revised as new information becomes available and brought forward through this report for approval.



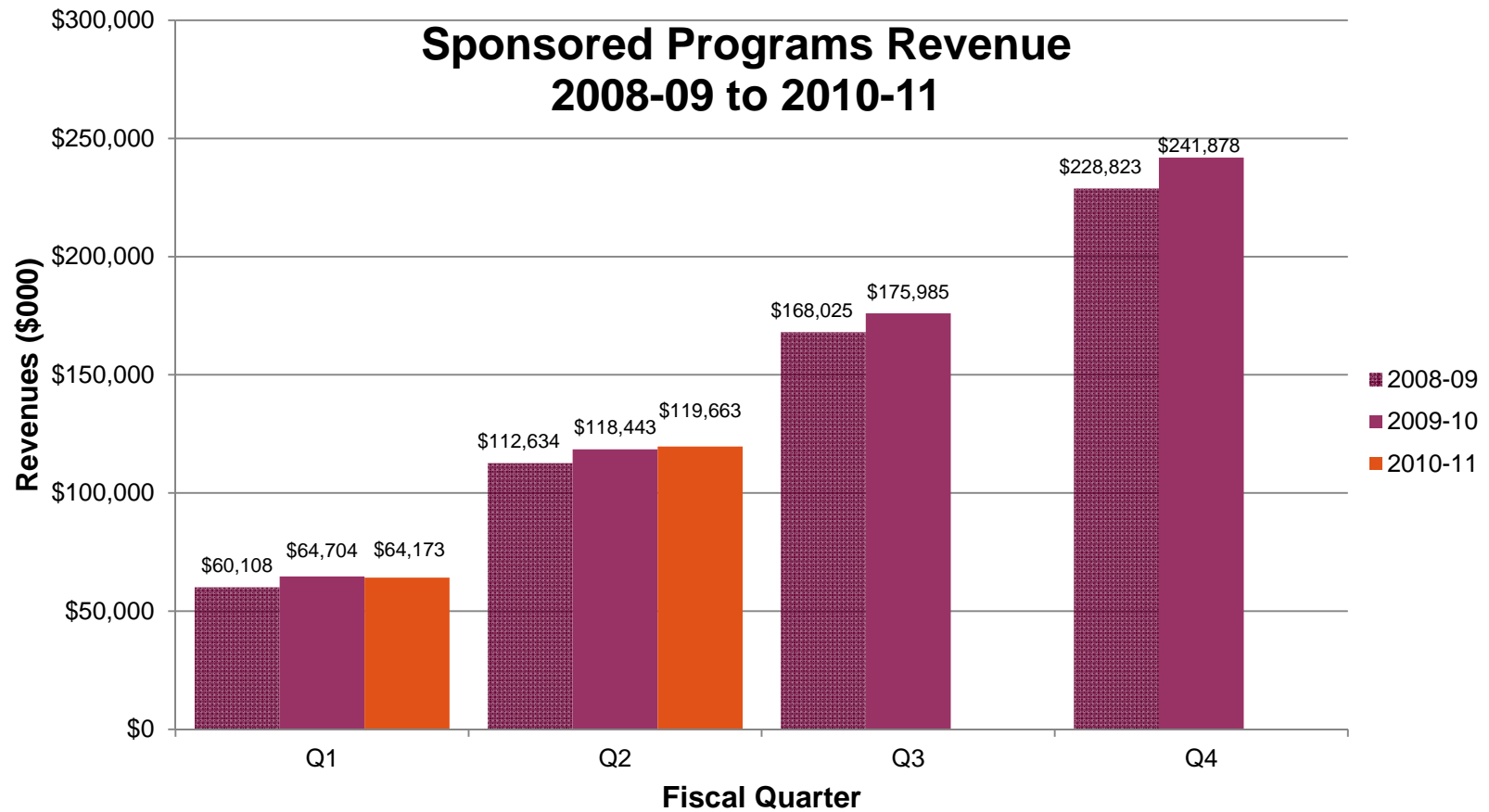
Operating Budget

Annual Budget Changes during the 2nd quarter:

- General Fund budget increased \$3.8m in University Division and \$1.7m in CE/AES for 3% bonus and fringe rate adjustments.
- The federal stimulus funding increased \$233k in University Division and \$149k in CE/AES

Performance

- Stimulus allocations have not yet been received, but are expected
- Equipment Trust Fund support has not been released by the state





Auxiliary Enterprises

- Annual Budget Changes during the 2nd quarter
 - Telecommunications \$2M campus fiber optic project
 - Athletics ACC Conference Championship, Orange Bowl
- Third quarter budget adjustments envisioned
 - Electric Service increased consumption and cost of electricity
 - Parking Services decreased student permit sales
 - Inn transition to new management firm



Capital Outlay

- Major Construction Underway
 - Performing Arts Center
 - AJ Renovation
 - Visitors and Undergraduate Admissions Center
 - Academic and Student Affairs Building
 - Infectious Disease Research Facility
- New Projects Starting
 - West End Market Renovation and Expansion
 - Campus Fiber Optic Improvement
- Total Project Budgets – on target, no changes

UPDATE ON VISITORS AND UNDERGRADUATE ADMISSIONS CENTER ENTRANCE

As requested by the Buildings and Grounds Committee at its March 2009 meeting, the university remains committed to incorporating an entrance off of Price's Fork Road to the Visitors and Undergraduate Admissions Center, which is now under construction. Funding is currently not available for the entrance as part of the original construction budget. Virginia Tech administration is diligently attempting to identify sufficient funding over the next few years in order to implement this improvement.

Excerpt from March 23, 2009 Board of Visitors minutes:

10. **Design Review of Visitors and Undergraduate Admissions Center:** Lynn Eichhorn, Executive Director, University Planning, Design, and Construction, presented the design for Committee review and approval. The Visitors and Undergraduate Admissions Center is planned as a two-story, 17,780 gross square foot building, which will house Undergraduate Admissions offices and a new visitor center, with reception area, a 180-seat assembly hall, and support areas. Parking space for 46 vehicles is included. The project will be located at the main campus entryway off Prices Fork Road, in the southwest corner of the intersection of Prices Fork Road and University City Blvd., adjacent to the Inn at Virginia Tech. The new building will have predominate exterior materials of Hokie Stone veneer, precast concrete, glass, and metal with a membrane roof. The Center is the first of Virginia Tech's construction projects that introduces the use of the four inch nominal Hokie Stone block for the exterior building envelope. The University will provide an in-depth briefing on this new concept at the June meeting of the Building and Grounds Committee. **The Committee approved the design with the following comments: an entrance off of Price's Fork Road should be incorporated into the project, with the stipulation that the current scope of the project not be reduced in order to fund the new entrance.**

Financial Performance Report - Operating and Capital

FINANCE AND AUDIT COMMITTEE

July 1, 2010 to December 31, 2010

The Financial Performance Report of income and expenditures is prepared from two sources: actual accounting data as recorded at Virginia Tech and the annual budgets which are also recorded in the university accounting system. The actual accounting data reflect the modified accrual basis of accounting, which recognizes revenues when received rather than when earned and the expenditures when obligated rather than when paid. The Original Budget was approved by the Board of Visitors at the June meeting. The Adjusted Budget reflects adjustments to incorporate actual experience or changes made during the fiscal year. These changes are presented for review and approval by the Finance and Audit Committee and the Board of Visitors through this report. Where adjustments impact appropriations at the state level, the University budget coordinates with the Department of Planning and Budget to ensure appropriations are reflected accurately.

The July to December 2010-11 budget (year-to-date) is prepared from historical data which reflects trends in expenditures from previous years as well as known changes in timing. Differences between the actual income and expenditures and the year-to-date budget may occur for a variety of reasons, such as an accelerated or delayed flow of documents through the accounting system, a change in spending patterns at the college level, or increases in revenues for a particular area.

Quarterly budget estimates are prepared to provide an intermediate measure of income and expenditures. Actual revenues and expenditures may vary from the budget estimates. The projected year-end budgets are, however, the final measure of budgetary performance.

OPERATING BUDGET

1. Tuition and Fee revenue is ahead of historical projections due to earlier collections and the timing of unfunded scholarship awards.
2. All Other Income is higher than projections due to the timing of revenue collections from Continuing Education courses.
3. Support expenditures are behind historical projections due to the timing of operating expenditures.
4. Academic Program expenditures are behind historical projections due to the timing of locality recoveries and operating expenditures.
5. Federal ARRA revenue in the Cooperative Extension/Agricultural Experiment Station Division was less than federal ARRA expenditures due to the timing of the Commonwealth's release of the federal ARRA funds. As of December 31, 2010, the Commonwealth had not yet released the federal stimulus funds to institutions of higher education.
6. Quarterly and projected annual variances are explained in the Auxiliary Enterprises section of this report.
7. Historical patterns have been used to develop a measure of the revenue and expenditure activity for Sponsored Programs. Actual revenues and expenses may vary from the budget estimates because projects are initiated and concluded on an individual basis without regard to fiscal year. Total sponsored revenue and expenses are less than projected, but sponsored research expenditures are ahead of 2009-10 activity levels.
8. Federal ARRA revenue in the Student Financial Assistance was less than federal ARRA expenditures due to the timing of the Commonwealth's release of the federal ARRA funds. As of December 31, 2010, the Commonwealth had not yet released the federal stimulus funds to institutions of higher education.
9. The General Fund revenue budget has been increased by \$221,000 for a transfer from Student Financial Assistance to the Educational and General program for assistantships in the Multicultural Academic Opportunities Program, by \$30,191 for VIVA libraries distribution costs, by \$4,896,205 to match the actual central appropriations transfer for fringe benefit rate changes and the one-time bonus, and decreased by \$127,500 for elimination of support from the Virginia Agriculture and Consumer Services pass-through funds. The corresponding expenditure budgets have been adjusted accordingly.
10. The annual budget for Tuition and Fees has been increased by \$13,560 to finalize the Virginia/Maryland Regional College of Veterinary Medicine regional capitation agreement, and increased by \$123,031 for finalization of fees and by \$5,624,357 for strong fall enrollments. The corresponding expenditure budgets have been adjusted accordingly.
11. In the Executive Budget presented on December 17, an amendment for the current year included a recalculation of ARRA funding due to technical revisions based on the US Department of Education guidelines and the final actions of the 2010 General Assembly. This resulted in additional support of \$233,127 for the University Division and \$149,399 for the Cooperative Extension/Agricultural Experiment Station Division.
12. The All Other Income revenue budget for the University Division has been increased by \$261,246 for Continuing Education and COTA programs. The corresponding expenditure budgets have been adjusted accordingly.
13. The General Fund revenue budget has been increased by \$1,673,686 to match the actual central appropriations transfer for fringe benefit rate changes and the one-time bonus. The corresponding expenditure budgets have been adjusted accordingly.
14. The federal revenue budget in the Cooperative Extension/Agricultural Experiment Station Division has been increased by \$607,095 for the carryover of unexpended federal funds. The corresponding expenditure budgets have been adjusted accordingly.
15. The projected year-end revenue and expense budgets for Student Financial Assistance were reduced by \$221,000 for the transfer from Student Financial Assistance to the Educational and General program for assistantships in the Multicultural Academic Opportunities Program, increased by \$15,695 for the VA Military Survivors & Dependents Program, by \$309,795 for the Commonwealth Scholarship Assistance Program, and by \$25,000 for the two-year College Transfer Grant.
16. The projected annual budgets were adjusted to reflect an increase in the projected surplus property activity.

OPERATING BUDGET

Attachment P

2010-11

Dollars in Thousands

	July 1, 2010 to December 31, 2010			Annual Budget for 2010-11		
	Actual	Budget	Change	Original	Adjusted	Change
Educational and General Programs						
<u>University Division</u>						
<u>Revenues</u>						
General Fund	\$78,480	\$78,480	\$0	\$147,702	\$152,722	\$5,020 (9)
Tuition and Fees	190,626	187,777	2,849 (1)	316,783	322,544	5,761 (10)
Federal Funds (ARRA)	0	0	0	18,500	18,733	233 (11)
All Other Income	18,198	17,239	959 (2)	28,057	28,318	261 (12)
Total Revenues	\$287,304	\$283,496	\$3,808	\$511,042	\$522,317	\$11,275
<u>Expenses</u>						
Academic Programs	\$-157,167	\$-158,545	\$1,378	\$-321,445	\$-329,053	\$-7,608 (9,10,11,12)
Support Programs	-81,936	-86,460	4,524 (3)	-189,597	-193,264	-3,667 (9,10,11,12)
Total Expenses	\$-239,103	\$-245,005	\$5,902	\$-511,042	\$-522,317	\$-11,275
NET	\$48,201	\$38,491	\$9,710	\$0	\$0	\$0
<u>CE/AES Division</u>						
<u>Revenues</u>						
General Fund	\$33,852	\$33,852	\$0	\$62,406	\$64,080	\$1,674 (13)
Federal Appropriation	6,689	6,642	47	13,914	14,521	607 (14)
Federal Funds (ARRA)	0	0	0	4,756	4,906	150 (11)
All Other Income	468	381	87	716	716	0
Total Revenues	\$41,009	\$40,875	\$134	\$81,792	\$84,223	\$2,431
<u>Expenses</u>						
Academic Programs	\$-37,248	\$-38,258	\$1,010 (4)	\$-72,830	\$-75,204	\$-2,374 (11,13,14)
Support Programs	-3,824	-4,116	292	-8,962	-9,019	-57 (11,13,14)
Total Expenses	\$-41,072	\$-42,374	\$1,302	\$-81,792	\$-84,223	\$-2,431
NET	\$-63 (5)	\$-1,499	\$1,436	\$0	\$0	\$0
Auxiliary Enterprises						
Revenues	\$136,681	\$132,808	\$3,873 (6)	\$228,665	\$229,074	\$409 (6)
Expenses	-116,330	-116,602	272 (6)	-210,618	-225,340	-14,722 (6)
Reserve Drawdown (Deposit)	-20,351	-16,206	-4,145 (6)	-18,047	-3,734	14,313 (6)
NET	\$0	\$0	\$0	\$0	\$0	\$0
Sponsored Programs						
Revenues	\$119,663	\$124,615	\$-4,952 (7)	\$255,382	\$255,382	\$0
Expenses	-136,947	-152,852	15,905 (7)	-255,382	-255,382	0
Reserve Drawdown (Deposit)	17,284	28,237	-10,953	0	0	0
NET	\$0	\$0	\$0	\$0	\$0	\$0
Student Financial Assistance						
General Fund	\$8,985	\$8,985	\$0	\$17,661	\$17,791	\$130 (15)
Federal Funds (ARRA)	0	0	0	2,393	2,393	0
Expenses	-9,792	-9,793	1	-20,054	-20,184	-130 (15)
NET	\$-807 (8)	\$-808	\$1	\$0	\$0	\$0
All Other Programs *						
Revenue	\$2,920	\$2,950	\$-30	\$5,518	\$5,939	\$421 (16)
Expenses	-2,826	-2,869	43	-5,518	-6,052	-534 (16)
Reserve Drawdown (Deposit)	-94	-81	-13	0	113	113 (16)
NET	\$0	\$0	\$0	\$0	\$0	\$0
Total University						
Revenues	\$596,562	\$593,729	\$2,833	\$1,102,453	\$1,117,119	\$14,666
Expenses	-546,070	-569,495	23,425	-1,084,406	-1,113,498	-29,092
Reserve Drawdown (Deposit)	-3,161	11,950	-15,111	-18,047	-3,621	14,426
NET	\$47,331	\$36,184	\$11,147	\$0	\$0	\$0

* All Other Programs include federal work study, alumni affairs, surplus property, and unique military activities.

AUXILIARY ENTERPRISE BUDGET

Attachment P

1. Revenues in Residence and Dining Halls are higher than projected due to higher than projected on-campus occupancy. Expenditures in Residence Halls are lower than projected due to timing of operating expenses and are partially offset by higher than projected expenses in Dining Halls due to higher than projected wage and food costs.
2. Revenue in Parking and Transportation Services is lower than projected due to lower than projected parking permit sales. The University is watching this situation closely.
3. Expenditures in Telecommunications Services are lower than projected due to timing of equipment purchases related to campus telecommunications infrastructure projects.
4. Revenues in the University Services System are higher than projected due to higher than anticipated student fees from higher than budgeted enrollments. Expenditures for the University Services System are lower than projected overall due to timing of operating expenses.
5. Revenues for the Intercollegiate Athletics System are higher than projected due to higher than anticipated student fees from higher than budgeted enrollments, as well as better than projected conference allocation and handling revenues. Expenditures in Intercollegiate Athletics are lower than projected due to timing of operating expenses.
6. Revenues for the Electric Service auxiliary are greater than projected due to higher than anticipated electrical consumption. Expenditures are also higher than projected due to both higher than anticipated electrical consumption and higher than anticipated cost of purchased electricity due to hotter than average weather and fuel cost. In January the university adjusted Electric Service's rates and budget to reflect higher consumption and cost of purchased electricity.
7. Expenses for the Inn at Virginia Tech and Skelton Conference Center are higher than projected due to higher than projected wage and food costs.
8. Revenues for Other Enterprise Functions are higher than projected due to higher than projected royalties from merchandise sales for Licensing and Trademark Auxiliary as well as, increased software sales to students in the Software Auxiliary.
9. The projected annual revenue budget for Residence and Dining Halls were adjusted for the payoff of an internal loan. The expense and reserve budgets were adjusted for Value Added Tax expenses for the Center for European Studies and Architecture related to prior years' operations, Residential and Dining maintenance, as well as site planning expenses for Phase IV of the Oak Lane Community.
10. The projected annual budget for Auxiliary Enterprises was adjusted for \$9.7 million in outstanding 2009-10 commitments and projects that were initiated but not completed before June 30, 2010. This amount includes \$3.3 million to fund construction costs for the Jamerson Center addition and \$3 million of other intercollegiate athletic projects. The remainder is spread across the other auxiliary programs.
11. The projected annual revenue and expense budgets for Parking and Transportation were adjusted for a technical accounting change in Fleet Services.
12. The projected annual expense and reserve budgets for the Telecommunications Auxiliary were adjusted for the \$2 million campus fiber optic project.
13. The projected annual revenue and expense budgets for the University Services System were adjusted for the realignment of program activity in the Center for the Arts.
14. The projected annual revenue budget for Intercollegiate Athletics was adjusted \$1.7 million to accommodate increased revenue from the football game settlements, basketball game settlements, basketball away games, conference allocation, private gifts, conference championship, and Orange Bowl. These increases were partially offset by lower than projected interest earnings, football ticket allocations, publication sales, basketball home games, football away games, and basketball away game revenue. Annual expense and reserve draw budgets were adjusted to accommodate personnel actions, operating adjustments, team travel, sport related projects, conference championship, and Orange Bowl.
15. The projected annual revenue, expense, and reserve budgets for Electric Services were adjusted for the purchase of electricity, customer rates, and reserve requirements.
16. The projected annual expense budget for the Inn at Virginia Tech and Skelton Conference Center was adjusted to accommodate equipment needs.
17. The projected annual revenue, expense, and reserve budget for Other Enterprise Functions were adjusted for the finalization of the Tailor Shop budget, increased cadet enrollment, and increased contributions to scholarships in the Licensing and Trademark Auxiliary.

**UNIVERSITY DIVISION
AUXILIARY ENTERPRISES**

Attachment P

Dollars in Thousands

	July 1, 2010 to December 31, 2010			Annual Budget for 2010-11		
	Actual	Budget	Change	Original	Adjusted	Change
Residence and Dining Halls						
Revenues	\$47,299	\$46,503	\$796 (1)	\$80,483	\$79,688	\$-795 (9)
Expenses	-37,606	-37,964	358 (1)	-71,935	-72,963	-1,028 (9,10)
Reserve Drawdown (Deposit)	-9,693	-8,539	-1,154	-8,548	-6,725	1,823 (9,10)
Net	\$0	\$0	\$0	\$0	\$0	\$0
Parking and Transportation						
Revenues	\$4,697	\$4,827	\$-130 (2)	\$9,298	\$7,267	\$-2,031 (11)
Expenses	-2,999	-2,972	-27	-8,301	-6,358	1,943 (10,11)
Reserve Drawdown (Deposit)	-1,698	-1,855	157	-997	-909	88 (10)
Net	\$0	\$0	\$0	\$0	\$0	\$0
Telecommunications Services						
Revenues	\$8,729	\$8,630	\$99	\$15,477	\$15,477	\$0
Expenses	-8,496	-9,189	693 (3)	-15,627	-18,300	-2,673 (10,12)
Reserve Drawdown (Deposit)	-233	559	-792	150	2,823	2,673 (10,12)
Net	\$0	\$0	\$0	\$0	\$0	\$0
University Services System						
Revenues	\$18,385	\$17,674	\$711 (4)	\$30,527	\$30,443	\$-84 (13)
Expenses	-14,931	-15,951	1,020 (4)	-29,668	-30,822	-1,154 (10,13)
Reserve Drawdown (Deposit)	-3,454	-1,723	-1,731	-859	379	1,238 (10)
Net	\$0	\$0	\$0	\$0	\$0	\$0
Intercollegiate Athletics						
Revenues	\$34,965	\$34,038	\$927 (5)	\$49,451	\$51,174	\$1,723 (14)
Expenses	-29,048	-29,687	639 (5)	-43,450	-53,521	-10,071 (10,14)
Reserve Drawdown (Deposit)	-5,917	-4,351	-1,566 (5)	-6,001	2,347	8,348 (10,14)
Net	\$0	\$0	\$0	\$0	\$0	\$0
Electric Service						
Revenues	\$13,546	\$12,844	\$702 (6)	\$27,831	\$29,281	\$1,450 (15)
Expenses	-14,614	-12,316	-2,298 (6)	-27,192	-28,104	-912 (10,15)
Reserve Drawdown (Deposit)	1,068	-528	1,596 (6)	-639	-1,177	-538 (10,15)
Net	\$0	\$0	\$0	\$0	\$0	\$0
Inn at Virginia Tech/Skelton Conf. Center						
Revenues	\$4,692	\$4,603	\$89	\$8,914	\$8,914	\$0
Expenses	-5,142	-4,917	-225 (7)	-8,789	-8,880	-91 (10,16)
Reserve Drawdown (Deposit)	450	314	136	-125	-34	91 (10,16)
Net	\$0	\$0	\$0	\$0	\$0	\$0
Other Enterprise Functions						
Revenues	\$4,368	\$3,689	\$679 (8)	\$6,684	\$6,830	\$146 (17)
Expenses	-3,494	-3,606	112 (8)	-5,656	-6,392	-736 (10,17)
Reserve Drawdown (Deposit)	-874	-83	-791 (8)	-1,028	-438	590 (10,17)
Net	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL AUXILIARIES						
Revenues	\$136,681	\$132,808	\$3,873	\$228,665	\$229,074	\$409
Expenses	-116,330	-116,602	272	-210,618	-225,340	-14,722
Reserve Drawdown (Deposit)	-20,351	-16,206	-4,145	-18,047	-3,734	14,313
Net	\$0	\$0	\$0	\$0	\$0	\$0

CAPITAL OUTLAY BUDGET**Educational and General Projects**

1. The current year and total project budget amounts have been revised to reflect the available balance of maintenance reserve appropriation carried over from fiscal year 2010. The University is expecting \$5.63 million of maintenance reserve funds in fiscal year 2011 pending the implementation of a finance plan from the state.
2. Blanket Authorizations allow unforeseen small projects to be authorized administratively with nongeneral funds for expediency. This project includes a \$3.5 million authorization to initiate planning for a Sciences Research and Academic Building and a \$1 million authorization to initiate planning for the Relocation of the Agriculture Programs.
3. This project addresses the improvement of campus heating infrastructure needed to accommodate current and future campus buildings. The project will be accomplished in multiple phases with a total cost of \$28.75 million. Phases for the steam distribution upgrades, boiler upgrades, plant upgrades, and life sciences steam line are complete. The final phases include the Prices Fork steam line which is scheduled to start construction in the spring of 2011 and an improved solution for local coal storage. Year to date expenses are lagging the pace of the annual budget because implementation of the Prices Fork steam line shifted to Spring 2011 from Fall 2010.
4. The project is complete and will be closed when final payments are processed.
5. This project is to construct a 15,700 gross square foot high containment research laboratory facility for the study of infectious diseases. Construction is underway with occupancy expected by December 2011.
6. The purpose of this project is to construct a 48,000 gross square foot building along the campus perimeter to house various administrative and academic support functions in a central location. The project is on hold.
7. This project includes a new 18,100 gross square foot Visitors and Undergraduate Admissions Center at the Prices Fork entrance to the university near the Alumni Center. Construction is underway with occupancy expected by summer 2011.
8. The project is complete and the project will be closed when final expenses are processed.
9. The building construction is complete and the Medical School and Research Institute are occupied. The project will be closed after some minor laboratory upfits are complete and final expenses are processed.
10. The original vision for this project includes a 92,300 gross square foot scientific laboratory facility to support interdisciplinary instruction and research. The project is on hold pending the outcome of external funding sources, and the state support was shifted in House Bill 29 to the Performing Arts Center to advance the renovation of Shultz Hall for the Creative Technologies Laboratory. Current planning activities for this project are being conducted under the Blanket Authorization with \$546,780 in expenditures as of December 31, 2010.
11. This project includes construction of a state-of-the-art performance theatre, creative technologies laboratory, and creative performance laboratory. The project is underway with a CM at Risk contract with Holder Construction. The target completion date is summer 2013.
12. This project includes an approximately 58,400 gross square foot facility located in Hampton Roads. The project is being implemented under a Public-Private Education Facilities and Infrastructure Act (PPEA) agreement with delivery through a design-build process. The design phase is nearly complete with occupancy expected January 2012.
13. This project encompasses a 77,500 gross square foot facility on the north side of campus to house dining and instructional space. Construction of the main building package is underway with substantial completion expected in summer 2012.
14. This project comprises planning of a 50,000 square foot addition to the VBI facility to provide office, meeting, and conference space for VBI faculty, research, and support personnel. Working drawings are complete and construction is pending the outcome of external funding.
15. This project was established for planning a 35,000 gross square foot facility to house the public safety programs of the police department, rescue squad, and emergency management. The original purpose of the planning project was to expedite the project schedule in the event the state funded the university's 2008 General Assembly request. The state did not fund the project; thus, the planning is on hold and the project may be closed at the end of the fiscal year.
16. This project will plan the first phase of the renovation of Davidson Hall, which is envisioned to raze and fully replace the unrecoverable center and north section of the building. The state approved increasing the planning authorization by \$750,000 of temporary nongeneral fund resources to carry the project through construction drawings, and the project's budget was increased to \$2.256 million accordingly. This temporary infusion will be reimbursed once the project is fully funded by the state. The project has completed the working drawings phase and is awaiting state support for construction. The annual budget was adjusted because expenses planned for fiscal year 2010 will be processed in fiscal year 2011.
17. This project will plan a central chiller plant facility in the southwest section of campus as part of a strategy to increase the efficiency of campus cooling systems and to serve new buildings coming on line in the area. The state approved increasing the planning authorization by \$500,000 of temporary nongeneral fund resources to continue the project's design process, and the project's total budget was increased to \$980,000 accordingly. This temporary infusion will be reimbursed once the project is fully funded by the state. Preliminary designs are complete and working drawings are underway.
18. This project will plan the construction of a laboratory building to provide expanded, modern research space to meet the needs of animal and plant science research by the Agricultural Experiment Station in the College of Agriculture and Life Sciences. The state approved increasing the planning authorization by \$2,100,000 of temporary nongeneral fund resources to carry the project through construction drawings, and the project's budget was increased to \$4.14 million accordingly. This temporary infusion will be reimbursed once the project is fully funded by the state. The university is working with the state to identify a replacement source for the \$1 million of stimulus funds that were originally authorized as state resources for the project in Chapter 781, 2009. The project has completed the working drawings phase and is awaiting state support for construction.

**CAPITAL OUTLAY PROJECTS
AUTHORIZED AS OF DECEMBER 31, 2010**

Dollars in Thousands

	CURRENT YEAR			TOTAL PROJECT BUDGET					
	ORIGINAL ANNUAL BUDGET	REVISED ANNUAL BUDGET	YTD EXPENSES	STATE SUPPORT	GENERAL OBLIGATION BOND	NONGENERAL FUND	REVENUE BOND	TOTAL BUDGET	CUMULATIVE EXPENSES
Educational and General Projects									
Maintenance Reserve	6,941	1,619	1,212	1,619	0	0	0	1,619	1,212 (1)
Blanket Authorizations	582	582	77	0	0	4,643	0	4,643	773 (2)
Upgrade Campus Heating Plant	5,433	5,433	429	17,250	0	2,750	11,500	31,500	21,932 (3)
Institute for Critical Technology and Applied Science II	12,200	12,200	7,545	17,500	0	0	17,500	35,000	29,660 (4)
Infectious Disease Research Facility	7,400	7,400	892	3,137	0	6,163	0	9,300	1,651 (5)
Administrative Services Building	0	0	0	0	0	0	12,000	12,000	0 (6)
Visitors and Undergraduate Admissions Center	6,500	6,500	3,452	0	0	3,400	7,100	10,500	5,025 (7)
Materials Management Facility	1,518	1,363	1,035	3,500	0	0	0	3,500	3,171 (8)
VT-Carilion School of Medicine and Research Institute	14,650	19,168	13,113	59,000	0	3,500	0	62,500	56,445 (9)
Sciences Building Laboratory I	0	0	0	0	0	0	0	0	0 (10)
Performing Arts Center	19,500	19,500	4,770	26,083	0	9,911	58,000	93,993	9,443 (11)
Hampton Technology Research & Innovation Center	8,350	8,350	507	12,000	0	0	0	12,000	762 (12)
Academic and Student Affairs Building	20,825	20,825	5,729	0	0	0	45,153	45,153	8,298 (13)
Planning: VBI Addition Facility	0	5	5	0	0	0	2,400	2,400	2,349 (14)
Planning: Public Safety Building	0	0	0	0	0	1,600	0	1,600	0 (15)
Planning: Renovate Davidson Hall	0	45	12	1,506	0	750	0	2,256	2,223 (16)
Planning: Chiller Plant, Phase I	214	313	11	480	0	500	0	980	678 (17)
Planning: Human & Agricultural Biosciences Bldg. I	1,091	1,243	715	2,040	0	2,100	0	4,140	3,612 (18)
Planning: Signature Engineering Building	4,186	4,388	1,861	1,350	0	5,083	0	6,434	3,906 (19)
Planning: Veterinary Medicine Instruction Addition	1,400	1,400	111	0	0	1,400	0	1,400	111 (20)
TOTAL	110,789	110,333	41,475	145,465	0	41,800	153,653	340,918	151,253
2002 General Obligation Bond Program									
Henderson Hall	0	0	(430)	7,333	6,542	2,448	0	16,323	15,718 (21)
TOTAL	0	0	(430)	7,333	6,542	2,448	0	16,323	15,718

19. This project will plan the construction of a 157,000 gross square foot classroom and laboratory facility for undergraduate and research programs in the College of Engineering. The state authorized increasing the planning authorization by \$4,100,000 of temporary nongeneral fund resources to carry the project through construction drawings, and the project's budget was increased to \$6.434 million accordingly. This temporary infusion will be reimbursed once the project is fully funded by the state. The university is working with the state to identify a replacement source for the \$1.1 million of stimulus funds that were originally authorized as state resources for the project in Chapter 781, 2009. The project is in the working drawing phase.
20. This project will plan the construction of a facility that will provide updated classroom, laboratory, and faculty office space to meet the needs of the College of Veterinary Medicine. The project is currently in the preliminary design phase.

2002 General Obligation Bond Program

21. The project is complete and will be closed when final payments are processed, with an expected total cost of \$15,873,000 and estimated savings of \$450,000. The year to date expenses are a negative amount because expenditures meant for the Performing Arts Center project were incorrectly recorded in this project in fiscal year 2010 and have been corrected by moving the expenses to the Performing Arts Center in fiscal year 2011.

Auxiliary Enterprises Projects

1. Projects are scheduled and funded by the auxiliary enterprises during the annual Auxiliary Enterprise Budgeting Process. The annual budget reflects the spending plans of the auxiliary units on scheduled maintenance reserve work for fiscal year 2011.
2. This authorization includes one active subproject to complete a parking lot on Chicken Hill. The final phase of the Chicken Hill lot is complete and will be closed when final payments have been processed. The anticipated final project costs are \$750,000. The annual budget was adjusted in the first quarter to reflect revised cash outflows for fiscal year 2011. The authorization balance may be used to complete future improvements and repair projects for the parking system.
3. The project is complete and will be closed when final payments have been processed. The annual budget was adjusted in the first quarter to reflect revised cash outflows for fiscal year 2011, and the anticipated final project costs are \$31 million.
4. This project includes renovation of East and West Ambler Johnston Hall. The facility is being renovated in phases with occupancy of the final phase, West Ambler Johnston, expected by summer 2012. The total expected costs are \$72.1 million.
5. The project is complete and will be closed when final payments have been processed. The annual budget was adjusted in the first quarter to reflect revised cash outflows for fiscal year 2011. The anticipated final project costs are \$12.8 million.
6. The purpose of this project is to build a new, 120,000 gross square foot field house to increase the availability of indoor training time for football and other athletic programs. The project is on hold to advance the Addition to the Jamerson Center.
7. This project envisioned a new residence hall of approximately 250 beds. Cost estimates exceed the project budget, and the project is on hold while the university explores potential alternatives.
8. This repair project addresses moisture penetration and structural problems in the exterior walls of McComas Hall. The intensity of the repairs have been more extensive than originally expected, including unforeseen foundation repairs. Completing repairs to the entire building may require a phase three project.
9. Construction is complete and the project will be closed when final payments have been processed. The annual budget was adjusted in the first quarter to reflect revised cash outflows for fiscal year 2011. The anticipated final project costs are \$24.2 million.
10. This project originally envisioned construction of a centralized north chiller plant located next to the Prices Fork parking structure. Initial cost estimates exceed the project budget, and the project is on hold. For the near term, chiller service to new projects in the region may be accommodated by improvements to the existing central system. For the long term, the university is exploring potential alternatives that include requesting State support for a chiller plant in the region. Thus, this project may be closed at the end of the fiscal year.
11. The project is complete and will be closed when final payments have been processed. The anticipated final project costs are \$16.1 million.
12. This project is an expansion of the Oak Lane Community and will establish the necessary site improvements and construction of up to five new houses. The total project authorization is approved at \$23.5 million. The approved funding plan calls for housing corporations to provide 33 percent of the cost of a house and for the university to cover the remaining house costs and site development costs. The university received an unsolicited PPEA proposal for a first house, and the proposal notification and review processes are underway. The annual budget reflects a placeholder of \$1 million pending the outcome of site analysis and PPEA proposal analysis which are underway.
13. The project includes installation of a photovoltaic array on top of the parking structure. This project was authorized by the state during the third quarter of fiscal year 2010 as part of a statewide energy savings program funded by Federal stimulus funds. The installation is expected to start spring 2011 and to be complete fall 2011. This project will not impact the capacity of the parking structure.
14. This project replaces the \$5 million Owens & West End Market Renovation project. It involves expanding the kitchen, food preparation, dining area, and increases the number of restrooms and staff locker rooms in West End Market. In addition, renovation upgrades for the existing dining area and roof repairs will be completed. The total expected costs are \$7.31million.
15. This project includes installation of a new fiber-optic core on campus to update the communication system. The new core consists of five segments connecting to the five campus switch centers and connections from the core to several buildings. The total expected costs are \$2 million.

Capital Outlay Projects Authorized as of December 31, 2010 (Continued)

Dollars in Thousands

	CURRENT YEAR			TOTAL PROJECT BUDGET					
	ORIGINAL ANNUAL BUDGET	REVISED ANNUAL BUDGET	YTD EXPENSES	STATE SUPPORT	GENERAL OBLIGATION BOND	NONGENERAL FUND	REVENUE BOND	TOTAL BUDGET	CUMULATIVE EXPENSES
Auxiliary Enterprises Projects									
Maintenance Reserve	6,600	6,600	3,489	0	0	10,348	0	10,348	3,489 (1)
Parking Auxiliary Projects	250	746	667	0	0	0	17,297	17,297	672 (2)
New Residence Hall	0	536	1	0	0	953	30,047	31,000	30,465 (3)
Renovate Ambler Johnston Hall	18,257	18,257	8,325	0	0	0	75,000	75,000	32,653 (4)
Recreational, Counseling, Clinical Space	5,390	6,425	4,759	0	0	0	13,000	13,000	11,180 (5)
Indoor Athletic Training Facility	0	0	0	0	0	0	25,000	25,000	0 (6)
New Residence Hall II	0	0	0	0	0	0	27,000	27,000	182 (7)
Repair McComas Hall Exterior Wall Structure	1,062	1,062	697	0	0	0	6,000	6,000	4,698 (8)
Parking Structure	9,312	8,702	4,316	0	0	0	30,000	30,000	21,614 (9)
North Chiller Plant	2,500	0	0	0	0	3,800	0	3,800	0 (10)
Addition to Jamerson Center	3,519	5,043	2,722	0	0	18,000	0	18,000	13,797 (11)
Phase IV of Oak Lane Community	3,500	1,000	0	0	0	0	23,500	23,500	0 (12)
Photovoltaic Array for Parking Structure	1,300	1,300	0	0	0	1,300	0	1,300	0 (13)
West End Market Renovation & Expansion	0	1,500	4	0	0	7,310	0	7,310	415 (14)
Campus Fiber Optic Improvement	0	400	0	0	0	2,000	0	2,000	0 (15)
TOTAL	51,690	51,571	24,982	0	0	43,711	251,844	295,556	119,166
GRAND TOTAL	<u>\$ 162,479</u>	<u>\$ 161,904</u>	<u>\$ 66,027</u>	<u>\$ 152,798</u>	<u>\$ 6,542</u>	<u>\$ 87,959</u>	<u>\$ 405,497</u>	<u>\$ 652,796</u>	<u>\$ 286,136</u>

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, 2010 through December 31, 2010 and the Capital Outlay report be accepted.

March 28, 2011

List of Projects for the 2012-2018 Capital Outlay Plan

JOINT FINANCE AND AUDIT COMMITTEE AND BUILDINGS AND GROUNDS COMMITTEE

February 28, 2011

The university prepares an updated Six-Year Capital Outlay Plan (Plan) every two years as part of the state budget cycle. The Plan is a critical component of positioning the university for state support of major Educational and General capital projects. The next plan will be the 2012-2018 Plan. Traditionally, the submission of the upcoming capital plan to the state occurs in the spring and summer of the year before the biennium begins. Based on that timetable, the 2012-2018 Plan will be due in the spring or summer of 2011. At this time, the state has not yet provided guidance for the development of the Plan.

In order to be prepared for the submission of the 2012-2018 Plan, the university began work during fall 2010 on the identification and evaluation of potential projects for inclusion in the Plan. Based on this preliminary work, and in anticipation of future guidance and instructions from the state, the university has developed a list of potential projects for inclusion in the 2012-2018 Plan (attached Schedule A). The list was developed in conjunction with deans and vice presents and then reviewed and approved by executive management.

The list of unfunded capital projects from the 2010-2016 Plan served as the starting point for the identification of projects for the 2012-2018 Plan. New projects for high priority initiatives or infrastructure were then added to the list of potential projects, and project cost estimates were developed and updated. These projects are consistent with the programmatic needs established for the planning period and with the strategic plan of the university, and position the university with options to respond to guidance from the state.

The list of projects includes a mix of renovations and construction of new space. Renovations are an important strategy for advancing the facility support of the university's programs and conserving resources. As the campus matures, buildings slowly become outdated and develop substantial deferred maintenance requirements which combine to make a building an unproductive asset. Renewing these assets is an effective way to support programs, make productive use of core real estate, and remove the liability of deferred maintenance without adding the substantial overhead of new space.

Projects with nongeneral fund support, including portions of some gift campaigns, may use external debt to finance a portion of the project. Each potential debt financing undergoes a financial feasibility assessment to ensure resources are sufficient to cover the full debt service term without unnecessary financial risk to unit operations. The positioning of debt is further analyzed to ensure the university does not exceed the parameters of the university debt policy or debt

management practices, which sets a maximum limit of a five percent ratio of total annual debt service to total operating expenses. This practice provides an important check to ensure the institution's debt obligations do not become a point of inflexibility in reaching the operational goals of the institution.

Traditionally, the state has required the review and approval of the updated Plan by the Board of Visitors prior to their submission. Since the submission date to the state for the new Plan may occur before the June 2011 Board of Visitors meeting, the university is seeking, at this time, the review and approval of the list of potential projects for inclusion in the 2012-2018 Plan. When guidance and instructions are received from the state, the university will prepare a final 2012-2018 Plan based upon the projects included in the list of potential projects. Because such guidance is not yet available, the projects are grouped by those requesting General Fund support and those requesting 100 percent nongeneral fund support and then by type sorted in alphabetical order. The university will provide an update to the status of the 2012-2018 Plan at the June Board of Visitors meeting. This update will include the final 2012-2018 Plan, which will provide the prioritized arrangement of projects by biennium for the six-year period.

The costs shown on Schedule A reflect current (February 2011) prices escalated to the mid-point of construction for first biennium timing. When the final arrangement of projects in biennium and priority is complete, the costs of projects placed in the second and third biennia will be escalated accordingly.

The state updated its capital outlay program in 2008 to further emphasize long-range planning. A component of the updated program is a separation of planning and construction appropriations for projects with state funding. The university received state planning authorizations for four major projects in 2008, and these four were authorized for full project funding in 2010 pending state debt capacity. Under the new program, the university expects to receive a new round of planning appropriations for other high priority projects in the updated capital outlay plan in the 2012 budget session.

Under restructuring authority, the Board of Visitors has the authority to approve and implement projects funded 100 percent by nongeneral funds. Projects eligible for implementation under restructuring may be identified on Schedule A under the section titled Projects Requesting 100 Percent Nongeneral Fund Support. The university may bring resolutions to the Board to initiate these projects independent of the state budget process.

Recommendation:

That the list of potential projects for inclusion in the 2012-2018 Capital Outlay Plan is approved, and that the university is authorized to develop and submit the Plan in accordance with future guidance from the state and based on the projects in the approved list.

Schedule A

List of Projects for Inclusion in the 2012-2018 Capital Outlay Plan

JOINT FINANCE AND AUDIT COMMITTEE
AND BUILDINGS AND GROUNDS COMMITTEE

February 28, 2011

	Budget by Revenue Source in Millions (Projected to Construction Mid Point ~ 2015)		
	General Funds	Nongeneral Funds	Total
<u>PROJECTS REQUESTING GENERAL FUND SUPPORT</u>			
<u>University Division</u>			
Architecture Research and Demonstration Laboratory	\$ 5	\$ 5	\$ 10
Cheatham Hall Replacement	49	16	65
CIMMID Laboratories Replacement	8	8	16
Classroom Building	50		50
Comparative Medicine Research	6	6	12
Computational Sciences Building	62	7	69
Davidson Hall Improvements, Phase II	13		13
Derring Hall Renovation, Phase I	44		44
Holden Hall Renovation	42	14	56
Hutcheson /Smyth Hall Renovation	36		36
ICTAS, Phase III	38	38	76
International Affairs Building	14	2	16
Lane Hall Renovation	14	10	24
Library Collections Facility	6		6
Library Renovations	76		76
Norris Hall Renovation	15	5	20
Pamplin Hall Replacement	77		77
Patton Hall Renovation	14	5	19
Performing Arts Building Renovation	10		10
Price Hall Renovation	30		30
Randolph Hall Replacement/Renovation	57	11	68
Renovate Hillcrest	7		7
Renovate War Memorial Hall	55	6	61
Replace Femoyer Hall	21		21
Replace HNFE Building	31	10	41
Robeson Hall Renovation/Addition	40	13	53
Sandy Hall Renovation	6		6
Southgate Renovation	3		3

Budget by Revenue Source in Millions (Projected to Construction Mid Point ~ 2015)			
	General Funds	Nongeneral Funds	Total
Translational Medicine Center	61	30	91
Undergraduate Science Laboratory Building	66		66
VTCRI Vivarium	20	20	40
Wallace Hall Renovation	5		5
Wood Science Building	28	14	42
Total	1,009	222	1,231
<u>Cooperative Extension/Agricultural Experiment Station Division</u>			
Animal Production Facility	4		4
HABB, Phase II	71		71
Kentland, Phase I: Dairy Program	16		16
Kentland, Phase II: Livestock Program	5		5
Kentland, Phase III: Historic Renovations	6		6
Total	101	-	101
<u>Campus Infrastructure Projects</u>			
Chiller Plant Upgrades, Phase II	11	7	18
Code compliance: fire alarms, access, & way finding	15		15
Maintenance Reserve (2012-2014)	15		15
Maintenance Reserve (2014-2016)	17		17
Maintenance Reserve (2016-2018)	19		19
Power Plant/Substation	21	14	35
Total	98	21	119
TOTAL PROJECTS REQUESTING GENERAL FUND SUPPORT	<u>\$ 1,208</u>	<u>\$ 243</u>	<u>\$ 1,451</u>

Budget by Revenue Source in Millions (Projected to Construction Mid Point ~ 2015)			
	General Funds	Nongeneral Funds	Total
<u>PROJECTS REQUESTING 100 PERCENT NONGENERAL FUND SUPPORT</u>			
<u>Instruction, Research, and Outreach</u>			
Academic Music Building		18	18
COE Propulsion Laboratory		3	3
CRC-2 Research building		30	30
CVM Instruction Addition		13	13
ICTAS Smart Pipe Facility		10	10
VBI, Phase III		34	34
VTCRI Third Floor Specialization		13	13
VTTI - Warehouse Expansion -- Capital Lease		2	2
VTTI Building III -- Capital Lease		27	27
Total	-	149	149
<u>Auxiliary Enterprise Projects</u>			
Baseball Field Artificial Turf		2	2
Baseball Field Press Box and Restrooms		3	3
Corps of Cadets Residential Facilities		120	120
GBJ Renovation		6	6
Health Center Addition		2	2
Inn at Virginia Tech, Phase II		18	18
Owens Renovation		10	10
Pritchard Renovation		72	72
Recreation Facilities		46	46
Rector Field House Renovation		6	6
Replace Squires Student Center		118	118
South Recreation Field Replacement		3	3
Total	-	406	406
TOTAL PROJECTS REQUESTING 100 PERCENT NONGENERAL FUND SUPPORT	<u>\$ -</u>	<u>\$ 555</u>	<u>\$ 555</u>
TOTAL OF PROPOSED 2012-2018 CAPITAL OUTLAY PLAN	<u>\$ 1,208</u>	<u>\$ 798</u>	<u>\$ 2,006</u>

**Approval of Capital Project for
The Virginia Tech-Carilion Research Institute Third Floor Upfit**

**JOINT FINANCE AND AUDIT COMMITTEE
AND BUILDINGS AND GROUNDS COMMITTEE**

February 28, 2011

The Virginia Tech-Carilion Research Institute (VTCRI) (in Roanoke, Va. is operational and is successfully attracting and hiring renowned research faculty. The existing facility includes 100,000 gross square feet over three floors. The original building plan reserved the third floor as shell space for future upfits to meet specific program and faculty needs at the time of hire. The first two floors of the 100,000 gross square foot research facility are fully programmed and the pace of hiring now requires the third floor to be specialized to support key research activities, including critical National Institutes of Health (NIH) grants. The upfits for the third floor were originally anticipated for the 2012-2014 planning period; however, the advanced pace of hiring calls for implementing the upfits earlier.

The scope of upfits envisioned for the third floor will ensure compatibility with stringent NIH laboratory requirements and Association for Assessment and Accreditation of Laboratory Animal Care International (AAALAC) for animal study. The proposed solution to upfit the shelled 26,000 assignable square foot third floor includes accommodations for wet and dry laboratories, conference space, office space, and a 5,000 cage vivarium with the necessary support spaces and equipment to maintain the cages and animals.

The desired schedule for completion of the laboratory and animal care facilities to meet the expectations of new research faculty is August 2012. A feasibility study has been completed that shows the envisioned scope of work may be installed in the space and completed by the desired time under a design-build delivery method.

The estimated project cost of the proposed upfits to the third floor of the research institute, inclusive of all hard and soft costs, will not exceed \$15 million. As with all self-supporting projects, the University has developed a funding plan to provide assurance regarding the financial feasibility of the overall project. This plan calls for internal financing repaid over time by overhead revenues generated from grants and contracts. With the scope, schedule, cost, and funding plan established, the university is ready to move forward with the project.

Under the 2006 Management Agreement between the Commonwealth of Virginia and the university, the Board of Visitors has the authority to approve the budget, size, scope, and funding of nongeneral fund capital outlay projects. This request is for an authorization to move forward with the proposed \$15 million Virginia Tech-Carilion Research Institute Third Floor Upfit project.

**RESOLUTION OF CAPITAL PROJECT FOR THE
VIRGINIA TECH-CARILION RESEARCH INSTITUTE THIRD FLOOR UPFIT**

WHEREAS, the Virginia Tech Carilion Research Institute (VTCRI) is a growing research enterprise that is attracting world class research faculty; and,

WHEREAS, the existing facility includes 100,000 gross square feet over three floors with two floors fully programmed and the third floor reserved as shell space for future upfits to meet specific program and faculty needs; and,

WHEREAS, the pace of hiring now requires the third floor to be specialized to support key research activities, including critical National Institutes of Health (NIH) grants, with a target completion of August 2012; and,

WHEREAS, the scope of upfits envisioned for the third floor will ensure compatibility with stringent NIH laboratory requirements and Association for Assessment and Accreditation of Laboratory Animal Care International (AAALAC) for animal study; and,

WHEREAS, the proposed solution to upfit the shelled 26,000 assignable square foot third floor includes accommodations for wet and dry laboratories, conference space, office space, and a 5,000 cage vivarium with the necessary support spaces and equipment to maintain the cages and animals; and,

WHEREAS, the estimated project cost of the proposed upfits to the third floor of the research institute, inclusive of all hard and soft costs, will not exceed \$15 million; and,

WHEREAS, the university has developed a funding plan that can successfully support the estimated \$15 million total project costs through internal financing with repayment over time through overhead from grants and contracts; and,

WHEREAS, under the 2006 Management Agreement between the Commonwealth of Virginia and the university, the Board of Visitors has authority to approve the budget, size, scope, and funding of nongeneral funded major capital outlay projects; and,

WHEREAS, the university may address minor cost variances provided sufficient funds are available to support the full project costs;

NOW, THEREFORE BE IT RESOLVED, that the university be authorized to move forward with the VTCRI Third Floor Upfit project using the most efficient and effective delivery strategies at a cost not to exceed \$15 million and to fund the project with internal financing.

RECOMMENDATION:

That the above resolution authorizing Virginia Tech to construct the VTCRI Third Floor Upfit be approved.

March 28, 2011

Capital Project for Repair McComas Exterior Wall Structure, Phase III**JOINT FINANCE AND AUDIT COMMITTEE
AND BUILDINGS AND GROUNDS COMMITTEE****February 28, 2011**

McComas Hall was constructed in 1998 as a combined use recreational sports, student health, and student counseling services building. After several years of operation, the building developed ongoing leaks and problems with door and window operations. Structural evaluation and facilities condition studies identified problems with structural supports and connections of precast panels that support the exterior walls. Specifically, the studies identified multiple wide spread failures in masonry flashings, sealants, mortar joints, and material connections resulting in progressive and extreme moisture penetration (leaks), masonry veneer failure, and damage to interior building components, finishes, and equipment.

In June 2007, the Board of Visitors approved a \$1.5 million capital project to initiate phase one of repairs to the building followed by a \$4.5 million capital authorization for a phase two of repairs in November 2008. As repair work on McComas Hall has progressed, the intensity of the repairs has been more extensive than originally expected, including unforeseen foundation repairs and steel corrosion repairs. To ensure the building's entire envelope is repaired, a third phase effort is required. The estimated costs of phase three are \$3.1 million. The estimated project timeline is 16 months with a target completion date of July, 2012.

McComas Hall houses three auxiliary enterprise units, and the project funding plan calls for 100 percent nongeneral fund support. As with all self-supporting projects, the university has developed a financing plan to provide assurance regarding the financial feasibility of the project. This funding plan calls for cash from the auxiliary reserves. With the scope, schedule, cost, and funding plan established, the university is ready to move forward with the project.

Under the 2006 Management Agreement between the Commonwealth of Virginia and the university, the Board of Visitors has the authority to approve the budget, size, scope, debt issuances, and funding of nongeneral fund capital outlay projects. This request is for approval to move forward with the Repair McComas Exterior Wall Structure, Phase III project.

**RESOLUTION ON CAPITAL PROJECT FOR
REPAIR McCOMAS EXTERIOR WALL STRUCTURE, PHASE III**

WHEREAS, McComas Hall was constructed in 1998 as a combined use recreational sports, student health, and student counseling services building; and,

WHEREAS, after several years of operation, the building developed ongoing leaks and problems with door and window operations; and,

WHEREAS, the Board of Visitors approved a \$1.5 million capital project to initiate a phase one of repairs in June 2007 followed by a \$4.5 million capital authorization for a phase two of repairs in November 2008; and,

WHEREAS, a phase three project is required to fully resolve the building envelope conditions; and,

WHEREAS, the estimated costs of the phase three work is \$3.1 million; and,

WHEREAS, the university has developed a financing plan that can successfully support the \$3.1 million project costs; and,

WHEREAS, under the 2006 Management Agreement between the Commonwealth of Virginia and the university, the Board of Visitors has authority to approve the budget, size, scope, debt issuances, and overall funding of nongeneral funded major capital outlay projects; and,

WHEREAS, the university may address minor cost variances provided sufficient funds are available to support the full project costs;

NOW, THEREFORE BE IT RESOLVED, that the university be authorized to move forward with the Repair McComas Exterior Wall Structure, Phase III project with an amount not to exceed the \$3.1 million and to fund the project with auxiliary reserve cash.

RECOMMENDATION:

That the above resolution authorizing Virginia Tech to complete the Repair McComas Exterior Wall Structure, Phase III project be approved.

March 28, 2011

Committee Minutes

Committee on Research

**Room R1059
Virginia Tech Carilion Research Institute
11:30 a.m. – 12:45 p.m.**

March 27, 2011

Committee Members Present:

Ms. Michele Duke, Chair
Mr. Michael Anzilotti
Mr. William B. Holtzman
Ms. Sandra Stiner Lowe
Mr. George Nolen

Guests:

Dr. Charles Steger, Dr. Mark McNamee, Dr. Robert Walters, Mr. Dwight Shelton, Jr., Mr. Calvin Jamison, Mr. John Rocovich, Mr. Paul Rogers, Ms. Beverley Dalton, Mr. Frederick Cobb, Ms. Suzanne Obenshain, Dr. Mike Ellerbrock, Dr. Erv Blythe, Dr. Jim Bohland, Mr. Ralph Byers, Mr. Jeff Crowder, Dr. Mike Friedlander, Mr. Deepu George, Dr. Roderick Hall, Ms. Natalie Hart, Dr. Terry Herdman, Mr. Larry Hincker, Ms. Elizabeth Hooper, Dr. Harold Garner, Ms. Heidi McCoy, Mr. Jeb Stewart, Ms. Beth Tranter, Ms. Susan Trulove, Dr. Sherwood Wilson.

1. **Opening Remarks and Approval of November 7, 2010 Minutes.** Ms. Duke welcomed those in attendance. The minutes were approved as printed.
2. **Remarks from the President.** Dr. Steger thanked participants for attending the meeting. Dr. Steger noted both the opportunities and challenging environment for research funding in the current budget climate.
3. **Virginia Tech Technology Entrepreneurial Initiatives (Research Administration).** Mr. Blythe reported on the establishment of two university-related corporations to manage emerging technologies, assets, and services related to information technology. VT Technology Assets, LLC was established in January 2011 as a subsidiary of the Virginia Tech Foundation (VTF). Assets are managed under contract by VT Information Technology with VTF oversight. This organization has the ability to execute license agreements allocating use of assets to Virginia Tech. The VT Technology Services and Operations Corporation (VTTSOC) was established in February 2011, and will engage in projects and services related to emerging technologies or unique competencies at Virginia

Tech. Initial projects relate to cybersecurity, enterprise operations, and communications infrastructure.

4. **Virginia Tech Research Center in Arlington: Creating a Significant Research Infrastructure for the University (Strategic Partnerships and Off-Campus Research).** Dr. Bohland reported the completion of the Virginia Tech Research Center in Arlington, as well as events related to the opening of the facility. The completed structure will include retail space on the first floor, as well as conference, research, laboratory, and office space. The cutting-edge information technology infrastructure will support Virginia Tech's unique capabilities in cybersecurity. Focus areas within the new facility will include national security, biomedical research, decision analytics, and energy. Building completion is scheduled for late May 2011. The grand opening will be held June 24, 2011 and will be followed by an open house for faculty, alumni, and the community on June 26, 2011.

Adjournment.

There being no further business, the meeting adjourned at 1:00 p.m.



Virginia Tech Technology Entrepreneurial Initiatives

Erv Blythe, VP for Information Technology

March 16, 2011



Purpose

The technology entrepreneurial initiatives involve the creation of two university-related corporations to manage strategic emerging technologies, assets, and services with the potential to:

- attract external public and private partners, and
- spin-out as independent entities - where any of these options have a significant potential return or advantage to Virginia Tech.



Actions to Date

August 2010

- The Virginia Tech Board of Visitors authorized, at the President's discretion, the establishment of the VT Technology Services and Operations Corporation (VTTSOC) and the VT Technology Assets, LLC both as university-related corporations and approved an affiliation agreement with the university.

January 2011

- VT Technology Assets , LLC affiliated corporation established

February 2011

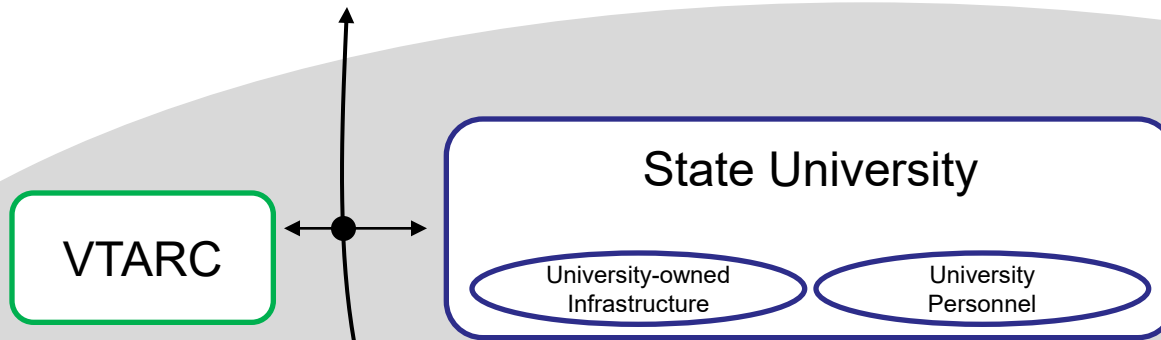
- VTTSOC Established and Organizational Meeting Held
 - Officers and board members named and elected



VT Technology Assets, LLC

- Current Assets
 - Licenses for wireless spectrum (LMDS)
 - Statewide fiber optic IRUs
 - National LambdaRail Equity Membership
- Multiple projects to add assets underway
- Structured to benefit Virginia Tech
 - Subsidiary of the Virginia Tech Foundation (VTF)
 - Assets managed under contract by VT Information Technology with VTF oversight
 - Execute Use Agreements to allocate use of assets to Virginia Tech.

Federal Contracts/Grants



License Agreements
(sole source)

\$

USE



\$

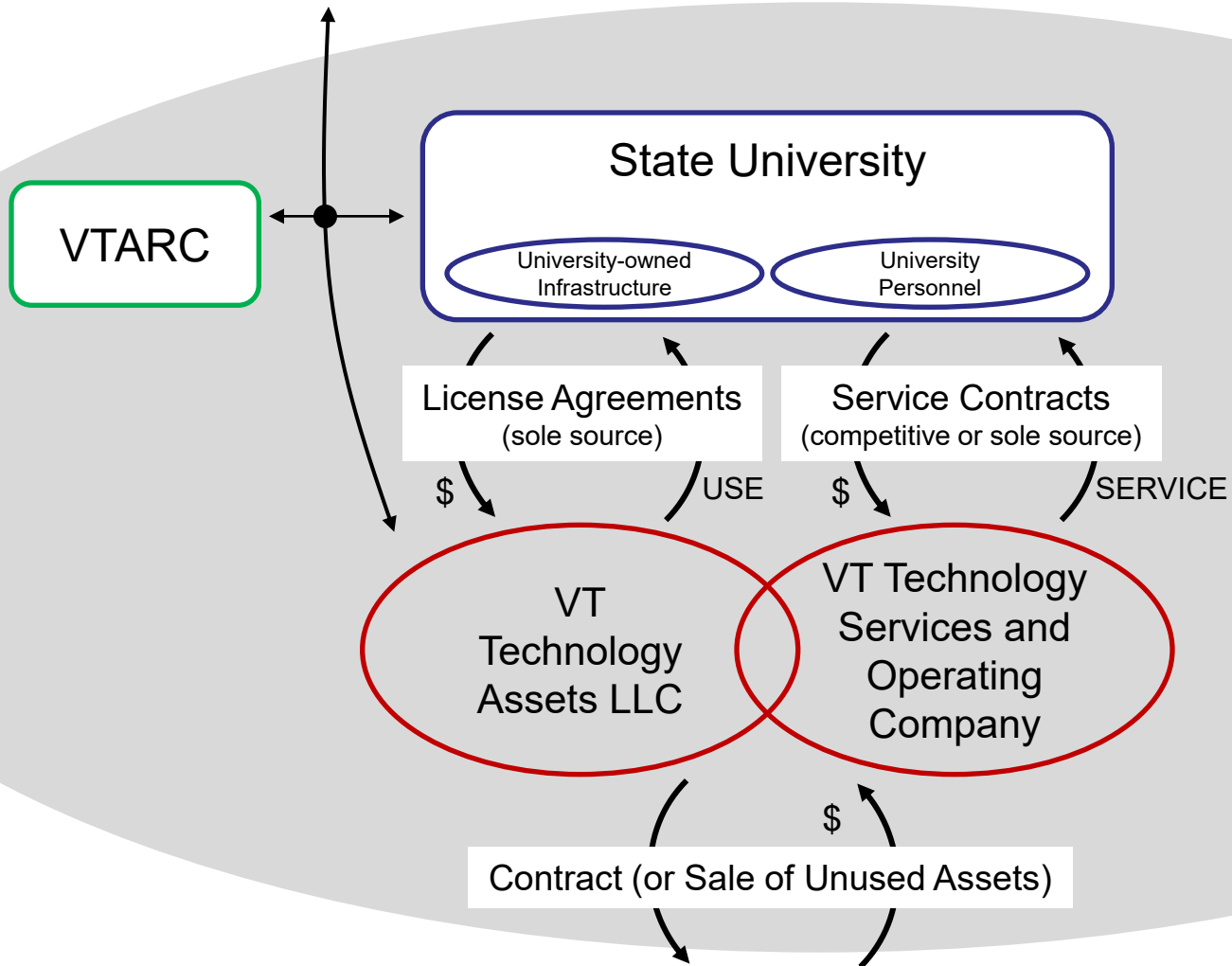
Contract (or Sale of Unused Assets)

3rd Parties

Emergency Response, Education, Health, Govt., Private

Virginia
Tech

Federal Contracts/Grants



Virginia
Tech

3rd Parties

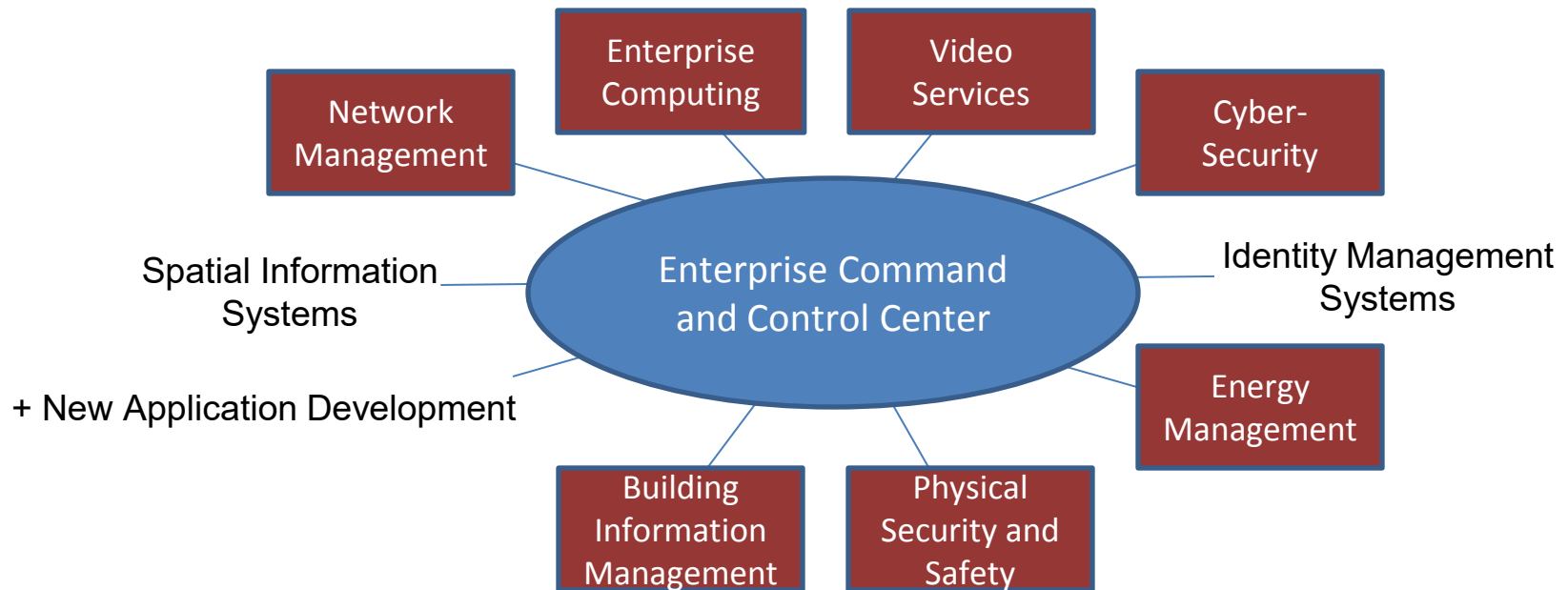
Emergency Response, Education, Health, Govt., Private



VTTSOC: Criteria for Projects

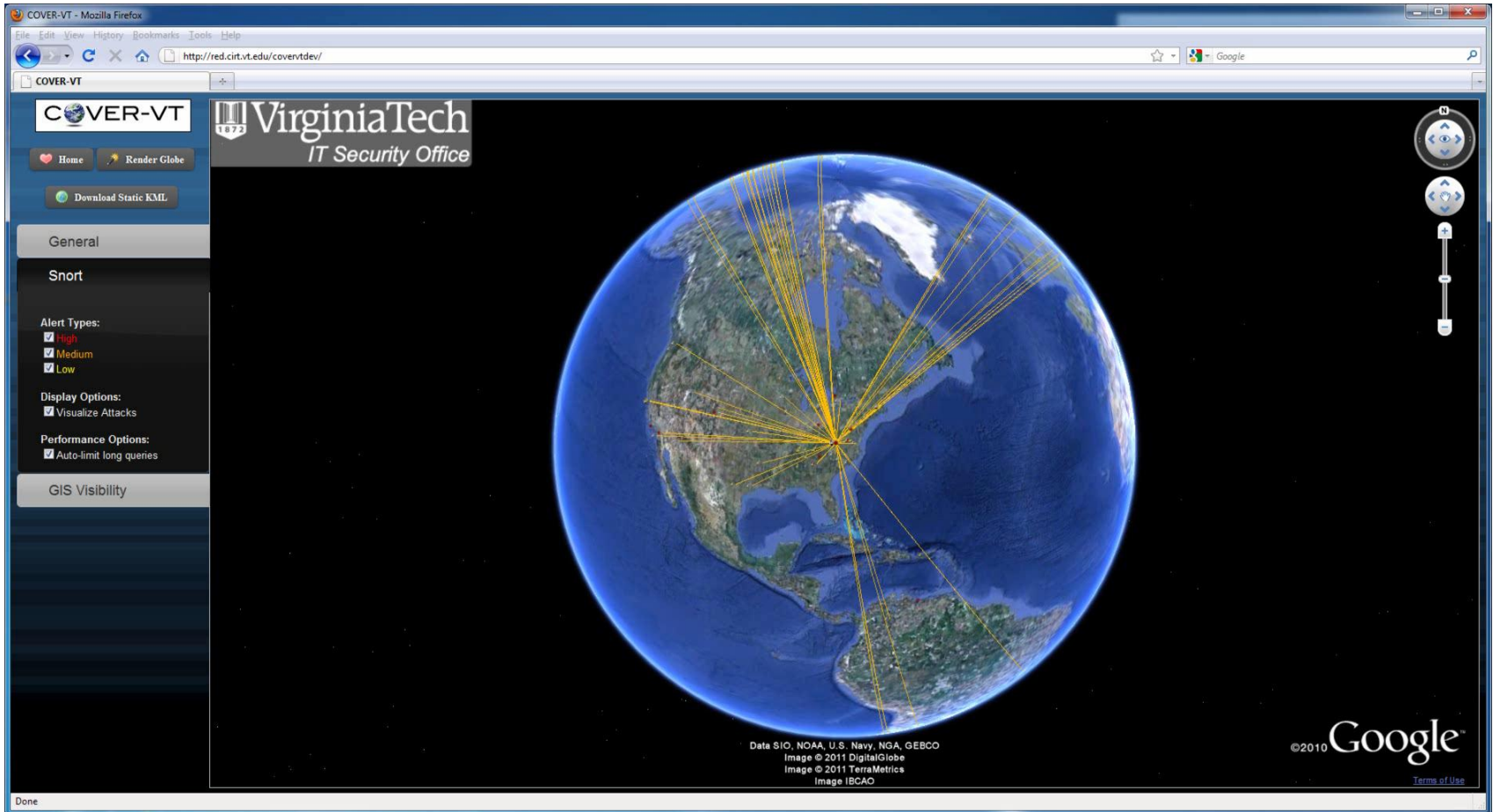
- Is the activity based upon an emerging technology or competency?
- Is the activity strategic to the university's research, learning or management interests?
- Can we identify potential private sector interests/partners relevant to the project?
- Is there good potential for the maximum use of student interns and graduate assistants?
- Do we have well-defined current and projected costs for the activity, and will it stand on its own bottom as a project within the entity?

Example: Enterprise Command and Control



Virginia Tech's Enterprise Operations Center; a future implementation that incorporates building information management, physical security and safety, and energy management.

Example: Cybersecurity Threats Visualization Application



Two-Year Pro Forma

	TRANSACTIONS				EMPLOYEES		
	Virginia Tech contracts	External contracts	TOTAL		Full Time	Contract FTE	Student Wage (headcount)
Year 1	2,000,000	0	2,000,000		2	20	40
Year 2	5,000,000	200,000	5,200,000		22	20	55

Goal 1: Within a finite timeframe, it is anticipated that, subject to state law, VTTSOC will hold contracts for a significant portion of VA Tech's centrally provided technology support.

Goal 2: After the startup phase, an increasing portion of VTTSOC revenue will come from contracts with external entities.

Goal 3: By Year 2, most new hires in Information Technology will be through the VTTSOC.



Next Steps

- Pro Forma and Strategic Development Plan
- 2 year budget and financial plan
- Initial projects:
 - Cyber security initiatives
 - Enterprise Operations Center
 - Communications infrastructure

Virginia Tech Research Center - Arlington

Creating a Significant
Research Infrastructure for the
University



VirginiaTech
National Capital Region

Vision: A World Class Research Center Focused on Computational Approaches to Critical National Research Issues



Concept



Reality

VT NCR – Research Programs

Attributes

- IT bandwidth highest in the region (10 Gb capacity)
- Executive conference space
- 3-Dimensional visualization wall
- SCIF space
- Flexible research space
- First floor restaurant
- First Floor Science & Technology Exhibit Space
- High visibility location for science and technology
- Using business networks to leverage the space

Research Clusters

1. National Security
 - 1) Technology and Policy
 - 2) Cyber-security (NPS)
2. Biomedical
 - 1) Neuroscience
 - 2) Imaging
 - 3) Electronic Medical Records
 - 4) Cancer genomics
3. Decision Analytics
 1. Data mining
4. Energy
 - 1) Smart Grid
 - 2) Nuclear
5. Policy Informatics
 - 1) Metropolitan dynamics
 - 2) National Security
 - 3) Infectious disease



VirginiaTech
National Capital Region

Status Report

- Late May 2011 opening
 - Core and Shell construction completed
 - Fiber is to the building
- Well under budget
 - In excess of \$8 million
- Leases for approximately 95% of Tech space completed
 - Commercial leasing underway
- LEED gold status now possible for entire building
- First floor restaurant has been leased
- Events associated with the opening are scheduled
- Fund raising required for
 - Technologies
 - First floor exhibit space

Opening Events

- June 17 – Preview Opening
 - Scientists, engineers, and business community
- June 24 – Grand Opening
 - Schedule for around lunch
- June 26 – Open House
 - Faculty, alumni and community
- BOV meeting – August meeting
- Other Events
 - College of Science Advisory Board
 - Capital Campaign
 - Community Security and Resiliency Conference - September

GOAL

Create a bridge to Blacksburg to enhance the comparative advantage of the National Capital Region for the University



VirginiaTech
National Capital Region

Virginia Tech: Contributor to a
Vibrant Research Sector in the
National Capital Region



Committee Minutes

STUDENT AFFAIRS AND ATHLETICS COMMITTEE OF THE BOARD OF VISITORS

**Smithfield Room
The Inn at Virginia Tech and Skelton Conference Center
8:30 a.m.**

March 28, 2011

PRESENT: Ms. Beverley E. Dalton, Chair
Ms. Suzanne S. Obenshain
Mr. Shane McCarty

GUESTS: Mr. Ron Angert, Ms. Kimberle Badinelli, Ms. Kate Barbour, Dr. Cynthia Bonner, Mr. Sam Camden, Dr. Rick Ferraro, Dr. Martha Glass, Mr. Hikmet Gursoy, Mr. George Nolen, Dr. Bruce Pencek, Ms. Rhonda Rogers, Dr. Frank Shushok, Dr. Guy Sims, Dr. Edward Spencer, Mr. Jim Weaver

Open Session

- 1. Opening remarks and approval of November 8, 2010 minutes:** Ms. Beverley Dalton, Chair, provided opening remarks and submitted the minutes of the August 30, 2010 Student Affairs and Athletics Committee meeting to the committee for review and approval. The minutes were approved as written.
- 2. Athletic Department Quarterly Report:** Mr. Jim Weaver opened his comments by talking about the annual Athletic Directors breakfast., which is normally held in conjunction with the Ut Prosim weekend, that will be held the weekend of Saturday, April 2. The decision was made to continue with the breakfast on an annual basis because it is still a solid event to have for the campus constituency as well as guest who attend per invitation. Meaning, normally they have people from local Hokie Clubs in addition to those here for the annual Ut Prosim weekend. This year they plan to invite more people from campus to be part of this event. He explained that during this event they annually award the Skeleton Awards to the Male and Female Student Athletes of the Year who have won those prestigious honors. They also will present the All Academic Team. They hope to have a gathering of 450-500 people at this event.

Mr. Weaver then introduced Mr. Kevin Dresser the Wrestling Coach, noting that five years ago the Virginia Tech wrestling coach abruptly departed to the University of Iowa to take a job there and in so doing, took five wrestlers with him. At that time the decision was made to hire Mr.

Dresser, who is also from the University of Iowa, where he was a national champion in the mid 80's. He coached at Grundy High School and then did an outstanding job at Christiansburg High School, winning eight championships at Grundy and five at Christiansburg. Mr. Dresser has rebuilt the Virginia Tech program to the extent that they were ranked in the top five of the dual meet season earlier this year.

This year's wrestling team finished 6th in the nation in dual meets and in the finals they met the #1 team in the nation and had the opportunity to wrestle on national television. They had a strong following by the Hokie Nation, having about 3,400 people in the stands when they wrestled the University of Virginia. The program has 9.9 full scholarships and the program is fully funded.

Mr. Dresser noted that there are three things that he looks for in his athletes: 1) they are able to wrestle, 2) they perform well academically, and 3) they are good citizens in terms of student conduct. Academically, the GPA for wrestlers went up from 2.5 to 3.0 on average.

Their future goals are to be a top 10 team in the NCAA and to continue to graduate their athletes.

3. **Opening Comments and Introductory Remarks:** Dr. Edward Spencer, Vice President for Student Affairs, explained that this morning's meeting would be devoted to an in-depth look at the Administrative Support Units for the Division of Student Affairs. This includes all of the departments reporting through Dr. Cynthia Bonner, Chief of Staff and Director of Administration.

4. **Division of Student Affairs Administrative Support Units:** Dr. Cynthia Bonner and her staff gave a power-point presentation that provided an overview of the administrative support units in the Division of Student Affairs. Dr. Bonner led off the presentation with an overview of the division and its administrative support units. The unit heads then described the key functions, distinctions, and accomplishments of their particular organizations.

Ms. Kimberle Badinelli gave an overview of Communications and Marketing, which provides strategic communications, creative services, electronic media, and information technology support to the division. Sam Camden described Human Resources, which serves the division with hiring and staffing support, classification and compensation reviews, employee relations assistance, performance management, training, and consulting. Martha Glass addressed the assessment efforts in the division, which include outcomes based assessment of student learning and administrative functions, a comprehensive program review process, and assessment education. In response to Dr. Glass' presentation, Mr. George Nolen, Rector, noted that he will be talking to the Academic Departments and Dr. Steger to address the possibility of Student Affairs establishing a collaboration with academic departments to assess where we stand in the area of academic advising.

Mr. Ronald Angert provided an overview of the division's emergency preparedness initiatives, including compliance, mitigation, collaboration, IT advocacy, and benchmarking functions. Kate Barbour reviewed the division's financial picture, providing an overview of the annual budget calendar, auxiliary revenue budgets, as well as approved expense budgets. Cynthia Bonner concluded the presentation with an overview of the division's international initiatives, a summary of challenges facing the administrative support units, and a description of some of the strategies that are being employed to address these challenges.

- 5. Discussion of Topics for Future Committee Meetings:** Dr. Spencer led the group in a discussion on topics for future committee meetings.
- 6. Adjournment:** There being no further business, the meeting was adjourned at 11:26 a.m.



Division of Student Affairs Administrative Support Units



Virginia Tech Board of Visitors
Student Affairs and Athletics Committee
March 28, 2011



Presentation Outline

- Overview of Division and Administrative Support Units
- Communications and Marketing
- Human Resources
- Assessment
- Emergency Preparedness
- Finance
- International Exchange Initiatives
- Concluding Observations

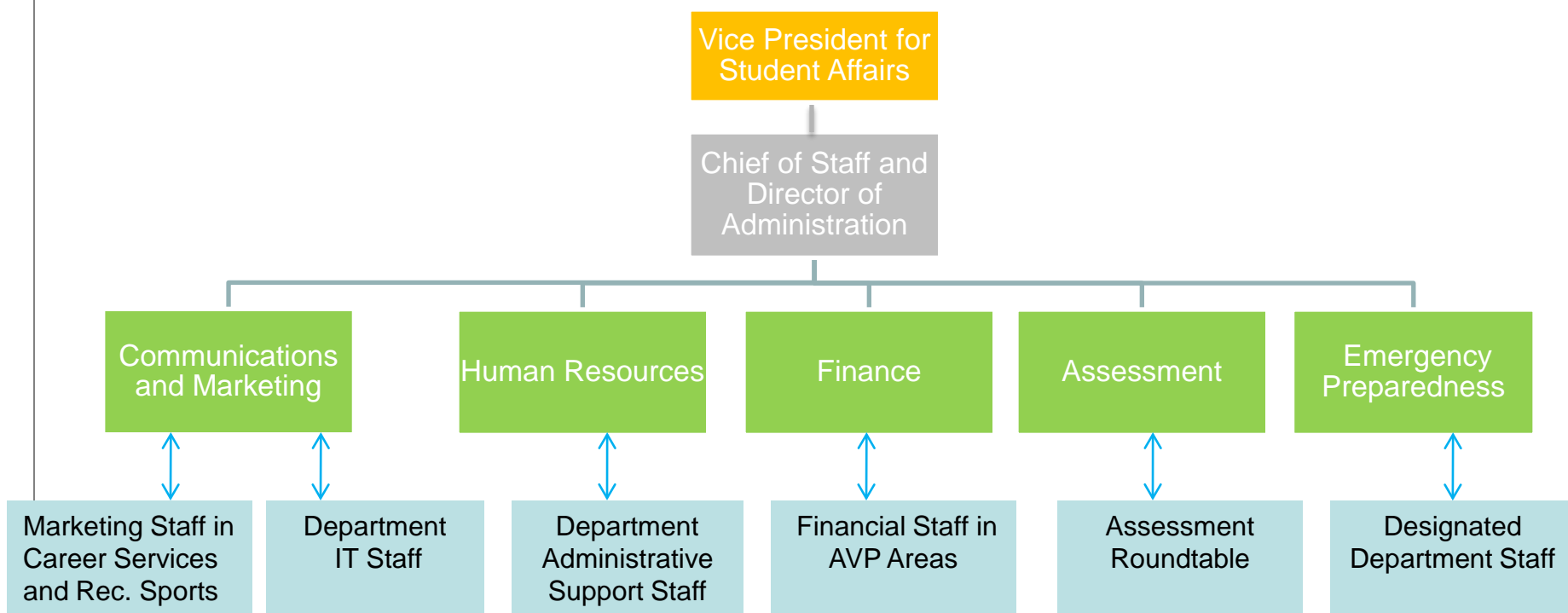


Division of Student Affairs By the Numbers

- 16 Departments
- Over 3,000 Employees
 - 127 Faculty (4% of VT Total)
 - 566 Staff Employees (16% of VT Total)
 - 405 Non-Student Wage Employees (21% of VT Total)
 - 1933 Student Wage Employees (45% of VT Total)
- 1.75 Million Square Feet
 - 27% of University Assignable Square Feet
- Budget of over \$100 Million
 - 10% of Total University Budget
 - 48% of University Auxiliary Enterprise Budgets



Collaboration Across Division





Chief of Staff and Dir. of Admin. Functions

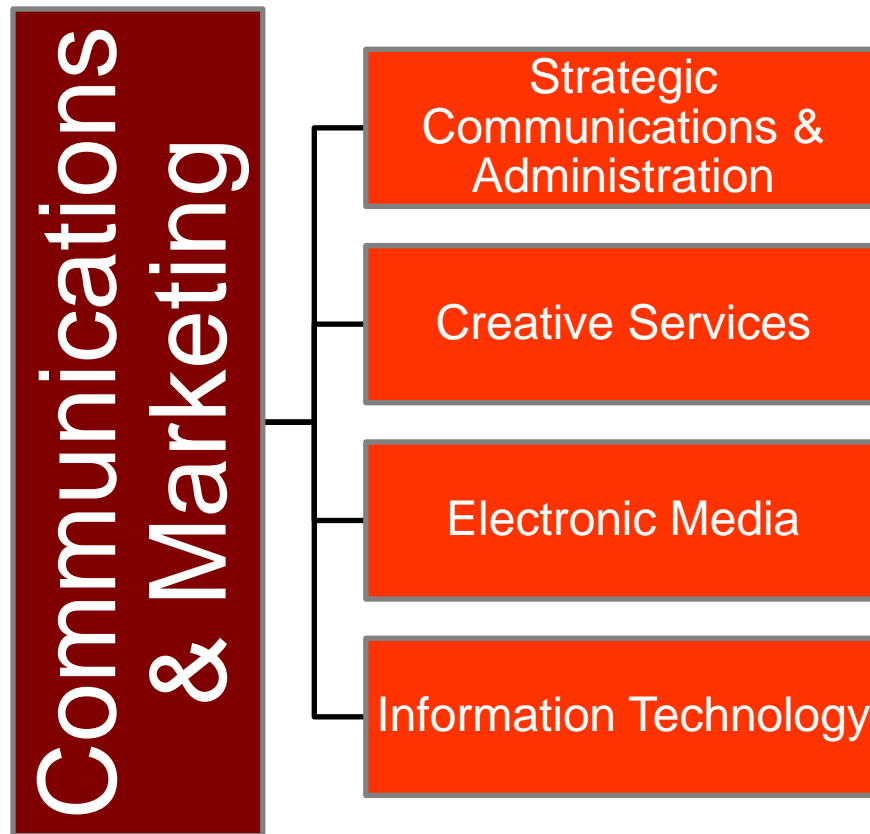
- Communications and Marketing
- Human Resources
- Finance
- Assessment
- Emergency Preparedness
- International Exchange Initiatives
- Represent Vice President and Division
- Strategic Planning
- Special Projects

Communications and Marketing



Kimberle Badinelli

Associate Director of Administration for
Communications and Marketing



Division of Student Affairs



Strategic Communications and Administration

- Functions
 - Liaison with university relations
 - Strategic direction and oversight
 - Student learning lab development (with HTM, Communications & Marketing disciplines)
 - Resource & workload management
 - Marketing plan development
 - Event design and implementation
 - Communications & event assistance for university development initiatives



Creative Services

- Functions
 - Develop marketing campaigns
 - Research, write and publish information
 - Interact with media
 - Develop major university publications
 - Coordinate parent/family communications



Electronic Media

- Functions
 - Division web sites
 - Social media
 - Smart phone applications
 - University/division branding program
 - Project management system oversight
 - Video support



Information Technology

- Functions
 - Hardware and software support
 - Data storage and archiving
 - Computer security
 - IT training
 - Keeping the machines running!



By the Numbers (per year)

- MARKETING & PUBLIC RELATIONS
 - 1500 pages of division websites
 - Over 500 graphic design projects
 - Over 150 campus notices written
 - 100 press releases + 150 hometown press releases for student accomplishments
 - 30 editions of The Student Weekly News
 - 12 – 15 major division publications
 - Parent communications (12 electronic; 1 printed)
 - 4 – 8 new website designs; 10 – 12 redesigns
 - 4 - 6 university relations spotlights
 - 2 - 4 professional journal articles
 - social media outlets (Facebook, LinkedIn, etc.)
 - Event implementation (4-5 major; 3-4 minor)



By the Numbers (per year)

- INFORMATION TECHNOLOGY
 - Support 450 computer work stations for 600 users
 - Multiple user access for all division staff
 - 290 ICR requests (network & phone)
 - 35 servers
 - 43 network printers



Distinctions and Accomplishments

- Cutting-edge full-service organization
- Award-winning designs & campaigns
 - Addy's; Emmys; University Relations; Horton Awards
- Staff leadership roles in professional associations
- Project management system
- Event Implementation class
- Learning outcomes and experience for interns
- Exceptional IT service and security

Human Resources



Sam Camden

Associate Director of Administration for
Human Resources



Human Resources

Functions:

- Hiring / Staffing
- Classification & Compensation Reviews
- Employee Relations
- Performance Management
- Consulting and Special Projects
- Training



Human Resources

Key Services:

- Criminal Background / Driver's Checks
- Hiring Proposals / Offer Letters
- Position Recruitment Folders
- Position Advertisements
- Screening Applicant Pools
- Job Fairs



Human Resources

Key Services:

- Performance Evaluations
- Classification Reviews
- ASOs and Reorganizations
- Disciplinary Actions
- Terminations / Grievances
- Training Programs



Human Resources

By the Numbers:	
<i>Category of Service (2010)</i>	<i>Number</i>
Criminal Background Checks	972
Performance Evaluations Reviewed	697
Calls Received from Applicants	300+
Decline Letters Generated	282
Disciplinary Actions	230+
Staff New Hires	164
Classification Reviews	98
VA Employment Comm. Hearings	83
Involuntary Staff Separations	35
Employee Formal Grievances	13
Harassment Cases	6
Hot Line Calls	4



Human Resources

Distinctions and Accomplishments:

- Assisted with reorganizations in Facilities, Dining Services, Business Services, Career Services, Communications & Marketing, and University Unions & Student Activities



Human Resources

Distinctions and Accomplishments:

- Assisted with reorganizations in Facilities, Dining Services, Business Services, Career Services, Communications & Marketing, and University Unions & Student Activities



Human Resources

Distinctions and Accomplishments:

- Partnered with university's Human Resources to utilize the services of the university's Employee Assistance Consultant to provide counseling for our hourly employees



Human Resources

Distinctions and Accomplishments:

- Created electronic Employee Reference Guide on our former dining employees
- Offered PC literacy courses to employees who don't have to their own computers



Human Resources

Distinctions and Accomplishments:

- Our HR Program Manager was honored by the Virginia Department of Rehabilitative Services for championing the employment and advancement of Virginians with disabilities. She also completed University Organizational and Professional Development's Administrative Excellence Certificate Program.

Assessment



Martha Glass

Associate Director of Administration for
Assessment



Outcomes Based Assessment

- The key questions:
 - What are we trying to do and why?
 - What is my program supposed to accomplish?
 - How well are we doing it?
 - How do we know?
 - How do we use the information to improve or celebrate successes?
 - Do the improvements we make work?

WEAVEonline®

captures an assessment cycle
in which you...





Functions

- Consult and support each DSA department and various committees
- Comprehensive Program Review
 - 5-year cycle
 - Since 2006-2007 All DSA Departments have completed Comprehensive Program Reviews
 - 2010-2011: Student Conduct, Human Resources and Information Technology
- Manage assessment tools, reporting, accreditation information, etc.
 - StudentVoice
 - WEAVE



Functions

- Assessment Roundtable
- Assessment Education
 - Webinars
 - Student Voice Trainings
 - DSA Assessment Scholar Site
 - Teach assessment class for first-year Master's students in the Higher Education Program



Division Assessment Projects

- Hokie Camp
- Gobblerfest
- Hokie Helpers
- Family Day
- DSA Professional Development Day



Hokie Camp 2010

- Three methods of evaluation: post-camp survey, camper focus group, and counselor focus group
- Findings:
 - 91% of campers reported that HC helped them understand the motto “Ut Prosim”
 - 98% said HC “increased my appreciation for VT traditions and values”
 - 93% improved development of friendships
 - 90% agreed that HC made them more likely to get involved at VT



Department Assessment Projects

- National Benchmarking Surveys
- Career Services: Career Fairs
- Dining Services: Employee Rewards Program
- Multicultural Programs & Services: Safe Zone
- Recreational Sports: Customer Service
- Student Activities: Leadership Tech
- Services for Student with Disabilities:
Academic Coaching



Career Services

- Student Preparation for Career Fairs: determine the correlation between student preparation to a career fair, and student experience at the fair.
- Finding: Students who DID NOT study employers in advance to prepare, only **29%** strongly agreed that they used their time effectively at the fair.
- Finding: Student who PUT A LOT OF TIME AND ENERGY into reading about the attending employers in advance, **65%** strongly agreed that they used their time effectively at the fair.



New Assessment Initiatives

- AdQI: Administrative Quality and Improvement
- We Heard Your Voice
- Closing the Loop Award

Emergency Preparedness



Ronald Angert

Associate Director of Administration for
Emergency Preparedness



Functions

- Compliance
- Mitigation
- Collaboration
- IT Advocacy
- Benchmarking



Compliance

- Assist DSA units with generation and maintenance of required documentation
- Member of university planning committees
- Represent the interests of the division during campus emergency management/event planning.



Mitigation

- Examine the vulnerabilities of division assets and systems and develop plans to reduce risk
- Work with campus departments when their plans include or affect the division
- Identify grant funding opportunities to reduce vulnerabilities in the division
- Encourage staff preparedness through [ReadyVirginia.gov](https://www.readyvirginia.gov)



Collaboration

- University Office of Emergency Management
- Environmental Health and Safety
- Virginia Tech Police and Rescue Squad
- Trainer for the Campus CERT team (C-CERT) program for students and faculty/staff
- Local Emergency Planning Committee (LEPC)
- Community activities (Bike races/rides, parades, NWS weather spotter)



IT Advocate

- Serve as a facilitator to enhance the resiliency of the IT staff and systems of DSA departments
 - Collaboration
 - Needs based training
 - Professional development
 - Celebrate best practices



Benchmarking

- Study other universities' plans
- Homeland Security best practices (LLIS.gov)
- Disaster Resistant University (DRU)
- Professional organizations (IAEM)
- Industry standards (NFPA 1600)
- After Action Reports/Improvement Plans



Accomplishments

- All division leadership areas have participated in tabletop preparedness exercises
- 162 of 174 staff members identified as 'key employees' have completed NIMS training
- DSA is part of the StormReady designation earned by the university
- Participated in planning and running the State Managed Shelter exercise on campus



Accomplishments

- Applied incident planning techniques to events like Hokie Helper
- Worked at the April 16th Remembrance Day emergency operations center
- Certified three classes of Campus CERT
- Evaluation team member for a National Capitol Region full-scale exercise

Finance



Kate Barbour

Associate Director of Administration for
Finance



Fiscal Year 2011 (FY11) Budget Calendar

- **October 16, 2009** **Budget Call for Self-Supporting Units**
- **October 19-26, 2009** **Auxiliary Budget Consultation Meetings**
- **November 6, 2009** **Auxiliary Budget Proposals Due**
- **December 3, 2010 – January 8, 2010** **Auxiliary Budget Hearings**
- **April 23, 2010** **Board of Visitors Executive Committee Approves Fee Proposals**
- **June 7, 2010** **Board of Visitors Approves Budgets and Ratifies Fees**
- **June 30, 2010** **Authorized Budget Document Delivered**
- **July 1, 2010** **Effective Date of Budget for FY 2011**
- **July 30, 2010** **Deadline for Allocation of Budgets in Accounting System**



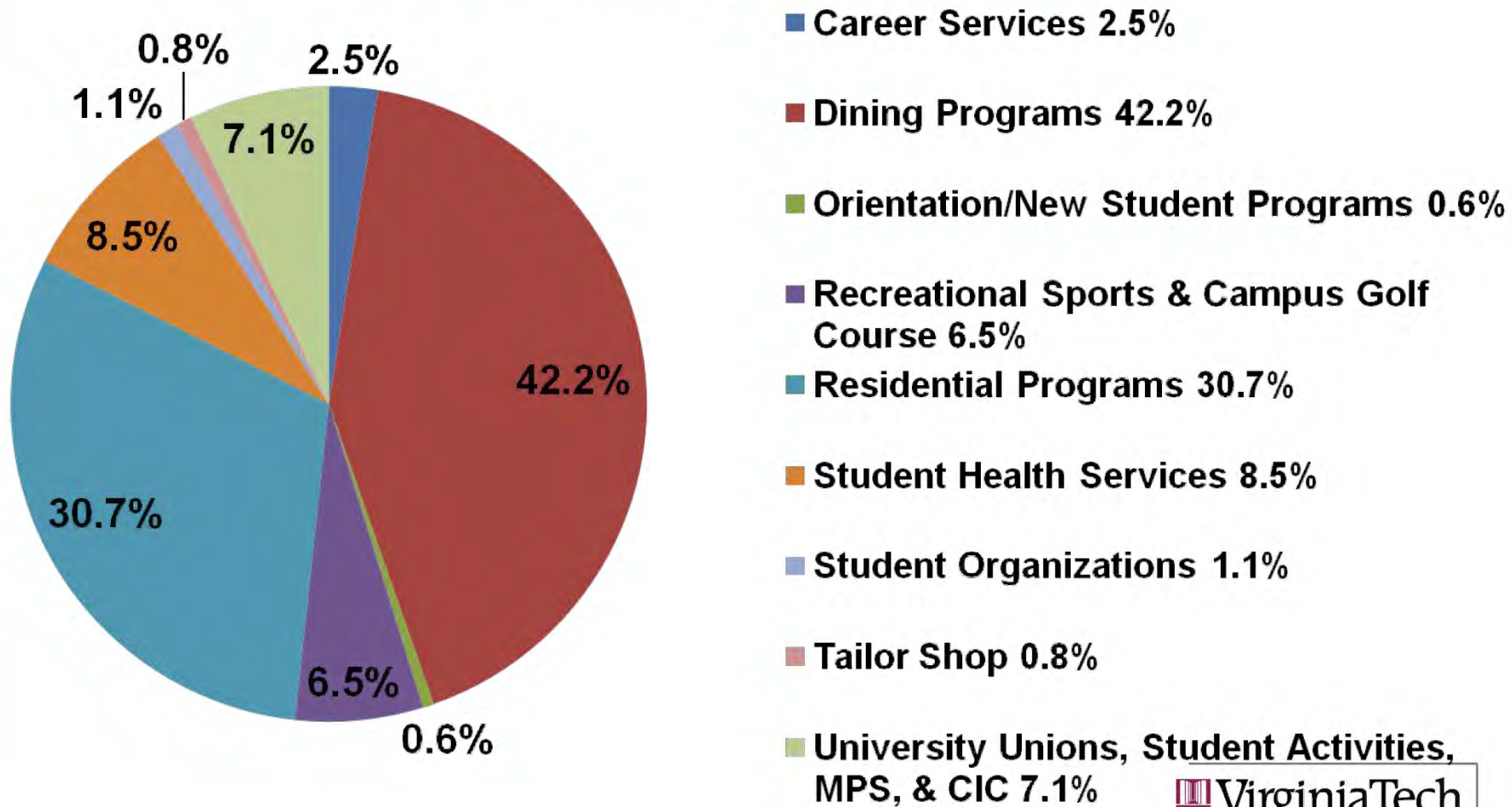
FY11 Division of Student Affairs (DSA) Auxiliary Revenue Budgets as of July 1, 2010

Auxiliary Units:

Career Services	\$ 2,700,595
Dining Programs	45,971,700
Orientation/New Student Programs	614,653
Recreational Sports and Campus Golf Course	7,088,979
Residential Programs, Student Conduct, and Fraternity & Sorority Life	33,490,172
Student Health Services (Health, Counseling, & Alcohol Abuse Prevention Centers)	9,303,408
Student Organizations	1,224,625
Tailor Shop (Corps of Cadets)	864,616
University Unions, Student Activities, Multicultural Programs & Services, and Cranwell Int'l Ctr	<u>7,768,650</u>
Total, Division of Student Affairs	<u>\$ 109,027,398</u>

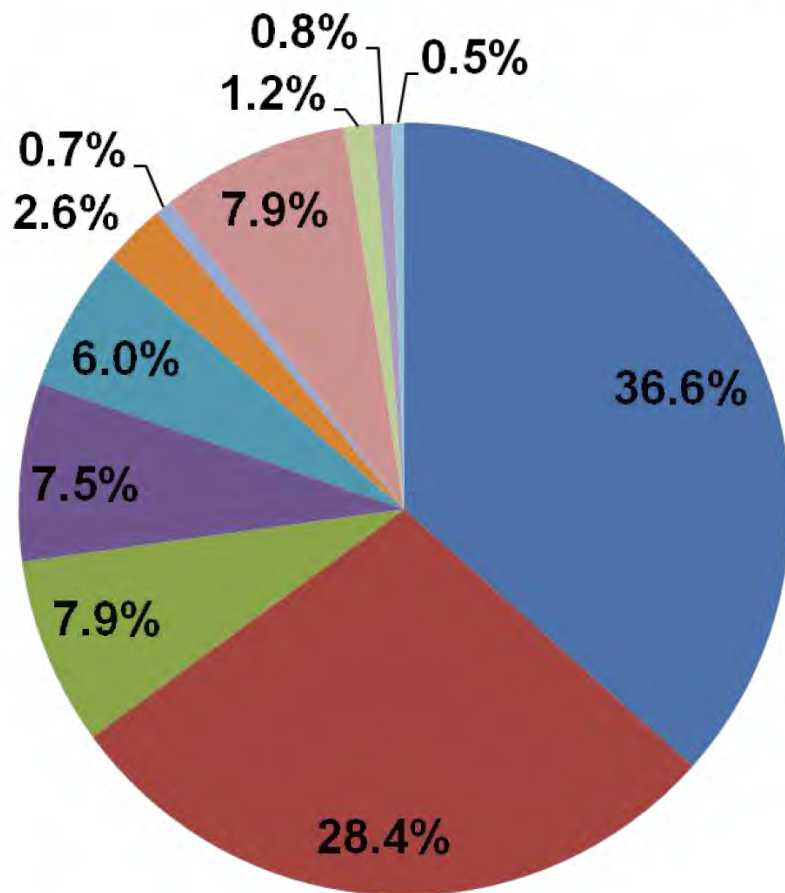


FY11 DSA Auxiliary Revenue Budgets





FY11 DSA Auxiliary Revenue Budgets by Category



■ Dining Fees 36.6%

■ Room Fees 28.4%

■ Health Service Fees 7.9%

■ Student Activity Fees 7.5%

■ Rec Sports Fees 6.0%

■ Student Services Fees 2.6%

■ Orientation Fees 0.7%

■ Self-Generated Revenue 7.9%

■ Academic Rent 1.2%

■ Corps Uniform Fees & Unique Military Activity Transfers 0.8%

■ Other Revenue 0.5%



VirginiaTech
Division of Student Affairs



FY11 DSA Approved Expense Budgets as of July 1, 2010

Auxiliary Units:

Career Services	\$ 2,640,853
Dining Programs	40,678,792
Orientation/New Student Programs	643,068
Recreational Sports and Campus Golf Course	6,131,740
Residential Programs, Student Conduct, and Fraternity & Sorority Life	27,900,010
Student Health Services (Health, Counseling & Alcohol Abuse Prevention Centers)	9,538,448
Student Organizations	1,182,625
Tailor Shop (Corps of Cadets)	864,616
University Unions, Student Activities, Multicultural Programs & Services, and Cranwell Int'l Center	<u>7,768,650</u>
Subtotal	<u>\$ 97,348,802</u>

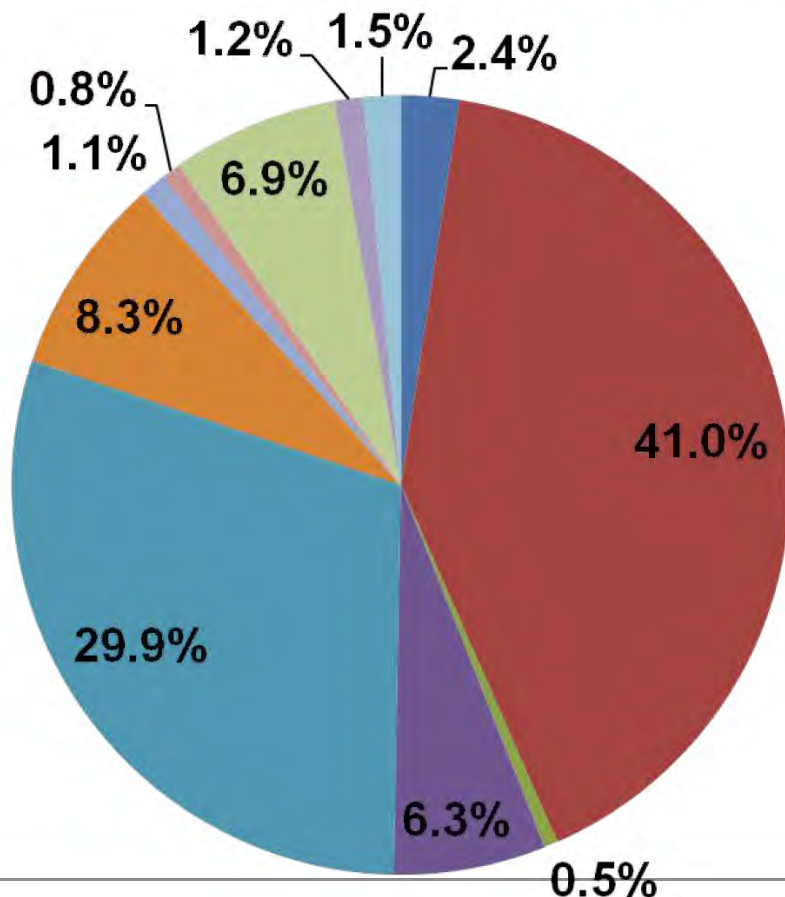


FY11 DSA Approved Expense Budgets as of July 1, 2010

<u>Auxiliary Unit Subtotal (from previous page):</u>	<u>\$ 97,348,802</u>
<u>Unique Military Activities:</u>	<u>\$ 1,334,350</u>
<u>E&G Units (excluding centralized fringe budgets):</u>	
Cranwell International Center	\$ 169,636
Cultural Awareness Programming	32,000
Dean of Students Office	298,497
Health Professions Advising (from Provost's budget)	139,671
Multicultural Programs & Services	89,172
Services for Students with Disabilities	502,835
Office of Vice President for Student Affairs	<u>490,983</u>
Subtotal	<u>\$ 1,722,794</u>
<u>Total, Division of Student Affairs</u>	<u>\$100,405,946</u>



FY11 DSA Expense Budgets with Revenue Transfers & Reserve Additions as of July 1, 2010



- Career Services 2.4%
- Dining Programs 41.0%
- Orientation/New Student Programs 0.5%
- Recreational Sports & Campus Golf Course 6.3%
- Residential Programs 29.9%
- Student Health Services 8.3%
- Student Organizations 1.1%
- Tailor Shop 0.8%
- University Unions, Student Activities, MPS, & CIC 6.9%
- Unique Military Activities 1.2%
- E&G Units 1.5%

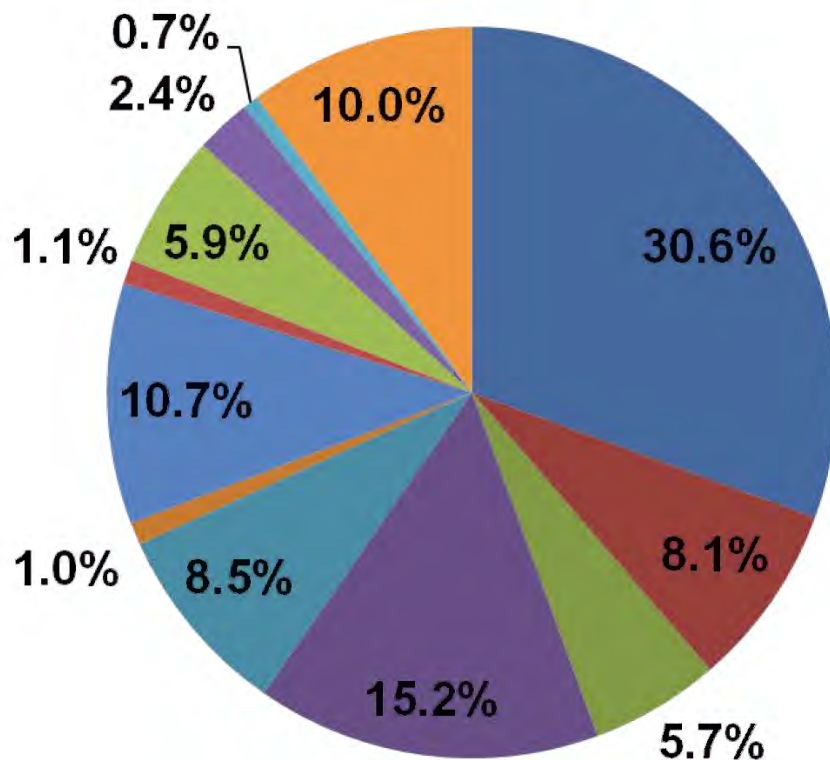


FY11 DSA Auxiliary Expense Budgets by Category with Revenue Transfers & Reserve Additions as of July 1, 2010

Full-Time Staffing & Benefits	\$ 33,314,126
Part-Time Wage Personnel	8,885,641
Variable Operating Expenses	6,226,461
Dining Program Food, Related Supplies & Franchise Fees	16,605,943
Utilities, Insurance & Fixed Costs	9,311,845
Maintenance Reserve	1,085,429
Debt Service	11,618,285
Allocation to Student Organizations & Sports Clubs	1,163,260
University Administrative Overhead, Financial Management, & Computer Charges	6,469,845
Student Financial Assistance	2,667,967
Revenue Transfer to Hokie Passport Services	753,904
Addition to Reserves (bond covenant requirements, etc.)	<u>10,924,692</u>
Total	<u>\$109,027,398</u>



FY11 DSA Auxiliary Expense Budgets by Category



- Full-Time Staffing & Benefits 30.6%
- Part-time Wage Personnel 8.1%
- Variable Operating Expenses 5.7%
- Dining Program Food, Related Supplies, & Franchise Fees 15.2%
- Utilities, Insurance & Fixed Costs 8.5%
- Maintenance Reserve 1.0%
- Debt Service 10.7%
- Allocation to Student Organizations & Sports Clubs 1.1%
- University Administrative Overhead, Financial Management, & Computer Charges 5.9%
- Student Financial Assistance 2.4%
- Revenue Transfers 0.7%
- Addition to Reserves (bond covenants, etc.) 10.0%

International Initiatives



Cynthia Bonner

Chief of Staff and Director of
Administration



Collaborations with Tec de Monterrey, Mexico

- Student Leadership Conferences
- Exchange of Resident Advisors
- Chef Exchange Program
- Counseling Center Collaborations
- Global Citizens Partnership Program



2010 Fulbright Seminar for U.S. Administrators in International Education

- Two week program in Germany
- Group of 19 administrators from U. S. universities
- Orientation to German higher education
- Visits to German universities in 5 cities



Fulbright Program Objectives

- Maintain and enhance U.S. - German institutional relations
- Provide overview of higher education in Germany and impact of Bologna Process
- Provide opportunity to network, exchange ideas, and establish ties and contacts



Student Services in German Universities

- Provided by Studentenwerk, a federal non-profit agency
- Facilities may serve multiple institutions
- Services Include:
 - Dining
 - Housing
 - Financial aid
 - Psychological, social, and legal advice
 - International student support



Career Services

- Emerging area in German universities
- The European Union provided start-up funds for universities to establish career centers
- Offer:
 - Career information
 - Job search assistance
 - Recruiting services
 - Internship placements



Challenges for DSA Exchange with German Universities

- Residence halls are managed independently of universities – no connection to study abroad offices or academic programs
- Student leadership development is not a priority for German higher education
- German proficiency required - few academic courses taught in English (mostly in business and American studies)



Outcomes of Fulbright Program

- Gained an understanding and appreciation for German higher education and the Bologna Process
- Identified universities that offer short term study in German language and culture
- Established professional contacts at German universities
- Initiated conversations with Studentenwerk about possible student exchanges



VirginiaTech
Division of Student Affairs

Concluding Observations



Administrative Support Units



Challenges for Administrative Support Units

- Tight budgets
- Salaries and wages not keeping up with market
- Increased employee workloads due to increased demand for services
- More great ideas than staff and time to address
- Additional federal and state emergency management requirements
- External accreditation requirements



Challenges for Administrative Support Units cont.

- Reduced employee morale and productivity
- Increased job dissatisfaction
- Increased employee relations issues
- High staff turnover in some departments
- Need to retool and educate workforce



Strategies To Address Challenges

- Support division's Aspirations for Student Learning
- Expand employee recognition programs
- Provide professional development opportunities
- Ensure educational benefits for auxiliary employees, comparable to the rest of the university
- Request wage increases for part-time staff through auxiliary budget process
- Facilitate collaboration among and cross training of staff



Questions?

RESEARCH AND DEVELOPMENT DISCLOSURE REPORT
October 8, 2010 through February 28, 2011

Reason for Conflict	External Entity	Owner	Principal Investigator	Co - P.I.'s	College	Period of Performance	Award Amount	Project Description
Faculty Owned Business	White & Company LLC	Marshall S. White	Brian Bond Ralph Rupert		Wood Science & Forest Products	February 1, 2011 - June 30, 2011	\$20,999	Project involves evaluating a new pallet design to be used in a commercial setting. Analysis and testing of load strength, impact resistance, vibration analysis, and other handling and storage simulations.

**RESOLUTION HONORING
LIEUTENANT JUNIOR GRADE ZACHARY R. ECKHART**

WHEREAS, Lieutenant Junior Grade Zachary Ryan Eckhart was a 2007 graduate of the Virginia Tech Corps of Cadets and a 2008 graduate of Virginia Tech, having earned a Bachelor of Science degree in Aerospace Engineering; and

WHEREAS, while a student at Virginia Tech, Zachary Eckhart displayed outstanding leadership traits as demonstrated by his appointment as the academic officer for both the Band Company and the Third Battalion in the Corps of Cadets; and

WHEREAS, Zachary Eckhart was a member of the Regimental Band, the Highty-Tighties, and lived by the Band motto, "Deeds Not Words"; and

WHEREAS, after graduation from Virginia Tech, Zachary Eckhart was commissioned as an officer in the United States Navy and was assigned to the Naval Flight Officer School in Pensacola, Florida; and

WHEREAS, on April 12, 2010, Zachary Eckhart tragically lost his life when his training aircraft crashed over Georgia; and,

WHEREAS, Zachary Eckhart was well respected by his peers and his superiors; and, leading by example, he exhibited his commitment to the core values that are inherent to Virginia Tech – Brotherhood, Honor, Leadership, Sacrifice, Service, Loyalty, Duty, and Ut Prosim; and,

WHEREAS, Lieutenant Junior Grade Eckhart made the ultimate sacrifice for his country and will be remembered in perpetuity for his unwavering courage and valor;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Visitors of Virginia Polytechnic Institute and State University proudly honors Lieutenant Junior Grade Zachary Ryan Eckhart for his steadfast loyalty to his country and the ideals of "Ut Prosim," and for making the ultimate sacrifice in service to his country.

RECOMMENDATION:

That the above resolution honoring Lieutenant J.G. Zachary Ryan Eckhart be approved.

March 28, 2011

RESOLUTION FOR EMERITA STATUS

WHEREAS, beginning in 1987 and continuing for 23 years, Dr. Carol Burger faithfully served Virginia Tech as a faculty member in Veterinary Biosciences, Microbiology and Immunology, Interdisciplinary Studies, and the Women's and Gender Studies Program in the Department of Sociology; and

WHEREAS, since 1997, she served as coordinator of the Virginia Tech Gender and Science Equity Program; and

WHEREAS, she was awarded several prestigious National Science Foundation grants, particularly the *Women in Information Technology: Pivotal Transitions from School to Career* grant; and

WHEREAS, her research fostered the development of women and girls in the sciences at Virginia Tech, in the community, and across the nation; and

WHEREAS, she earned the College of Liberal Arts and Human Sciences Outreach Excellence Award for significant contributions to the dissemination of knowledge related to why girls do or do not choose to pursue careers in information technology; and

WHEREAS, she earned the Sporn Award for Excellence in Teaching and was a member of the Academy of Teaching Excellence; and

WHEREAS, with dedication, she taught Introduction to Women's and Gender Studies, Biology of Women, and Women and Science, reaching students across the disciplines; and

WHEREAS, she founded and continues to edit the *Journal of Women and Minorities in Science and Engineering*; and

WHEREAS, she has written and co-authored several books and over 50 articles;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Visitors recognizes Dr. Carol Burger for her distinguished service to the university with the title Associate Professor Emerita of Sociology.

RECOMMENDATION:

That the above resolution recommending Dr. Carol Burger for emerita status be approved.

March 28, 2011

RESOLUTION FOR EMERITA STATUS

WHEREAS, beginning in 1980 and continuing for 30 years, Ms. Patricia Collier faithfully served Virginia Tech as a faculty member in Virginia Cooperative Extension; and

WHEREAS, with dedication, she served in the core program areas of Family and Consumer Sciences and 4-H Youth Development in Scott County; and

WHEREAS, she managed a 4-H youth program involving over 2,000 4-H members and 120 volunteers; and

WHEREAS, for eight years, she provided able administrative leadership as unit director/coordinator in Scott County, including fiscal administration, leadership in local government relations, mentorship of new agents, management of a broad and diverse youth development program and coordination of the volunteer development program; and

WHEREAS, she served in important leadership roles, including Treasurer of the Virginia Extension Service Association, Secretary of the Association of Extension Family and Consumer Science Agents, Chair of the 4-H Communications and Expressive Arts Curriculum Committee, and Director on the Board of the Southwest Virginia 4-H Educational Center; and

WHEREAS, she initiated successful 4-H programs, including Lego Robotics, Junior Master Gardener program, and District 4-H Dog Camp;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Visitors recognizes Ms. Patricia Collier for her distinguished service to the university with the title Senior Extension Agent Emerita.

RECOMMENDATION:

That the above resolution recommending Ms. Patricia Collier for emerita status be approved.

March 28, 2011

RESOLUTION FOR EMERITUS STATUS

WHEREAS, beginning in 1976 and continuing for 26 years until his retirement in 2002, Dr. James Gardner faithfully served Virginia Tech as a faculty member of Virginia Cooperative Extension; and

WHEREAS, with dedication, he served as district program leader for the Northeast Extension District and as district and regional director for the Eastern Extension District; and

WHEREAS, he provided excellent service as associate professor, extension specialist, and 4-H educational centers and agricultural liaison; and

WHEREAS, he led Virginia's six 4-H educational centers to organizational and fiscal sustainability; and

WHEREAS, he served as the chief communications link between Virginia Cooperative Extension and state and federal agricultural agencies; and

WHEREAS, he served as Virginia Cooperative Extension's primary contact for statewide emergency preparedness; and

WHEREAS, he developed a memorandum of understanding between Virginia Cooperative Extension and the Virginia Department of Emergency Management, which ensured collaborative and effective interaction between the two agencies in the event of a natural disaster; and

WHEREAS, he chaired Virginia Cooperative Extension's Committee on Homeland Security; and

WHEREAS, he received the Distinguished Service Award from the Epsilon Sigma Phi Alpha Gamma Chapter, the Honorary 4-H All Star Award, and the Northern Virginia 4-H Educational Center's President's Award;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Visitors recognizes Dr. James Gardner for his distinguished service to the university with the title Associate Professor Emeritus of Virginia Cooperative Extension.

RECOMMENDATION:

That the above resolution recommending Dr. James Gardner for emeritus status be approved.

March 28, 2011

RESOLUTION FOR EMERITA STATUS

WHEREAS, beginning in 1995 and continuing for 16 years, Dr. Eileen Hitchingham faithfully served Virginia Tech as Dean of University Libraries; and

WHEREAS, under Dr. Hitchingham's dedicated and informed leadership, the University Libraries built strong collections in all formats, including those in new digital technologies, expanded library services, and reconfigured physical spaces to welcome and support a wide range of public uses; and

WHEREAS, during her tenure, information systems and library practices developed by the University Libraries were adopted by many other libraries, to the benefit of their own users; and

WHEREAS, Dr. Hitchingham made significant contributions as a citizen of the university through her active contributions to the Deans Council and through participation in and leadership of numerous committees; and

WHEREAS, she made significant contributions to such critical professional collaborations as The Virtual Library of Virginia, the Association of Research Libraries, the Coalition for Networked Information, and the Online Computer Library Center; and

WHEREAS, throughout Dr. Hitchingham's administrative tenure she communicated high performance standards to her staff, as well as concern for their individual welfare;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Visitors recognizes Dr. Eileen Hitchingham for her distinguished service to the university with the title Dean Emerita of University Libraries.

RECOMMENDATION:

That the above resolution recommending Dr. Eileen Hitchingham for emerita status be approved.

March 28, 2011

RESOLUTION FOR EMERITUS STATUS

WHEREAS, beginning in 1989 and continuing for 21 years, Mr. Charles Lytton faithfully served Virginia Tech as a faculty member in Virginia Cooperative Extension; and

WHEREAS, with dedication, he served in the core program area of 4-H Youth Development in Giles County; and

WHEREAS, he managed a 4-H youth program involving over 3,500 4-H members and 400 volunteers; and

WHEREAS, for 15 years, he provided able administrative leadership as unit director/coordinator in Giles County, including fiscal administration, leadership in local government relations, mentorship of new agents, management of a broad and diverse youth development program and coordination of the volunteer development program; and

WHEREAS, he received numerous awards, including Outstanding Agent, Giles County Schools Volunteer of the Year, American Chestnut Foundation Outstanding Cooperator; and

WHEREAS, he served in important leadership roles, including Board of Directors of the W. E. Skelton 4-H Educational Center, 4-H Plant and Soil Science Curriculum Committee, and Giles County United Fund Chairman; and

WHEREAS, he initiated successful 4-H programs, including American Chestnut and Eastern Hemlock restoration, 4-H Astronomy program, at-risk youth leadership programs, and 4-H Family Fishing Day at Pandapas Pond;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Visitors recognizes Mr. Charles Lytton for his distinguished service to the university with the title Senior Extension Agent Emeritus.

RECOMMENDATION:

That the above resolution recommending Mr. Charles Lytton for emeritus status be approved.

March 28, 2011

RESOLUTION FOR EMERITUS STATUS

WHEREAS, beginning in 1989 and continuing for 22 years, Dr. William Mason faithfully served Virginia Tech as a faculty member in the Department of Aerospace and Ocean Engineering; and

WHEREAS, with dedication, he taught a wide range of courses from freshman to senior and graduate levels; and

WHEREAS, he advised and counseled numerous undergraduate and graduate students in the aerospace engineering degree program, and served as the graduate advisor for 23 master's thesis students and nine doctoral students; and

WHEREAS, two of his students won the Paul E. Torgersen Graduate Student Research Excellence Award and one student won the American Institute of Aeronautics and Astronautics (AIAA) Abe Zaren Award for Research Excellence; and

WHEREAS, he advised numerous undergraduate aircraft design teams, with nine first place honors in international design competitions and ten second or third place honors; and

WHEREAS, he served as advisor to the Virginia Tech student chapter of the AIAA and the Design Build Fly Team; and

WHEREAS, he served the profession as a member of the Applied Aerodynamics Technical Committee and the Aircraft Design Technical Committee of the AIAA; and

WHEREAS, he authored or co-authored 41 journal articles, 137 conference papers, and ten book chapters;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Visitors recognizes Dr. William Mason for his distinguished service to the university with the title Professor Emeritus of Aerospace and Ocean Engineering.

RECOMMENDATION:

That the above resolution recommending Dr. William Mason for emeritus status be approved.

March 28, 2011

**ENDOWED PROFESSORSHIP
N. Waldo Harrison Professorship**

The N. Waldo Harrison Professorship was established in 1987 by Mr. Nathaniel Waldo Harrison. Mr. Harrison received his undergraduate and graduate degrees in mechanical engineering from Virginia Tech in 1934 and 1935. During World War II, Mr. Harrison served as a member of General Dwight D. Eisenhower's staff at the Supreme Headquarters Allied Expeditionary Forces in Frankfurt, Germany. Following his years of military service, Mr. Harrison returned to professional engineering and often remarked that the education he received at Virginia Tech had greatly enriched his life.

In concurrence with the recommendations of the honorifics committees of the Department of Engineering Science and Mechanics and the College of Engineering, Dean Richard Benson nominates Dr. Ishwar Puri to hold the N. Waldo Harrison Professorship. The appointment is for a five-year period.

Since 2004, Dr. Puri has served as professor and head of the Virginia Tech Department of Engineering Science and Mechanics. As a researcher, Dr. Puri has published more than 260 archival and conference publications, and book chapters in the field of combustion and transport phenomena, and mathematical biology. He is currently editor of the *Journal of Experimental Heat Transfer* and associate editor of the *International Journal of Combustion*.

Dr. Puri also leads National Science Foundation-funded teams in nanotechnology undergraduate education and graduate ethics education programs, coordinates the Virginia Tech Emerging Issues in Technology seminar series, and co-directs the U.S. Department of Education Fund for the Improvement of Postsecondary Education EVALUATE-E project, which evaluates transatlantic collaborative degree programs in engineering.

Dr. Puri is a Fellow of the American Society of Mechanical Engineers and the American Association for the Advancement of Science. He has been an American Association for the Advancement of Science-Environmental Protection Agency Environmental Fellow since 1993.

RECOMMENDATION:

That Dr. Ishwar Puri be appointed to the N. Waldo Harrison Professorship, effective April 10, 2011, for a period of five years, with a salary supplement as provided by the endowment and, if available, with funds from the eminent scholars match program.

March 28, 2011

ENDOWED FELLOWSHIP
Kohl Junior Faculty Fellow of the Kohl Agribusiness Center

The Kohl Agribusiness Center was founded to honor Dr. David M. Kohl for his 25 years as a professor of agricultural finance and small business management/entrepreneurship in the Department of Agricultural and Applied Economics. The hallmark of Dr. Kohl's academic career was to engage students in hands-on research and problem-solving while simultaneously addressing the needs of agricultural and rural entrepreneurs. The Kohl Junior Faculty Fellowship will lead the effort through mentoring undergraduate experiential learning opportunities that integrate research and extension to solve real world business problems. The fellowship recipient will work with the department head and undergraduate coordinating counselor to implement the program, consistent with the center's vision.

In concurrence with the recommendations of the department head and honorifics committee of the Department of Agricultural and Applied Economics, Dean Alan Grant nominates Dr. William White to hold the Kohl Junior Faculty Fellowship in the Kohl Agribusiness Center for a three-year, renewable term.

Dr. White has almost 20 years of experience in working with students, producers, and industry groups from Virginia and the mid-Atlantic region. He currently serves as an instructor with teaching and Extension responsibilities. His teaching and extension programs in the areas of finance, small business management, entrepreneurship, and marketing, work to improve Virginia agriculture. Dr. White has dedicated his teaching career to providing students with practical applications of economic and business principles. Aside from incorporating real-world case studies into his courses, he regularly invites his students to participate in Extension programs. The students provide farm and agribusiness managers with creative solutions to a variety of business issues based on what they have learned in academic courses, original research they conduct, and a team approach that is based on the experience, knowledge, and skills of diverse student groups.

RECOMMENDATION:

That Dr. William White be appointed to the Kohl Junior Faculty Fellowship, effective April 1, 2011, for a period of three years.

March 28, 2011

ENDOWED FELLOWSHIP**Steven O. Lane Junior Faculty Fellow of Electrical and Computer Engineering**

The late Steven O. Lane was a 1978 graduate of Virginia Tech, and was considered to be a worldwide leader in spacecraft antenna design. He spent his entire professional career with Boeing Satellite Systems. Among his many accomplishments were 12 patents and several professional papers. Steven loved Virginia Tech and always credited his success, in large part, to the education he received there.

In concurrence with the recommendations of the honorifics committees of the Bradley Department of Electrical and Computer Engineering and the College of Engineering, Dean Richard Benson nominates Dr. Joseph Baker to hold the Steven O. Lane Junior Faculty Fellowship.

Dr. Baker earned his Ph.D. in Atmospheric and Space Sciences from the University of Michigan in 2001. He received a B.Sc. in Physics from the University of New England in Australia in 1992. He joined the Bradley Department of Electrical and Computer Engineering in 2008 as a tenure-track assistant professor after spending 2001 to 2008 at the Johns Hopkins University Applied Physics Laboratory (APL). At APL, he was a member of the Super Dual Auroral Radar Network (SuperDARN) team. Dr. Baker came to Virginia Tech when the SuperDARN team moved from APL to Virginia Tech so the program could be embedded in an academic environment that integrates research and education.

Dr. Baker is a truly gifted teacher and routinely receives among the highest teaching ratings in his department. This is particularly impressive since he often teaches difficult material in the two-semester undergraduate electromagnetic fields sequence required of all electrical engineering students. Dr. Baker is also an active researcher. His research has resulted in six journal publications since joining Virginia Tech. All six of his journal papers are published in top-tier publications in his field. He is a co-principal investigator of a \$2.3M award and a \$1.9M award from the National Science Foundation for the SuperDARN project, and co-principal investigator of another \$2.6M award for major instrument development.

RECOMMENDATION:

That Dr. Joseph Baker be appointed to the Steven O. Lane Junior Faculty Fellowship, effective August 10, 2011, with a salary supplement as provided by the endowment and, if available, with funds from the eminent scholars match program.

March 28, 2011

ENDOWED PROFESSORSHIP
Samuel Langley Professor of Engineering

The Samuel Langley Professorship is supported with funding provided by the National Aeronautics and Space Administration (NASA) through the National Institute of Aerospace (NIA). NIA serves as a strategic partner with NASA Langley Research Center and the aerospace community to enable research creativity and expand technology development opportunities. NIA integrates research and graduate education while creating new government/academia/industry partnerships to solve tomorrow's problems today.

In concurrence with the recommendations of the honorifics committees of the Department of Mechanical Engineering and the College of Engineering, Dean Richard Benson nominates Dr. Christopher Fuller to hold the Samuel Langley Professorship.

Dr. Fuller joined the Department of Mechanical Engineering at Virginia Tech in 1983, following prestigious post-doctoral work and research assignments at the University of Adelaide, Australia, the University of Southampton, United Kingdom, and the NASA Langley Research Center. He was promoted to the rank of professor in 1989, and his international stature and leadership have grown rapidly. He was awarded the Roanoke Electric Steel Professorship in 1995.

Dr. Fuller holds primary responsibility for the creation of the Vibration and Acoustics Laboratory in Mechanical Engineering. In the field of active acoustic control, he and his laboratory are internationally recognized. He has obtained continual research funding from NASA since 1981 and is principal investigator on a large NASA grant through NIA.

Dr. Fuller's teaching efforts are widely recognized. He has been instrumental in supervising to completion over 20 Ph.D. students and 26 master's students.

RECOMMENDATION:

That Dr. Christopher Fuller be appointed to the Samuel Langley Professorship, effective January 10, 2011, with a salary supplement as provided by the endowment and, if available, with funds from the eminent scholars match program.

March 28, 2011

ENDOWED PROFESSORSHIP
Patrick and Nancy Lathrop Professor of Architecture

The Patrick and Nancy Lathrop Professorship was established by the Lathrops with the stipulation that the title should be bestowed upon an architecture professor who demonstrates excellence in the field. In concurrence with the recommendation of the Architecture Named Professorship Screening Committee, Dean Jack Davis nominates Professor Jaan Holt to hold the Patrick and Nancy Lathrop Professorship.

Professor Holt graduated with a bachelor's degree from Virginia Tech in 1965 and acquired his master's degree from the University of Pennsylvania in 1966, studying with the noted architect Louis I. Kahn. Professor Holt went on to post graduate study with the famous architect Louis Barragan in Mexico City.

Since 1972, Professor Holt has served as a teacher and administrator in the School of Architecture + Design. From 1976 to 1982, he served as the chairman of Architecture. Professor Holt has taught primarily in the professional program and since 1984 he has served as director of the Washington Alexandria Architecture Center (WAAC). In this role, he has coordinated over 15 consortia schools of architecture to form dynamic global configurations that create a collaborative, intercollegiate academic environment for Virginia Tech students and consortia members.

Professor Holt has been principal administrator of more than \$600,000 in sponsored projects and outreach related activities. Many of these projects involve government and military contracts in the Washington, D.C. metropolitan area. Professor Holt managed competitions for the *Women in Military Service for America National Memorial* and the *Martin Luther King Jr. National Memorial*, which is presently under construction.

In recognition of his many contributions, Professor Holt received the College of Architecture and Urban Studies Outreach Award, the Excellence in Teaching Award, a special award from the Virginia Society of the American Institute of Architects (AIA), and an Allied Professional Award from the Northern Virginia Chapter of the AIA.

RECOMMENDATION:

That Professor Jaan Holt be appointed to the Patrick and Nancy Lathrop Professorship, effective April 10, 2011, with a salary supplement as provided by the endowment and, if available, with funds from the eminent scholars match program.

March 28, 2011

FACULTY LEAVES, 2011 – 2012

Virginia Tech provides tenured faculty, and faculty on continued appointment, with professional development opportunities in the form of paid leave for the purpose of intensive study or research that increases the quality of the individual's professional stature and future contribution to the university. A study-research leave provides one-half salary for up to one year. A research assignment leave provides full salary for one semester.

The following faculty members are requesting study-research leave for the purpose and period of time specified:

Jacqueline Bixler, Professor, Foreign Languages and Literatures, Academic Year 2011-2012: to conduct research at the National Autonomous University of Mexico, and to write a comprehensive book manuscript on contemporary Mexican theatre.

David Dillard, Professor, Engineering Science and Mechanics, Academic Year 2011-2012: to research the use of polymeric materials in developing durable and cost-effective solutions for fuel cell, wind, and solar applications.

Julie Dunsmore, Associate Professor, Psychology, Academic Year 2011-2012: to research and analyze how parents' emotional communications and reactions may influence the development of positive social skills and behaviors in their children.

Hans Haller, Professor, Economics, Academic Year 2011-2012: to collaborate with colleagues at Eidgenössische Technische Hochschule Zürich, Switzerland in researching the methods that multi-member households use for making economic decisions.

Brian Hanson, Professor, Chemistry, Academic Year 2011-2012: to collaborate with colleagues at Wake Forest University, Winston-Salem, North Carolina in researching nanoporous carbon synthesis in the design of new electrode materials for batteries and supercapacitors.

Richard Hirsh, Professor, History, Spring 2012 and Spring 2013: to research recent changes in the electric utility system and to document the technical, political, and economic events that precipitated a retreat in the restructuring of the electric utility system.

Ann LaBerge, Associate Professor, Science and Technology in Society, Spring 2012: to write a book manuscript entitled, *Putting It On and Taking It Off: Managing Body Weight in the United States since 1980*.

Leigh McCue-Weil, Associate Professor, Aerospace and Ocean Engineering, Academic Year 2011-2012: to research the launch and recovery of unmanned surface vehicles at the Naval Surface Warfare Center—Carderock, Fort Story, Virginia.

Brent Opell, Professor, Biological Sciences, Academic Year 2011-2012: to compare the hygroscopicity of viscous prey capture threads that are spun by orb-weaving spiders, and to initiate a worldwide systematic study of the marine spray zone spider.

Susan Piedmont-Palladino, Professor, School of Architecture + Design, Academic Year 2011-2012: to write a book manuscript on the effect of digital technologies on urban design and urban life, and to create an exhibition using historical maps, photographs, infographics, and interactive installations.

Edward Smith, Professor, Animal and Poultry Sciences, Academic Year 2011-2012: to collaborate with colleagues at the National Human Genome Research Institute, Bethesda, Maryland in researching the role of oxidative stress on aging and dilated cardiomyopathy.

Danesh Tafti, Professor, Mechanical Engineering, Academic Year 2011-2012: to collaborate with colleagues at the Department of Energy National Energy Technology Laboratory, Morgantown, West Virginia in researching energy and carbon dioxide capture and sequestration.

Peter Wallenstein, Professor, History, Spring 2012: to write a book manuscript exploring the history of race, power, and education in America, especially during the 1950s and 1960s.

Zhaomin Yang, Associate Professor, Biological Sciences, Academic Year 2011-2012: to collaborate with research colleagues at Tsinghua University, Beijing, China on a structural investigation of the signaling pathway in a specific protein; to write grant proposals and manuscripts; and to co-edit a book.

Liqing Zhang, Associate Professor, Computer Science, Academic Year 2011-2012: to develop computational and statistical methods in large-scale data analysis with the goal of applying the methods to cancer genomics and population genomics.

The following faculty members are requesting research assignments for the purpose and period of time specified:

Alexander Aning, Associate Professor, Materials Science and Engineering, Fall 2011: to collaborate with colleagues at the Federal University of Sao Carlos, Brazil in researching the spinodal decomposition and high strain rate deformation of tungsten heavy alloys.

Kelly Belanger, Associate Professor, English, Fall 2011: to conduct research interviews, gather archival data, and write a book manuscript on Title IX, the 1972 federal anti-sex discrimination law, as it applies to higher education athletics.

Yvan Beliveau, Professor, Myers-Lawson School of Construction, Fall 2011: to prepare a constructivist and experiential learning environment for programs in construction, real estate development, and sustainability in the built environment.

Martha Ann Bell, Professor, Psychology, Fall 2011: to collaborate on four research projects involving developmental cognitive neuroscience with colleagues at the University of North Carolina-Greensboro, the University of Tennessee-Knoxville, and the Virginia Tech Carilion Research Institute.

Gregory Boardman, Professor, Civil and Environmental Engineering, Fall 2011: to research the geoengineering technique of sequestering carbon in subsurface formations and to determine its impact on groundwater.

David Brinberg, Professor, Marketing, Fall 2011: to research the impact of social marketing/entrepreneurship on social change, and to write a book manuscript on the topic.

Mido Chang, Associate Professor, Educational Leadership and Policy Studies, Fall 2011: to research the effect that computer use has on the academic success of immigrant students.

James Collier, Associate Professor, English, Spring 2012: to write a book manuscript on social epistemology and the philosophy of inquiry, and to assume editorship of the *Social Epistemology Journal*.

Richey Davis, Professor, Chemical Engineering, Fall 2011: to research the interaction of cells and nanoparticles using cell cultures and animal models.

Norman Dowling, Professor, Engineering Science and Mechanics + Materials Science Engineering, Fall 2011: to serve as Visiting Erskine Fellow and to teach a course in the mechanical behavior of materials at the University of Canterbury, Christchurch, New Zealand, and to collaborate with research colleagues at the University of Canterbury.

Donna Dunay, Professor, School of Architecture + Design, Spring 2012: to research models for understanding place and space that are informed by photography, digital imagery, sculpture, and three-dimensional representations.

Robert Dunay, Professor, School of Architecture + Design, Spring 2012: to advance the next generation of LumenHAUS through corporate partnerships; to design industrialized housing prototypes; and to develop a prospectus for an international houses of the future exposition.

Michael Ermann, Associate Professor, School of Architecture + Design, Fall 2011: to co-author the third edition of the textbook, *Architectural Acoustics*.

Jessica Folkart, Associate Professor, Foreign Languages and Literatures, Fall 2011: to write a book manuscript entitled, *Liminal Fiction: The Ends of Spanish Narrative at the Edge of the Millennium*.

Theodore Fuller, Professor, Sociology, Fall 2011: to research a growing trend of declining life expectancy for females in several areas of the United States.

Diana George, Professor, English, Fall 2011: to research rhetoric and the role of dissent press publications in social action movements—particularly homelessness, anti-death penalty legislation, welfare reform, and environmental activism.

Laura Gillman, Associate Professor, Sociology, Spring 2012: to write a book manuscript examining the racial and gendered ideational complexes informing Social Darwinism in the cultural texts and social contexts of Latinas.

Peter Graham, Professor, English, Spring 2012: to focus on a digital humanities project entitled *Lord Byron and His Times*; to prepare a document for the project's archives; and to develop standards for the project's prosopographical element.

Robert Grisso, Professor, Biological Systems Engineering, spring, 2012: to collaborate with experts at the Oak Ridge National Laboratory, Tennessee in researching an effective system for moving industrial biomass from the field to the bio-processing facility.

Daniel Hindman, Associate Professor, Wood Science and Forest Products, Spring 2012: to research green building techniques related to wood products; to develop a focused green building teaching and research program; and to establish partnerships with major green building certification organizations.

Sonia Hirt, Associate Professor, School of Public and International Affairs, Fall 2011: to write a book manuscript on the privatization of space in post-socialist cities, and to edit a volume on the legacy of Jane Jacobs.

Kent Holliday, Professor, Music, Spring 2012: to compose a second sonata for piano that will be based on the sacred moon calendar of the Mayans, a 260-day cycle known as the *Tzolkin* calendar.

William Huckle, Associate Professor, Biomedical Sciences and Pathobiology, Spring 2012: to develop a first-year physiology course for veterinary students interested in a research-intensive career, and to research viral gene products that promote the growth of mammalian blood vessels.

Scott Huxtable, Associate Professor, Mechanical Engineering, Fall 2011: to develop programs that examine femtosecond laser processing of nanomaterials and tissue.

Lisa Kennedy, Associate Professor, Geography, Fall 2011: to develop an internationally collaborative research program focused on long-term environmental

change in northeastern Brazil, develop a “Paleoenvironments Field School” opportunity for undergraduate and graduate students, and submit a manuscript on current paleoenvironmental Caribbean research.

Giti Khodaparast, Associate Professor, Physics, Fall 2011: to research the magneto-optical properties of several narrow gap based semiconductor structures and metallofullerenes.

Ji-Hyun Kim, Associate Professor, Apparel, Housing, and Resource Management, Spring 2012: to develop a senior capstone course, *Advanced Apparel Product Development*, and to complete a wearable fiber art creation using emerging technology and fiber art techniques.

Kee Jeong Kim, Associate Professor, Human Development, Fall 2011: to attend three intensive methodology workshops, and to use the latest and most rigorous analytic techniques learned at the workshops to conduct a secondary analysis of a national dataset on adolescent health.

Guo-Quan Lu, Professor, Materials Science Engineering + Electrical and Computer Engineering, Spring 2012: to collaborate with colleagues at Tianjin University, China in researching high-temperature electronics, and to coordinate the Virginia Tech/Tianjin University student exchange program.

James Martin, Professor, Civil and Environmental Engineering, Spring 2012: to collaborate with researchers in Germany, Romania, Switzerland, and the United Kingdom in researching sustainable energy applications, specifically thermoactive foundations.

Shelley Martin, Associate Professor, School of Architecture + Design, Spring 2012: to film and produce the *Ferrari Film*, a documentary about Olivio and Lucy Ferrari—pioneers of student-centered learning who shaped their vision into an educational atmosphere driven by experimental means and concrete productions.

Joel Nachlas, Associate Professor, Industrial and Systems Engineering, Fall 2011: to prepare an undergraduate textbook on probability theory, and to collaborate with research colleagues at École Polytechnique de Nice and École des Mines de Nantes, France.

Scott Nelson, Associate Professor, Political Science, Fall 2011: to write a book manuscript on theorizations of community and power in international relations that are not grounded in state-based claims of sovereign authority, power, and legitimacy.

Alexey Onufriev, Associate Professor, Computer Science, Fall 2011: to visit several research institutions with the goal of forging important collaborations and exploring new directions in bio-computational research.

Simone Paterson, Associate Professor, School of Visual Arts, Spring 2012: to create interactive media artwork at the Artspace Studio Residency Program, Sydney, Australia; to exhibit the artwork at PODspace Gallery, Newcastle, Australia; and to lecture at a number of Australian universities.

Manuel Pérez-Quinonez, Associate Professor, Computer Science, Spring 2012: to use social network analysis and advanced data mining techniques to prepare a graduate-level course focusing on human-computer interaction for social and data intensive systems.

Mark Pitt, Professor, Physics, Fall 2011: to provide onsite leadership for the *Qweak* experiment at the Thomas Jefferson National Accelerator Facility in Newport News, Virginia, and to begin simulation and design for the *MOLLER* experiment.

William Price, Associate Professor, Teaching and Learning, Fall 2011: to research and advance Technical Vocational Education and Training in Zambia and other developing countries.

Michael Roan, Associate Professor, Mechanical Engineering, Spring 2012: to collaborate with colleagues at Princeton University, New Jersey in researching acoustical signal processing, and to pursue funding for the project with potential sponsors in Washington, D.C.

Madeline Schreiber, Associate Professor, Geosciences, Fall 2011: to collaborate with colleagues at the U.S. Geological Survey, Reston, Virginia in researching karst hydrology and uranium geochemistry, and to collaborate with colleagues at Duquesne University, Pittsburgh, Pennsylvania in researching arsenic cycling.

Brett Shadle, Associate Professor, History, Spring 2012: to write a book manuscript on white settlement in early colonial Kenya, Africa; to co-organize a conference entitled, *Whiteness Beyond the West*, and to edit the resulting volume of conference papers.

Judith Shrum, Professor, Foreign Languages and Literatures, Spring 2012: to assist in revising the national standards for accreditation of foreign language teachers, and to collaborate with colleagues at San Diego State University, California in the development of 11 on-line modules that will be used to educate teachers of critical languages.

Vijay Singal, Professor, Finance, Insurance, and Business Law, Fall 2011: to establish international collaborations and research projects in the area of investments/corporate governance.

Paul Sorrentino, Professor, English, Fall 2011: to prepare a new edition of Stephen Crane's short stories about the Spanish-American War, *Wounds in the Rain*, and to prepare an annotated list of the Edward (William) Bok Collection—a collection of letters written by major American authors between 1880-1920.

Aris Spanos, Professor, Economics, Spring 2012: to revise his textbook, *Probability Theory and Statistical Inference*, and to submit papers for publication in five areas: statistical model specifications, traditional problems/issues in econometrics, time series modeling, financial econometrics, and philosophical/methodological foundations.

Greg Tew, Associate Professor, School of Architecture + Design, Spring 2012: to research design that improves the quality of life, and to use the research results to revise the *Design Appreciation* course.

Muzaffer Uysal, Professor, Hospitality and Tourism Management, Fall 2011: to continue research with colleagues at Tromsø University, Norway on the *Northern Insights* project, which includes a survey of visitors to the Arctic Region of Norway; to collect data on event motivation and event impact; and to lecture at Modul University, Vienna, Austria.

Bailey Van Hook, Professor, School of Visual Arts, Spring 2012: to research and write a biography of Violet Oakley.

Frank Weiner, Professor, School of Architecture + Design, Spring 2012: to research the relationship of architectural ornament and the philosophy of phenomenology, and to prepare a book manuscript proposal on the topic.

Richard Wokutch, Professor, Management, Fall 2011: to conduct field research on worker safety and health in the Japanese, South Korean, and Chinese auto industry.

Y. H. Percival Zhang, Associate Professor, Biological Systems Engineering, Fall 2011: to collaborate with colleagues at Hamburg University of Technology, Hamburg, Germany, in researching renewable carbohydrates as an energy source, and to write a thorough analysis of renewable energy research and development advances.

RECOMMENDATION:

That the above study-research leaves and research assignments be approved as requested.

March 28, 2011

Faculty Personnel Changes Report

ACADEMIC AFFAIRS COMMITTEE AND FINANCE AND AUDIT COMMITTEE

Quarter ending December 31, 2010

The Faculty Personnel Changes Report includes new appointments and adjustments in salaries for the general faculty, including teaching and research faculty in the colleges, and for administrative and professional faculty that support the University including the library, extension, academic support, athletics, and administration. The report is organized by senior management area (college or vice presidential area).

Since the last Board meeting, the University has made the following faculty personnel appointments and salary adjustments:

Teaching and Research Faculty	
New Appointments with Tenure or Continued Appointment	6
New Appointments to Tenure-Track or Continued Appointment-Track	7
New Appointments to Non-Tenure Track	0
Adjustments in Salary	6
Administrative and Professional Faculty	
New Appointments	4
Adjustments in Salary	17
Adjustments in Salary – Contractual Arrangement	10
One-time payments for Post-Season Sports Events	55
One-time payments – Contractual Arrangement	2
Special Research Faculty	
New Appointments	2

RECOMMENDATION:

That the Board ratify the Faculty Personnel Changes Report.

March 28, 2011

FACULTY PERSONNEL CHANGES
March 28, 2011

TEACHING AND RESEARCH FACULTY

NEW APPOINTMENTS

NAME	TITLE	DEPARTMENT	REG or RSTR	Months	CURRENT ACTION			
					EFF DATE	% APPT	ANNUAL RATE	
							BASE	ONE-TIME
<u>Agriculture & Life Sciences</u>								
Friedel, Curtis	Assistant Professor	Agricultural & Extension Education	Reg	9	25-Dec-10	100	\$	70,000
Jellison, Jody	Professor - Tenured	CALS Research	Reg	12	18-Jan-11	100	\$	139,000
<u>Engineering</u>								
Druschitz, Alan	Associate Professor	Materials Science & Engineering	Reg	9	25-Jan-11	100	\$	90,000
Haghighat, Alireza	Professor - Tenured	Mechanical Engineering	Reg	9	25-Jan-11	100	\$	171,750
Leon, Roberto	Professor - Tenured	Civil and Environmental Engineering	Reg	9	10-Aug-11	100	\$	158,000
<u>Liberal Arts & Human Sciences</u>								
Apodaca, Clair	Associate Professor - Tenured	Political Science	Reg	9	10-Aug-12	100	\$	72,000
Debrix, Francois	Professor - Tenured	Political Science	Reg	12	1-Jul-11	100	\$	140,000
<u>Veterinary Medicine</u>								
Hosig, Kathryn	Associate Professor - Tenured	Population Health Sciences	Reg	9	25-Dec-10	100	\$	96,000
Killos, Maria	Assistant Professor	Small Animal Clinical Sciences	Reg	12	31-Jan-11	100	\$	95,000
<u>Vice President for Research</u>								
Kelly, Deborah	Assistant Professor	Virginia Tech Carilion Research Institute	Reg	12	1-Feb-11	100	\$	110,000
McDonald, Sarah	Assistant Professor	Virginia Tech Carilion Research Institute	Reg	12	1-Jul-11	100	\$	110,000
Mukherjee, Konark	Assistant Professor	Virginia Tech Carilion Research Institute	Reg	12	1-May-11	100	\$	110,000
Tyler, William	Assistant Professor	Virginia Tech Carilion Research Institute	Reg	12	1-Feb-11	100	\$	125,000

TEACHING AND RESEARCH FACULTY**ADJUSTMENTS**

NAME	TITLE	DEPARTMENT	REG or RSTR	Months	CURRENT ACTION			
					EFF DATE	% APPT	ANNUAL RATE	
							BASE	ONE-TIME
<u>Architecture & Urban Studies</u>								
Randolph, John	Professor/Interim Director	School of Public & International Affairs	Reg	10	25-Dec-10	100	\$ 195,579	
<u>Engineering</u>								
Edwards, Marc	Professor	Civil and Environmental Engineering	Reg	12	25-Dec-10	100	\$ 227,748	
Tafti, Danesh	Professor	Mechanical Engineering	Reg	12	25-Dec-10	100	\$ 173,333	
Vick, Linda	Associate Professor of Practice	Mechanical Engineering	Reg	12	10-Aug-10	100	\$ 62,500	
<u>Liberal Arts & Human Sciences</u>								
Pender, Kelly	Assistant Professor	English	Reg	9	25-Oct-10	100	\$ 52,367	
Vollmer, James	Assistant Professor	English	Reg	9	25-Dec-10	100	\$ 44,000	

ADMINISTRATIVE AND PROFESSIONAL FACULTY

NEW APPOINTMENTS

NAME	TITLE	DEPARTMENT	REG or RSTR	Months	CURRENT ACTION			
					EFF DATE	% APPT	ANNUAL RATE	
							BASE	ONE-TIME
<u>Dean of Libraries</u>								
Walters, Tyler	Dean, University Libraries - Continued Appointment	Dean, University Libraries	Reg	12	15-Mar-11	100	\$ 180,000	
<u>President</u>								
Beamer, Shane	Associate Head Football Coach	Athletics	Reg	12	21-Feb-11	100	\$ 187,525	
Brown, Cornell	Assistant Football Coach	Athletics	Reg	12	21-Feb-11	100	\$ 187,525	
<u>Vice President for Information Technology</u>								
Campbell, Walter	Director, Professional Development and Innovative Initiatives - Tenured	Learning Technologies	Reg	12	21-Feb-11	100	\$ 93,000	

ADMINISTRATIVE AND PROFESSIONAL FACULTY**ADJUSTMENTS**

NAME	TITLE	DEPARTMENT	REG or RSTR	Months	CURRENT ACTION			
					EFF DATE	% APPT	ANNUAL RATE	
							BASE	ONE-TIME
<u>Liberal Arts & Human Sciences</u>								
Ridgewell, Diana	Director, Student Development	College of Liberal Arts & Human Sciences	Reg	12	10-Sep-10	100	\$ 72,111	
<u>President</u>								
Adair, Charles	Associate Head Coach, Women's Soccer	Athletics	Reg	12	16-Dec-10	100	\$	1,000
Ballein, John	Head Coach, Women's Soccer	Athletics	Reg	12	1-Jan-11	100	\$ 65,000	
	Associate AD, Football Operations		Reg	12	30-Dec-10	100	\$	5,000
Beamer, Franklin	Head Football Coach	Athletics	Reg	12	1-Feb-11	100	\$	25,000
			Reg	12	30-Dec-10	100	\$	50,000
							\$	25,000
							\$	505,168
			Reg	12	1-Feb-11	100	\$	17,500
			Reg	12	1-Feb-11	100	\$	75,000
Cagle, Kelly	Head Women's Soccer Coach	Athletics	Reg	12	16-Dec-10	100	\$	2,000
Cavanaugh, James	Recruiting Coordinator	Athletics	Reg	12	30-Dec-10	100	\$	6,000
			Reg	12	1-Jan-11	100	\$ 245,213	
							\$	30,000
							\$	30,000
	Director of Recruiting and High School Relations	Athletics	Reg	12	10-Mar-11	100	\$ 245,213	
	Associate AD, External Affairs		Reg	12	1-Feb-11	100	\$	6,000
East, Timothy	Associate AD, External Affairs	Athletics	Reg	12	1-Feb-11	100	\$	10,833
Ferguson, Jarrett	Director, Strength & Conditioning	Athletics	Reg	12	30-Dec-10	100	\$	7,500
Foster, Robert	Defensive Coordinator	Athletics	Reg	12	1-Jan-11	100	\$ 436,817	
			Reg	12	1-Feb-11	100	\$	55,000
Gabbard, Thomas	Associate AD, Internal Affairs	Athletics	Reg	12	1-Feb-11	100	\$	6,000
Garnes, Bruce	Football Operations Assistant	Athletics	Reg	12	16-Feb-11	100	\$	3,000
Gentry, Roy M	Assistant Athletic Director, Athletic Performance	Athletics	Reg	12	30-Dec-10	100	\$	5,000
			Reg	12	1-Jan-11	100	\$ 163,931	
			Reg	12	1-Feb-11	100	\$	25,000
			Reg	12	1-Feb-11	100	\$	1,750
Gilbert, Reyna	Assistant AD, Student Life	Athletics	Reg	12	1-Feb-11	100	\$	2,500
Goforth, Michael	Director of Athletic Training	Athletics	Reg	12	30-Dec-10	100	\$	13,375
			Reg	12	1-Feb-11	100	\$	5,000
Gray, Torrian	Assistant Football Coach	Athletics	Reg	12	30-Dec-10	100	\$	5,000
			Reg	12	1-Jan-11	100	\$ 158,647	
			Reg	12	1-Feb-11	100	\$	25,000
			Reg	12	10-Mar-11	100	\$ 187,525	

continued

ADMINISTRATIVE AND PROFESSIONAL FACULTY**ADJUSTMENTS**

NAME	TITLE	DEPARTMENT	REG or RSTR	Months	CURRENT ACTION			
					EFF DATE	% APPT	ANNUAL RATE	
							BASE	ONE-TIME
Greenberg, Seth	Head Men's Basketball Coach	Athletics	Reg	12	1-Dec-10	100	\$	290,477
Gwilliam, Ford	Assistant Women's Soccer Coach	Athletics	Reg	12	16-Dec-10	100	\$	1,000
Helms, Christopher	Associate AD, Olympic Sports	Athletics	Reg	12	1-Feb-11	100	\$	6,000
Hicks, Kevin	Director, Visual Communications	Athletics	Reg	12	1-Feb-11	100	\$	4,000
Hill, Rickey	Spirit Coach	Athletics	Reg	12	1-Feb-11	100	\$	2,000
Hite, William	Associate Head Coach	Athletics	Reg	12	30-Dec-10	100	\$	6,000
			Reg	12	1-Jan-11	100	\$ 280,044	
			Reg	12	1-Feb-11	100	\$	30,000
	Assistant to the Head Coach and Senior Advisor	Athletics	Reg	12	10-Mar-11	100	\$ 280,044	
Jaudon, Jon	Associate AD, Administration	Athletics	Reg	12	1-Feb-11	100	\$	6,000
Karlin, Lester	Equipment Manager	Athletics	Reg	12	30-Dec-10	100	\$	2,500
			Reg	12	1-Feb-11	100	\$	9,355
Marinello, Anthony	Assistant Band Director	Athletics	Reg	9	1-Feb-11	100	\$	4,000
McBride, Shelbylynn	Associate Head Volleyball Coach	Athletics	Reg	12	30-Dec-10	100	\$	1,000
			Reg	12	25-Jan-11	100	\$ 45,000	
McCloskey, Sharon	Sr. Associate AD/SWA	Athletics	Reg	12	1-Feb-11	100	\$	6,000
McKee, Dave	Band Director	Athletics	Reg	12	1-Feb-11	100	\$	6,000
Newsome, Curtis	Assistant Football Coach	Athletics	Reg	12	30-Dec-10	100	\$	5,000
			Reg	12	1-Jan-11	100	\$ 187,525	
			Reg	12	1-Feb-11	100	\$	25,000
O'Cain, Michael	Assistant Football Coach	Athletics	Reg	12	30-Dec-10	100	\$	5,000
			Reg	12	1-Jan-11	100	\$ 234,052	
			Reg	12	1-Feb-11	100	\$	25,000
Parker, Timothy	Sr. Assistant AD, Compliance	Athletics	Reg	12	1-Feb-11	100	\$	2,500
Riley, Christopher	Head Volleyball Coach	Athletics	Reg	12	30-Dec-10	100	\$	2,000
Rudd, Lisa	Assistant AD, Financial Affairs	Athletics	Reg	12	1-Feb-11	100	\$	3,000
Shepardson, Jolene	Assistant Volleyball Coach	Athletics	Reg	12	30-Dec-10	100	\$	1,000
Sherman, Kevin	Assistant Football Coach	Athletics	Reg	12	30-Dec-10	100	\$	5,000
			Reg	12	1-Jan-11	100	\$ 187,491	
			Reg	12	1-Feb-11	100	\$	25,000
Short, Keith	Coordinator, Strength & Conditioning	Athletics	Reg	12	1-Feb-11	100	\$	7,627
Smith, Clarence	Assistant AD, Ticketing Services	Athletics	Reg	12	1-Feb-11	100	\$	4,000
Smith, David	Assistant AD, Athletics Communication	Athletics	Reg	12	1-Feb-11	100	\$	4,000
Stinespring, Bryan	Offensive Coordinator	Athletics	Reg	12	30-Dec-10	100	\$	7,500
			Reg	12	1-Jan-11	100	\$ 324,056	
			Reg	12	1-Feb-11	100	\$	55,000

continued

ADMINISTRATIVE AND PROFESSIONAL FACULTY**ADJUSTMENTS**

NAME	TITLE	DEPARTMENT	REG or RSTR	Months	CURRENT ACTION			
					EFF DATE	% APPT	ANNUAL RATE	
							BASE	ONE-TIME
Weaver, James	Director of Athletics	Athletics	Reg	12	1-Feb-11	100		\$ 70,979
Wells, Jeremy	Assistant AD, Marketing/Promotion	Athletics	Reg	12	1-Feb-11	100		\$ 2,000
Wiles, Charles	Assistant Football Coach	Athletics	Reg	12	30-Dec-10	100		\$ 5,000
			Reg	12	1-Jan-11	100	\$ 226,439	
			Reg	12	1-Feb-11	100		\$ 25,000
<u>Veterinary Medicine</u>								
Jobst, Peter	Assistant Director of TRACSS for Facilities	Veterinary Medicine Experiment Station	Reg	12	25-Oct-10	100	\$ 68,736	
<u>Vice President for Administrative Services</u>								
Aughenbaugh, Jonette	Special Projects Coordinator	Human Resources	Reg	12	16-Nov-10	100	\$ 65,500	
McCoy, James	Chief of Staff - Facilities	Facilities Administration & Supervision	Reg	12	1-Jul-10	100	\$ 131,488	
Wehner, Kirk	Services/Interim Director Executive Director for Total Compensation	Human Resources	Reg	12	10-Dec-10	100	\$ 115,000	
<u>Vice President for Development</u>								
Corvin, Timothy	Senior Associate Vice President for Development and Principal Gifts	University Development	Reg	12	25-Oct-10	100	\$ 230,000	
Flanagan, Elizabeth	Vice President for Development & University Relations	Vice President for Development & University Relations	Reg	12	25-Oct-10	100	\$ 294,250	
Hincker, Lawrence	Associate Vice President for University Relations	University Relations	Reg	12	25-Oct-10	100	\$ 178,275	
Motley, Irene	Interim Director of Information Technology and Director of Development Research	University Development	Reg	12	19-Nov-10	100	\$ 80,300	
<u>Vice President for Diversity and Inclusion</u>								
Eley-Sanders, Karen	Associate Vice President for Academic Support Services	Diversity and Inclusion	Reg	12	10-Oct-10	100	\$ 110,000	
<u>Vice President for Research</u>								
Castle, Sarah	Human Resources Manager	Virginia Tech Carilion Research Institute	Reg	12	13-Dec-10	100	\$ 50,000	
Swift, Matthew	Director, Research Administrative Services	Research/Interdisciplinary Programs Administration	Reg	12	10-Oct-10	100	\$ 120,000	
<u>Vice President & Dean for Undergraduate Education</u>								
Brown, Kimberly	Director, Academic Advising	University Academic Advising	Reg	12	1-Oct-10	100	\$ 90,000	

SPECIAL RESEARCH FACULTY**NEW APPOINTMENTS**

NAME	TITLE	DEPARTMENT	REG or RSTR	Months	CURRENT ACTION			
					EFF DATE	% APPT	ANNUAL RATE	
							BASE	ONE-TIME
<u>Vice President for Research</u>								
Ramey, Craig	Research Professor and VTC Distinguished Research Scholar	Virginia Tech Carilion Research Institute	Reg	12	1-Feb-11	100	\$ 325,000	
Ramey, Sharon	Research Professor and VTC Distinguished Research Scholar	Virginia Tech Carilion Research Institute	Reg	12	1-Feb-11	100	\$ 325,000	

Board of Visitors Constituency Report- March Meeting

Undergraduate Student Representative Shane McCarty

Thank you Rector Nolen, President Steger, members of the board, and guests.

Since our last meeting, the student communities have continued living the University's Strategic plan by learning, discovering, and engaging in new ways.

Learning

The leaders from the Division of Student Affairs invited both Deepu and me to participate in their strengths-based retreat last month. The assessment provided each individual with five top strengths of the thirty-four possibilities. This tool enhances self-understanding and an appreciation for the diversity of strengths among a team, group, or department. When asking students: What are you good at? What are your strengths? It is not uncommon to hear a similar response: In high school, I was really good at sports, or math, or music, but in college, I just don't know. Many talented and high-performing students are no longer the star quarterback, standout mathematics wizard, or next-American idol. As the phrase goes, they were each the big fish in their small pond.

This fall, every Pritchard Hall student will take the strengths-based assessment, potentially changing the answer to the question: What are your strengths? But more importantly, it will start a new conversation: Where did your strengths come from? How have you developed them? Who helped you develop them? The conversation can help us understand the origins of our strengths, connect with individuals on a deeper level, and provide a belonging that leads to a heightened sense of community at Virginia Tech. A strengths-based approach contributes to the Division of Student Affairs learning aspirations by promoting curiosity, self-understanding, civility, courageous leadership, and Ut Prosim.

Discovering

There is already student excitement around a new curricular approach to engagement and inclusion. This fall, the Human Diversity & Community course will teach students the skills to live and serve in a diverse democracy by studying identity, taking different perspectives, connecting with others, and building community.

Engaging

The Pamplin College of Business sponsored the "Diversity Case Competition," which provided a real-world problem for students to solve: How could an organization create an appreciation for diversity? More than a dozen teams competed, providing a special opportunity to think critically and apply their academic knowledge.

To continue engaging students around diversity-related topics, the Charter for Inclusive Excellence has been established. The Charter consists of fifteen students, each providing a perspective of the "campus pulse" to the Vice President of Diversity and Inclusion while also promoting the Principles of Community as a way of life.

Dr. Paul Knox and Francis Keene have developed a diverse committee of students, administration, faculty and staff to participate in the university's strategic planning process. The student community is honored to provide our unique perspectives and help envision the future of Virginia Tech.

In my last report, I spoke about the pressing need for us to "Invent the Future" while approaching a new horizon of education. Two authors of the recent book *Academically Adrift* surveyed 2,300 students from a range of four-year colleges and universities. The results were striking. Forty-five percent of students "did not demonstrate any significant improvement in learning" during the first two years of college. "Gains in critical thinking, complex reasoning, and writing skills (i.e. general collegiate skills) are exceedingly small or empirically non-existent for a large proportion of students." "Less than 50% of seniors have completed over 20 pages of writing for a course in the prior semester." Last spring, data was collected from 1,106 Virginia Tech students about our Curriculum for Liberal Education (CLE). Results indicate that more than 45% of students surveyed felt the CLE did not improve their writing or oral communication skills at all. How can we prepare a citizen scholar for a new horizon without equipping them with basic skills, such as writing and presenting?

Fortunately, Dr. Wubah has addressed these CLE issues in his "Vision for Undergraduate Education" and the student feedback of this document is overwhelmingly positive. His conceptual framework and practical approaches to solving crucial student issues, such as advising and mentorship, are a true testament of his leadership and wisdom.

A plethora of student organizations have been hard at work. The Student Government Association continues to be active, passing resolutions in support of a new student center and sustainable vertical gardens. The Residence Hall Federation held a variety of educational, cultural, and social events for on-campus residents. Additionally, they are working with the Office of Residence Life to implement wireless internet in the residence halls. The Lesbian, Gay, Bisexual, Transgender, Alliance collaborated successfully with the Pre-Med students and African Students Association during AIDS Awareness week events last December.

In closing, I want to recognize the outstanding vision of President Steger, Dr. Paul Knox, and Dr. Daniel Wubah. Their inclusive approach to the university and undergraduate-strategic planning processes is appreciated. As always, I ask the board for their continued support in developing engaged leaders by promoting student engagement and university inclusion.

Rector Nolen, President Steger, Board members, and guests, it is with great pleasure that I will introduce next year's undergraduate student representative. Matt Banfield, a native of Williamsburg, Virginia, is a rising senior in Theatre Arts. His extracurricular involvement in class leadership, student government, student alumni associates, and hokie ambassadors demonstrate his commitment to improving our Virginia Tech community. I am honored by Matt's commitment to continue our engagement and

inclusion work beyond this year and assure you: He will be a great ambassador for this board and the undergraduate student body. Please join me in welcoming Matt Banfield.

March Board of Visitors Constituency Report

Graduate Representative to the Board of Visitors – Deepu George

Thank you, Rector Nolan. Good afternoon President Steger and Members of the Board. As we prepare to successfully closeout another year at Virginia Tech, let me update you on the synergies within the student community that continue to shape this land-grant institution.

With national mandates for an increase in # of degrees, and a push for innovation, coupled with lower value and support rendered by the state and federal governments, Virginia Tech finds itself at an interesting crossroad. As a community that has far outweighed the challenges of our times with resiliency and competency, the faculty, staff, administration, and student communities have begun defining the University's new strategic plan as the New Horizon. Shane and I would like to thank Dr. Paul Knox and Francis Keene for including the student voices in the development of this plan. In meeting the demands of our time, we must share the responsibility of inventing the New Horizon across the university and we must gather our collective competence to outweigh the challenges posed to us.

How resilient we can become in the face of adverse challenges is directly related to how well our resources facilitate connections. This is true across the university. With this in mind, the Transformative Graduate Education mission has always been a fertile ground for student innovation, social responsibility and leadership. Two components of Transformative Graduate Education are The Graduate Scholar Society and The Citizen Scholar Engagement Program.

The Graduate Scholar Society, led by graduate students, is composed of faculty, administrators, and community members in an inter-disciplinary group that explores real community issues. This society provides stronger relationships, mentoring, and innovation. The Citizen Scholar Engagement program, facilitating students to become more active servants to the community, encourages graduate students to connect their research with local issues. A group of students building a community park for a low-income area and a student instituting a program to curb alcohol in downtown are examples of projects by citizen scholars in the graduate school.

We have witnessed the birth and growth of innovative student organizations which promote the university's vision of learning and engaging. The *Inter-cultural Understanding Club* hopes to promote greater interaction between various international student groups with the local community and the university. *The Queer Grad and Allies* was formed earlier this year to develop stronger interconnectedness for the LGBT community at VT. *The Black Graduate Student Organization*, founded on the motto "Lifting as we climb," uses strength as their motivation for engagement. The talent and commitment these groups provide will make Virginia Tech a forerunner in the global competitive market.

The Graduate Student Assembly, the premier governing organization at V.T., continues to champion issues of graduate education and student life. We are currently in the process of gathering data to establish, plan, and promote childcare initiatives for student parents. The GSA continues to work closely with SGA on the transportation forum and it represented a

strong presence for Hokie day in January. The GSA, in collaboration with the Graduate School, celebrated the Graduate Education Week and the 27th Annual Research Symposium last week.

Perhaps the two most memorable moments of this Spring are the establishment of Iota Delta Rho, the first inter-disciplinary honor society in the nation and the Innovation Award received by the Graduate Life Center. Iota Delta Rho inducted its first members during Graduate Education Week and will hold the first IDR day on April 19th. IDR is a perfect example of student innovation and energy harnessed by a supportive administration at the Graduate School. IDR will give Virginia Tech a leading edge in inter-disciplinary education. The Graduate Life Center was sought out to be awarded the 2011 Outstanding Innovative Program award for the Graduate Life Center this spring by the Commission for Graduate and Professional Students (CGPSA). The award recognizes innovative programs that break new boundaries in serving graduate/professional students, achieve outstanding goals, or make a significant impact on the quality of the graduate/professional student experience. By keeping its promise to provide unique ways of building community, the GLC is attracting other institutions to follow V.T.'s lead.

As you know, Shane and I have partnered to enlist different sectors of the university. We applaud the new vision from the Division of Student Affairs for their strength-based learning outcomes. My hope is that we will see increased collaboration between the DSA and the graduate community, especially with projects like the Residential Colleges that will soon define student-faculty lives.

As we begin to define the hue, consistency, and strength of our New Horizon, may it be a beacon of hope for other learning institutions across the globe. As members of this community and students empowered by this university, Shane and I would like to leave you with the important message that student voices are critical. Our energies are the most valuable asset to this institution and we are ever ready to serve for the cause of education. As you lead the Hokie Nation to its limitless potential in the future, we the students, stand with you to make this journey memorable and inclusive in becoming a university of the 21st century.

Staff Senate Constituency Report
Virginia Tech Board of Visitors
March 27 & 28, 2010
Maxine Lyons, Staff Senate President

Rector Nolen, members of the Board of Visitors, President Steger, administrators, and guests:
I appreciate the opportunity to share with you some things that the Virginia Tech Staff Senate has been doing so far this year.

The Staff Senate continues collecting food for the local food pantry and the “Stuff a Backpack” program.

The Senate will hold elections this week for Senators to represent each Staff Association and assure that Staff Associations represent all employees. A Staff Association in Northern VA is still in the planning stage.

The McComas Leadership Committee has scheduled the annual McComas Leadership Seminar to be held on May 5, 2011. The theme for this year’s seminar is “Enhancing Your Sphere of Influence”. This seminar is open to all staff and is held on Reading Day each year. An associated ad-hoc committee, formed through the Commission on Staff Policies and Affairs (CSPA), has sent out communication to request nominees for the *Staff Leadership Award* for 2011-12. Winner(s) of this award will be presented at the Seminar in May.

A resolution to create a Staff Career Achievement Award has been written, presented to, and approved by the University Council. This award will allow retiring staff to have the opportunity to be recognized for their many years of dedicated work at the University. The first achievement awards will be presented in 2012 to staff members who retire in 2011 and will recognize up to five exemplary staff retirees with a cash award of \$1,000 each and with recognition at the annual Faculty/Staff Awards Dinner. Vice Presidents and Deans may nominate retiring staff members through a process supported by the Office of Human Resources. Some guidelines for this honor are: a minimum of ten years of service to Virginia Tech; outstanding performance in a position; demonstrated support of Virginia Tech programs; exceptional personal contributions to Virginia Tech; and active participation in university-wide activities.

Staff classes and staff training issues continue to be addressed by the Senate.

Some of the speakers that have addressed the Senate this year are: Dr. Hal Irvin, Associate Vice President for Human Resources; Dr. Alan Grant, Dean of the College of Agriculture and Life Sciences; Dr. Charles Steger, President of Virginia Tech; Dwight Shelton, Vice President for Finance & Chief Financial Officer; Steve Mouras, Director of Transportation and Campus Services; and Tim Hodge, University Budget Director. Student representatives have also presented to the Staff Senate about the Big Event and Hokie Helpers. Both events allow opportunities for staff to volunteer their time for community service through Virginia Tech.

So in closing, the topics discussed here have been to highlight most of the activities covered by the Staff Senate so far this year. I welcome any questions or comments that you might have regarding the staff here at VT.

Respectfully,

Maxine Lyons
President, Staff Senate

Virginia Tech Faculty Senate

Constituent Report to the Board of Visitors

Mike Ellerbrock, Senate President

March 28th 2011

Dear BOV Members,

I am pleased to update you on recent endeavors by our Faculty Senate:

I. Faculty Salary Disparities

Regarding the State budget, I wish to preface my remarks on behalf of our 1,400 faculty members with two comments: a) we are indeed grateful for our jobs, and b) we realize it could have been worse. Nevertheless, we have some concerns to share with you.

As you know, Gov. McDonnell's budget introduced a differential adjustment to faculty retirement contributions: VRS employees (1/3rd of our faculty) will receive a 5% pay increase commensurate with a 5% increase in their retirement deduction (a dollar-for-dollar offset); whereas, ORP employees (2/3rd of our faculty) receive neither adjustment. Faculty members are concerned about the long-term equity of the situation, which has several dimensions:

- Nominally, VRS faculty will receive a permanent 5% pay raise in their *gross* salary versus zero for ORP faculty, which superficially implies that one faculty member is more valued than another.
- Substantively, VRS and ORP faculty members' *net* pay will remain *almost* unchanged in the short term, since VRS faculty may rise into a higher Social Security tax bracket and incur higher benefit fees for VT Life Insurance.
- Longitudinally, VRS faculty will potentially receive higher future pay raises and significantly more retirement income based on a higher base salary; ORP benefits remain stagnant.
- Ultimately, VRS faculty members (along with other state employees) are burdened with financing the deficit in the state's retirement system via a fake pay raise, most of which must be funded by the University itself ... will this problem eventually lead to reduced VRS benefits?

In light of this odd situation, it is hard to compare the two systems, both of which have uncertain futures. Two aspects are clear:

- 1) Despite Gov. McDonnell's good intentions, an inequity not based on faculty performance has been injected into faculty compensation; and,

- 2) Employee confidence in government is diminished. For the State to propose changing the terms of the contract which brought us here constitutes a serious breach of trust.

We appreciate our administration's concerns and efforts to promote short and long term equity amongst a dedicated faculty.

II. Faculty Mentoring

Though VT has historically had a strong system for developing and reviewing faculty members for promotion and tenure, a challenge remains to make it more consistent and transparent. A number of faculty members assert each year that their department does not mentor junior faculty in an ongoing, proactive, direct and collegial atmosphere. The annual COACHE Survey results obtained by the Provost Office are enlightening and encouraging. Substantive progress at VT is evident regarding the criteria for earning tenure and promotion to associate professor, though some disparities remain across gender and race. However, the process and criteria for attaining the rank of professor remains inconsistent and problematic - a challenge about which our administration is aware and concerned. One strategy for improving the system is the current effort to revise and improve the process for evaluating teaching effectiveness via a holistic approach incorporating students' feedback, peer observation, and self-reflection.

III. Selection of New Integrated Communications System

We appreciate the efforts of colleagues in CNS to solicit input from Senators and Faculty at-large regarding selection of a new "phone" system, particularly CNS's positive response to Senate's request to move the demonstration site on campus to facilitate faculty and staff participation. The hard and soft technology offered by various vendors is quite impressive, with an amazing array of communication features. The acquisition and operating costs to departments are a concern.

IV. 2012-18 Strategic Planning

We appreciate the appointment of Dr. Sarah Karpanty, Senate Officer, to Co-Chair the Subcommittee on Organizational Structure & Flexibility. The Senate and Faculty at-large are committed to helping our robust institution chart its future.

On behalf of our faculty, thank you.

Mike