

MINUTES

November 26, 2018

The Board of Visitors of Virginia Polytechnic Institute and State University had a special meeting on Monday, November 26, 2018, at Virginia Tech's Richmond Office located at 11 South 12th Street in Richmond, Virginia.

Present

Mr. Edward H. Baine
Ms. Greta J. Harris
Mr. Charles T. Hill
Ms. Anna L. James
Mr. Mehmood S. Kazmi
Mr. L. Chris Petersen
Ms. Deborah Leigh Martin Petrine
Mr. Mehul P. Sanghani
Mr. Dennis H. Treacy (Rector)
Mr. Horacio A. Valeiras (Vice Rector)
Mr. Preston M. White

Absent

Ms. Letitia Long
Mr. Robert Mills
Mr. Jeff Veatch

Constituent Representatives:

Mr. Zo Amani, Graduate Student Representative
Ms. Rachel Iwicki, Undergraduate Student Representative
Mr. Robert Sebek, Staff Representative

Absent:

Dr. John Ferris, Faculty Representative

Also present were the following: President Timothy Sands, Ms. Kim O'Rourke, Mr. George Cooper, Ms. Kay Heidbreder, Ms. Elizabeth Hooper, Dr. Theresa Mayer, Mr. Mark Owczarski, Dr. Dwayne Pinkney, Dr. Brandy Salmon, Mr. Dwight Shelton, Ms. Tracy Vosburgh, Mr. Chris Yianilos

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Rector Treacy called the meeting to order at 12:38 p.m. and welcomed everyone. He stated that the objectives of the meeting were two-fold: First, to hear from the President and leadership team about the Innovation Campus, the nature of the university's agreement with the state and what it means for Virginia Tech and for the Commonwealth of Virginia. Second, to consider a resolution to amend and modify the comprehensive agreement for the Virginia Tech Carilion Research Institute Biosciences Addition in Roanoke, which would enable a significant cost savings.

Prior to the meeting, Board members were encouraged to view the presentation made by Stephen Moret, President and CEO of the Virginia Economic Development

Partnership (VEDP), on November 13, 2018, to the Virginia House Appropriations Committee, which is available to the public by a link on the House Appropriations Committee website:

<http://hac.state.va.us/Committee/files/2018/11-13-18%20Retreat/HQ2%20HAC%20briefing%2011-13-2018.pdf>

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The Innovation Campus Project

Overview and Financial Commitments - Rector Treacy and President Sands recapped the timeline and events to date. Fourteen months ago, the Commonwealth, through VEDP, sent out a call to the public universities. Virginia Tech answered the call and hired McKinsey and Company as a consultant. Virginia Tech's interface throughout has been Stephen Moret, President and CEO of VEDP. Initially, Theresa Mayer was Virginia Tech's lead, Dwight Shelton did the financial modeling, and Charlie Phlegar was involved to advise based on his prior involvement with the creation of Cornell Tech. Subsequently, Brandy Salmon became the principal contact for Stephen Moret, and more recently, Dwayne Pinkney, Cyril Clarke, Julia Ross, and Tracy Vosburgh have become involved with the project. The Government Relations team has been involved and will have an ongoing role in negotiations each year to ensure fulfillment of the agreement between the university and the state. It was imperative to keep details of the project and progress extremely confidential until Amazon revealed its decision on November 13.

To seed the project, Virginia Tech pledged \$250 million in non-general funds over 20 years; the university may establish specific internal philanthropic goals. The state pledged a matching amount of \$250 million, with about \$168 million of that amount going to the capital project.

Now that Amazon has announced its decision publicly, Virginia Tech needs to sign a new MOU with the City of Alexandria that is more detailed to supersede the initial agreement, and those conversations have already begun.

VEDP worked with Amazon to identify the specific degree areas in which Amazon is interested, which are: computer science, computer engineering, and systems engineering. The state has challenged us to fill not only Amazon's gap for talent, but that for industry overall in Virginia.

We expect intense competition and the need to search internationally for the faculty that will need to be hired with expertise in artificial intelligence and machine learning.

The new Potomac Yard metro station should help mitigate increased traffic. The campus will have a student housing component to address some of the student housing need.

Media and Communications - Tracy Vosburgh summarized the positive media coverage about the November 13 announcement; heightened awareness of Virginia

Tech is hoped to result in continually improving quality of students and faculty. The University Relations team was in a state of readiness. Their challenge going forward is to sustain positive coverage of all dimensions of Virginia Tech. A communications plan has been developed to communicate with internal and external constituents about the Innovation Campus and hopefully assuage concerns of some about potential for negative impacts on other areas of the university.

Higher Ed Package - Financial and Enrollment Modeling - Dwight Shelton described his team's work to develop financing and enrollment models. In doing so, he considered it important to keep the financial model simple and to ensure that requests for funding from the state were based on principles. Of the \$250 million committed by the state, approximately \$168 million would be spent on facilities and the remainder on enrollment growth and faculty-start-up packages. After the initial faculty recruitment effort, Virginia Tech would fund start-up packages from the revenue we expect to generate.

President Sands stated that one-year, non-thesis master's degrees would be offered at the Innovation Campus. Dwight Shelton noted that approximately 50 students are expected to be enrolled at facilities in Alexandria in temporary facilities beginning in fall 2019 and will increase each year, ultimately reaching an enrollment of 750. The campus is expected to produce at least 10,000 new master's degrees in computer science and related fields over 20 years. The enrollment mix is expected ultimately to be about 50 percent in-state and 50 percent out-of-state. State funding would be provided only for in-state students; state funding is not expected to fund doctoral students or post-doctoral fellows.

Undergraduate enrollment growth of 2000 (with a significant percentage expected in computer science) in Blacksburg was already planned, starting with approximately 100 students in fall 2019 and increasing each year. The enrollment mix is expected to remain at approximately 71 percent in-state and 29 percent out-of-state students. Since the computer science program is currently located in the Corporate Research Center, the university is talking with the Virginia Tech Foundation about the possibility of constructing another surge building while the university pursues funding from the state for a data sciences building. Construction may temporarily nudge the university above the five-percent debt ceiling, but the temporary increase is manageable.

Each institution will enter into an MOU with the state detailing its planned growth in enrollment and degree production in the targeted fields, with state funding provided initially based on the forecast and later based upon actual results relative to target enrollments and degrees. Additional master's degrees will be funded by the state only in Northern Virginia with Virginia Tech (producing two-thirds) and George Mason University (producing one-third); undergraduate enrollment expansions are expected to occur statewide.

Government Relations – Chris Yianilos explained that the primary responsibility for obtaining approval for the higher education package from the General Assembly will fall to Virginia Tech.

Project Implementation – Brandy Salmon is in the process of using best practices, based largely on experience with Cornell Tech and guidance from McKinsey and Company, to create a delivery team that will have a number of functional groups. Dr. Salmon will serve as the initial COO. Eventually, a permanent COO will be hired; real estate experience would be beneficial. It is expected that the permanent COO will likely be based in Northern Virginia.

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Motion to Begin Closed Session

Mr. Valeiras 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. Assignment of employees to the Innovation Campus project.
- 2. Discussion of real property acquisition in Northern Virginia.
- 3. Fundraising activities update.

all pursuant to the following subparts of 2.2-3711 (A), Code of Virginia, as amended, .1, .3, and .9

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

NOTE: Ms. Harris departed the meeting at 2:48 p.m. during closed session due to a scheduling conflict because the Board of Visitors meeting had been scheduled to end by 2:30 p.m.

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Motion to Return to Open Session

Following the Closed Session, members of the public were invited to return to the meeting. Rector Treacy called the meeting to order and asked Mr. Valeiras to make the motion to return to open session.

Mr. Valeiras 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. Kazmi and passed unanimously.

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Approval of the following resolution was moved by Mr. Valeiras, seconded by Mr. Petersen, and passed unanimously.

Resolution to Endorse Virginia Tech's Plan to Establish an Innovation Campus in Alexandria, Virginia

That the resolution reaffirming President Sands' binary star vision and endorsing the creation of the Virginia Tech Innovation Campus in Alexandria, Virginia, be approved. (Copy filed with the permanent minutes and marked Attachment A.)

The Board members present individually expressed their enthusiastic support. Rector Treacy stated that the Board is very supportive of the Innovation Campus and the benefits it will bring to the university not only in Northern Virginia, but also in Blacksburg and Roanoke, and is very pleased that the President's binary star vision is becoming a reality sooner than expected.

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Mr. Hill, chair of the Buildings and Grounds Committee, explained that the proposed changes to *Section 15: Payment Bonds, Performance Bonds, and Other Security* of the comprehensive agreement for the VTCRI Biosciences Addition would result in a cost savings of approximately \$800,000. Approval of the following resolution was moved by Mr. Hill, seconded by Mr. Valeiras, and passed unanimously.

Resolution to Amend and Modify the Comprehensive Agreement for the Virginia Tech Carilion Research Institute Biosciences Addition in Roanoke, Virginia, in Accordance With the Public-Private Education Facilities and Infrastructure Act (PPEA) of 2002

That the resolution to amend and modify the Comprehensive Agreement with Carilion Clinic to construct the VT Carilion Research Institute Biosciences Addition at the Riverside Center in Roanoke, Virginia, as provided by the PPEA and to authorize the Vice President for Operations, his successors and/or assigns, to execute the Amendment to the Comprehensive Agreement forthwith be approved. (Copy filed with the permanent minutes and marked Attachment B.)

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There was no public comment period.

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The date of the next regular meeting is March 31-April 1, 2019, in Blacksburg, Virginia.

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Following a motion by Mr. Kazmi and second by Mr. Baine, the meeting was adjourned at 3:07 p.m.

Dennis H. Treacy, Rector

Kim O'Rourke, Secretary