

Financial Performance Report - Operating and Capital

FINANCE AND AUDIT COMMITTEE

July 1, 2016 to March 31, 2017

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 commitments to buy goods and services as encumbrances when obligated and as an expenditure 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 coordinates with the Department of Planning and Budget to ensure appropriations are reflected accurately.

The July to March 2016-17 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
2016-17

Attachment V

Dollars in Thousands

	July 1, 2016 to March 31, 2017			Annual Budget for 2016-17		
	Actual	Budget	Change	Original	Adjusted	Change
Educational and General Programs						
<u>University Division</u>						
<u>Revenues</u>						
General Fund	\$129,225	\$129,225	\$0	\$166,480	\$163,376	\$-3,104 (9)
Tuition and Fees	\$474,912	\$473,487	\$1,425 (1)	\$480,035	\$478,450	\$-1,585 (10)
All Other Income	\$27,633	\$30,348	\$-2,715 (2)	\$41,544	\$42,277	\$733 (11)
Total Revenues	\$631,770	\$633,060	\$-1,290	\$688,059	\$684,103	\$-3,956
<u>Expenses</u>						
Academic Programs	\$-321,907	\$-320,664	\$-1,243 (3)	\$-428,056	\$-425,940	\$2,116
Support Programs	\$-175,559	\$-175,141	\$-418 (4)	\$-260,003	\$-258,163	\$1,840
Total Expenses	\$-497,466	\$-495,805	\$-1,661	\$-688,059	\$-684,103	\$3,956 (9,10,11)
NET	\$134,304	\$137,255	\$-2,951	\$0	\$0	\$0
<u>CE/AES Division</u>						
<u>Revenues</u>						
General Fund	\$54,906	\$54,906	\$0	\$70,301	\$69,405	\$-896 (12)
Federal Appropriation	\$8,895	\$11,174	\$-2,279 (5)	\$15,640	\$15,640	\$0
All Other Income	\$963	\$846	\$117	\$933	\$1,063	\$130 (13)
Total Revenues	\$64,765	\$66,926	\$-2,162	\$86,874	\$86,108	\$-766
<u>Expenses</u>						
Academic Programs	\$-62,739	\$-63,376	\$637	\$-80,047	\$-79,281	\$766
Support Programs	\$-5,072	\$-5,044	\$-28	\$-6,827	\$-6,827	\$0
Total Expenses	\$-67,811	\$-68,420	\$609	\$-86,874	\$-86,108	\$766 (12,13)
NET	\$-3,046	\$-1,494	\$-1,553	\$0	\$0	\$0
Auxiliary Enterprises						
Revenues	\$278,277	\$279,746	\$-1,469 (6)	\$320,175	\$325,024	\$4,849 (6)
Expenses	\$-240,165	\$-246,812	\$6,647 (6)	\$-311,278	\$-341,602	\$-30,324 (6)
Reserve Drawdown (Deposit)	\$-38,112	\$-32,934	\$-5,178 (6)	\$-8,897	\$16,578	\$25,475 (6)
NET	\$0	\$0	\$0	\$0	\$0	\$0
Sponsored Programs						
Revenues	\$221,415	\$252,817	\$-31,402 (7)	\$341,952	\$341,952	\$0
Expenses	\$-231,731	\$-280,923	\$49,192 (7)	\$-341,952	\$-341,952	\$0
Reserve Drawdown (Deposit)	\$10,316	\$28,106	\$-17,790	\$0	\$0	\$0
NET	\$0	\$0	\$0	\$0	\$0	\$0
Student Financial Assistance						
Revenues	\$22,729	\$23,168	\$-439	\$21,712	\$23,264	\$1,552 (14,15)
Expenses	\$-22,115	\$-23,262	\$1,147	\$-21,712	\$-23,264	\$-1,552 (14,15)
Reserve Drawdown	\$0	\$0	\$0	\$0	\$0	\$0
NET	\$614	\$-94	\$708	\$0	\$0	\$0
All Other Programs *						
Revenue	\$5,379	\$5,136	\$243	\$9,253	\$6,807	\$-2,446 (16)
Expenses	\$-3,185	\$-4,116	\$931 (8)	\$-9,253	\$-7,316	\$1,937 (16)
Reserve Drawdown (Deposit)	\$-2,194	\$-1,020	\$-1,174 (8)	\$0	\$509	\$509 (16)
NET	\$0	\$0	\$0	\$0	\$0	\$0
Total University						
Revenues	\$1,224,335	\$1,260,853	\$-36,519	\$1,468,025	\$1,467,258	\$-767
Expenses	\$-1,062,473	\$-1,119,338	\$56,865	\$-1,459,128	\$-1,484,345	\$-25,217
Reserve Drawdown (Deposit)	\$-29,990	\$-5,848	\$-24,142	\$-8,897	\$17,087	\$25,984
NET	\$131,872	\$135,667	\$-3,796	\$0	\$0	\$0

* All Other Programs include federal work study, alumni affairs, surplus property, and unique military activities.

OPERATING BUDGET

1. Tuition and Fee revenue collections are ahead of historical projections due to timing of tuition collections.
2. Activity levels are lower than projected in Continuing Education programs.
3. Academic program expenditures are higher than projected due to costs associated with the establishment of new academic programs and improvements to classroom and lab space.
4. Support program expenditures are higher than projected due to library journal and database inflation and the timing of university library serial payments.
5. The budget for federal revenue is established to match projected allotments from the federal government that are expected to be drawn down during the state fiscal year. All expenses in federal programs are covered by drawdowns of federal revenue up to allotted amounts. Federal revenue in the Cooperative Extension/Agriculture Experiment Station Division was less than the projected budget due to the timing of federal drawdowns.
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 research revenues and expenses are less than projected. Total sponsored research expenditures are 0.8% below March 31, 2016 due to lower federal grant and contract activity in the first three quarters.
8. Expenses for All Other Programs were less than projected due to timing of surplus property expense activity.
9. The General Fund revenue budget was reduced \$2.7 million primarily due to the removal of the General Fund share of the planned compensation program and reduced \$400,000 due to the state's withholding of E&G nongeneral fund interest earnings. The corresponding expenditure budgets have been adjusted accordingly.
10. The annual budget for Tuition and Fees has been decreased \$5.7 million for the finalization of the budgets for tuition and E&G fees, driven primarily by a refinement in projected enrollment growth and increased \$4.2 million in the third quarter for stronger than projected spring retention and earmarked fee revenue. The corresponding expenditure budgets have been adjusted accordingly.
11. The All Other Income revenue budget for the University Division has been increased \$935,800 for budget finalizations in Sales and Services and Continuing Education, \$450,000 for Equine Medical Center Revenues, \$63,772 for Va Racing Revenue, \$110,000 for stronger than projected milk sales, and \$145,500 for revenue associated with the establishment of the Executive Briefing Center ancillary. The Veterinary Teaching Hospital revenues were decreased \$932,000 due to the closure of the Roanoke Referral Clinic and \$20,000 due to lower than projected cattle sales. The corresponding expenditure budgets have been adjusted accordingly.
12. The General Fund revenue budget was decreased \$895,368 primarily due to the removal of the General Fund share of the planned compensation program. The corresponding expenditure budgets have been adjusted accordingly.
13. The self-generated revenue budget increased \$130,000 for greater than projected self generated revenues. The corresponding expenditure budgets have been adjusted accordingly.
14. The General Funds revenue and expense budgets for Student Financial Assistance were increased \$383,589 for the Two-Year College Transfer Grant and \$88,411 for the VA Military Survivors and Dependent Program based on a projection of annual activity. The revenue and expense budgets were increased \$20,000 for the Cybersecurity Public Service Scholarship Program for students pursuing an education in programs specifically designed for careers in cybersecurity defense.
15. The Student Financial Aid revenue and expense budgets for Non-General Funds were increased \$770,000 during budget finalizations and \$289,823 for a technical accounting change.
16. The projected annual budgets for All Other Programs was decreased \$2.4 million to finalize budgets and realignment of Alumni Affairs. The expense budget was increased \$511,174 for outstanding 2015-16 commitments that were initiated but not completed before June 30, 2016.

**UNIVERSITY DIVISION
AUXILIARY ENTERPRISES**

Attachment V

Dollars in Thousands

	July 1, 2016 to March 31, 2017			Annual Budget for 2016-17		
	Actual	Budget	Change	Original	Adjusted	Change
Residence and Dining Halls *						
Revenues	\$107,523	\$107,651	\$-128	\$116,762	\$115,983	\$-779 (7)
Expenses	-78,501	-79,758	1,257 (1)	-111,989	-118,076	-6,087 (7,8,9,10)
Reserve Drawdown (Deposit)	-29,022	-27,893	-1,129 (1)	-4,773	2,093	6,866 (7,8,9,10)
Net	\$0	\$0	\$0	\$0	\$0	\$0
Parking and Transportation						
Revenues	\$11,778	\$11,964	\$-186 (2)	\$13,858	\$13,654	\$-204 (11)
Expenses	-8,632	-8,905	273 (2)	-13,585	-13,770	-185 (8,9,10,11)
Reserve Drawdown (Deposit)	-3,146	-3,059	-87 (2)	-273	116	389 (8,9,10,11)
Net	\$0	\$0	\$0	\$0	\$0	\$0
Telecommunications Services						
Revenues	\$17,365	\$17,328	\$37	\$19,498	\$20,795	\$1,297 (12)
Expenses	-15,305	-15,363	58	-18,494	-21,963	-3,469 (8,9,10,12)
Reserve Drawdown (Deposit)	-2,060	-1,965	-95	-1,004	1,168	2,172 (8,9,10,12)
Net	\$0	\$0	\$0	\$0	\$0	\$0
University Services * **						
Revenues	\$46,125	\$45,924	\$201	\$46,680	\$46,695	\$15 (13)
Expenses	-33,929	-34,534	605 (3)	-45,875	-47,812	-1,937 (8,9,10,13)
Reserve Drawdown (Deposit)	-12,196	-11,390	-806 (3)	-805	1,117	1,922 (8,9,10,13)
Net	\$0	\$0	\$0	\$0	\$0	\$0
Intercollegiate Athletics *						
Revenues	\$55,217	\$55,070	\$147	\$66,146	\$71,089	\$4,943 (14)
Expenses	-65,207	-65,248	41	-65,848	-80,205	-14,357 (8,9,10,14)
Reserve Drawdown (Deposit)	9,990	10,178	-188	-298	9,116	9,414 (8,9,10,14)
Net	\$0	\$0	\$0	\$0	\$0	\$0
Electric Service *						
Revenues	\$23,890	\$24,781	\$-891 (4)	\$34,627	\$34,274	\$-353 (15)
Expenses	-22,611	-25,295	2,684 (4)	\$-34,067	-34,333	-266 (8,9,10,15)
Reserve Drawdown (Deposit)	-1,279	514	-1,793 (4)	-560	59	619 (8,9,10,15)
Net	\$0	\$0	\$0	\$0	\$0	\$0
Inn at Virginia Tech/Skelton Conf. Center						
Revenues	\$7,901	\$8,290	\$-389 (5)	\$11,728	\$11,728	\$0
Expenses	-9,398	-9,577	179 (5)	-11,638	-11,933	-295 (8,9,10)
Reserve Drawdown (Deposit)	1,497	1,287	210 (5)	-90	205	295 (8,9,10)
Net	\$0	\$0	\$0	\$0	\$0	\$0
Other Enterprise Functions ***						
Revenues	\$8,478	\$8,738	\$-260 (6)	\$10,876	\$10,806	\$-70 (16)
Expenses	-6,582	-8,132	1,550 (6)	-9,782	-13,510	-3,728 (8,9,10,16)
Reserve Drawdown (Deposit)	-1,896	-606	-1,290 (6)	-1,094	2,704	3,798 (8,9,10,16)
Net	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL AUXILIARIES						
Revenues	\$278,277	\$279,746	\$-1,469	\$320,175	\$325,024	\$4,849
Expenses	-240,165	-246,812	6,647	-311,278	-341,602	-30,324
Reserve Drawdown (Deposit)	-38,112	-32,934	-5,178	-8,897	16,578	25,475
Net	\$0	\$0	\$0	\$0	\$0	\$0

* The Dormitory and Dining Hall System, University Services System, Intercollegiate Athletics System, and Electric Service System constitutes the University Systems. These Systems were created to provide assurance to bond holders that system revenues are pledged for the payment of debt service and to allow for dedicated repair and replacement that are not subject to liens of any creditor of the university.

** University Services System includes Career Services, Center for the Arts, Health Services, Recreational Sports, Student Centers & Activities, Student Organizations, and the VT Rescue Squad.

*** Other Enterprise Functions include Golf Course, Hokie Passport, Library Café, Library Photocopy, Licensing & Trademark, Little Hokie Hangout, New Student and Family Programs, Pouring Rights, Printing Services, Software Sales, and Tailor Shop.

AUXILIARY ENTERPRISE BUDGET

1. Expenses in Residence and Dining Halls are lower than projected due to timing of operating and project expenses.
2. Revenues and expenses in Parking and Transportation Services are lower than projected due to lower than forecasted Fleet Services business volume.
3. Expenses for the University Services System are lower than projected due to the timing of expenses.
4. Revenue and expenses for the Electric Service auxiliary are lower than projected due to lower than anticipated electricity consumption. Expenses are also lower than projected due to lower than forecasted total cost of purchased electricity and unrelated business income tax expenses.
5. Revenues and expenses for the Inn at Virginia Tech and Skelton Conference Center are lower than projected due to lower than forecasted business activity.
6. Revenues and expenses for Other Enterprise Functions are lower than projected due to lower than forecasted Printing Services business volume. Expenses are also lower than projected due to timing of operating expenses.
7. The projected annual revenue, expense, and reserve budgets for Residence and Dining Halls were adjusted for increased facility use agreement revenues, decreased Steger Center fall enrollment, decreased meal plan sales and food costs of \$640,000, and increased \$324,000 for Innovation and Creativity dorm planning expenses.
8. The projected annual expense budget for Auxiliary Enterprises was adjusted for \$10.5 million in outstanding 2015-16 commitments and projects that were initiated but not completed before June 30, 2016. This amount includes \$703,512 for Athletics, \$3.6 million for Residence Halls, \$2.6 million in Dining Hall commitments and projects, and \$598,048 for Electric Service. The remainder is spread across the other auxiliary programs.
9. The projected annual expense and reserve budgets for the Auxiliary Enterprises were decreased \$596,057 to reduce the placeholder budgets for compensation and fringe benefits to final amounts.
10. The projected annual expense and reserve budgets for the Auxiliary Enterprises were increased \$693,484 for the auxiliary share of the state's assessment of a one-time Virginia Retirement System (VRS) investment in 2015 which lowered future VRS actuarial rates.
11. The projected annual revenue, expense, and reserve budgets for Parking and Transportation Services were decreased for reduced parking permit volume and self-generated revenue as well as a reduced Blacksburg Transit contract expense. The expense and reserve budgets were adjusted for increased parking facility maintenance.
12. The projected annual revenue, expense, and reserve budgets for Telecommunications Services were increased \$1.3 million for infrastructure projects and expense budget increased \$1.8 million for network equipment refreshment.
13. The projected annual revenue, expense, and reserve budgets for the University Services System were adjusted for increased Rescue Squad revenues, an additional counselor position in the Cook Counseling Center, expanded student center wage support and Cultural Center renovations, career services mentoring position, additional student health counseling space, increased alcohol education business volume, and increased \$190,000 for Rescue Squad ambulance replacement.
14. The projected annual revenue budget for Intercollegiate Athletics was increased \$4.9 million to accommodate additional revenue of \$791,000 for the football team's participation in the Belk Bowl and ACC Football Championship, \$93,000 for football revenue, \$462,000 self-generated revenue, \$3.3 million in private fundraising for Indoor Practice Facility, and \$338,000 Baseball Facility private gifts. Annual expense and reserve draw budgets were increased \$13.6 million to accommodate \$2.7 million for coaching staff transitions, athletic contracts, and competitive compensation, \$2.2 million for ACC Football Championship and Belk Bowl expenses, \$1.5 million for sports expenses, \$1.1 million for operating expenses, \$338,000 for debt service expenses, and \$5.6 million for capital projects including Rector Field House and Indoor Practice Facility.
15. The projected annual revenue and expense budgets for the Electric Services auxiliary were decreased for reduced 2016-17 cost of wholesale electricity and the associated reduction in customers rates. The expense budget was increased for an additional Electrical Engineer position.
16. The projected annual revenue, expense, and reserve budgets for Other Enterprise Functions were increased for internal financings, scholarship expenses in Licensing and Trademark, Library Photocopy equipment, and decreased for lower than expected activity level in Hokie Camp, Tailor Shop, and Printing Services.

**CAPITAL OUTLAY PROJECTS
AUTHORIZED AS OF MARCH 31, 2017**

Dollars in Thousands

PROJECT INITIATED	CURRENT YEAR			TOTAL PROJECT BUDGET					
	ORIGINAL ANNUAL BUDGET	REVISED ANNUAL BUDGET	YTD EXPENSES	STATE SUPPORT	NONGENERAL FUND	REVENUE BOND	TOTAL BUDGET	CUMULATIVE EXPENSES	
Educational and General Projects									
<u>Educational and General Maintenance Reserve</u>									
Maintenance Reserve	On-going	9,100	7,500	4,513	10,578	0	0	10,578	4,513 (1)
<u>Design Phase</u>									
Improve Kentland Facilities	Sep 2013	4,500	500	200	8,618	0	0	8,618	881 (2)
Corps Leadership & Military Science Building	Dec 2015	1,920	706	649	0	2,100	0	2,100	1,374 (3)
Planning: Renovate Undergraduate Science Laboratories	Jul 2016	0	600	113	0	600	0	600	113 (4)
Agriculture Production Facilities	Oct 2016	1,120	200	15	22,136	0	0	22,136	15 (5)
Chiller Plant Phase II	Oct 2016	2,000	200	29	31,024	9,797	0	40,821	29 (6)
Health Sciences & Technology	Oct 2016	3,380	200	0	48,307	23,793	0	72,100	0 (7)
Holden Hall Renovation	Oct 2016	3,670	2,000	811	44,386	17,500	0	61,886	811 (8)
<u>Construction Phase</u>									
Academic Buildings Renewal	Sep 2013	13,500	5,000	1,080	27,389	4,466	0	31,855	3,509 (9)
Address Fire Alarm Systems and Access	Jun 2014	2,751	1,600	1,060	4,891	0	0	4,891	3,086 (10)
Biocomplexity Data Center	Sep 2015	4,800	4,800	3,233	0	5,900	0	5,900	3,558 (11)
Eastern Shore AREC Storage Building	Apr 2016	26	425	45	0	535	0	535	45 (12)
<u>Close-Out</u>									
Classroom Building	Dec 2012	8,530	10,641	9,457	42,652	0	0	42,652	41,468 (13)
Property Acquisition: West Roanoke Street	Nov 2016	0	550	550	0	550	0	550	550 (14)
TOTAL		55,297	34,922	21,755	239,981	65,241	-	305,222	59,952

Educational and General Projects

1. The total project budget amount reflects the balance of maintenance reserve appropriation carried forward from fiscal year 2016 and the state's fiscal year 2017 allocation of \$9.038 million of Maintenance Reserve funds. The budget was adjusted in the third quarter to reflect expected cash outflows for fiscal year 2017.
2. This project is to provide a metabolism research laboratory, an applied reproduction facility, and a building for animal demonstration, handling, and holding spaces. The state authorized design funding effective July 2013 and construction funding effective July 2015. The \$8.618 million amount reflects the total project less equipment funding which is allocated separately after the start of construction. The early site package for the Applied Reproduction Facility is complete and working drawings are complete for the remainder of the project. Construction bids exceed the budget by \$1.4 million. Value engineering efforts have identified \$840,000 of savings and the university is exploring options to move forward with the project without negative impact to the programs. The budget was adjusted in the third quarter to reflect expected cash outflows for fiscal year 2017.
3. This project planned a new 75,460 gross square foot Corps Leadership and Military Science Building to be located in the northern portion of the existing Upper Quad near Lane Hall. The facility envisions a centralized and consolidated home to the wide range of Corps of Cadets and ROTC programs currently dispersed around the northern area of campus. Preliminary Design is complete, and the project will be put on hold pending completion of its funding plan.
4. This project is to plan for the renovations of up to ten undergraduate laboratories within Derring and Hahn Halls that are needed to accommodate the increased demand for introductory undergraduate science laboratory classes in biology, chemistry, physics, and microbiology. Schematic design is complete and preliminary design is underway.
5. This project is for the first of two phases of the existing facilities renewal for the livestock and poultry programs. This first phase includes an approximate total scope of 126,000 gross square feet of new and renovated facilities at the Blacksburg campus and three nearby university production and research farms. An A/E firm has been selected and schematic design is underway. The budget was adjusted in the third quarter to reflect expected cash outflows for fiscal year 2017.
6. This project continues the strategic infrastructure advancements initiated by the Chiller Plant, Phase I project. This Phase II project includes the upgrade of campus utility systems and addresses several strategic needs for shifting the campus to a lower resource consuming cooling service. An A/E firm has been selected and schematic design is underway. The budget was adjusted in the third quarter to reflect expected cash outflows for fiscal year 2017.
7. This project calls for a Public Private Partnership delivery located adjacent to the existing Virginia Tech-Carilion Research Institute facility in Roanoke, Virginia. The 105,000 gross square foot building will serve as a fully operational and contained biomedical research and education facility. The budget was adjusted in the third quarter to reflect expected cash outflows for fiscal year 2017.
8. This project is for the renovation and expansion of Holden Hall to accommodate the instruction and research programs of Material Science Engineering, Mining/Mineral Engineering, and Computer Science Engineering. The final project would be 101,000 gross square feet of engineering instruction and research space. Schematic design is underway.
9. This project is for the renovation of three academic buildings located in the core of main campus bordering the Drillfield: Davidson Hall-Front Section, Sandy Hall, and the Liberal Arts Building. The state authorized design funding effective July 2013 and construction funding effective July 2015. The \$31.8 million amount reflects the total project including a \$4.5 million nongeneral fund supplement for a cost overrun. The \$31.8 million does not include equipment funding which is allocated separately after the start of construction. The project is under construction with substantial completion expected in spring 2018. The budget was adjusted in the third quarter to reflect expected cash outflows for fiscal year 2017.
10. This project will support progress on fire alarm systems and accessibility improvements for several E&G buildings. The implementation plan calls for improvements to be executed in multiple packages, and construction funding will be released on a package-by-package basis. The State has appropriated \$4.89 million of General Fund resources for the total project budget of which \$4.26 million has been committed to the following projects underway or completed: Food Science and Technology Building, Architecture Annex, Wallace Annex, War Memorial Hall, Lane Hall, Whittemore Hall, Patton Hall, Randolph Hall, and Norris Hall. The budget was adjusted in the third quarter to reflect expected cash outflows for fiscal year 2017.
11. This project will establish a new high performance data center within the existing Biocomplexity Institute's facilities. Construction is nearly complete and the data center is expected to be put in use by June 2017.
12. This project is for a new equipment maintenance building for the Eastern Shore Agriculture Research and Extension Center (AREC). The facility's program provides space to store and secure modern research equipment on-site. The project is under construction with substantial completion expected in July 2017.
13. The project is complete and has been occupied since August 2016. The project may be closed and financial accounts terminated when final invoices are received and paid and completion of the authorized scope has been verified by the Chief Facilities Officer.
14. This capital property acquisition project was added after being approved by the Board of Visitors at the November 2016 meeting. The transaction was completed in March 2017, and the project will be closed and financial accounts terminated at the end of the fiscal year.

Capital Outlay Projects Authorized as of March 31, 2017 (Continued)

Dollars in Thousands

PROJECT INITIATED	CURRENT YEAR			TOTAL PROJECT BUDGET					
	ORIGINAL ANNUAL BUDGET	REVISED ANNUAL BUDGET	YTD EXPENSES	STATE SUPPORT	NONGENERAL FUND	REVENUE BOND	TOTAL BUDGET	CUMULATIVE EXPENSES	
Auxiliary Enterprises Projects									
<u>Auxiliary Maintenance Reserve</u>									
Maintenance Reserve	On-going	7,000	7,000	5,261	0	7,000	0	7,000	5,261 (1)
<u>Design Phase</u>									
Planning: Student Wellness Services	Jun 2016	2,000	400	225	0	0	2,785	2,785	225 (2)
O'Shaughnessy Renovation	Apr 2016	1,720	1,720	1,495	0	1,750	0	1,750	1,498 (3)
Planning: Creativity & Innovation District Residence Hall	Oct 2016	0	304	176	0	0	26,818	26,818	176 (4)
<u>Construction Phase</u>									
Unified Communications & Network Renewal	Apr 2012	3,386	1,350	819	0	9,564	6,944	16,508	14,722 (5)
Upper Quad Residential Facilities	May 2013	24,905	19,700	16,310	0	35,671	53,729	89,400	80,842 (6)
Lane Substation Expansion	Sept 2015	4,000	500	288	0	2,000	4,500	6,500	724 (7)
Athletic Facilities Improvements	Aug 2016	2,700	5,000	2,635	0	37,500	0	37,500	3,358 (8)
<u>Close-Out</u>									
Airport Hangar	Apr 2015	514	100	95	0	2,520	0	2,520	1,838 (9)
East Eggleston Renovation	Aug 2015	0	0	0	0	2,500	0	2,500	2,196 (10)
Residential Door Access Improvements	Dec 2015	3,368	3,600	3,512	0	7,735	0	7,735	6,896 (11)
<u>On Hold and Not Funded</u>									
Parking Blanket Authorizations Balance	Jul 2002	0	0	0	0	0	16,547	16,547	0 (12)
Phase IV of Oak Lane Community (Houses 2 - 5)	Aug 2010	0	0	0	0	0	17,518	17,518	0 (13)
TOTAL		49,593	39,674	30,816	0	106,240	128,841	235,081	117,735
GRAND TOTAL		<u>\$ 104,890</u>	<u>\$ 74,596</u>	<u>\$ 52,570</u>	<u>\$ 239,981</u>	<u>\$ 171,481</u>	<u>\$ 128,841</u>	<u>\$ 540,303</u>	<u>\$ 177,687</u>

RECOMMENDATION:

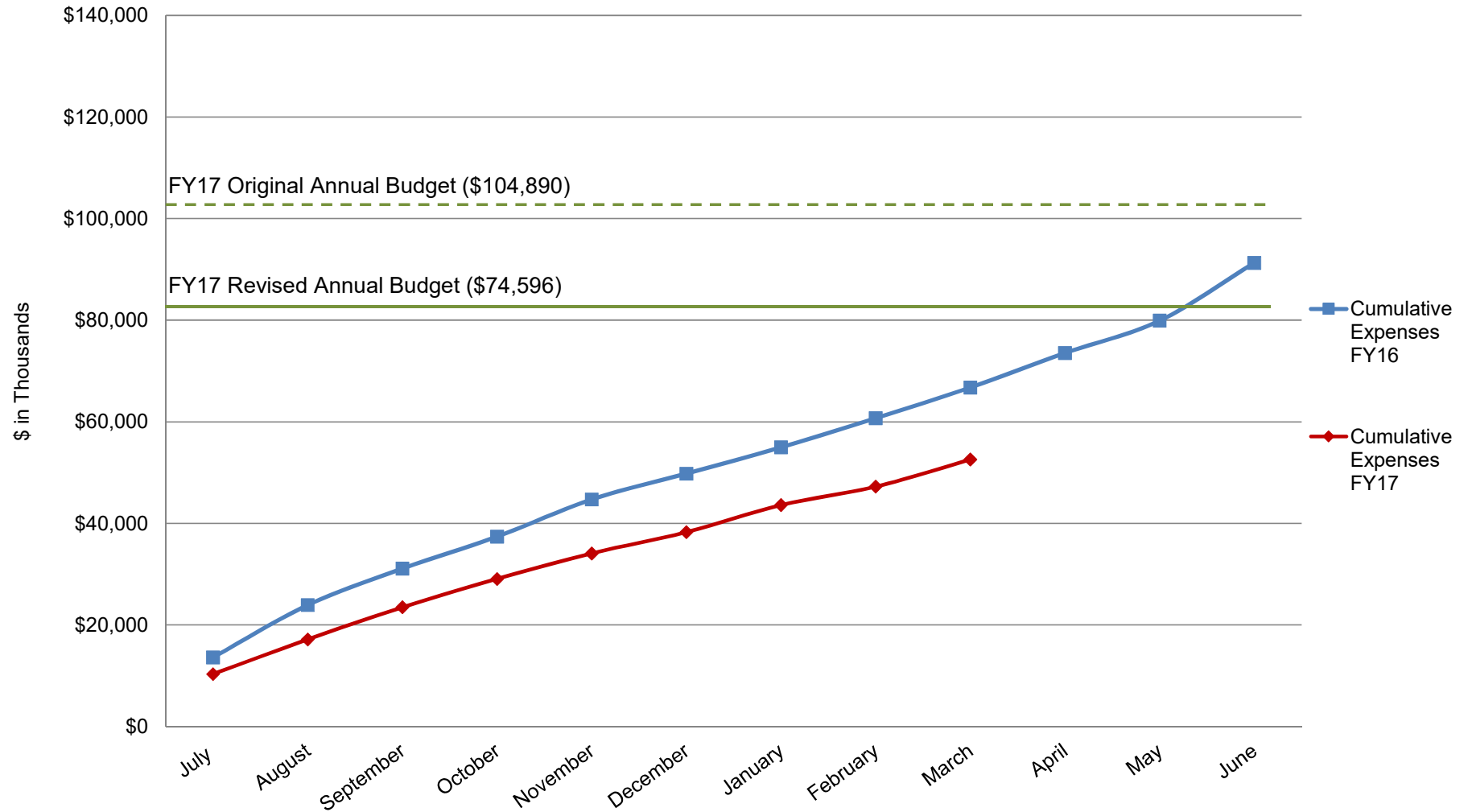
That the report of income and expenditures for the University Division and the Cooperative Extension/Agricultural Experiment Station Division for the period of July 1, 2016 through March 31, 2017 and the Capital Outlay report be accepted.

June 5, 2017

1. Projects are scheduled and funded by the auxiliary enterprises during the annual Auxiliary Enterprise budgeting process. The units prepare five-year plans that outline their highest priority deferred maintenance needs. The annual budget and total budget reflect the spending plans of the auxiliary units on scheduled maintenance reserve work for fiscal year 2017. The auxiliary maintenance reserve program covers 104 assets with a total replacement value of \$1.1 billion.
2. This project, as authorized at the March 2016, Board of Visitors meeting, is to explore alternatives and prepare design documents for an expanded, comprehensive student wellness services solution to meet student expectations. The budget was adjusted in the third quarter to reflect expected cash outflows for fiscal year 2017.
3. This project will plan updates to O'Shaughnessy Hall's interior; mechanical, electrical, and plumbing systems; elevators; address other deferred maintenance items as needed; and installing air conditioning. Improvements include converting O'Shaughnessy into a living-learning community to modernize the residential program within the building. Construction is anticipated to start late spring 2017 with occupancy occurring fall 2018. The budget was adjusted in the third quarter to reflect construction approval at the April Board meeting.
4. The original project was over budget and has been on hold for several years while the university explored alternatives. A programming study is underway for a new residential hall in the living-learning community model focused on academic collaborative spaces to support creativity and innovation activities and the athletics program. The programming study will include a review of required utilities, mechanical, electrical, and plumbing components, and a cost review. The authorization will need adjustment based on the results of the programming study.
5. This project includes improvements to four complementary communication infrastructure components. The four components include a unified communications system, upgrading the Internet Protocol (IP) Network, upgrading the cable plant, and upgrading equipment rooms in various facilities. This project is being implemented in phases and is anticipated to be complete in spring 2018. The total expected costs are \$16.5 million. The budget was adjusted in the third quarter to reflect expected cash outflows for fiscal year 2017.
6. This project replaces Rasche and Brodie with two new residential facilities and razes Thomas and Monteith, effectively modernizing 1,000 beds in the residential inventory. Construction is almost complete for the second residence hall and is expected to be ready for use in June 2017. The first building, Pearson Hall, was occupied in November 2015. The budget was adjusted in the third quarter to reflect expected cash outflows for fiscal year 2017.
7. This project will expand the Lane Substation on Innovation Drive. The project includes the purchase and installation of two 28,000 kilovolt-amperes (kVA) transformers, two circuit switchers, six distribution reclosers with space for an additional four reclosers, a control house and associated relay, and control equipment. The control buildings are complete and work is underway to install controls panels, batteries, and station service. The transformers have been bid and delivery is scheduled for summer 2017. The entire project should be complete in late 2017 with an expected total cost of \$6.5 million. The budget was adjusted in the third quarter to reflect expected cash outflows for fiscal year 2017.
8. This project includes four high priority Athletic facility improvements: Rector Field House, Baseball Facilities, athletic nutrition center, and Tennis Facilities. Planning for the project was approved in November 2015. Rector Field House site work was approved August 2016 and construction was approved November 2016 and begin early winter 2016. Construction for Baseball Facilities was approved August 2016 and begin early winter 2016. Feasibility studies are underway for an athletic nutrition center and Tennis Facilities improvements. The annual budget was adjusted in the third quarter to reflect expected cash outflows for fiscal year 2017.
9. This project is substantially complete and was occupied in April 2016. The total cost is expected to be \$2.3 million. The project may be closed and financial accounts terminated when completion of the authorized scope has been verified by the Chief Facilities Officer and all expenses moved to the capital project. The budget was adjusted in the first quarter to reflect expected cash outflows for fiscal year 2017.
10. The project was closed in October 2016. The total cost was \$2.196 million and the authorization was underspent.
11. This project is substantially complete. The total cost is expected to be \$6.983 million. The project may be closed and financial accounts terminated when completion of the authorized scope has been verified by the Chief Facilities Officer and all expenses moved to the capital project. The budget was adjusted in the third quarter to reflect expected cash outflows for fiscal year 2017.
12. The purpose of this unfunded parking blanket authorization balance is to complete future improvements and repair projects for the parking system as specific needs are identified and as funding becomes available.
13. This is the remaining unallocated authorization of the original \$23.5 million Oak Lane Community, Phase IV project. The outstanding Oak Lane Community expansion, houses two through five and their necessary site improvements, may be constructed as organizations come forward with program and financing plans.

CAPITAL PROGRAM ANNUAL PERFORMANCE Cumulative Monthly Expenditures

Fiscal Year 2016 and YTD Fiscal Year 2017





Financial Performance Report

Third Quarter 2016-17

Tim Hodge, Assistant Vice President for
Budget and Financial Planning

June 5, 2017



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 reviewed with the Board in June
 - The adjusted budget is revised as new information becomes available



E&G – Annual Budget

- University Division
 - Tuition and Fee: \$4.2M increase due to higher than budgeted spring retention
 - Tuition budget was lowered (\$5.3M) in the summer
 - General Fund: Decrease of \$400K to reflect General Assembly's withholding of nongeneral fund interest earnings
 - Veterinary Medicine Hospitals:
 - (\$932K) decrease associated with the closure of the Roanoke Satellite Referral clinic
 - Equine Medical Center: \$450K increase due to higher than projected caseload
- Cooperative Extension/Agricultural Experiment Station (CE/AES)
 - Self-generated revenues: \$130K increases from soil testing, food service certificates, and milk sales



E&G - Financial Performance

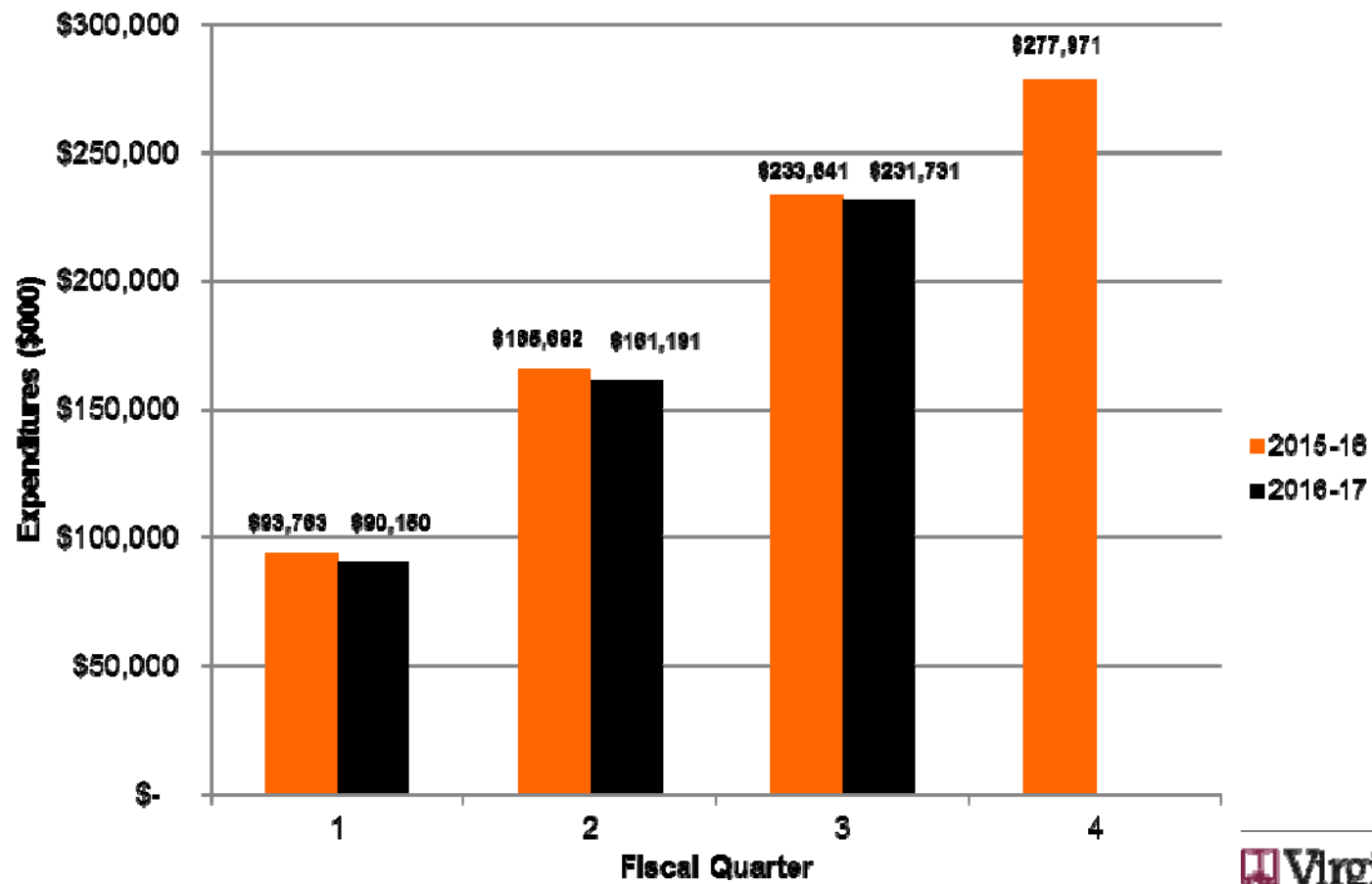
- University Division
 - Tuition: normal timing variations in collections
 - Continuing Education program activity is lower than projected
 - State assessment of NGF share of Virginia Retirement System prepayment

2016-17 \$4.1M 2017-18 \$2.7M
Agency 229 exempt from the VRS assessment

- Cooperative Extension/Agricultural Experiment Station (CE/AES)
 - Federal funds less than projected due to timing of drawdowns.



Sponsored Programs Expenditures 2015-16 to 2016-17





Auxiliary Enterprises

Annual Budgets

- State assessment for Virginia Retirement System(VRS):
Auxiliary share \$693K
- Intercollegiate Athletics:
 - \$2.0M coaching and personnel actions and \$2.5M sport and operating expenses. Funded by \$915k of self generated revenues and \$3.6M reserve draw
 - \$3.6M capital project related activity funded by private gifts
- Dining Services: Lower than projected business volume: \$640K



Auxiliary Enterprises

Financial Performance

- Licensing Royalties: higher than project royalties from licensee sales
- Electric Service: lower than projected cost of purchased electricity and unrelated business income tax expenses
- Fleet, & Printing Services: lower than projected business volume. Holding back expenditures



Capital Outlay – Total Program

- **Total capital program level currently authorized**
 - \$540.3 million over several years
- **Cumulative program expenses**
 - \$177.6 million inception-to-date
- **Significant total program adjustments**
 - Projects approved at the April 2017 Board meeting which will be added to the 4th Quarter report:
 - ❖ Planning for Intelligent Infrastructure Destination Area
 - ❖ Construction for Gas-Fired Boiler
 - ❖ Construction for O'Shaughnessy Renovation

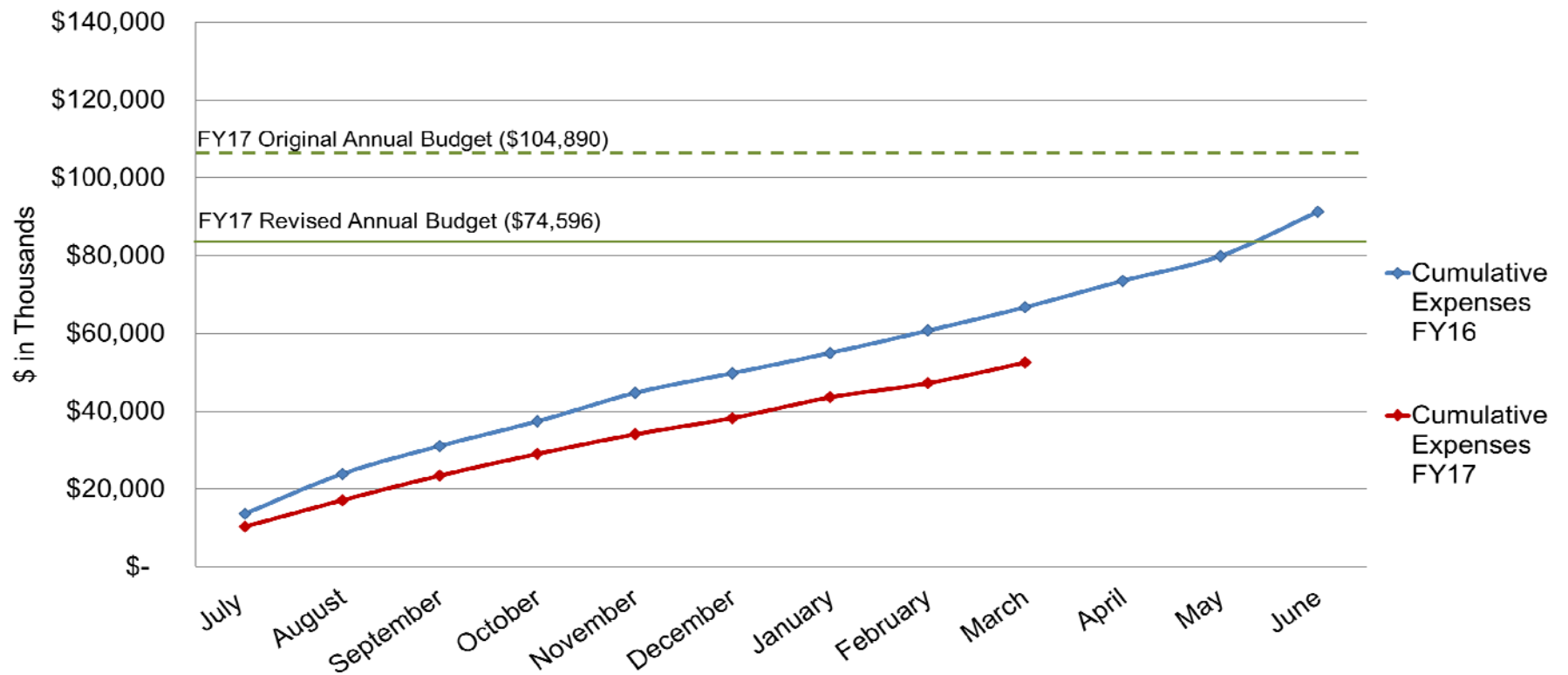


Capital Outlay – Annual budget

- **Annual Budget Adjustments to Date:**
 - Original capital annual budget as of July 1st: \$104.89 million
 - Net adjustments through third quarter: (\$30.29) million
 - Revised annual capital budget for third quarter: \$74.60 million
- **Annual expenses as of third quarter**
 - \$52.57 million
- **Annual budget adjustments this quarter**
 - Improve Kentland Facilities \$ (2.5) million
 - Chiller Plant, Phase II \$ (1.8) million
 - Health Sciences and Technology \$ (1.4) million
 - Address Fire Alarms Systems \$ (1.3) million
 - Academic Buildings Renewal \$ (2.0) million
 - Planning for Student Wellness \$ (1.6) million
 - Unified Communications \$ (1.26) million
 - Lane Substation \$ (3.5) million
 - Athletic Facilities Improvements \$ (2.2) million



CAPITAL PROGRAM ANNUAL PERFORMANCE Cumulative Monthly Expenditures Fiscal Year 2016 and Fiscal Year 2017





Capital Outlay

- **Major Construction Underway**
 - Academic Buildings Renewal
 - Fire Alarm Systems and Access
 - Biocomplexity Data Center Expansion
 - Upper Quad Residential Facilities
 - Lane Substation Improvements
 - Athletic Facilities Improvements



Questions?