

Proposed 2019-20 Operating and Capital Budgets
FINANCE AND RESOURCE MANAGEMENT COMMITTEE

May 10, 2019

Each June, the university provides the Board of Visitors with an overview of the operating and capital budgets for the upcoming fiscal year.

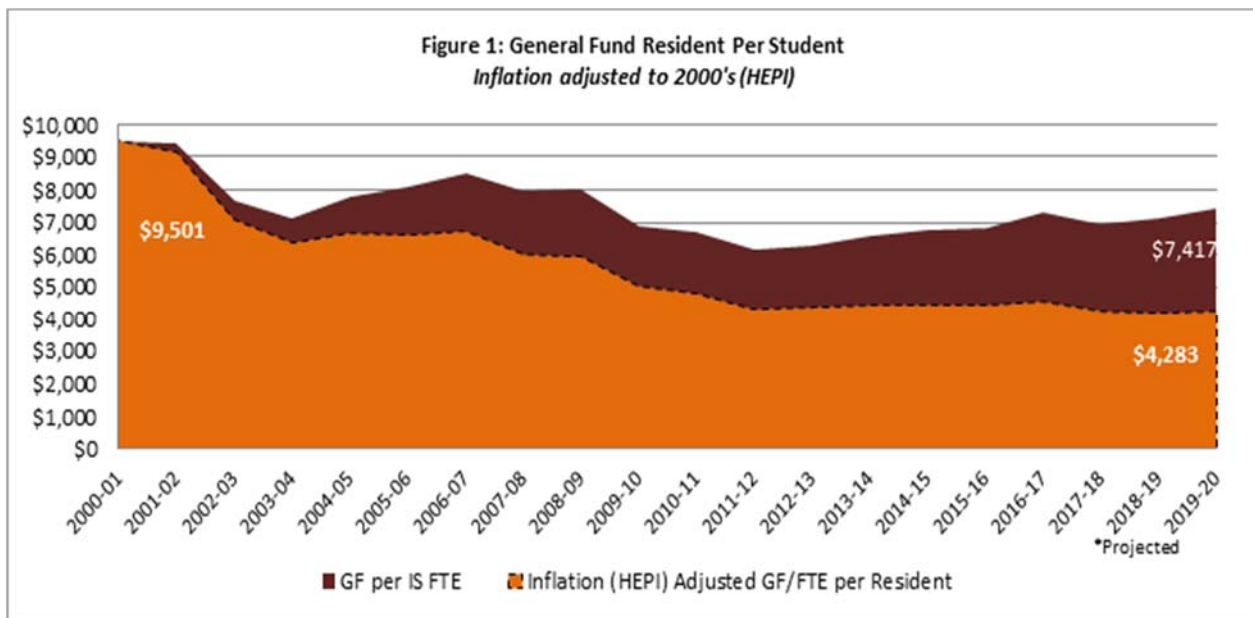
State Appropriations

With the close of the General Assembly session, the university is able to develop its internal budgets for the upcoming fiscal year. Virginia Tech anticipates an initial state authorization of \$1.5 billion for fiscal year 2019-20 to carry out all of its programs, based on the forecast of direct appropriations to the university. However, the annual internal budget varies from this external expenditure authorization for several reasons, some of which increase the annual expenditure authority while others reduce the expenditure plans. For example, the university's expenditure authorization will be adjusted during 2019-20 when the state allocates the Central Appropriation funding for the state share of compensation and fringe benefit rate changes, as well as the General Fund support for the tuition moderation program, Tech Talent Pipeline and Commonwealth Cyber Initiative (CCI). Additionally, under the sum sufficient authority granted as part of restructuring, nongeneral fund appropriations may be established as needed by the institution.

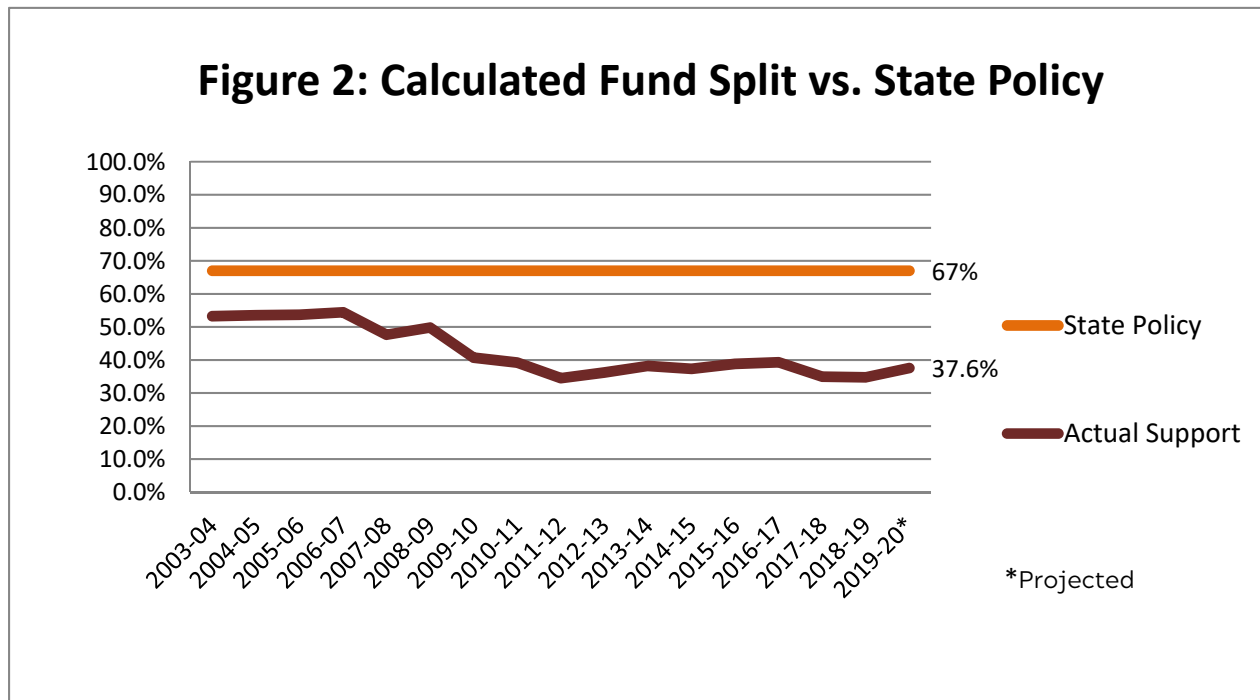
Forecast of State Budget Revenue Changes

For 2019-20, the university forecasts an incremental increase in General Fund appropriation of \$36.9 million from the adjusted 2018-19 budget. This is comprised of an estimated General Fund increase of \$20.1 million for Educational and General (E&G) programs in the University Division (Agency 208), an estimated increase of \$2.1 million for the programs in the Cooperative Extension and Agricultural Experiment Station (Agency 229), an increase of \$0.5 million for Unique Military Activities and an increase of \$1.7 million for Student Financial Aid and an estimate of \$12.5 million in Financial Assistance for E&G Program for support of the Commonwealth Cyber Initiative. As shown in Table 2 on page 5, the General Fund increase for the University Division includes changes in direct appropriations and the university estimate of Central Appropriation fund transfers during the fiscal year. State support includes \$6.3 million for the moderation of in-state undergraduate tuition and E&G fees, \$5.2 million to support additional degrees in the STEM fields, \$5.2 million to support the Tech Talent Pipeline, \$0.6 million for additional extension agents and researchers, the state's share of the 2019-20 faculty and staff salary and fringe increases, estimated funding for the restoration of interest earnings and credit card rebate, and the estimated General Fund reversion for the state's portion of the two pay-period healthcare holiday. The details of the state support are described further in each budget section.

With these state resources, the state support per Virginia student will grow in 2019-20. Total state support per Virginia student for 2019-20 is projected to be 22 percent below the funding provided in 2001; however, the growth in per-student funding is a positive signal of the state's continued support for Virginia Tech. The university enrolls over 4,500 additional Virginia undergraduates as compared to fall 2004. Inflation adjusted, the university will receive 55 percent less General Fund support per student than in fiscal year 2001, as seen in Figure 1. It is important to note that this analysis presents the state support in the most favorable light since it includes all General Fund resources allocated to E&G, including support for activities beyond instruction such as research and public service. Figure 1 below is presented in this manner because it is a commonly utilized perspective by external groups.



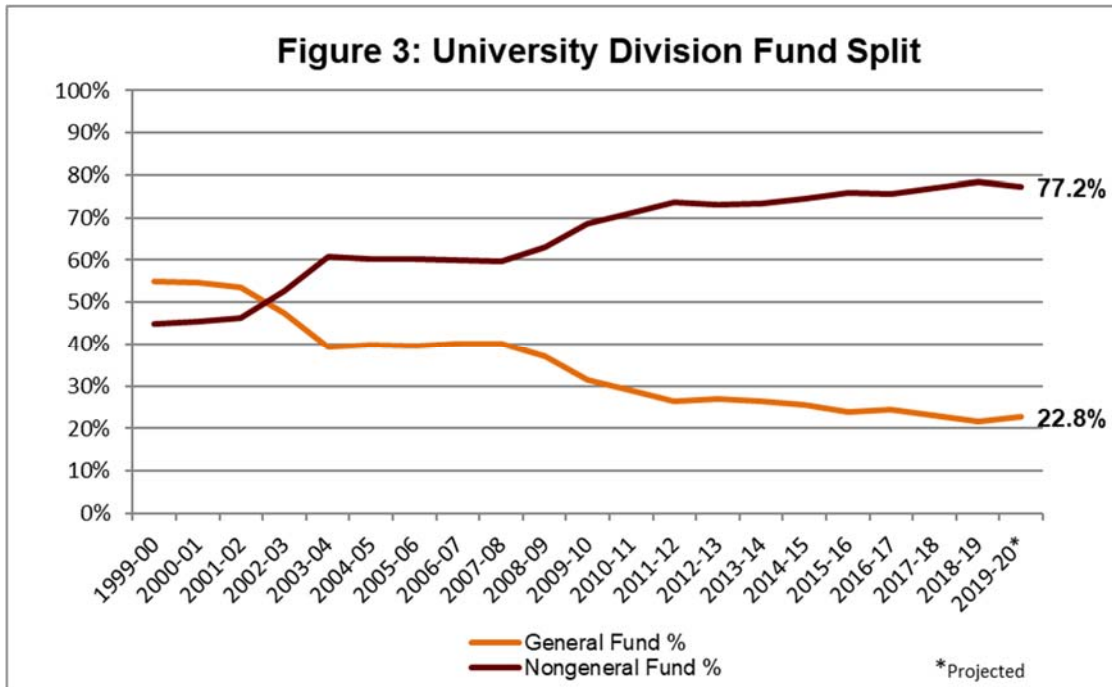
The state policy for funding higher education is to fund 67 percent of the cost of education of each Virginia resident at the institution. Figure 2 below displays the status of actual funding for instruction in relation to this policy over time. In 2019-20, the state will provide an estimated 37.6 percent of this cost. In response, the university has worked to reduce costs and streamline operations, but the shortfall in General Fund support has also created pressure to grow nongeneral fund resources.



Proposed Budgets for 2019-20

For 2019-20, the recommended internal budget for all operations is \$1.66 billion. This is an increase of \$102.2 million, approximately 6.6 percent, over the adjusted 2018-19 budget. This increase reflects changes in nongeneral fund revenues for 2019-20 and the outcomes of the 2019 General Assembly session that will impact the 2019-20 General Fund appropriation. The overall change includes an increase of \$52.4 million attributable to the Educational and General program, \$12.3 million of projected growth in Auxiliary Enterprises, \$32.8 million in financial assistance for E&G programs, \$3.0 million in student financial aid and \$1.7 million in all other programs.

The total General Fund allocation is estimated to be approximately \$303.0 million, an increase of \$36.9 million from the 2018-19 adjusted budget. General Fund revenues will provide \$276.7 million in support for the instructional, research, and extension programs, \$23.5 million for student financial assistance, and \$2.8 million for the Unique Military Activities program. As shown in Figure 3 below, the General Fund appropriation represents 22.8 percent of the University Division's Educational and General budget (as compared to 53.6 percent in the 2001-02 budget) and 18.3 percent of the total budget. (See Schedule 1)



Schedule 1 displays the proposed operating budgets for 2019-20, by major program and revenue and expense category. Schedule 2 is an expansion of the projected auxiliary operations budgets, categorized by major activity. These schedules also display the 2018-19 budget, as approved in June 2018, and the current adjusted 2018-19 budget for comparison purposes. This report provides a brief discussion of the changes in the operating budget for each of the major programs.

Educational and General

The university's Educational and General budget will be \$900.6 million in 2019-20. The Educational and General budgets for the University Division (Agency 208) and the Cooperative Extension/Agricultural Experiment Station Division (Agency 229) are presented below by source of funding.

	(Dollars in Millions)		
	University Division	CE/AES Division	Total
Educational and General Budget			
General Fund	\$ 184.3	\$ 74.5	\$ 258.8
Tuition and Fees	577.9	-	577.9
Federal Funds	-	15.6	15.6
Other	47.3	1.0	48.3
Total Educational and General	\$ 809.5	\$ 91.1	\$ 900.6
Percent of Total			
General Fund	22.8%	81.8%	28.7%
Tuition and Fees	71.4%	0.0%	64.2%
Federal Funds	0.0%	17.2%	1.7%
Other	5.8%	1.0%	5.4%
Total Percentage	100.0%	100.0%	100.0%

The year-to-year comparison of the budget in Schedule 1 shows an overall revenue increase in the Educational and General program of \$52.4 million, or 6.2 percent, over the adjusted 2018-19 budget.

The 2019-20 operating and capital budgets have been developed utilizing the forecasted state funding support for the university in 2019-20. The university forecasts the following changes:

Table 1

	(Dollars in Millions)								
	University Division			CE/AES Division			Total		
	Base	One-Time	Total	Base	One-Time	Total	Base	One-Time	Total
Change in General Fund Support:									
Support to Moderate Resident UG Tuition	\$ 6.3		\$ 6.3			\$-	\$ 6.3		\$ 6.3
Support for STEM Degrees	5.2		5.2			-	5.2		5.2
Tech Talent Pipeline	0.8	4.4	5.2			-	0.8	4.4	5.2 *
Central Appropriation Support for Salary Program and Fringe Benefits	5.4		5.4	1.8		1.8	7.2	-	7.2 *
Support for 229 Fund Split (2019-20 Share)			-	0.4		0.4	0.4	-	0.4
Extension Agents and Research Specialists			-	0.6		0.6	0.6	-	0.6
Healthcare Holiday Reversion (One-Time)		(2.0)	(2.0)		(0.8)	(0.8)	-	(2.8)	(2.8) *
Total General Fund Change	\$ 17.7	\$ 2.4	\$ 20.1	\$ 2.9	\$ (0.8)	\$ 2.1	\$ 20.6	\$ 1.6	\$ 22.2

*Estimate - These items are funded by the state at a later date

The percentage of the Educational and General budget for the University Division provided by the General Fund increased from 21.6 percent in the 2018-19 adjusted budget to 22.8 percent in 2019-20.

The 2019-20 tuition and fee budget increased by \$32.9 million, or 6.0 percent, over the adjusted 2018-19 budget. The difference in the tuition and fee budget reflects strategic undergraduate enrollment growth, increase in the tuition rates of nonresident undergraduates, graduate students, and professional student categories (veterinary and human medicine programs) as approved by the Board of Visitors at the April 2019 meeting. As reviewed at the April 2019 Board of Visitors meeting, the state provided \$6.3 million of General Fund support to enable the university to moderate the resident undergraduate tuition and E&G fees for 2019-20, resulting in no increase to tuition and E&G fees. The increase also includes unfunded and tuition-funded scholarships to student aid programs, and adjustments to the other E&G fee budgets. Unfunded scholarships support both undergraduate need based aid and a portion of the graduate tuition remission program. Tuition and Fee funded scholarships are targeted to support the institution's strategic priorities, including enrollment growth. Additionally, the revenue from the Facility and Equipment fee will be transferred to the Commonwealth for debt service on new facilities and equipment; thus, it is not reflected in the net revenue total.

Enrollment Growth

Demand is broad-based and includes several areas where Virginia Tech is in a strong or unique position to provide additional access to qualified students. To meet demand for undergraduate enrollment, particularly in the STEM-H disciplines, the university is planning the strategic addition of undergraduates for 2019-20.

Tech Talent Pipeline

The university division Educational and General budget includes an estimate for the state's investment in the Tech Talent Pipeline initiative. The estimated General Fund support includes \$0.8 million funding for ongoing positions to support enrollment growth in Blacksburg and at the Innovation campus, as well as an estimate of \$4.4 million of one-time support for start-up and ramp-up funding.

Auxiliary Enterprises

The total 2019-20 auxiliary revenue budget is \$360.8 million, a growth of \$12.3 million or 3.5 percent over the adjusted 2018-19 budget, with a significant portion of the increase attributable to growth in Residential and Dining Programs, Student Health Services, Parking and Transportation, Student Engagement and Campus Life, Recreational Sports, and Electric Service. This increase includes resources to cover proposed changes in state authorized compensation programs and fringe benefit rate changes, enrollment growth, enhancements to student health and counseling services, student programming, wireless network equipment renewal, enhanced transit services, maintenance of existing facilities, and the cost of new facilities.

Financial Assistance for Educational and General Programs

The projected annual budget for Financial Assistance for Educational and General Programs is \$354.9 million, an increase of \$32.8 million or 10.2 percent higher than the adjusted 2018-19 budget. The budget was increased \$20.3 million to align the 2019-20 budget with the projected externally sponsored program activity. The estimated General Fund support of \$17.9 million for research in 2019-20 represents a \$12.5 million increase over the prior year for the university's projection of General Fund revenue Virginia Tech will receive to support the leadership of the Commonwealth Cyber Initiative Hub and the development of a Commonwealth Cyber Initiative Node. The Financial Assistance for Educational and General Programs budget is comprised primarily of sponsored program activities but also includes the Eminent Scholars program, the Enterprise Fund for distance learning, and the Commonwealth's General Fund support for research. The most significant activity in this category is externally sponsored research.

Appropriated Student Financial Assistance

The projected annual 2019-20 budget for the Student Financial Assistance program is \$33.2 million, a growth of \$3.0 million over the adjusted 2018-19 budget. This budget includes an increase of \$1.7 million in state General Fund support for Undergraduate Scholarships, Graduate Fellowships, Soil Scientist Scholarships, Virginia Military Survivors and Dependents, Two-Year College Transfer Grant and the Multicultural Academic Opportunity Program to a total projected \$23.5 million General Fund student financial aid budget in 2019-20. This budget also includes an increase of \$1.3 million in the annual nongeneral fund student financial assistance budget to a total projected nongeneral fund student financial aid budget of \$9.7 million in 2019-20. The university plans to utilize the nongeneral fund student financial assistance to advance strategic initiatives such as access and enrollment growth.

All Other Programs

The All Other Programs component is comprised of the Unique Military Activities appropriation, surplus property, federal work study program, and local funds. The annual budget for these funds is based on historic trends and projections of activity levels by program managers. These programs are funded by resources that are designated for specific purposes. The General Fund support for Unique Military Activities is forecasted to increase by \$0.5 million in 2019-20 to \$2.8 million. For All Other Programs, the recommended budget is \$9.2 million, and reflects an increase of \$1.7 million over the adjusted budget for 2018-19.

Planned Change in Reserves

Existing state requirements, along with the university's budgeting and financial management strategies, generally result in the establishment of breakeven budgets for the major budget components, with the exception of Auxiliary Enterprises. That is the case for 2019-20, where only the auxiliary budgets project an addition to the reserves as of June 30, 2019. The projected addition of \$13.7 million is the result of the intentional rebuilding of reserves in specific auxiliaries where expenditures in prior years created the need for restoring the reserves so that it may operate as a revolving fund. In other cases, the projected addition to reserves reflects the temporary positive impact of planning activities for new capital projects. The 2019-20 budget for Auxiliary Enterprises is also designed to ensure that the reserve levels remain in compliance with the tenets of bond covenants as well as SCHEV reserve targets.

Compensation Plan

The university plans to implement faculty and university staff merit programs for fiscal year 2019-20 consistent with state authorizations. The attached operating budget includes funding, consistent with traditional funding principles, for the following proposed employee compensation actions:

- 2.75 percent faculty merit compensation program.
- As reviewed at the April 2019 Board of Visitors meeting, a National Distinction program is planned for 2019-20 to allow the university to proactively address salary amounts, as a retention strategy, for faculty members that have achieved national distinction and excellence in their field and provide valuable contributions to the university. The University will provide 0.25% of the E&G budgets to support the National Distinction program. It is expected that the adjustments will be limited in the number of faculty included yet meaningful in size.
- 3.00 percent stipend increase for graduate assistants.
- 2.75 percent university staff merit compensation program.
- 5.00 percent classified staff compensation program. The state's classified compensation program for 2019-20 includes a 2.75% across-the-board for classified staff and an additional 2.25% merit for classified staff. Classified staff are defined as staff members hired before July 1, 2006 who have not subsequently converted to the university staff system.
- The university is implementing an increase in the entry-level compensation of Staff in Paybands 1-3 which will set the university minimum full-time compensation at \$12.00/hr.
- The university is providing an additional \$500 supplemental stipend for university and classified staff making less than \$35,500, effective January 1, 2020.

Budget Allocations

The process of finalizing the 2019-20 operating budget allocations for the colleges and major operating units is currently underway. This process will be completed during June 2019 and issued to the university community by the Vice President for Finance and Chief Financial Officer. The Office of Budget and Financial Planning will allocate these budgets to the colleges and vice presidential areas in time for the departments to open the new fiscal year with the allocations in place in the university accounting system. The university develops the annual budget as a one-year quantification of the university's strategic plan. The strategic plan is the framework for enacting the university's mission.

Capital Outlay Projects

Virginia Tech's capital outlay program includes projects for the University Division and the Cooperative Extension/Agricultural Experiment Station Division. Initiation of a capital project requires authorization of a budget and funding sources from the state or the Board of Visitors.

The state appropriates projects supported entirely or partially with General Fund revenues. The university requests General Fund appropriations for new projects as part of the state capital budget cycle. If appropriated, these projects normally become effective and are added to the program at the beginning of a fiscal year. Under the restructuring legislation and the 2006 Management Agreement between the Commonwealth and the university, the Board of Visitors has the authority to authorize capital projects funded entirely with nongeneral fund resources. New projects approved by the Board of Visitors become effective upon approval of a university resolution and are reflected on the subsequent Financial Performance Report.

The university develops a financing plan to support the entire budget of each capital project prior to its initiation. Upon initiation, the whole project budget is entered in the accounting system. The revenues to support capital expenditure budgets are a mix of state support, university supported debt, and self-generated cash resources including private gifts. When projects have multiple sources of funding, the university generally utilizes the resources in the following order: state support, bond proceeds, and then cash. This order allows the most effective use of the university's nongeneral fund resources.

The typical project lifespan is two to four years, and a refined level of precision is needed to optimize resource management. Cash flow models are used to predict the pace of spending by month for each project for its anticipated life. This analysis is then used to plan the timing to move each resource to a project budget on an as needed basis. Under this approach, project resources are held in their most productive location for as long as possible to maximize earnings. This analysis is further used to optimize the timing for external debt issuances to manage exposure to the cost of capital.

Each active capital project is included on the Financial Performance Report for its entire fiscal life and until all its funds in the accounting system are terminated. A project is removed from the Financial Performance Report at the end of the fiscal year it closes.

The portfolio of the capital outlay program for 2019-20 is comprised of 15 Educational and General projects and 12 Auxiliary Enterprise projects for a total of 27 projects. As part of the resource management process, each project has an annual budget. Schedule 3 lists the projects by major program and major phase of progress. Each project for fiscal year 2020 is listed with the total project authorization by revenue source, annual budget for fiscal year 2020, and estimated balance at the close fiscal year 2020. The accuracy of annual budgets, and the cash flows models on which they are based, are most sensitive to construction start dates. For example, a large project with an extended design period that results in construction starting three months later than expected may underspend its annual budget by several million dollars for the year. The total capital program for 2019-20 includes approximately \$967 million of authorizations with an estimated annual budget of approximately \$175 million.

RECOMMENDATION:

That the proposed fiscal year 2019-20 operating and capital budgets, as displayed on Schedules 1, 2, and 3, be approved.

June 3, 2019

TOTAL OPERATING BUDGET FOR VIRGINIA TECH

Fiscal Year 2019-20
(Dollars in Thousands)

	2018-19 Original Budget	2018-19 Adjusted Budget	2019-20 Recommended Budget
<u>Revenues</u>			
Educational and General			
University Division			
General Fund	\$164,427	\$164,247	\$184,353
Tuition and Fees	552,081	\$544,996	577,858
All Other Income	44,529	\$49,406	47,309
Subtotal	<u>761,037</u>	<u>\$758,650</u>	<u>809,520</u>
CE/AES Division			
General Fund	71,603	72,358	74,461
Federal Funds	15,640	16,090	15,640
All Other Income	880	1,075	950
Subtotal	<u>88,123</u>	<u>89,523</u>	<u>91,051</u>
Total Educational and General	<u>\$849,160</u>	<u>\$848,173</u>	<u>\$900,571</u>
Auxiliary Enterprises	\$351,498	\$348,495	\$360,813
Financial Assistance for E&G Programs (a)			
General Fund	5,389	5,389	17,889
Nongeneral Fund	316,714	316,714	336,969
Total	<u>\$322,103</u>	<u>\$322,103</u>	<u>\$354,858</u>
Student Financial Assistance			
General Fund	21,692	21,760	23,458
Nongeneral Fund	8,546	8,401	9,695
Total	<u>\$30,238</u>	<u>\$30,161</u>	<u>\$33,153</u>
All Other Programs (b)			
General Fund (UMA)	2,284	2,284	2,757
Nongeneral Fund	5,021	5,178	6,427
Total	<u>\$7,305</u>	<u>\$7,462</u>	<u>\$9,184</u>
Total	<u>\$1,560,304</u>	<u>\$1,556,394</u>	<u>\$1,658,579</u>
<u>Expense</u>			
Educational and General			
University Division	\$761,037	\$758,650	\$809,520
CE/AES Division	88,123	89,523	91,051
Subtotal	<u>849,160</u>	<u>848,173</u>	<u>900,571</u>
Auxiliary Enterprises	338,733	346,933	347,077
Financial Assistance for E&G Programs (a)	322,103	322,103	354,858
Student Financial Assistance	30,238	30,161	33,153
All Other Programs (b)	7,305	8,042	9,184
Total	<u>\$1,547,539</u>	<u>\$1,555,412</u>	<u>\$1,644,843</u>
<u>Planned Change in Reserve</u>			
Reserve Drawdown/(Deposit) (c)	(12,765)	(982)	(13,736)
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

(a) Financial Assistance for E&G Programs includes Sponsored Programs, the Eminent Scholars Program, and General Fund Research Initiative.

(b) All Other Programs include Unique Military Activities, Surplus Property, Local Funds, Federal Work Study, and Alumni Affairs.

(c) Reserve contributions are based on the budget plans of Auxiliary Enterprise units.

Presentation Date: June 3, 2019

TOTAL OPERATING BUDGETS FOR AUXILIARY ENTERPRISES
Fiscal Year 2019-20
(Dollars in Thousands)

	2018-19 Original Budget	2018-19 Adjusted Budget	2019-20 Recommended Budget
Residence and Dining Hall System*			
Revenues	\$127,115	\$124,415	\$133,823
Expenses	-120,708	-123,651	-127,577
Reserve Drawdown/(Addition)	-6,407	-764	-6,246
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Parking and Transportation			
Revenues	\$15,061	\$15,061	\$15,832
Expenses	-14,485	-16,191	-15,357
Reserve Drawdown/(Addition)	-576	1,130	-475
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Telecommunications Services			
Revenues	\$22,551	\$22,488	\$20,600
Expenses	-22,299	-23,099	-20,861
Reserve Drawdown/(Addition)	-252	611	261
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
University Services System*			
Revenues	\$51,566	\$51,570	\$54,303
Expenses	-50,843	-52,869	-53,258
Reserve Drawdown/(Addition)	-723	1,299	-1,045
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Intercollegiate Athletics*			
Revenues	\$74,527	\$78,080	\$77,500
Expenses	-72,762	-77,337	-74,086
Reserve Drawdown/(Addition)	-1,765	-743	-3,414
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Electric Service System*			
Revenues	\$36,893	\$34,052	\$35,217
Expenses	-36,683	-33,593	-34,596
Reserve Drawdown/(Addition)	-210	-459	-621
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Inn at Virginia Tech and Skelton Conference Center			
Revenues	\$12,000	\$11,573	\$11,711
Expenses	-12,170	-12,431	-12,287
Reserve Drawdown/(Addition)	170	858	576
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Other Enterprise Functions			
Revenues	\$11,785	\$11,256	\$11,827
Expenses	-8,783	-7,762	-9,055
Reserve Drawdown/(Addition)	-3,002	-3,494	-2,772
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TOTAL			
Revenues	\$351,498	\$348,495	\$360,813
Expenses	-338,733	-346,933	-347,077
Reserve Drawdown/(Addition)	-12,765	-1,562	-13,736
Net	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

* University Systems include the Dormitory and Dining Hall System, Electric Service Utility System, University Services System, and Athletic Facilities System. The University Services System includes Health Services, Career & Professional Development, Student Engagement & Campus Life, Recreational Sports, Center for the Arts, Student Organizations and VT Rescue Squad.

Presentation Date: June 3, 2019

EDUCATIONAL AND GENERAL CAPITAL PROJECT AUTHORIZATIONS FOR FISCAL YEAR 2020

(Dollars in Thousands)

as of April 30, 2019

	TOTAL PROJECT AUTHORIZATION				ESTIMATED TOTAL EXPENSES June 30, 2019	ESTIMATED BALANCE AVAILABLE FOR FY2020	ESTIMATED ANNUAL BUDGET FY2020	ESTIMATED BALANCE AT CLOSE OF FY2020
	STATE SUPPORT	NONGENERAL FUND	AGENCY DEBT	TOTAL				
<u>Educational and General Projects</u>								
<u>Design Phase</u>								
Agriculture Production Facilities	\$ 22,136	\$ -	\$ -	\$ 22,136	\$ 885	\$ 21,251	\$ 5,000	\$ 16,251
Planning: Intelligent Infrastructure and Construction Com	-	6,000	-	6,000	1,359	4,641	4,641	-
Planning: Undergraduate Science Laboratory Building	-	3,084	-	3,084	1,659	1,425	1,425	-
Data and Decision Sciences	69,000	-	10,000	79,000	-	79,000	2,800	76,200
Innovation Campus - Academic Building	168,000	-	107,000	275,000	-	275,000	5,500	269,500
<u>Construction Phase</u>								
Maintenance Reserve	28,859	-	-	28,859	12,000	16,859	14,330	2,529
Improve Kentland Facilities	12,463	-	-	12,463	2,366	10,097	6,500	3,597
Renovate Undergraduate Science Laboratories	-	10,000	-	10,000	6,095	3,905	3,100	805
Health Sciences & Technology	51,554	-	40,142	91,696	44,464	47,232	34,000	13,232
Gas-Fired Boiler at the Central Steam Plant	-	6,800	-	6,800	3,524	3,276	2,600	676
Chiller Plant Phase II	31,377	-	9,909	41,286	5,592	35,694	10,000	25,694
Holden Hall Renovation	44,386	-	17,500	61,886	4,000	57,886	16,000	41,886
<u>Close-Out</u>								
Academic Buildings Renewal	35,029	-	-	35,029	32,830	2,199	2,199	-
Acquisition - Falls Church Property UVA Interest	-	-	8,230	8,230	-	8,230	8,230	-
Acquisition - Falls Church Property	-	-	2,850	2,850	-	2,850	-	2,850
Total Educational and General Projects	\$ 462,804	\$ 25,884	\$ 195,631	\$ 684,319	\$ 114,774	\$ 569,545	\$ 116,325	\$ 453,220

AUXILIARY ENTERPRISE CAPITAL PROJECT AUTHORIZATIONS FOR FISCAL YEAR 2020

**(Dollars in Thousands)
as of April 30, 2019**

	TOTAL PROJECT AUTHORIZATION				ESTIMATED TOTAL EXPENSES June 30, 2019	ESTIMATED BALANCE AVAILABLE FOR FY2020	ESTIMATED ANNUAL BUDGET FY2020	ESTIMATED BALANCE AT CLOSE OF FY2020
	STATE SUPPORT	NONGENERAL FUND	AGENCY DEBT	TOTAL				
<u>Auxiliary Enterprises Projects</u>								
<u>Design Phase</u>								
Student Wellness Improvements	-	13,310	44,690	58,000	2,925	55,075	8,500	46,575
Dietrick First Floor and Plaza Renovation	-	5,000	3,300	8,300	330	7,970	3,000	4,970
Planning: Slusher Replacement Planning	-	3,500	-	3,500	53	3,447	3,447	-
Planning: Athletics Weight Room Renovation & Expansion	-	700	-	700	500	200	200	-
<u>Construction Phase</u>								
Maintenance Reserve	-	12,000	-	12,000	-	12,000	12,000	-
Lane Substation Expansion	-	1,249	5,251	6,500	4,120	2,380	2,380	-
Creativity & Innovation District Residence Hall	-	15,880	89,620	105,500	11,000	94,500	20,000	74,500
Student-Athlete Performance Center	-	16,682	-	16,682	2,228	14,454	7,000	7,454
<u>Close-Out</u>								
O'Shaughnessy Renovation	-	8,867	12,633	21,500	21,174	326	326	-
Athletic Facilities Improvements	-	37,500	-	37,500	35,965	1,535	1,035	500
Commonwealth Ballroom Improvements	-	3,246	-	3,246	2,914	332	332	-
ACC Network Studio	-	-	10,000	10,000	8,590	1,410	900	510
 Total Auxiliary Enterprise Projects	 \$ -	 \$ 117,934	 \$ 165,494	 \$ 283,428	 \$ 89,800	 \$ 193,628	 \$ 59,119	 \$ 134,508
 GRAND TOTAL ALL CAPITAL PROJECTS	 <u>\$ 462,804</u>	 <u>\$ 143,818</u>	 <u>\$ 361,124</u>	 <u>\$ 967,747</u>	 <u>\$ 204,574</u>	 <u>\$ 763,173</u>	 <u>\$ 175,445</u>	 <u>\$ 587,728</u>

2019-20 Operating and Capital Budgets

June 3, 2019

DWIGHT SHELTON

VICE PRESIDENT FOR FINANCE AND CHIEF FINANCIAL OFFICER





*Operating
Budget*

2019-20 Operating Budget

(Dollars in Millions)

	2018-19 Adjusted Budget	2019-20 Proposed Budget	Change	
			\$	%
<u>Educational and General</u>				
University Division	\$758.7	\$809.5	\$50.8	6.7%
CE/AES Division	89.5	91.1	1.6	1.7%
Subtotal	\$848.2	\$900.6	\$52.4	6.2%
Auxiliary Enterprises	\$348.5	\$360.8	\$12.3	3.5%
Sponsored Programs	322.1	354.8	32.7	10.2%
Financial Aid (Appropriated)	30.2	33.2	3.0	9.9%
UMA and Other Activities	7.5	9.2	1.7	22.7%
Total	\$1,556.4	\$1,658.6	\$102.1	6.6%

2019-20 Annual Change in University Division - Educational and General Budget

(Dollars in Millions)

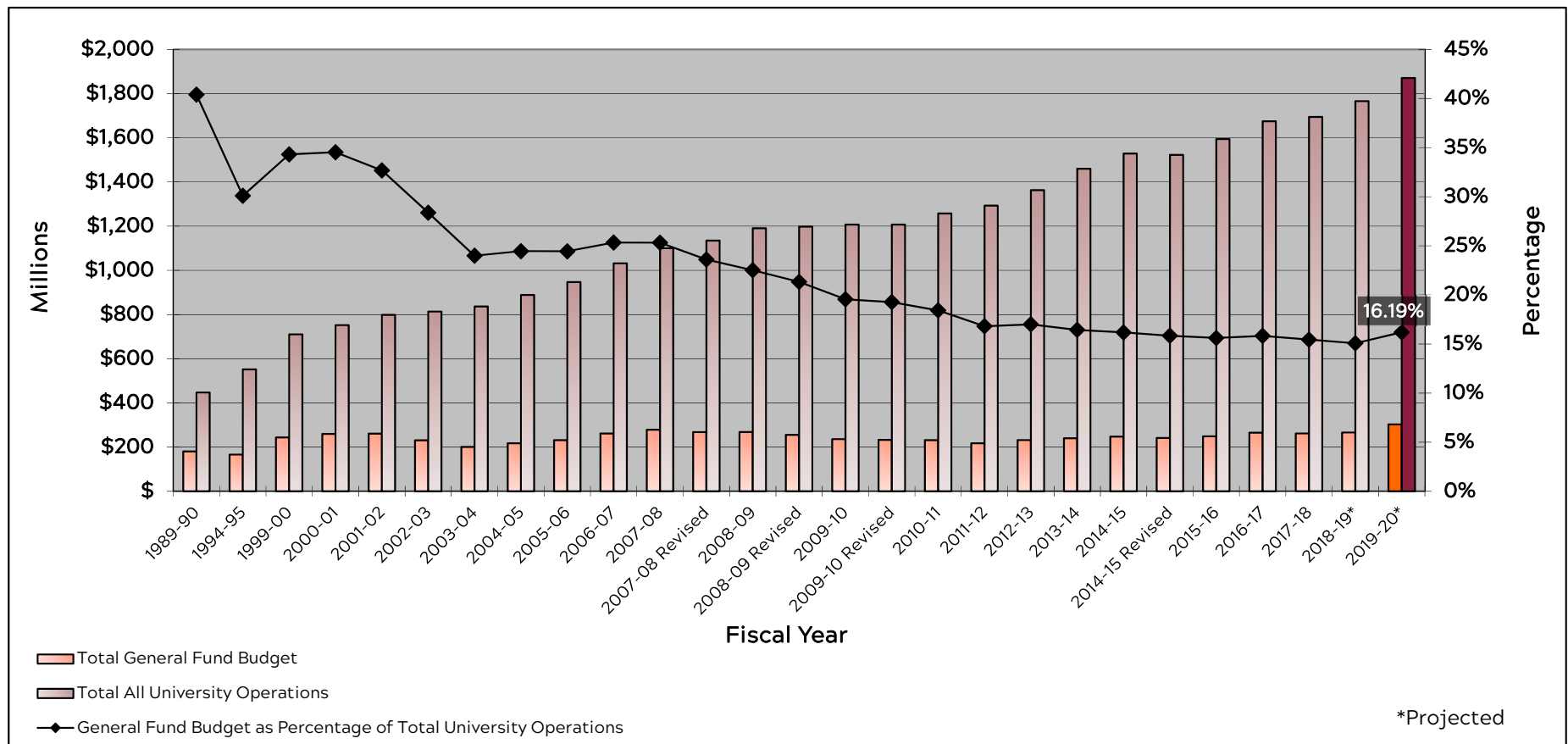
	2018-19 Adjusted Budget	2019-20 Proposed Budget	Change	
			\$	%
<u>University Division (E&G)</u>				
General Fund	\$164.3	\$184.3	20.1	12.2%
Tuition and Fees	545.0	\$577.9	32.9	6.0%
All Other Income	49.4	\$47.3	(2.1)	-4.3%
Subtotal	\$758.7	\$809.5	\$50.9	6.7%

2019-20 Components of Financial Assistance for E&G Programs

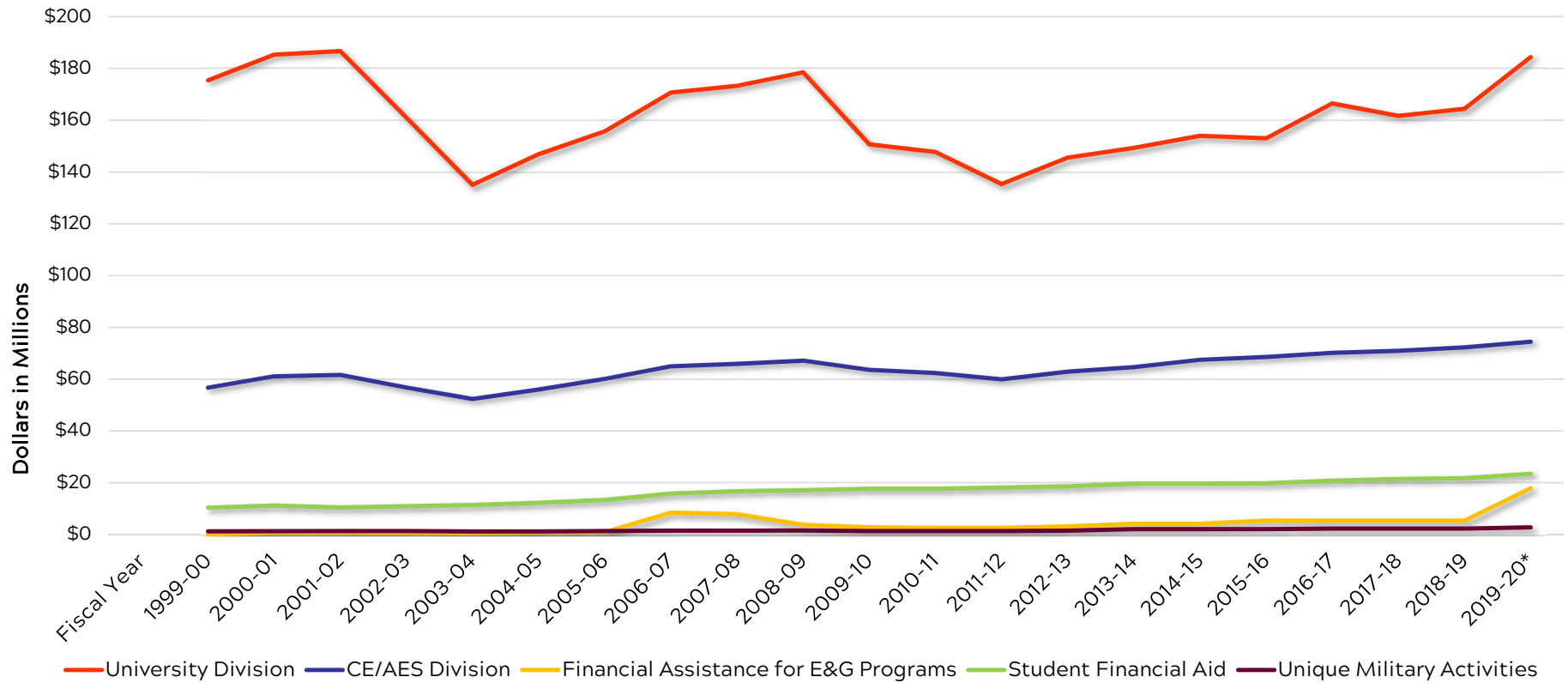
(Dollars in Millions)

	2018-19 Adjusted Budget	2019-20 Proposed Budget	Change	
			\$	%
General Fund	\$5.4	\$17.9	\$12.5	232.0%
Nongeneral Fund				
Sponsored Grants and Contracts	239.0	251.8	12.8	5.4%
Other	77.7	85.2	7.5	9.6%
Subtotal	\$322.1	\$354.9	32.8	10.2%

Historical General Fund Support Percentages



General Fund Support by Program



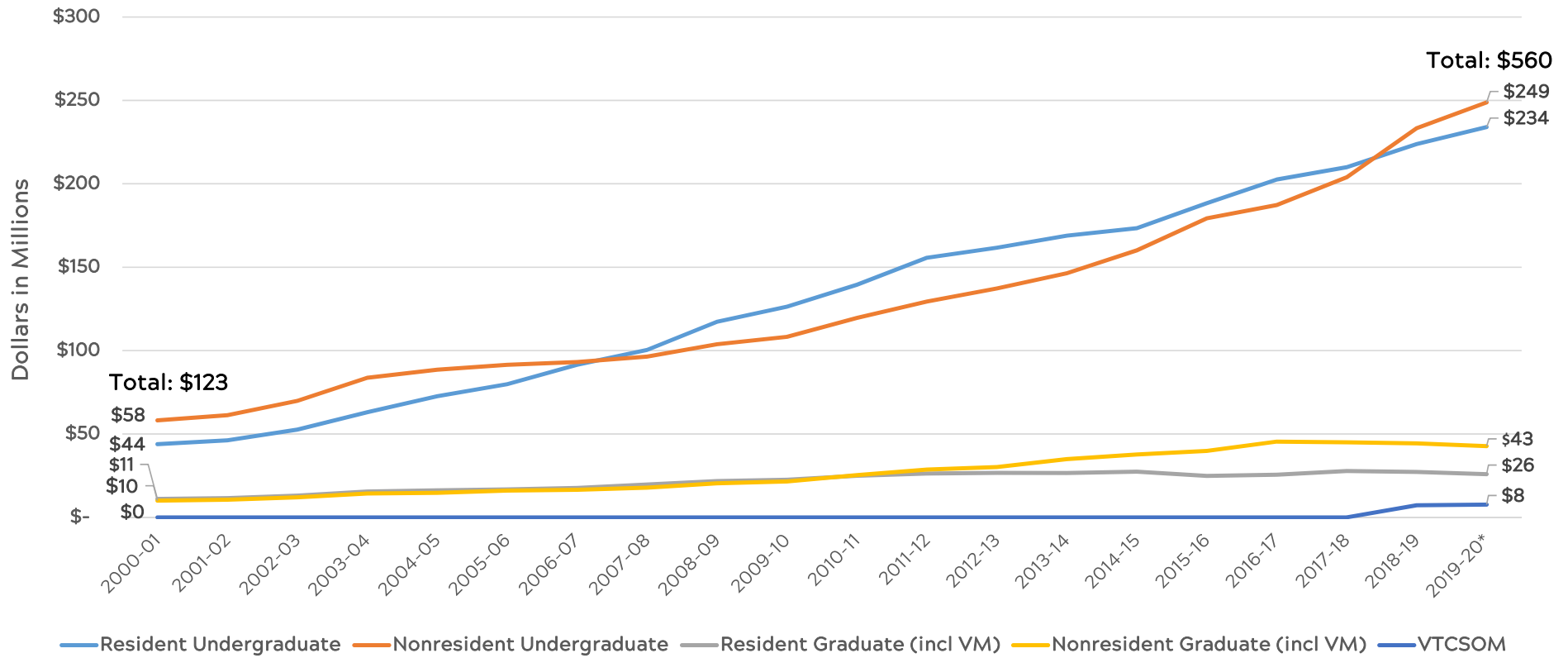
*Projected

2019-20 Educational and General Budget Components

(Dollars in Millions)

	University Division	CE/AES Division	Total
Educational and General Budget			
General Fund	\$184.3	\$74.5	\$258.8
Tuition and Fees	\$577.9	\$0.0	\$577.9
Federal Funds	\$0.0	\$15.6	\$15.6
Other	\$47.3	\$1.0	\$48.3
Total Educational and General	\$809.5	\$91.1	\$900.6
Percent of Total			
General Fund	22.8%	81.8%	28.7%
Tuition and Fees	71.4%	0.0%	64.1%
Federal Funds	0.0%	17.2%	1.8%
Other	5.8%	1.0%	5.4%
Total Percentage	100.0%	100.0%	100.0%

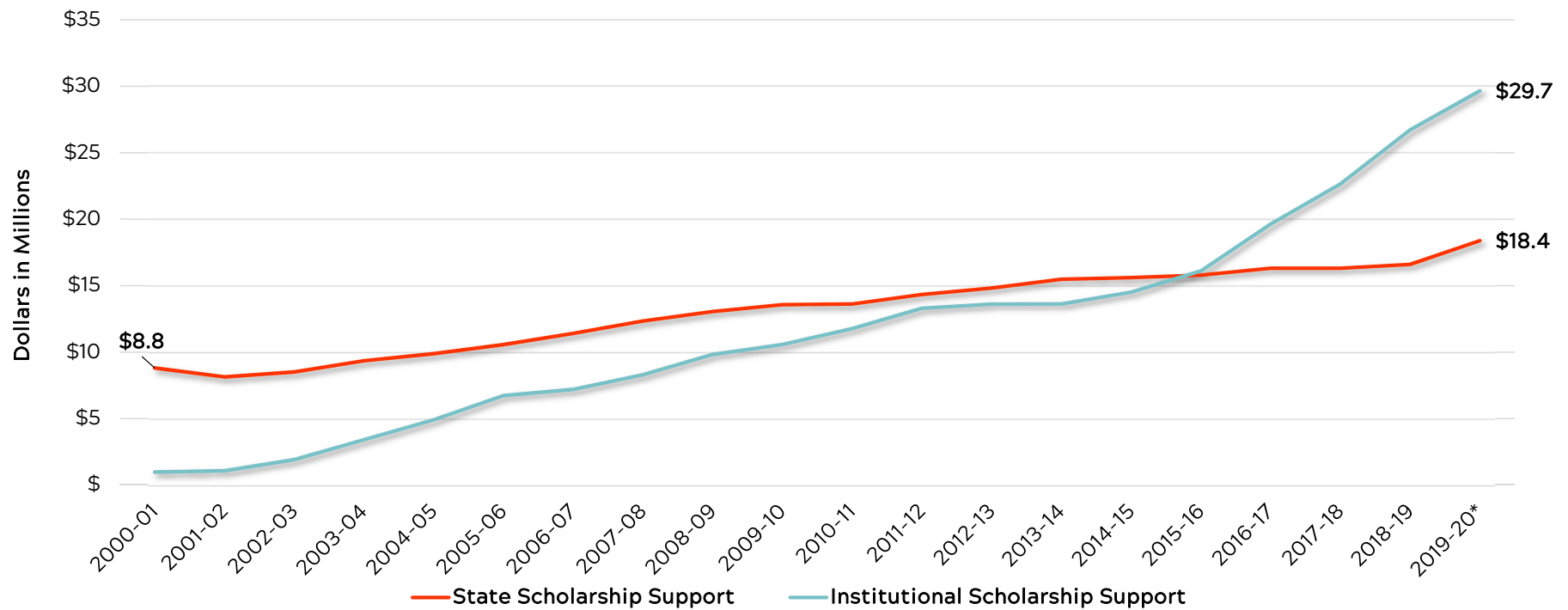
Net Tuition and E&G Fee Revenue Trend by Student Group



Using ABD Budget Figures

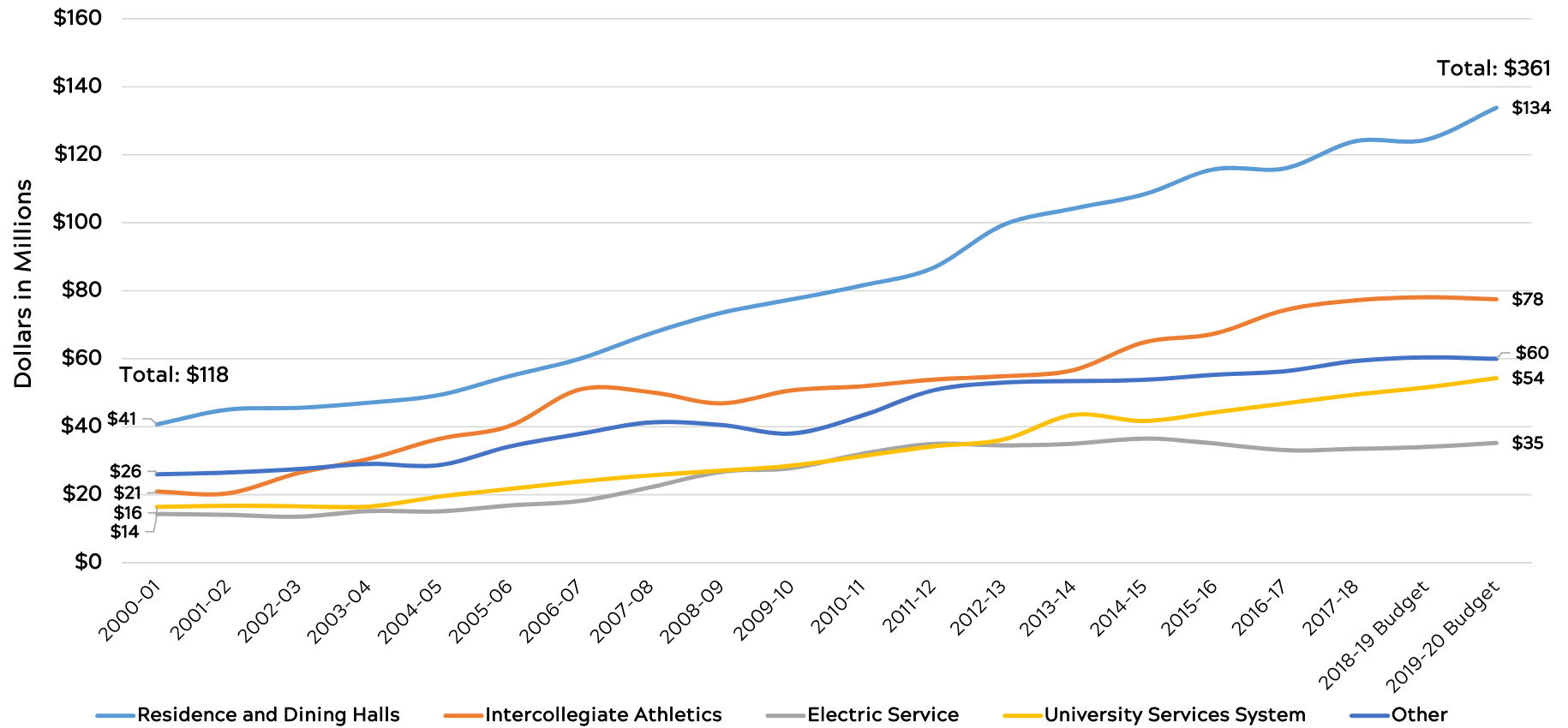
Undergraduate Student Financial Aid

State and Institutional Undergraduate Scholarship Support



*Projected

Auxiliary Enterprise Revenue Trend by Unit



Other includes: Hotel & Conference Center, Software Sales, Parking, Photocopy, Printing, Tailor Shop, Licensing, Pouring Rights, Telecommunications, Hokie Passport Office, Fleet Services.

2019-20 Key Auxiliary Enterprise Revenue Budget Changes

(Dollars in Millions)

	2018-19 Original Budget	2018-19 Adjusted Budget	2019-20 Proposed Budget	Change	
				\$	%
Residence and Dining Hall System	\$ 127.1	\$ 124.4	\$ 133.8	\$ 9.4	7.6%
Intercollegiate Athletics	74.5	78.1	77.5	(0.6)	-0.8%
Subtotal	\$ 201.6	\$ 202.5	\$ 211.3	\$ 8.8	4.3%

Compensation Plan

- The university is planning the following compensation programs to be effective on June 10, 2019 consistent with the state authorized compensation program:
 - 3.0% merit and distinction program for T&R and A/P Faculty
 - 3.0% Stipend increase for graduate students
 - 2.75% merit program for University Staff
 - 5.00% Classified staff increase comprised of 2.75% across-the-board and 2.25% merit across-the-board increase.
- Enhance the competitiveness of entering salaries in pay bands 1-3 in the staff structure to a minimum of \$12.00 and a Stipend

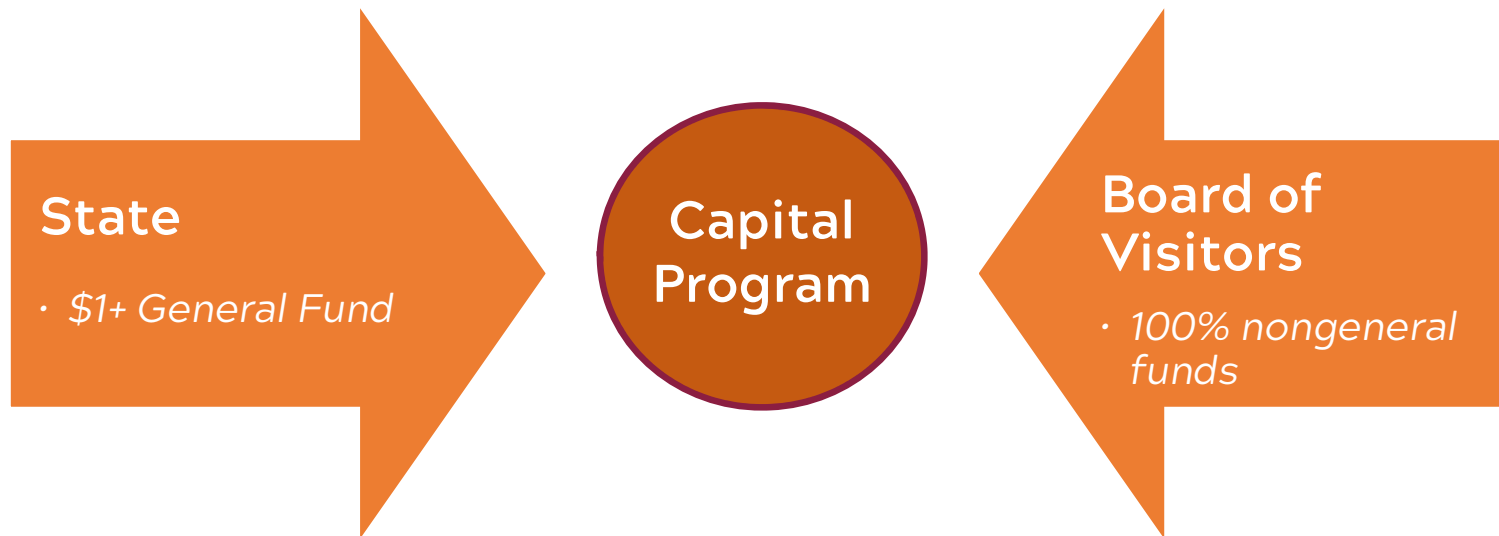


Capital Budget

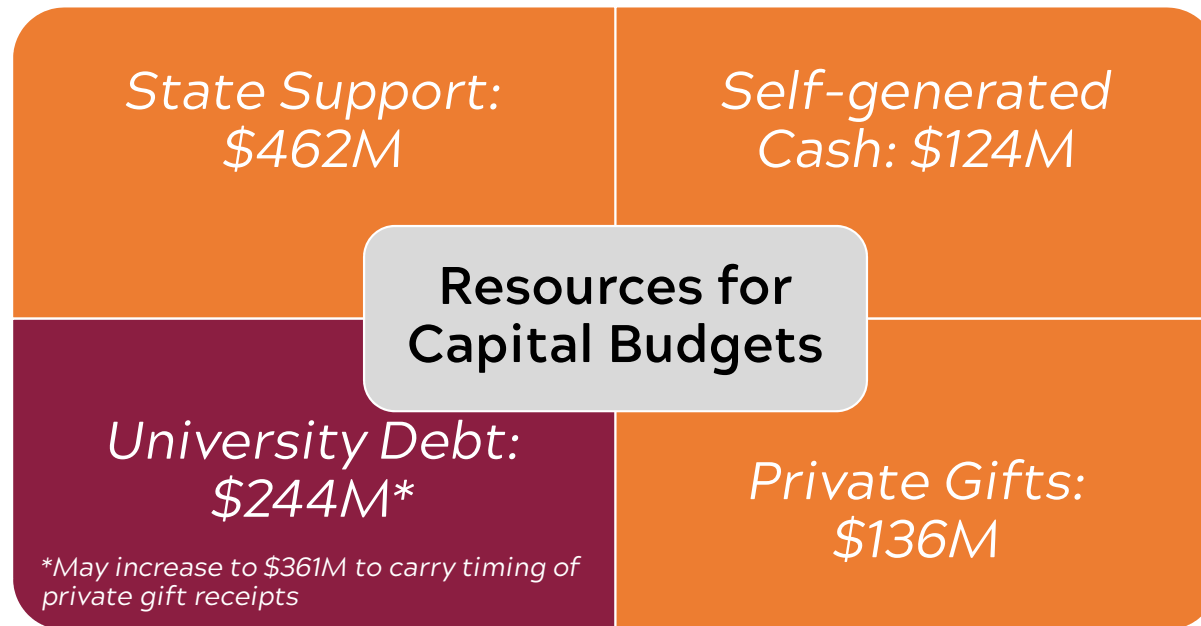
Capital Project Authorization Levels

- Improvements =>\$3M and/or =>5,000 gross square feet of new construction
- Acquisitions regardless of cost
- Capital leases
- Authorizations encompass program, scope, total cost, and funding sources

Capital Project Authorization Providers



Capital Authorization Fund Sources



Fiscal Year 2020 Capital Projects

End FY19	29
Projects closed out June 30 th	- 4
New projects effective July 1 st	<u>2</u>
Start FY20	27

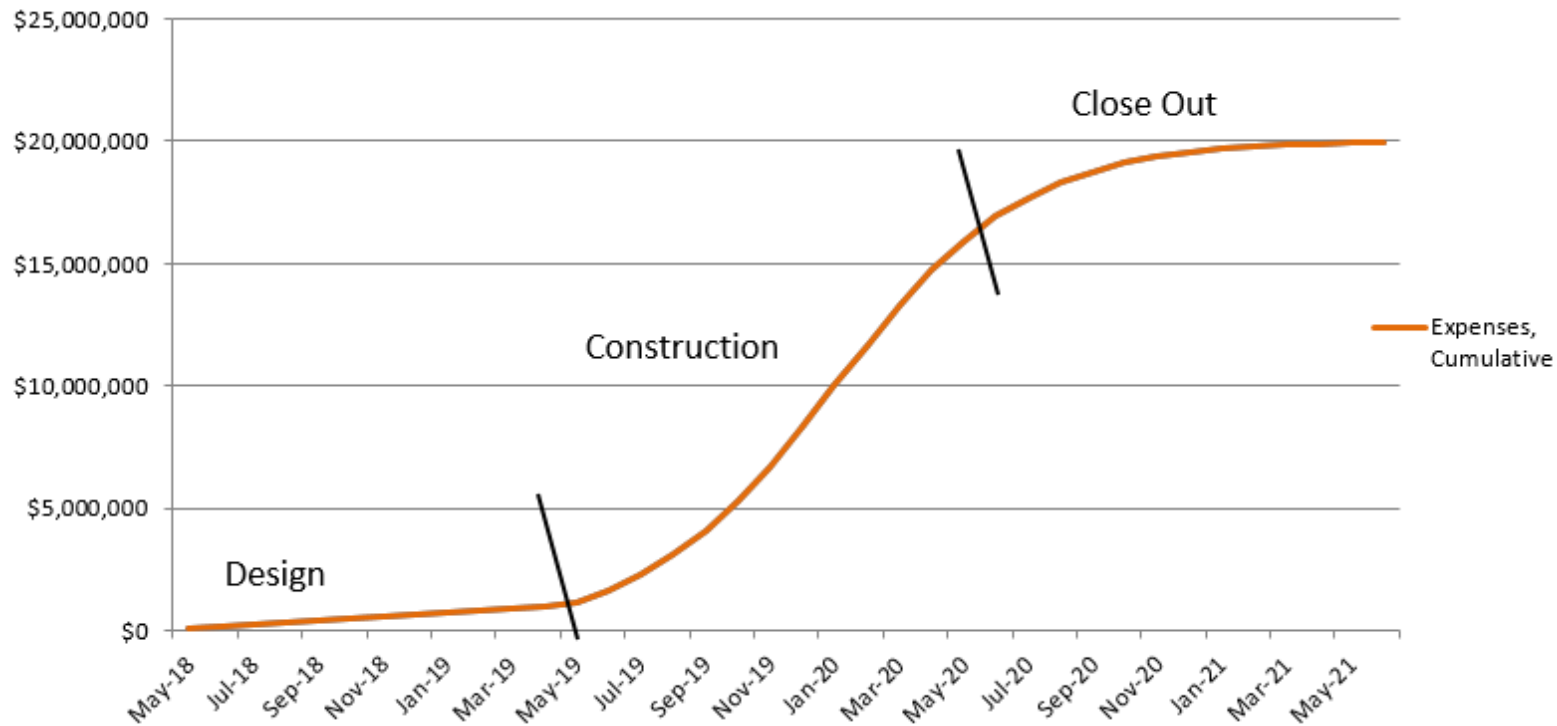
- 9 in design
- 11 in construction
- 7 in close-out

Fiscal Year 2020 Capital Budget

(Dollars in millions)

<i>FY20 starting total capital budget</i>	<i>\$967.7</i>
<i>Less project to-date expenditures as of June 30th</i>	<i><u>- 204.6</u></i>
<i>Budget available for FY20</i>	<i>\$763.1</i>
<i>Estimated capital expenditures for FY20</i>	<i><u>\$175.4</u></i>

Capital Annual Budget Development



Most sensitive to construction start dates

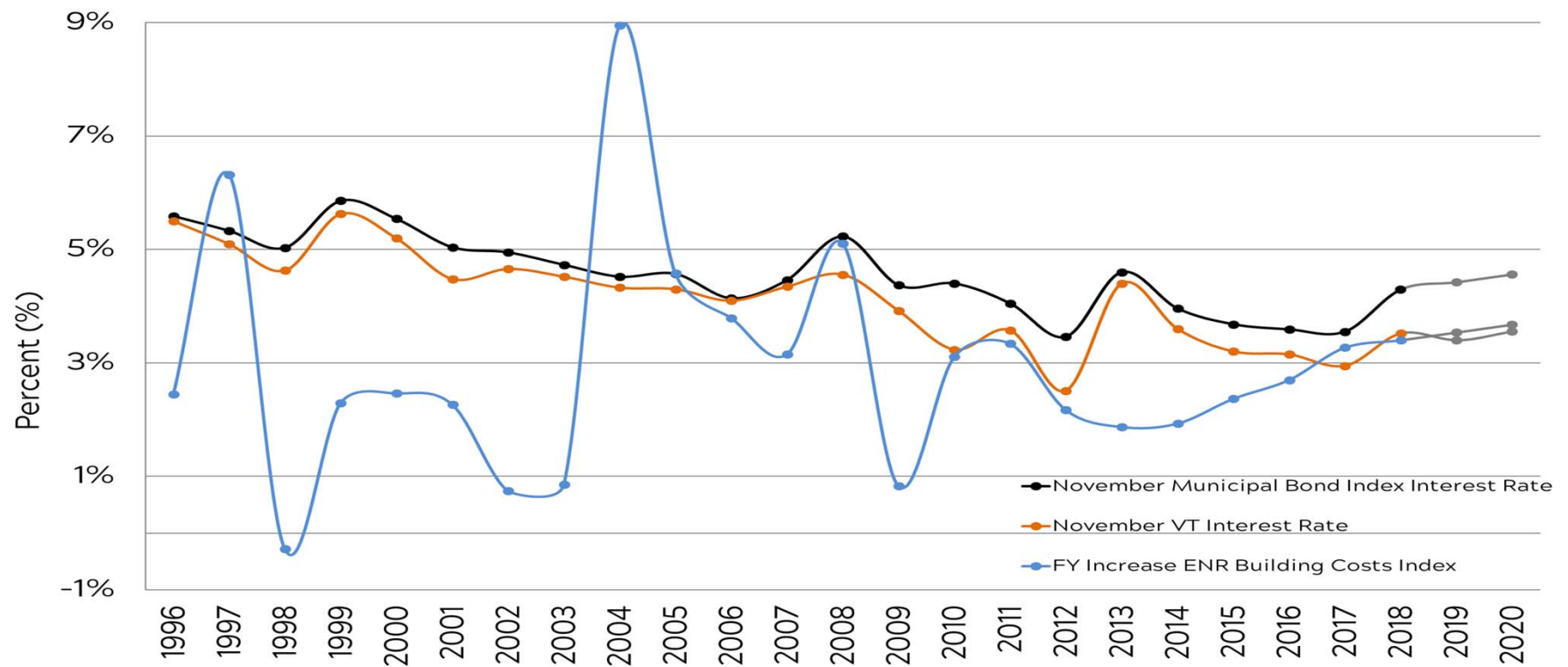
Fully Authorized Planning Activity Underway

Expected Construction

- | | |
|--|-----------------------|
| ▪ <i>Chiller Plant, Phase II</i> | <i>June 2019</i> |
| ▪ <i>Student-Athlete Performance Center</i> | <i>July 2019</i> |
| ▪ <i>Holden Hall Renovation</i> | <i>July 2019</i> |
| ▪ <i>Agriculture Production Facilities</i> | <i>September 2019</i> |
| ▪ <i>Student Wellness Improvements</i> | <i>December 2019</i> |
| ▪ <i>Dietrick First Floor and Plaza Renovation</i> | <i>January 2020</i> |

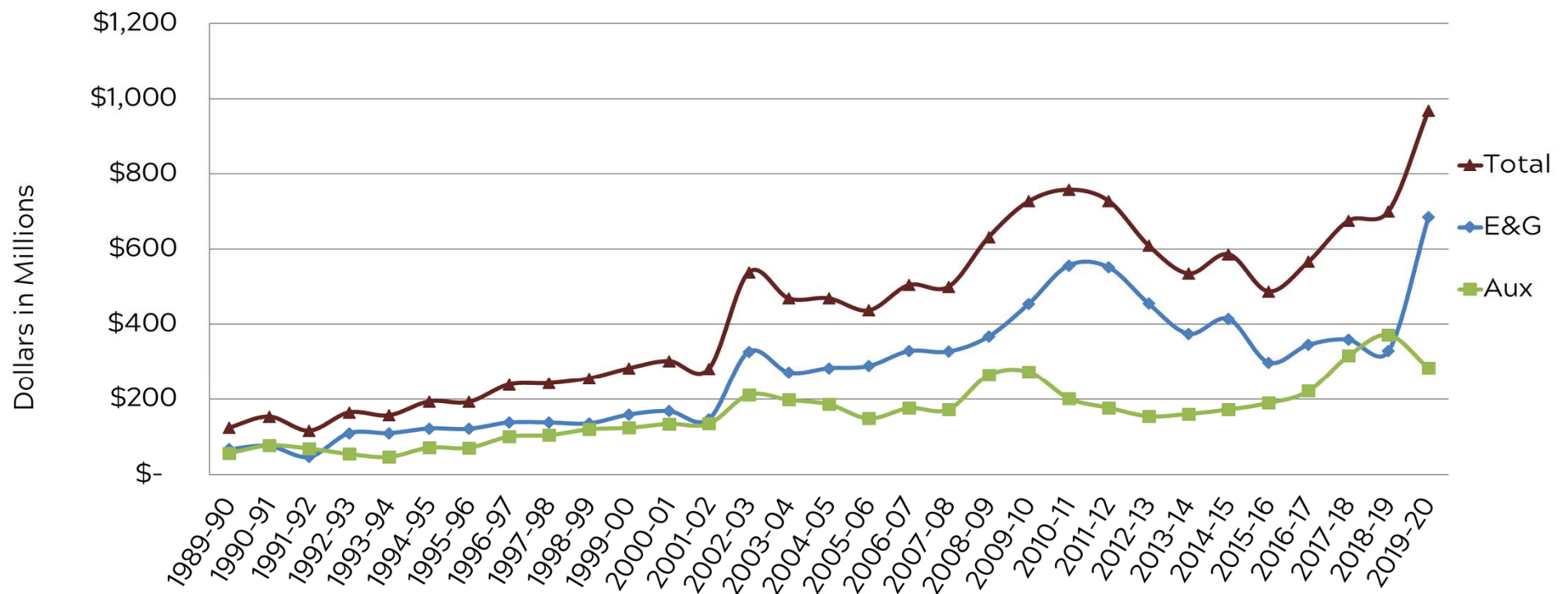
Escalation and Interest Rates

- Each project budget escalated to the mid-point of construction during



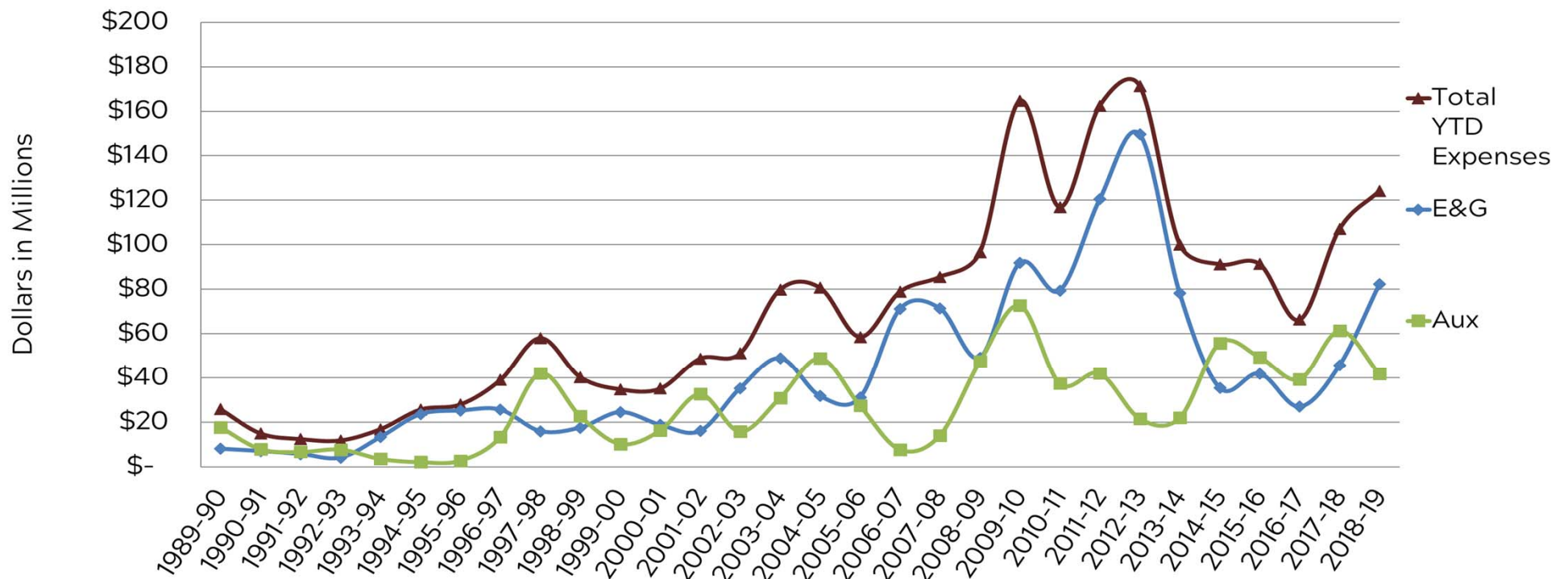
Trend of Total Capital Program Budget

Fiscal Year 1990 - Fiscal Year 2020



Trend of Capital Program Expenses

Fiscal Year 1990 - Fiscal Year 2019



Recommendation

RECOMMENDATION:

That the proposed 2019-20 Operating and Capital Budgets, as displayed on Schedules 1, 2, and 3 be approved.

June 3, 2019