

Committee Minutes

FINANCE AND RESOURCE MANAGEMENT COMMITTEE Latham A/B, The Inn at Virginia Tech August 25, 2020

Joint Closed Session with the Academic, Research, and Student Affairs Committee

Board Members Present: Ed Baine, Carrie Chenery, Greta Harris, Anna James, Tish Long, Melissa Nelson, Horacio Valeiras, Preston White

Virginia Tech Staff: Callan Bartel, Cyril Clarke, Jack Finney, Rachel Gabriele, Bryan Garey, Kay Heidbreder, Nancy Meacham, Ken Miller, Kim O'Rourke, Charlie Phlegar, Dwayne Pinkney, Ellen Plummer, Tim Sands

1. **Motion for Closed Session:** Motion to begin closed session.
2. **Discussion of Changes to and Ratification of Personnel Changes Report:** The Committees met in closed session to discuss proposed changes to the Personnel Changes Report and to review and ratify the quarterly Personnel Changes Report.

The Committees recommended the Personnel Changes Report to the full Board for approval.

Open Session

Board Members Present: Ed Baine, Shelley Barlow, Sharon Brickhouse Martin, Carrie Chenery, Greta Harris, C. T. Hill, Anna James, Eric Kaufman – Faculty Representative, Tish Long, Melissa Nelson, Camellia Pastore – Undergraduate Student Representative, Mehul Sanghani, Tamarah Smith – Staff Representative, Sabrina Sturgeon – Graduate Student Representative, Horacio Valeiras, Preston White

Virginia Tech Staff: Callan Bartel, Bob Broyden, Cyril Clarke, Al Cooper, John Cusimano, Kari Evans, Corey Earles, Bryan Garey, Kay Heidbreder, Tim Hodge, Lisa Lee, Nancy Meacham, Ken Miller, Justin Noble, Kim O'Rourke, Charlie Phlegar, Dwayne Pinkney, Menah Pratt-Clarke, Trudy Riley, Brandy Salmon, Tim Sands, Don Taylor, Tracy Vosburgh

Guests: Henri Gendreau

1. **Motion to Reconvene in Open Session:** Motion to begin open session.
2. **Opening Remarks**
3. **Consent Agenda:** The Committee considered for approval and acceptance the items listed on the Consent Agenda.
 - a. Approval of Items Discussed in Closed Session
 - b. Approval of Minutes of the May 29, 2020 Meeting
 - c. Report on Higher Education Restructuring Performance Measures: This report focused on finance and administrative performance standards results for fiscal year 2019. In July 2020, the university reported on the performance of the finance and administrative measures for fiscal year 2019 to the Secretaries of Finance, Administration, and Education. The assessment of the academic measures is conducted by State Council for Higher Education of Virginia (SCHEV).
 - * d. Approval of Creativity and Innovation District Living Learning Community 9(c) Debt Financing Resolution: The Committee reviewed for approval a debt financing resolution for the Creativity and Innovation District Living Learning Community through the state's 9(c) pooled bond program.

The Creativity and Innovation District Living Learning Community has been authorized by the state to be financed for up to \$89.62 million plus amounts needed to fund issuance costs, reserve funds, and other financing expenses. The university has used commercial paper as short-term financing to date and will reimburse itself from the 9(c) bond proceeds.

- * e. Approval of Resolution to Adjust VT-ARC Affiliation Agreement: The Committee reviewed for approval a Resolution to add language to the Virginia Tech Applied Research Corporation (VT-ARC) Affiliation Agreement approved at the June 2, 2020 full board meeting allowing VT-ARC to request an exception to the requirement to provide a benefits and compensation plan for its employees that, as nearly as practical, matches that of the university. Such exceptions may be authorized by the Senior Vice President and Chief Business Officer of the university.

The Committee approved the items on the Consent Agenda and recommended the Creativity and Innovation District Living Learning Community 9(c) Debt Financing Resolution and the Resolution to Adjust VT-ARC Affiliation Agreement to the full Board for approval.

4. **Comprehensive Update on Advancement:** The Committee received a comprehensive presentation from University Advancement providing an update on the fiscal year 2020 giving results and giving trends since the launch of the Advancement Model. This report also included an update on the philanthropic participation rate; the impact of COVID-19 on fundraising and advancement; the work of University Relations in response to the pandemic; and a summary of near-term focus areas for fundraising priorities, athletics, and participation goals.

The Rector requested that all Board members consider making donations to University Advancement, if they are able, so the 100% Board member philanthropic participation continues in fiscal year 2021.

5. **Update on Research:** The Committee received an update on research including an update on goals from fiscal year 2020 and notable achievements and results, a summary of the impact of COVID-19 on research, and leadership testimonials.
- ◆ 6. **Financial Update on COVID-19:** The Committee received an update on the financial impacts of the COVID-19 pandemic. The presentation included an overview of the university's response to the pandemic; the allocation of the Coronavirus Aid, Relief, and Economic Security (CARES) Act funds; and the remaining unknown impacts related to the pandemic for Fall semester of fiscal year 2021.
- * 7. **Approval of Resolution for Additional Lines of Credit:** The Committee reviewed for approval a resolution identifying authorized officers; approving the terms of proposals and the form of a credit agreement and promissory note; and authorizing the authorized officers to negotiate, execute, and deliver all necessary documents to obtain up to \$210 million of additional lines of credit.

The Committee recommended the Resolution for Additional Lines of Credit to the full Board for approval.

- * 8. **Approval of Year-to-Date Financial Performance Report (July 1, 2019 – June 30, 2020):** The Committee reviewed for approval the Year-to-Date Financial Performance Report for July 1, 2019 – June 30, 2020. The university successfully closed its fiscal year in accordance with guidance and requirements of the commonwealth. The Education and General budgets were balanced at year-end, with no operating deficit incurred. The Auxiliary Enterprises revenues were higher than projected due to interest earnings, orientation participation, student fees from higher than budgeted enrollments, and software sales. Auxiliary Enterprises expenditures were lower than projected due to the university holding back

expenses in response to the COVID-19 pandemic and the timing of incomplete projects.

For year-ended June 30, 2020, \$117.7 million has been expended for Educational and General capital projects, and \$66.6 million has been expended for Auxiliary Enterprises capital projects. Total capital outlay expenditures for year-ended June 30, 2020 was \$184.3 million against an annual budget of \$173.9 million.

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

- * 9. **Approval of Resolution Establishing University Policy 12111, Acceptance of Terms and Conditions Associated with Donations, Gifts, and Other Private Support:** The Committee reviewed for approval a resolution establishing University Policy, 12111, Acceptance of Terms and Conditions Associated with Donations, Gifts, and Other Private Philanthropic Support. This policy was developed in response to the new provisions of Code of Virginia §23.1-1304.1 that requires boards of visitors to establish a policy for the acceptance of terms and conditions and implement administrative processes for specific types of philanthropic support.

The Committee recommended the Resolution Establishing University Policy, 12111, Acceptance of Terms and Conditions Associated with Donations, Gifts, and Other Private Philanthropic Support to the full Board for approval.

- 10. **Update on the Implementation of the JLARC Recommendations:** The Committee received an update on the implementation of JLARC recommendations for broader spans of control. This update also provided an overview of the human resources milestones reached in 2019 and outlined human resources goals and objectives for 2020.
- 11. **Discussion of Future Agenda Topics and Closing Remarks:** The Committee discussed possible topics for future meetings and other topics as needed.

Joint Open Session with the Buildings and Grounds Committee

Board Members Present: Ed Baine, Shelley Barlow, Sharon Brickhouse Martin, Carrie Chenery, Greta Harris, C.T. Hill, Anna James, Eric Kaufman – Faculty Representative, Tish Long, Melissa Nelson, Camellia Pastore – Undergraduate Student Representative, Mehul Sanghani, Tamarah Smith – Staff Representative, Sabrina Sturgeon – Graduate Student Representative, Horacio Valeiras, Preston White

Virginia Tech Staff: Callan Bartel, Bob Broyden, Cyril Clarke, Al Cooper, John Cusimano, Corey Earles, Kevin Foust, Kay Heidbreder, Tim Hodge, Chris Kiwus, Nancy Meacham, Ken Miller, Liza Morris, Justin Noble, Kim O'Rourke, Mark Owczarski, Charlie Phlegar, Dwayne Pinkney, Menah Pratt-Clarke, Tim Sands, Dwyn Taylor, Jon Clark Teglas, Tracy Vosburgh

Guests: Henri Gendreau

1. **Approval of Resolution for Temporary Supplement for Planning the Undergraduate Science Laboratory Building:** The Committees reviewed for approval a resolution for a temporary supplement for planning the Undergraduate Science Laboratory Building. The university infused \$3.084 million of temporary nongeneral funds to complete preliminary designs in September 2017; these designs were completed and the funds were exhausted by January 2020. During fiscal year 2020, the university infused \$2.432 million of additional temporary funds to ensure continuity of the A/E design team and to complete working drawings, bringing the adjusted total budget to complete planning to \$5.516 million. The state has requested that Virginia Tech hold the \$2.432 million supplement authorization locally using its restructuring authority.

The entire \$5.516 million of temporary resources will be reimbursed by General Fund resources when the state appropriates construction funding for this project.

This request is for a capital planning authorization to hold a \$2.432 million supplement to adjust the temporary budget and funding for the Undergraduate Science Laboratory Building project to \$5.516 million.

The Committees recommended the Resolution for Temporary Supplement for Planning the Undergraduate Science Laboratory Building to the full Board for approval.

There being no further business, the meeting adjourned at 11:24 a.m.

*** Requires full Board approval.**

Motion to Reconvene in Open Session

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

August 25, 2020

WHEREAS, the Finance and Resource Management Committee of 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 provisions of the Virginia Freedom of Information Act; and

WHEREAS, §2.2-3711 of the Code of Virginia requires a certification by the Finance and Resource Management Committee that such closed meeting was conducted in conformity with Virginia Law;

NOW, THEREFORE, BE IT RESOLVED, that the Finance and Resource Management Committee of 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 Finance and Resource Management Committee.

Welcome and Opening Remarks

ED BAINE

CHAIR, FINANCE AND RESOURCE MANAGEMENT COMMITTEE

Consent Agenda

- a. *Approval of Items Discussed in Closed Session*
- b. *Approval of Minutes of the May 29, 2020 Meeting*
- c. *Report on Higher Education Restructuring Institutional Performance Measures*
- * d. *Approval of Creativity and Innovation District Living Learning Community 9(c) Debt Financing Resolution*
- * e. *Approval of Resolution to Adjust VT-ARC Affiliation Agreement*

*Requires full Board approval

Items Discussed in Joint Closed Session

**FINANCE AND RESOURCE MANAGEMENT COMMITTEE
AND
ACADEMIC, RESEARCH, and STUDENT AFFAIRS COMMITTEE**

August 25, 2020

Discussion of Changes to and Ratification of Personnel Changes Report

Recommendation: That the Committees ratify the Personnel Changes Report as submitted.

FINANCE AND RESOURCE MANAGEMENT COMMITTEE MINUTES

BOARD OF VISITORS

May 29, 2020

The Finance and Resource Management Committee of the Board of Visitors of Virginia Polytechnic Institute and State University met on Friday, May 29, 2020, at 1:00 p.m. On this date, the Commonwealth of Virginia was operating under a state of emergency as declared by Governor Northam due to the COVID-19 pandemic. This was an entirely electronic meeting held via Zoom videoconference to conduct regular business as permitted by legislation passed by the General Assembly on April 22, 2020, and signed into law by Governor Northam. A quorum of the Finance and Resource Management Committee was present on the videoconference.

Finance & Resource Management Committee members present

Horacio Valeiras (Rector)
Ed Baine
Anna James
Letitia Long (Committee Chair and Vice Rector)
Melissa Nelson

Absent

Other Board members present:

Shelley Butler Barlow
Greta Harris
C. T. Hill
L. Chris Petersen
Preston White

Constituent Representatives present:

John Ferris (Faculty Representative)
Ryan King (Graduate Student Representative)
Tamarah Smith (Staff Representative)
Madelynn Todd (Undergraduate Student Representative)

Also present on the Zoom videoconference were the following: President Timothy Sands, Kim O'Rourke (Secretary to the Board), Callan Bartel, Bob Broyden, Cyril Clarke, Al Cooper, John Cusimano, Kelly DeCamp (captioner), Karen DePauw, John Dooley, Corey Earles, Kari Evans, Michael Friedlander, Bryan Garey, Kay Heidbreder, Tim Hodge, Sharon Kurek, Nancy Meacham, Scott Midkiff, Ken Miller, Erik Olson (captioner), Charlie Phlegar, Dwayne Pinkney, Don Taylor, Tracy Vosburgh, Chris Yianilos

In addition, 234 members of the university community and public viewed a live stream of the videoconference on YouTube Live.

1. Welcome and Opening Remarks

2. Consent Agenda: The Committee considered for approval and acceptance the items listed on the Consent Agenda.

a. Approval of Minutes of the May 7, 2020 Meeting

* b. Approval of 2020-21 Pratt Fund Budget: The Pratt Fund provides funding for programs in both the College of Engineering and Department of Animal Nutrition in the College of Agriculture and Life Sciences. For 2020-21, the College of Engineering proposes expenditures of \$999,333 and the Department of Animal Nutrition proposes expenditures of \$969,833.

* c. Approval of 2020-21 Hotel Roanoke Conference Center Budget: The Hotel Roanoke Conference Center Commission was established by resolutions adopted by Virginia Tech and the City of Roanoke, under Commonwealth of Virginia enabling legislation. The enabling legislation provided that the Commission shall annually prepare and submit to both the City of Roanoke and Virginia Tech a proposed operating budget showing its estimated revenues and expenses for the forthcoming fiscal year, and, if the estimated expenses exceed the estimated revenues, the portion of the unfunded balance is to be borne by each participating party for the operation of the conference center. The funds for Virginia Tech total \$80,000 for the fiscal year 2020-21 and will come from the Fralin endowment which was established to assist with the project.

* d. Approval of 2020-21 Virginia Tech-Wake Forest University School of Biomedical Engineering and Science Budget: The collaboration agreement, which outlines the relationship and responsibilities of Virginia Tech and Wake Forest University School of Biomedical Sciences, requires the governing boards of each university to approve the annual operating budget for the School of Biomedical Engineering and Sciences. The Virginia Tech financial commitment for fiscal year 2020-21 is \$5.5 million.

* e. Approval of Resolution to Rescind the August 31, 2015 Distribution of Nike Contract Revenue Resolution: The resolution seeks to rescind the Distribution of Nike Contract Revenue Resolution, approved by the Board of Visitors on August 31, 2015. The rescension of this resolution is required due to the establishment of Bylaw 11.3.2.2 of the National Collegiate Athletics Association that prohibits an outside source from paying or supplementing the salary of an athletics department staff member.

- * f. Notification of Provisions of the Appropriation Act Relating to Indebtedness of State Agencies (Unauthorized Deficits): This is the university’s annual notification to the Board of Visitors detailing the provisions of the Appropriation Act relating to indebtedness of state agencies, or unauthorized deficits.

The Committee approved the items on the Consent Agenda.

- * **3. Resolutions Delegating Authority and Reaffirming Human Resources Policy:** The Committee reviewed for approval the proposed resolutions to delegate authority to the president to temporarily reduce pay or implement furloughs for faculty and university staff through June 30, 2021 with the goal of preserving the university’s workforce to the extent possible. The proposal requires the president to consult with the Rector and share with the Board a plan before enacting this authority. The plan will be part of a comprehensive budget reduction strategy to address temporary and permanent budget reductions needed to address the fiscal crisis caused by the COVID-19 pandemic. Additionally, the Committee reviewed for approval the reaffirmation of a human resources policy, University Policy 4240: Layoff Policy for Staff.

The Rector expressed the Board of Visitors’ support for retaining and recruiting exceptional faculty and said the Board would look at all options before reducing compensation. The Committee echoed this statement, adding that these mitigation strategies are essential to provide the university leadership with all options to navigate the current financial situation, emerging from the pandemic financially strong and intact.

The Committee recommended the Resolution Delegating Authority to the President and the Resolution Reaffirming Human Resources Policy for Classified and University Staff to the full Board for approval.

- *♦ **4. Resolution for Approval of Tuition and Fee Rates for 2020-21:** The Committee reviewed for approval the proposed tuition and fee rates for 2020-21.

The 2004 General Assembly authorized “The Board of Visitors . . . of institutions of higher education may set tuition and fee charges at levels they deem to be appropriate for all resident student groups based on, but not limited to, competitive market rates...”

The university proposes to maintain tuition and mandatory educational & general (E&G) fees for in-state undergraduate students at the same levels as 2019-20. This tuition and fee package is recommended in response to the negative financial implications of the COVID-19 pandemic on the students.

Consistent with this, this package proposes to hold 2020-21 in-state and out-of-state undergraduate tuition and mandatory E&G fees at 2019-20 levels of \$11,595 for in-state and \$30,739 for out-of-state students. For on-campus graduate programs, this package proposes to hold 2020-21 in-state and out-of-state graduate tuition and mandatory E&G fees at 2019-20 levels of \$13,876 for in-state and \$28,393 for out-of-state students. For off-campus graduate programs, this package proposes to hold 2020-21 in-state and out-of-state tuition and mandatory E&G fees at 2019-20 levels of \$15,342 for in-state and \$30,338 for out-of-state students.

Additionally, this package proposes to hold 2020-21 Virginia/Maryland and out-of-state, non-Maryland Veterinary Medicine tuition and mandatory E&G fees at 2019-20 levels of \$22,081 for Virginia/Maryland students and \$51,214 for out-of-state, non-Maryland students.

For Virginia Tech Carilion School of Medicine students, this package proposes to hold 2020-21 tuition and mandatory E&G fees at 2019-20 levels of \$53,288.

Furthermore, the university recommends an increase of \$58 or 2.8 percent to total comprehensive fees for a total of \$2,154 for both in-state and out-of-state undergraduate and graduate students. An average 2.3 percent increase in room and board is recommended.

The Committee expressed appreciation for the university listening to the needs of the students and the Board and adjusting the tuition and fee rate proposal accordingly.

The Committee recommended the Resolution for Tuition and Fee Rates for 2020-21 to the full Board for approval.

- * **5. Approval of 2020-21 Compensation for Graduate Assistants:** The Committee reviewed for approval the proposed 2020-21 schedule of stipends and support for the health insurance program for graduate students. To be competitive in the recruitment and retention of high-quality graduate students, it is important for the university to provide compensation packages that are comparable with those offered by peer institutions. The key components of the graduate student compensation package include competitive stipends, tuition assistance, and health insurance. The report also includes a revised listing of the proposed stipend compensation pay ranges with the addition of \$58 to the academic year Stipend Supplement of \$400, resulting in a total academic year Stipend Supplement of \$458 to help mitigate university assigned costs.

The Committee requested that the Commission of Graduate and Professional Studies present their recommendations on compensation for graduate assistants at future Finance and Resource Management Committee and Academic, Research, and Student Affairs Committee meetings.

The Committee recommended the 2020-21 Compensation for Graduate Assistants to the full Board for approval.

- * **6. Approval of 2020-21 Faculty Compensation Plan:** The Committee reviewed for approval the 2020-21 Faculty Compensation Plan. The report defines the qualification criteria for teaching and research faculty and administrative and professional faculty, provides guidance on the authorized salary average for full-time teaching and research faculty positions, and requires board approval. The key elements of the 2020-21 plan are consistent with the current plan.

For Fall 2018, Virginia Tech's Actual Salary Average was \$104,132. This placed Virginia Tech at the 29th percentile of its peer group, based on the most recent peer salary data available from the Integrated Postsecondary Education Data System (IPEDS). Based on SCHEV's forecast of salary escalation at peer institutions, the university estimates that the Actual Salary Average will rank in the 25th percentile of peer institutions for Fall 2019.

Recognizing the critical nature of faculty compensation, the university's standing relative to the 60th percentile of the university's peer group average salary, the higher levels of competing offers being received by key faculty, and to minimize the high cost of turnover, the university will continue to explore opportunities to improve the competitiveness of Virginia Tech faculty compensation. However, due to the lack of a statewide salary program in 2020-21 and budget uncertainty resulting from the COVID-19 pandemic, no university merit process is currently planned for the 2020-21 fiscal year.

However, the plan does include the proposed increases for faculty members approved for promotion and tenure.

The Committee requested that the university share a comparison of compensation in similar departments at peer institutions in order to illustrate where the gaps in faculty pay are the largest at a future meeting.

The Committee recommended the 2020-21 Faculty Compensation Plan to the full Board for approval.

- *◆ **7. Approval of 2020-21 University Budgets:** The Committee reviewed for approval the 2020-21 University Budgets. The University Budgets are comprised of the Operating and Capital Budgets.

Due to the dynamic and uncertain environment resulting from the COVID-19 pandemic, it is prudent for the university to establish preliminary budgets for fiscal year 2020-21 that address the strong possibility that the university will be required to operate with fewer resources in 2020-21. Because of these unknown impacts, the university proposes that the 2020-21 preliminary budgets be a continuation of the 2019-20 budgets with adjustments for the uncertainty including a 5 percent reduction in discretionary spending for the Auxiliary Systems Budgets and the Operating Budget. The university is undergoing contingency planning by conducting a university-wide 5 and 10 percent budget reduction exercise and will commence a process to update budgets once the COVID-19 pandemic's financial impact on state funding, enrollment and various university operations is better understood.

- a. **Auxiliary System Budgets:** The auxiliary systems are a component of the overall operating budget. In accordance with the resolutions authorizing and securing the Dormitory and Dining Hall System, Electric Service Utility System, University Services System, and Athletic Facilities System revenue bonds, the Board of Visitors is required to separately adopt an annual budget for each system. All budgets are balanced and designed in accordance with bond covenants including maintenance and reserve requirements. The annual budgets, including debt service, for the period July 1, 2020 to June 30, 2021 for the four systems are:
 - i. Dormitory and Dining Hall System Budget: \$130.3 million
 - ii. Electric Service System Budget: \$33.7 million
 - iii. University Services System Budget: \$52.9 million
 - iv. Athletics Facilities System Budget: \$74.7 million

The Committee recommended each of the four Auxiliary Systems Budgets for 2020-21 to the full Board for approval.

- b. Operating Budget and Capital Budget: The university envisions the 2020-21 budget development occurring in phases, proposing that the fiscal year opens with a preliminary budget constructed in anticipation of constrained resources with a hedge for initial revenue estimates. As additional information becomes known, the university will adjust the revenue budgets and update operating assumptions.

For 2020-21, the recommended internal budget for all operations is \$1.63 billion. This is a decrease of \$40 million, approximately 2.5 percent, under the adjusted 2019-20 budget.

The capital outlay program for 2020-21 is comprised of 18 Educational and General projects and 10 Auxiliary Enterprise projects for a total of 28 projects. The total capital outlay budget for fiscal year 2020-21 includes total project authorizations of approximately \$1.05 billion and a projected unspent balance for these projects of \$823 million. The 2020-21 expenditure budget for those projects is approximately \$194 million.

The Committee recommended the 2020-21 Operating Budget and Capital Budget to the full Board for approval.

- * **8. Approval of Revisions to and Renewal of Related Corporations Affiliation Agreements:** The Committee reviewed for approval revisions to and renewal of Related Corporations Affiliation Agreements. As approved by the Board of Visitors, the university has entered into affiliation agreements with the following university-related corporations for the purpose of defining the relationship and requirements of university-related corporations: Virginia Tech Alumni Association, Inc., Virginia Tech Athletic Fund, Inc., Virginia Tech Applied Research Corporation, Virginia Tech Corps of Cadets Alumni, Inc., Virginia Tech Foundation, Inc., Virginia Tech Innovation Corporation (formerly Virginia Tech Technology Services and Operations Corporation), Virginia Tech Intellectual Properties, Inc., Virginia Tech India Research & Education Forum, and Virginia Tech Services, Inc.

The terms of these agreements end on June 30, 2020. It is recommended that the agreements be renewed at this time to be extended to a term ending June 30, 2024.

The Committee recommended the Revisions to and Renewal of Related Corporations Affiliation Agreements to the full Board for approval.

- * **9. Approval of Year-to-Date Financial Performance Report (July 1, 2019 – March 31, 2020):** The Committee reviewed for approval the Year-to-Date Financial Performance Report for July 1, 2019 – March 31, 2020. For the third quarter, budget adjustments were made to reflect revisions to projected revenues and expenditures. In the Educational and General Budget, the Tuition and Fee revenue budget was increased by \$4.4 million because of program fee revenues and graduate enrollments in the greater Washington, D.C., metro area. In the Auxiliary Enterprises Budget, the Residential & Dining expense budget was increased by \$1.3 million for Residential Mail Delivery Program and decreased by \$3.1 million for one-time relief of the university's scholarship cost assignment; the Athletics revenue budget decreased by \$5.1 million for lower than anticipated ACC conference distributions and timing of ACC Network revenues, and the expense budget was increased by \$0.4 million for NCAA and capital projects.

Due to COVID-19, self-generated revenues in Veterinary Teaching Hospital and Equine Medical Center are anticipated to be lower during the 4th quarter of 2019-20. Additionally, lower than projected revenues in Residential and Dining are anticipated due to residential rebates and lower dining business volume; higher than projected revenue performance through March at the Inn at Virginia Tech are expected to be offset by 4th quarter COVID-19 impacts. The university continues to manage and monitor these expenses, and a 4th quarter budget adjustment for the financial impacts of COVID-19 is still in development

Through the quarter ending March 31, 2020, \$86 million was expended for Educational and General capital projects, and \$47 million was expended on Auxiliary Enterprises capital projects. Capital outlay year-to-date expenditures through March 31, 2020 totaled \$133 million.

The COVID-19 pandemic has led to market slowdowns due to the deferment of construction jobs. It is also creating potential for the market to lean toward the buyers.

The Committee discussed the need for future Year-to-Date Financial Performance Reports to provide a detailed explanation of the restrictions on state funds designated for specific capital projects.

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

- 10. Closing Remarks:** President Sands stated that the future of the university remains bright even during these uncertain times. He expressed thanks to the Board of Visitors for providing flexibility to ensure that the university comes out of these uncertain times as a stronger Virginia Tech, and he committed to avoiding lay-offs, furloughs, and short-term salary reductions to the extent possible, pledging not to invoke any of these mitigation strategies in a cavalier way.

The Committee expressed their gratitude for the university's hard work and dedication developing the strategies and programs shared at this Committee meeting.

There being no further business, the meeting adjourned at 3:34 p.m.

*** Requires full Board approval.**

◆ Discusses Enterprise Risk Management topic(s).

Report on Higher Education Restructuring Institutional Performance Standards

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

August 5, 2020

Background

In 2005, the Virginia General Assembly passed the Restructured Higher Education Financial and Administrative Operations Act (Restructuring Act). This Act provided restructuring benefits and allowed all Virginia institutions of higher education to have more responsibility for their financial and operational activities.

For Virginia Tech, the Act also provided the opportunity to apply for additional “Level 3” authority and responsibilities. In 2005, Virginia Tech entered into a Management Agreement with the Commonwealth of Virginia under the Restructuring Act, offering increased management autonomy in exchange for high level accountability in several performance areas.

The Management Agreement became effective on July 1, 2006. It provides the university greater autonomy in the areas of capital outlay, leasing, procurement, information technology, finance, and human resources. This autonomy has enabled the institution to implement revised financial and administrative policies and business practices in specified areas to proactively address the needs of the institution. The Management Agreement was initially approved for a period of four years. Subsequently, legislation was approved granting the continuation of the Management Agreement. The 2014 General Assembly renewed the Level 3 restructured institutions’ Management Agreements for an indefinite period. Along with Virginia Tech, the University of Virginia, the College of William and Mary, and Virginia Commonwealth University were also granted Level 3 restructured status.

Accountability is an important part of the Restructuring Act, and all institutions of higher education have a common set of performance measures to achieve. The Institutional Performance Standards (IPS) are the primary performance metrics evaluated under the Restructuring Act. Until fiscal year 2010, the State Council of Higher Education of Virginia (SCHEV) annually assessed the degree to which individual public institutions of higher education met the financial and administrative management and education-related performance benchmarks set forth in the Appropriation Act in effect. The university provided an annual report to the committee on the status of compliance with these measures.

The Higher Education Opportunity Act passed in 2011 suspended the assessment of IPS measures until the Higher Education Advisory Council (HEAC) completed its review of the IPS measures and recommended a new set of reporting measures. In May, 2011 SCHEV certified all institutions as meeting the IPS measures for the 2011-12 to 2013-14 period. The 2013 General Assembly incorporated the recommended changes to the IPS measures proposed by HEAC in the Appropriation Act. The number of measures were reduced, and the assessment period changed from an annual reporting period to a biennial reporting period. The revised IPS measures continue to focus on two primary areas:

- **Academic Measures:** There are six education-related measures with a focus on enrollment. SCHEV monitors institutional compliance with these measures and has broad authority to certify institutions as having met these standards. In addition, SCHEV may develop, adopt, and publish standards for granting exemptions and ongoing modifications to the certification process.
- **Finance and Administrative measures:** There are 17 finance and administrative measures. HEAC retained all the finance and administrative measures from the previous reporting cycle. The Secretary of Finance through the Department of Planning and Budget (DPB) is responsible for monitoring institutional compliance with these measures.

Current Status of Performance Measures

- **Academic Measures:** SCHEV has performed the 2020 biennial assessment of the academic related measures. In June 2020, SCHEV reported that Virginia Tech has met all six academic standards. *Attachment A* details the six academic related measures and Virginia Tech's performance for the 2020 Biennial Assessment Results as reported by SCHEV.
- **Finance and Administrative Measures:** In July 2020, the university provided a report on the performance of the finance and administrative measures to the Secretaries of Finance, Administration, and Education. *Attachment B* provides a summary of the results reported to the state. Of the 17 measures, the university is in full compliance with 16 measures. There was one measure in which the university did not meet the stated goal, and another that required additional explanation. Explanations for both of these were provided as detailed below.

Capital Outlay Standards

The Capital Outlay standard, *capital outlay projects completed within budget*, (Item 5.a. on *Attachment B*), requires reporting on completed capital projects with an individual cost of over \$1 million. Effective July 2011, Virginia Tech

Board of Visitors approved an increase in the capital project threshold from \$1 million to \$2 million. This increase was pursuant to the 2011 General Assembly increasing the dollar component on the state capital projects from \$1 million to \$2 million. Hence, the performance for the capital project standard included in the attachment includes results for capital projects over \$2 million – all of which were approved before the General Assembly increased the capital project threshold to \$3 million in 2018.

The university had six capital projects that reached substantial completion in fiscal year 2019. Of the six projects, one project exceeded the budget established at the completion of the preliminary design stage, the Renovate and Renew Academic Buildings project. The project delivery method was design-bid-build, and the university received pricing for the project four times during 2016. During the pricing process, the university worked extensively with the Department of General Services and the Department of Planning and Budget on strategies to control costs including extensive value engineering while preserving the legislative intent of the project, shifting the delivery method to hard bids from Construction Manager at Risk, multiple hard bid pricing efforts, repacking the bids to attract smaller contractors with less overhead, and extensive outreach efforts. Despite these efforts, the lowest bid for the authorized project scope was \$4.46 million over the authorized budget.

To ensure the project would proceed with its legislative intent, the university submitted an appeal through the state's Six-Year Capital Outlay Plan Advisory Committee (6-PAC) to fully fund the project. The 6-PAC approved this appeal, the university requested a General Fund supplement in the 2017 budget session to fully fund the project, and the General Assembly approved the full supplement amount to ensure the project would complete its legislative intent.

Financial Standards

The Financial standard, *audit deficiencies*, (Item 1.b. on *Attachment B*) requires no significant audit deficiencies attested to by the Auditor of Public Accounts. No such deficiencies were identified for FY19, resulting in Virginia Tech's full compliance with the standard. However, Virginia Tech did receive a written comment for improperly identifying employees required to complete a statement of economic interest and complete conflict of interest training from the APA. This comment resulted in a corrective action plan being fully implemented and completed during FY20.

The university anticipates that SCHEV will perform an institutional assessment of the IPS measures by October 2020, in accordance with past assessment timelines. The university believes it will be considered in compliance for these measures when the State Council makes its final determination of compliance by spring 2021.

Virginia Tech
Higher Education Restructuring Institutional Performance Standards
2018-19

	Measure	Metric Definition	Performance Goal	FY 2019 Performance	Result
1. Financial					
a.	Audit of Financial Statements	An unqualified opinion from the Auditor of Public Accounts upon the audit of the public institution's financial statements.	Full Compliance	Full Compliance	●
b.	Audit Deficiencies	No significant audit deficiencies attested to by the Auditor of Public Accounts.	Full Compliance	Full Compliance ⁽¹⁾	●
c.	Financial Reporting Standards	Substantial compliance with all financial reporting standards approved by the State Comptroller.	Full Compliance	Full Compliance	●
d.	Accounts Receivable Standards	Substantial attainment of accounts receivable standards approved by the State Comptroller, including but not limited to, any standards for outstanding receivables and bad debts.	Full Compliance	Full Compliance	●
e.	Accounts Payable Standards	Substantial attainment of accounts payable standards approved by the State Comptroller including, but not limited to, any standards for accounts payable past due.	Full Compliance	Full Compliance	●
2. Debt Management					
a.	Bond Rating	The institution shall maintain a bond rating of AA- or better	Aa3/AA-	Aa1 Rating - Moody's	●
b.	Investment Returns earned on operating cash balances over rolling three-year period	The institution achieves a three-year average rate of return at least equal to the imoney.net money market index fund	1.21%	2.24%	●
c.	Debt burden ratio	The institution maintains a debt burden ratio equal to or less than the level approved by the Board of Visitors in its debt management policy.	≤7%	3.46%	●
3. Human Resources					
a.	Turnover percent as an indicator of classified staff stability and satisfaction	The institution's voluntary turnover rate for classified plus university/college employees will meet the voluntary turnover rate for state classified employees within a variance of 15 percent	8.32%	7.75%	●
b.	Number of internal employee transfers and promotions as a percentage of total number of newly-hired, transferred and promoted	The institution achieves a rate of internal progression within a range of 40 to 60 percent of the total salaried staff hires for the fiscal year	40%-60%	56.11%	●
4. Procurement					
a.	SWAM Participation	The institution will substantially comply with its annual approved Small, Women and Minority (SWAM) procurement plan as submitted to the Department of Minority Business and Supplier Diversity; however, a variance of 15 percent from its SWAM purchase goal, as stated in the plan, will be acceptable	≥85%	99.1%	●
b.	Procurement orders process through the Commonwealth's enterprise-wide internet procurement system (eVA)	The institution will make no less than 80 percent of purchase transactions through the Commonwealth's enterprise-wide internet procurement system (eVA) with no less than 75 percent of dollars to vendor locations in eVA	80% - Transactions 75% - Dollars	83.5% - Transactions 79.1% - Dollars	●
5. Capital Outlay					
a.	Capital projects within budget ⁽²⁾	The institution will complete capital projects (with an individual cost of over \$1,000,000) within the budget originally approved by the institution's governing board at the preliminary design state for projects initiated under delegated authority, or the budget set out in the Appropriation Act or other Acts of Assembly which provides construction funding for the project at the preliminary design state. If the institution exceeds the budget for any such project, the Secretaries of Administration and Finance shall review the circumstances causing the cost overrun and the manner in which the institution responded and determine whether the institution shall be considered in compliance with the measure despite the cost overrun	100%	83% ⁽³⁾	●
b.	Owner requested change orders	The institution shall complete capital projects with the dollar amount of owner requested change orders not more than 2 percent of the guaranteed maximum price (GMP) or construction price	≤2%	≤2%	●
c.	Competitive rates for leased office space	The institution shall pay competitive rates for leased office space - the average cost per square foot for office space leased by the institution is within 5 percent of the average commercial business district lease rate for similar quality space within reasonable proximity to the institution's campus	5%	18.49 % below market	●
6. Information Technology					
a.	Project Management	The institution will complete major information technology projects (with an individual cost of over \$1,000,000) on time and on budget against their managed project baseline.	100%	N/A ⁽⁴⁾	●
b.	Information Security	The institution will maintain compliance with institutional security standards as evaluated in internal and external audits. The institution will have no significant audit deficiencies unresolved beyond one year	Full Compliance	Full Compliance	●

NOTE

(1) The university received no significant audit deficiencies from the APA but received one written comment. Additional information is provided in the Letter to the Secretary of Finance.

(2) The university capital project threshold was revised from \$1 million to \$2 million in 2011 and to \$3 million in 2018. This change was pursuant to the State increasing its capital project threshold.

(3) One of six capital projects was not completed within budget. Additional information is provided in the Letter to the Secretary of Finance.

(4) There are no major information technology projects for the reporting period.

**Academic Performance Standards
2020 Biennial Assessment Results***
(Using 2017 Projections for PMs 1 - 4)

Institution	PM 1		PM 2		PM 3		PM 4		PM 5	PM 6
	17-18	18-19	17-18	18-19	17-18	18-19	17-18	18-19	Biennium	Biennium
VT	100.6	100.6	99.3	100.9	105.3	120.7	104.8	106.9	214**	151**

**As reported to Virginia Tech by SCHEV in June, 2020*

Performance Measures:

PM 1 - Institution meets at least 95 percent of its State Council-approved biennial projections for in-state undergraduate headcount enrollment.

Projections compared to Fall Headcount file

PM 2 - Institution meets at least 95 percent of its State Council-approved biennial projections for the number of in-state associate and bachelor degree awards.

Projections compared to Degrees Conferred file

PM 3 - Institution meets at least 95 percent of its State Council-approved biennial projections for the number of in-state STEM-H associate and bachelor degree awards.

Projections compared to Degrees Conferred file

PM 4 - Institution meets at least 95 percent of its State Council-approved biennial projections for the number of in-state, upper level - sophomore level for two-year institutions and junior and senior level for four-year institutions - program-placed, full-time equivalent students.

Projections compared to Course Enrollment file

PM 5 - Maintain or increase the number of in-state associate and bachelor degrees awarded to students from under-represented populations.

Actuals derived from the 2017-18 and 2018-19 Degrees Conferred Files and the last five years of financial aid data files prior to degree award.

Averages for the biennial period (2017-18 and 2018-19) under review were compared to averages of prior three-years (14-15, 15-16, and 16-17).

**The score of 214 indicates that during this review period, VT increased the number of conferred degrees to students from under-represented populations by an average of 214 more than the threshold target of the prior three-year period's averages.*

PM 6 - Maintain or increase the number of in-state two-year transfers to four-year institutions.

Actuals derived from the 2017-18 and 2018-19 Course Enrollment files (CE) and CE files from 5 yrs prior, Degree Conferred Files up to 10 yrs prior.

Averages for the biennial period (2017-18 and 2018-19) under review were compared with base year (2010-11) figures.

***The score of 151 indicates that during this review period, VT increased the number of transfer students by an average of 151 more than the threshold target of the 2010-11 academic year.*

COMPREHENSIVE UPDATE ON ADVANCEMENT

Finance & Resource Management
Committee - Board of Visitors

AUGUST 25, 2020

CHARLES D. PHLEGAR
VICE PRESIDENT FOR ADVANCEMENT



Overview

- *FY20 Giving Results*
- *Update on Participation and Participation Rate*
- *COVID-19 Impact on Fundraising and Advancement*
- *The work of University Relations in Response to COVID-19*
- *University/College/Unit Priorities and Focus*
- *Athletics*
- *22% x 2022 - Traditional and Non-Traditional Techniques*

YEAR-END GIVING RESULTS

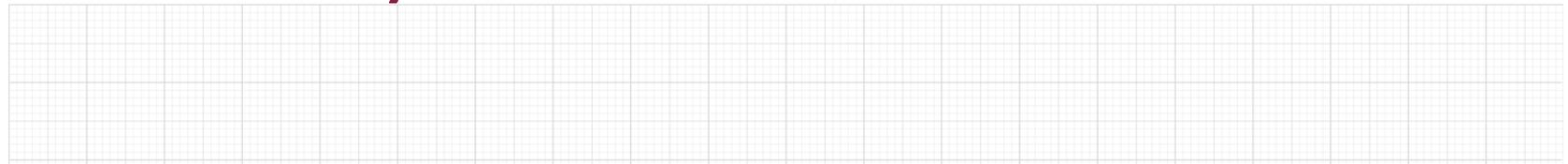
For the period July 1, 2019 - June 30, 2020

- *New Gifts and Commitments*
 - **\$185.4 million**
- *Cash*
 - **\$172.7 million**
- *Beyond Boundaries Scholarship Initiative*
 - **Over \$1 million raised that will be matched to support underrepresented and high-achieving students**
- *Boundless Impact Campaign*
 - **More than \$657.2 million raised toward \$1.5 billion goal**

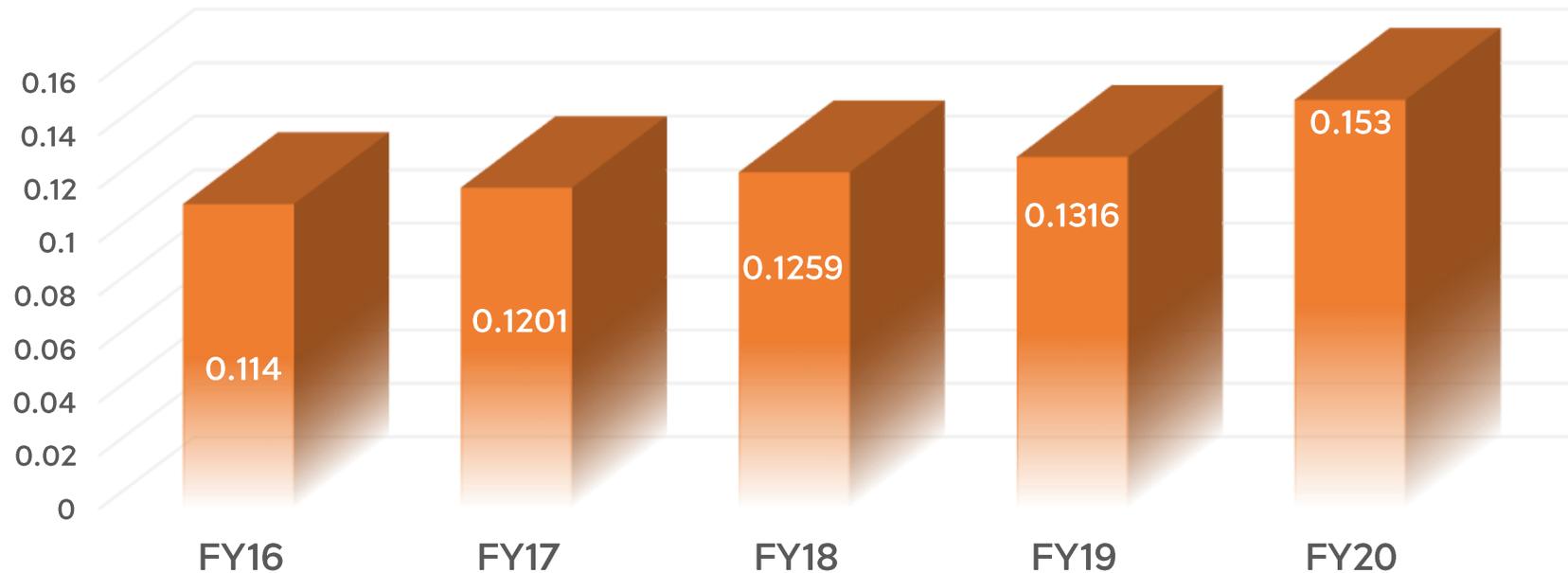


PARTICIPATION UPDATE

- **Achieved 100% Philanthropic Participation among leading volunteer boards and University Leadership**
 - *Board of Visitors*
 - *Virginia Tech Foundation Board of Directors*
 - *Virginia Tech Alumni Association Board of Directors*
 - *Campaign Steering Committee*
 - *President's Council*
 - *Many other Advisory Boards within Colleges and Units*
- **Overall Alumni Participation Rate was 15.3%, a new record**
- **Continued emphasis will propel us toward achieving our goal of 22% participation rate by 2022**



ALUMNI PARTICIPATION RATE COMPARISON FISCAL YEAR 2016 THROUGH FISCAL YEAR 2020



Class of 2020 Statistics:

- 1,001 Donors
- 19.34% participation rate
- Total Gifts - \$21,765
- Average Class Gift Size: \$19.73
- One graduating senior made gift of \$2,000
- Strong demonstration of culture of philanthropy

COVID-19 IMPACT

COVID-19 Impact on Fundraising and Advancement

- *Campaign*
- *Annual Fund/Giving Day*
- *Travel*
- *Solicitations*
- *Advancement Work Plan*
- *Commencement*
- *Events*
- *Volunteer Engagement/Advisory Boards*
- *Alumni Interaction*
- *Communications*

* *VIRTUAL STRATEGIES* *

University Relations Response to COVID-19



Tracy Vosburgh, Sr. Assoc. VP for Univ. Relations



Mark Owczarski



Michael Stowe



John Jackson



Dawn Jefferies



Tiffany Pruden



Brad Soucy



Susan Gill



Jesse Tuel



Fairen Horner

NEAR TERM FOCUS AREAS

- *Fundraising Priorities*
 - *University*
 - *College*
 - *Unit*
- *Athletics*
- *22% x 2022*
 - *Traditional and Non-Traditional Techniques*



SUMMARY

- *Celebrating Record Year for Fundraising and Engagement*
- *Preparing safe/secure environment for staff to continue the good work of Advancement*
- *Acknowledge effort of Advancement in support of university priorities*
- *Keep alumni, faculty, staff, students and friends engaged and informed through relevant communications and key virtual strategies*

- **QUESTIONS:**
 - *Charlie Phlegar; cphlegar@vt.edu; 540-231-7676*





UPDATE: RESEARCH AND INNOVATION

G. DON TAYLOR

INTERIM VICE PRESIDENT
FOR RESEARCH AND INNOVATION

*VIRGINIA TECH BOARD OF VISITORS
AUGUST 25, 2020*



OUTLINE

SECTION 01 FY20 GOALS

SECTION 02 NOTABLE ACHIEVEMENTS
AND RESULTS

SECTION 03 IMPACT OF COVID = PIVOT,
RESILIENCE, SUCCESS

SECTION 04 LEADERSHIP TESTIMONIALS

01

FY20 GOALS





INTERIM YEAR GOALS: MAINTAIN MOMENTUM, IMPROVE CULTURE, PREPARE FOR FUTURE SUCCESS

- Make major hires to fulfill critical need for support
- Manage large projects to grow and strengthen large, interdisciplinary research programs
- Strengthen relationships with colleges and institutes
- Advance the Innovation part of the portfolio
- Improve communications strategy
- Plan for efficiently supporting major growth in sponsored research

02

NOTABLE ACHIEVEMENTS AND RESULTS



NEW HIRES FULFILL CRITICAL NEED FOR SUPPORT



MATT HULVER

EXECUTIVE
DIRECTOR

FRALIN
LIFE SCIENCES
INSTITUTE



LUIZ DASILVA

EXECUTIVE
DIRECTOR

COMMONWEALTH
CYBER INITIATIVE



LINDSEY HAUGH

DIRECTOR OF
MARKETING AND
COMMUNICATIONS

OFFICE OF RESEARCH
AND INNOVATION



JOHN DELANEY

MANAGING
DIRECTOR

COMMONWEALTH
CYBER INITIATIVE

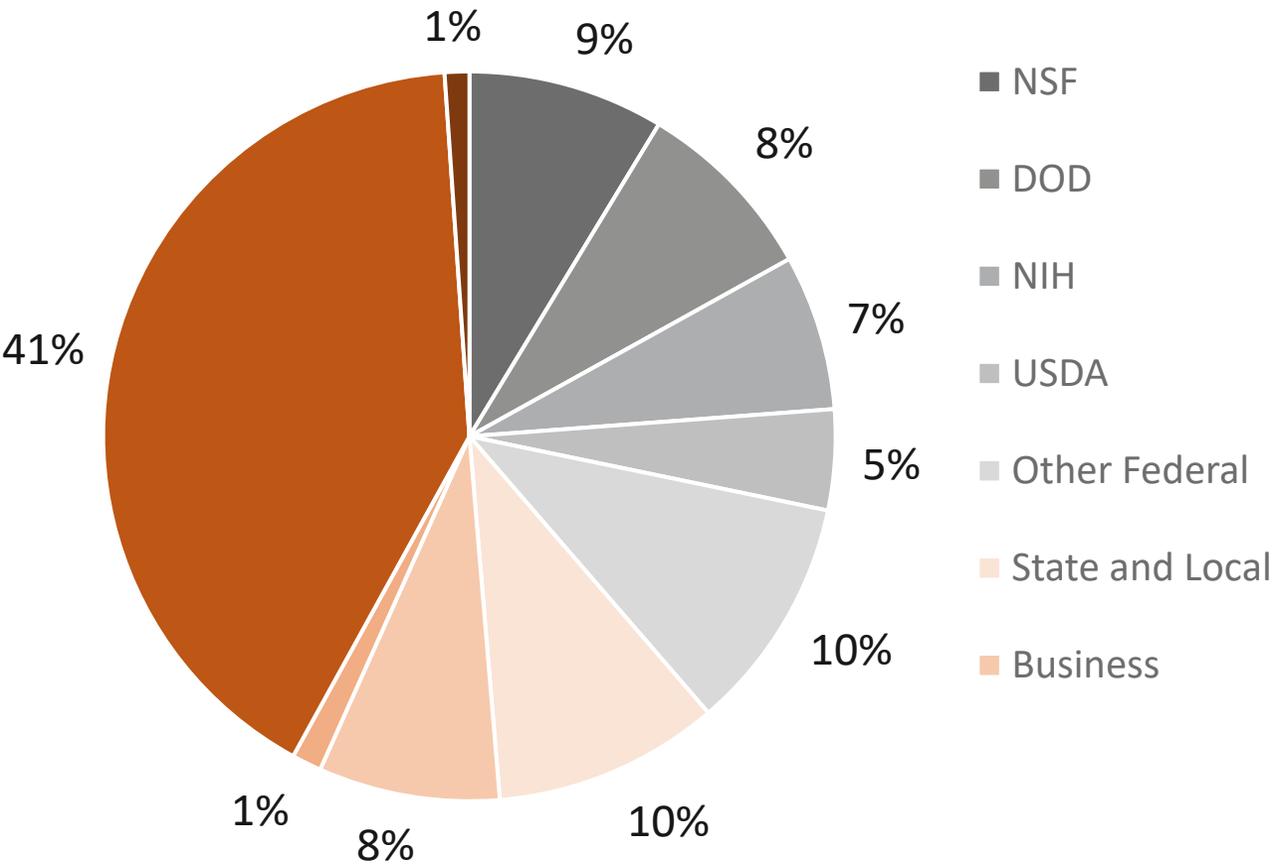


MAJOR PROJECTS

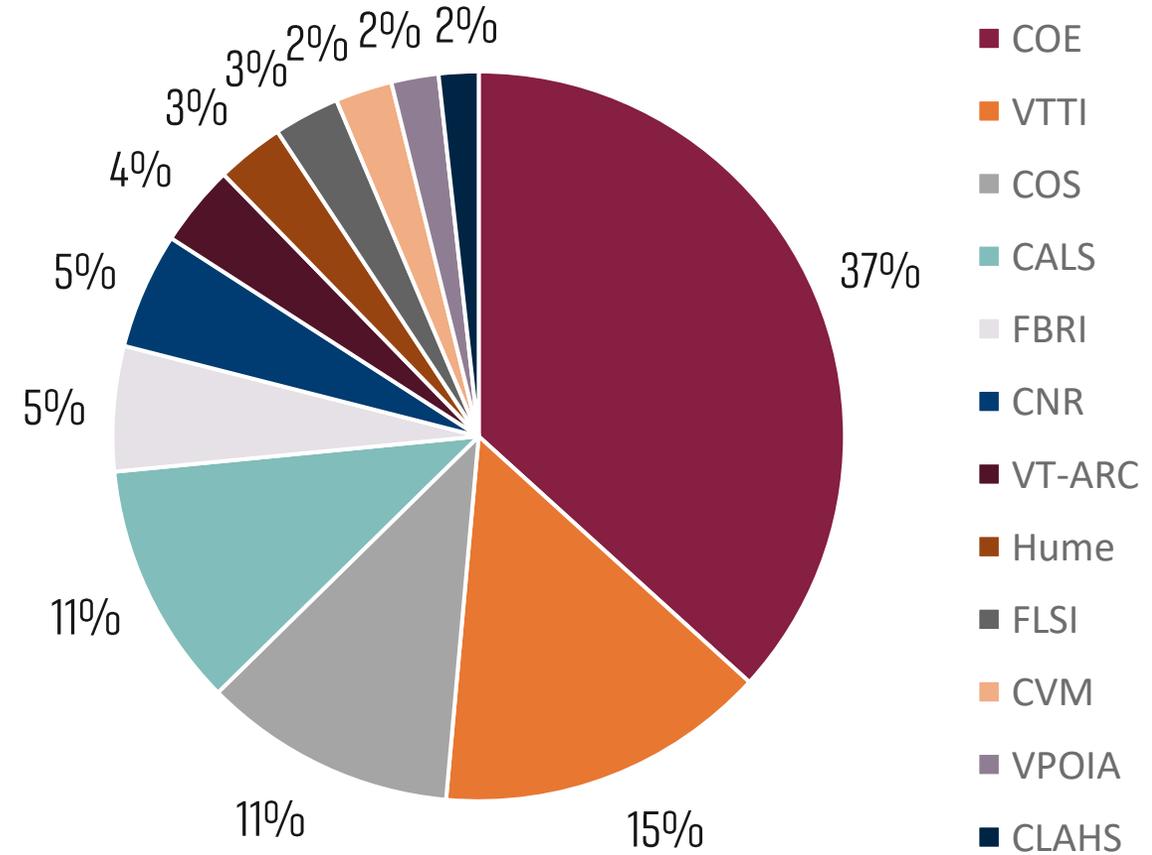
- National Security Institute
- Merger of Biocomplexity Institute and Fralin Life Sciences Institute
- Shared research facilities
- Innovation and entrepreneurship

FY2019 RESEARCH EXPENDITURES: \$542M

FY19 EXPENDITURES BY SOURCE



FY19 EXPENDITURES BY COLLEGE AND INSTITUTE



SPONSORED RESEARCH MOMENTUM >>> AWARDS

MAJOR
UNITS
HAD
**RECORD
YEARS**
FOR
AWARDS

FY19:

\$291,980,000

FY20:

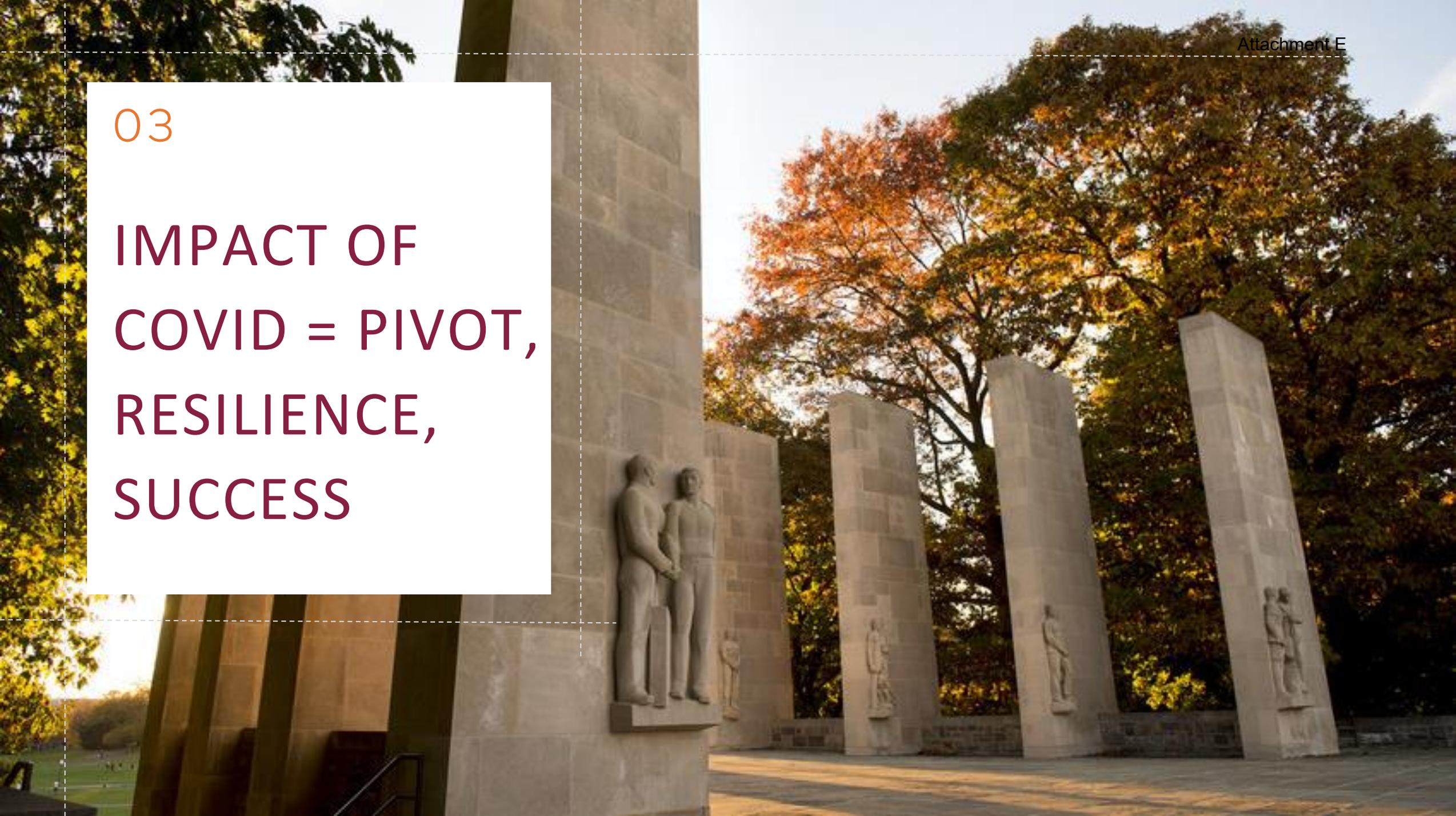
\$337,283,267*

*preliminary, subject to change

MANY
**MULTI-
MILLION-
DOLLAR**
AWARDS
WON

03

IMPACT OF
COVID = PIVOT,
RESILIENCE,
SUCCESS





MOBILIZED VIRGINIA TECH RESOURCES TO MEET THE PANDEMIC HEAD-ON

- Testing

The Virginia Tech COVID-19 Lab helped to expand public health lab testing capacity in Southwest Virginia.

- PPE

Mass effort by faculty and students to develop and test new mask designs, develop new materials, and fabricate reusable respirators, and more.



EXPANDED RESEARCH TO ADDRESS COVID-19 AND INFLUX OF RESEARCH FUNDING

- Rapid Response Seed Fund
- COVID-19 research opportunities and wins
- Numerous COVID-19 projects
- TECH Together Student Campaign



OPERATIONS

- Mobilized quickly to ensure full operations of OVPRI and transparent guidance for campus.
- OVPRI groups responded with agility and strategy.

04

LEADERSHIP TESTIMONIALS





LISA M. LEE

ASSOCIATE VICE
PRESIDENT FOR
RESEARCH AND
INNOVATION,
SCHOLARLY INTEGRITY
AND RESEARCH
COMPLIANCE

In collaboration with investigators and research leadership across colleges, facilitated campus-wide pivot to online research activities where possible, and ensured state and federal compliance where in-person activities could not be paused.

- Stood up a new rapid response IRB for COVID-19 research involving humans and to assist with reinstatement of paused research.
- Maintained or improved review times for all three regulatory review boards and the research conflict of interest program during COVID-19 shutdown.
- Led a university-wide effort to streamline and improve conflict of interest (COI) processes, yielding more than 15 immediate process improvements to remove confusing and extra-regulatory requirements.



DAVID SCHABDACH

ASSOCIATE VICE
PRESIDENT FOR
RESEARCH AND
INNOVATION,
LABORATORY ANIMAL
RESOURCES;
ATTENDING
VETERINARIAN

Continued to care for animals and prepare for accreditation.

- Maintained uninterrupted vivarium operations and provision of animal husbandry and veterinary care.
- Avoided disruption to critical supply chain through strategic sourcing efforts.
- Collaborated with the research community to ensure contingency plans for animal research continuity.
- Maintained planned enhancements to AAALAC accreditation and on target for successful onsite program review scheduled for late August.



TRUDY RILEY

ASSOCIATE VICE
PRESIDENT FOR
RESEARCH AND
INNOVATION,
SPONSORED
PROGRAMS

Moved to 100% telework with no drop in workload.

- Sponsored Programs continued to be a consistent/steady revenue stream with no reductions in proposal submissions or awards made to Virginia Tech.
- Assisted in standing up a Rapid Response Team to facilitate and expedite COVID-19 proposals and awards.
- Worked to maintain compliance regarding federal regulations impacted by COVID-19 including dissemination to campus the Office of Management and Budget flexibility memos and impact to Virginia Tech.



BRANDY SALMON

ASSOCIATE VICE
PRESIDENT FOR
RESEARCH AND
INNOVATION,
INNOVATION AND
PARTNERSHIPS

Ensured seamless transition to virtual, yet full-service industry and faculty support across LINK LICENSE LAUNCH.

- LINK facilitated full suite of partnership discussions, while closing multiple million-dollar-plus investments/gifts-in-kind to support research and educational mission.
- LICENSE closed out 2020 with 20+ licenses (30% increase over 2018; 15% increase over 2019), including to numerous start-ups and filed 120+ patent applications.
- LAUNCH initiated proof-of-concept fund with 30+ applications and a significant uptick in invention disclosures to seed the next generation of new ventures.



Financial Update on COVID-19

*TIM HODGE, ASSOCIATE VICE PRESIDENT FOR BUDGET AND FINANCIAL
PLANNING*

AUGUST 25, 2020



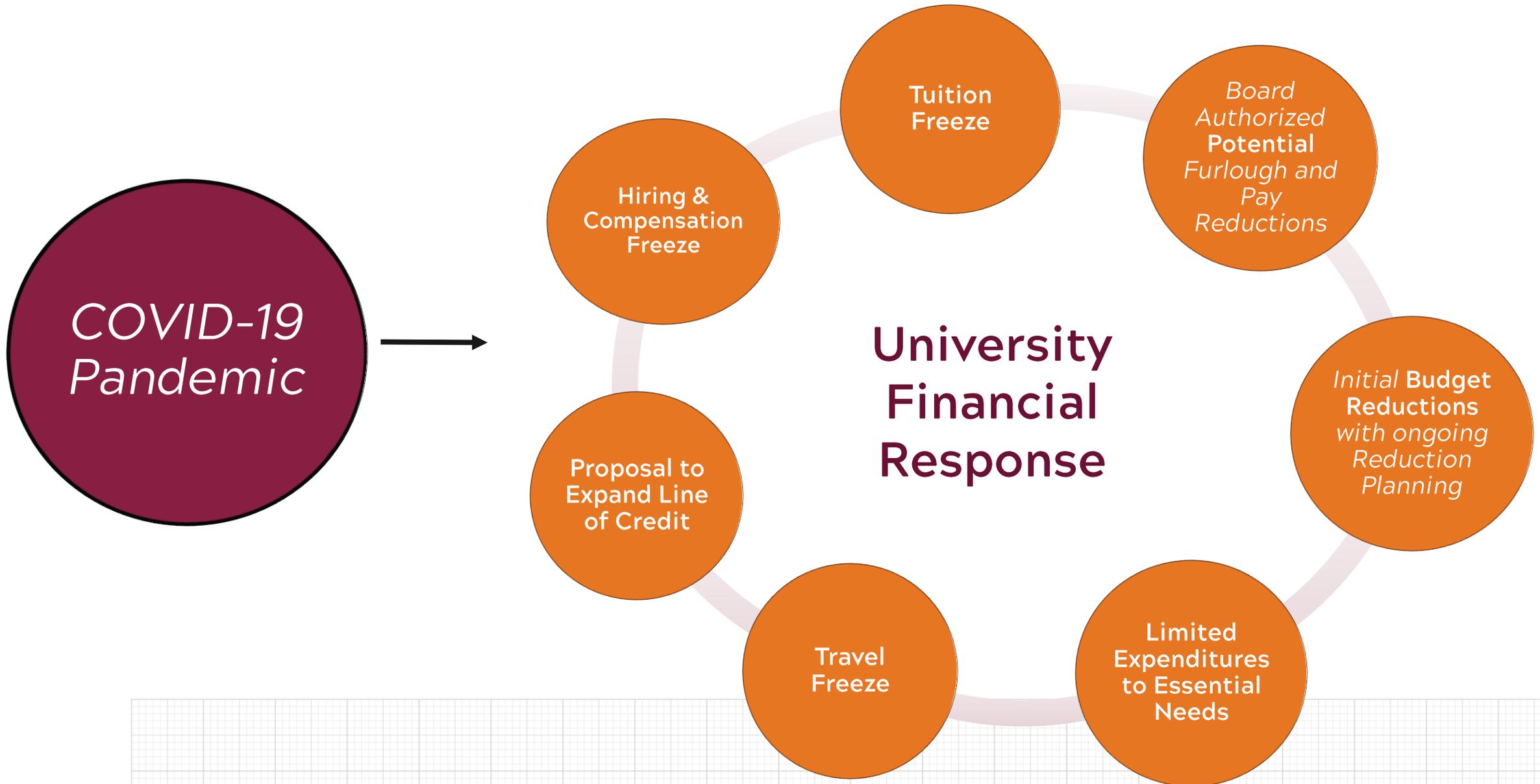
COVID-19 Impact on Spring & Summer 2020 Attachment E

Revenue Loss (\$ in millions)	Gross	CARES Act Relief	Net
<i>Residential & Dining Hall System*</i>	\$(23)	9.7	(13)
<i>Athletics (\$5 million is timing)</i>	(6)		(6)
<i>Veterinary Teaching Hospital & Equine Center</i>	(2)		(2)
<i>Hotel & Conference Center</i>	(2)		(2)
<i>Comprehensive Fee Summer</i>	(1)		(1)
<i>Parking & Fleet Services</i>	(1)		(1)
<i>Other Services</i>	(1)		(1)
<i>Continuing Education</i>	(1)		(1)
<i>Total</i>	<i>(37)</i>	<i>9.7</i>	<i>(27)</i>

* Cares Act replaced 41% of the lost dorm and dining revenue.

University Financial Response to Pandemic

Attachment E



- VT Direct allocation
 - \$9.7 million for Student Emergency Grants
 - \$9.7 million for Institutional Support

- State allocation
 - \$3.2 billion allocated to the Commonwealth of Virginia for costs associated with COVID-19 pandemic. Agencies (including VT) request support.

Student Emergency Grants (in millions)

▪ Financial Need	\$ 6.4	
▪ Impacted by Pandemic	0.9	
▪ Emergency Assistance	<u>2.4</u>	
Total	\$ 9.7	(\$9.2 awarded to 12,081 students so far)

Institutional Disruption

- \$9.7 million offset 41% revenue lost (primary due to refunds) in dining and housing during the interrupted Spring & Summer

Commonwealth Share of CARES Act Attachment E

- Commonwealth of Virginia received \$3.2 billion
- VT requested \$33 million (\$16.5 million FY20 and \$16.6 million FY21)
- VT has received \$3.5 million for FY20
- FY21 will be considered at later date

Dollars in Millions

	FY20		FY21
	Request	Received	Request
Expand <i>Testing</i>	1.3	-	8.6
Health Clinic Medical Expenses	0.4	0.4	0.2
Personal Protective Equipment	1.2	1.2	0.5
Disinfectant and Sanitization Supplies	0.5	0.5	-
Public Safety Enhancements	0.5	-	1.9
Distance Learning and Telework Capabilities	0.8	0.9	-
Contact Tracing to Slow Spread of COVID-19	0.2	-	0.9
Business Interruption Support	10.9	-	4.5
Public Health Employee Payroll Support	0.7	0.5	-
Total	\$ 16.5	\$ 3.5	\$ 16.6

Amounts are not known yet

• Revenue

- State budget - Special Session begins August 18
- Enrollment - Fall census in late September
- Auxiliary & Ancillary operations
 - Dining
 - Residential
 - Athletics
 - Other: parking, Steger Center, hotel & conference, veterinary hospital, fleet

• Additional costs

- Personal protective equipment, physical distancing, testing

- ┌
 - August
 - Commonwealth of Virginia reforecasts revenues
 - General Assembly update state budget allocations
 - September 22
 - Enrollment census
 - October
 - Update university budget
 - TBD
 - Additional federal actions



Discussion



*Approval of Additional
Operating Lines of Credit
August 25, 2020*

KEN MILLER, VICE PRESIDENT FOR FINANCE
JOHN CUSIMANO, UNIVERSITY TREASURER



Additional Lines of Credit to Manage Increased Financial Risks

- *The unprecedented and unpredictable consequences of the COVID - 19 pandemic have greatly increased financial risks related to:*
 - *Market volatility related to Commercial Paper program used to temporarily finance capital outlay projects*
 - *Market volatility related to the university investments held in the Virginia Tech Foundation endowment pool*
 - *Increased probability of significant reductions in revenues from multiple sources with potential simultaneous increases in required expenditures*

Current University Liquidity

The University Maintains Both Internal and External Sources of Liquidity

- *The university targets 45 days of internal liquidity for its operating cash reserves*
 - *The university's operating cash reserves totaled ~\$335 million at its low point in July*
- *The university also maintains several operating lines of credit representing 45 days of external liquidity*
 - *The FY21 target for external liquidity is ~\$200 million*
- *The combined 90 days of internal and external liquidity totals ~\$535 million*

The Need for Additional External Liquidity

- Although management expects to operate throughout the year within its cash reserves and lines of credit, it recognizes the possibility of a major demand on cash due to the rapidly changing nature of the COVID-19 pandemic
- Accordingly, management is seeking approval to obtain up to \$210 million of additional operating lines of credit
 - The additional lines are additive to our current lines of credit
 - The additional lines are temporary to get past COVID and can be terminated with 30 days notice
 - With the additional lines, management believes the university will be well positioned to withstand this current crisis
- The additional lines of credit
 - Will be revolving lines of credit, the principal of which may be borrowed, repaid, and re-borrowed
 - Will be secured by the university's general revenue pledge
 - Will have an initial term of one to three-years depending on provider
 - Will include term-out provisions following the initial term that range from six months to three years

Terms of the Proposals

- *Three price points for the lines of credit include:*
 - *An undrawn facility fee*
 - *The loan rate if the facility is drawn upon*
 - *Term-out rates*
- *Undrawn facility fees range from .20% - .33%*
- *Loan rates range from LIBOR + .80% to LIBOR + 1.20% with one provider requesting a LIBOR floor of 1.00%*
- *Term-out provisions range from six months to three years and rates vary by provider*
 - *Interest rates include LIBOR +2%, LIBOR + 2.5%, or the greater of Prime, Prime+1%, Fed Funds +2%, LIBOR +2.5%, 7% and 7.5%*

Resolution to Approve Lines of Credit

Board Approval is Needed to Establish and Access the Lines of Credit

- *The Board authorizes the Vice President for Finance and the University Treasurer, collectively known as the Authorized Officers, in consultation with the Chief Business Officer, to negotiate, execute, and deliver all certificates, documents, and instruments related to the 2020 additional lines of credit*
- *Passing the resolution:*
 - *Approves one or more lines of credit for up to \$210 million*
 - *Approves the terms of the lines to be as favorable or better than those proposed*
 - *Approves the form credit agreement and promissory note*
 - *Identifies the authorized officers to negotiate, execute, and deliver all necessary documents*

Resolution on Additional Lines of Credit

RECOMMENDATION:

That the resolution identifying the authorized officers; approving the terms of the proposals and the form of the credit agreement and promissory note; and authorizing the authorized officers to negotiate, execute and deliver all necessary documents to obtain up to \$210 million of additional lines of credit be approved.

August 25, 2020

Financial Performance Report

July 1, 2019 - June 30, 2020

*TIM HODGE, ASSOCIATE VICE PRESIDENT FOR
BUDGET AND FINANCIAL PLANNING*

*BOB BROYDEN, ASSOCIATE VICE PRESIDENT FOR
CAPITAL ASSETS AND FINANCIAL MANAGEMENT*

AUGUST 25, 2020



COVID19 Impact Spring & Summer 2020 by Fiscal year Attachment E

Understanding as of July 25, 2020 (as of mid-summer)

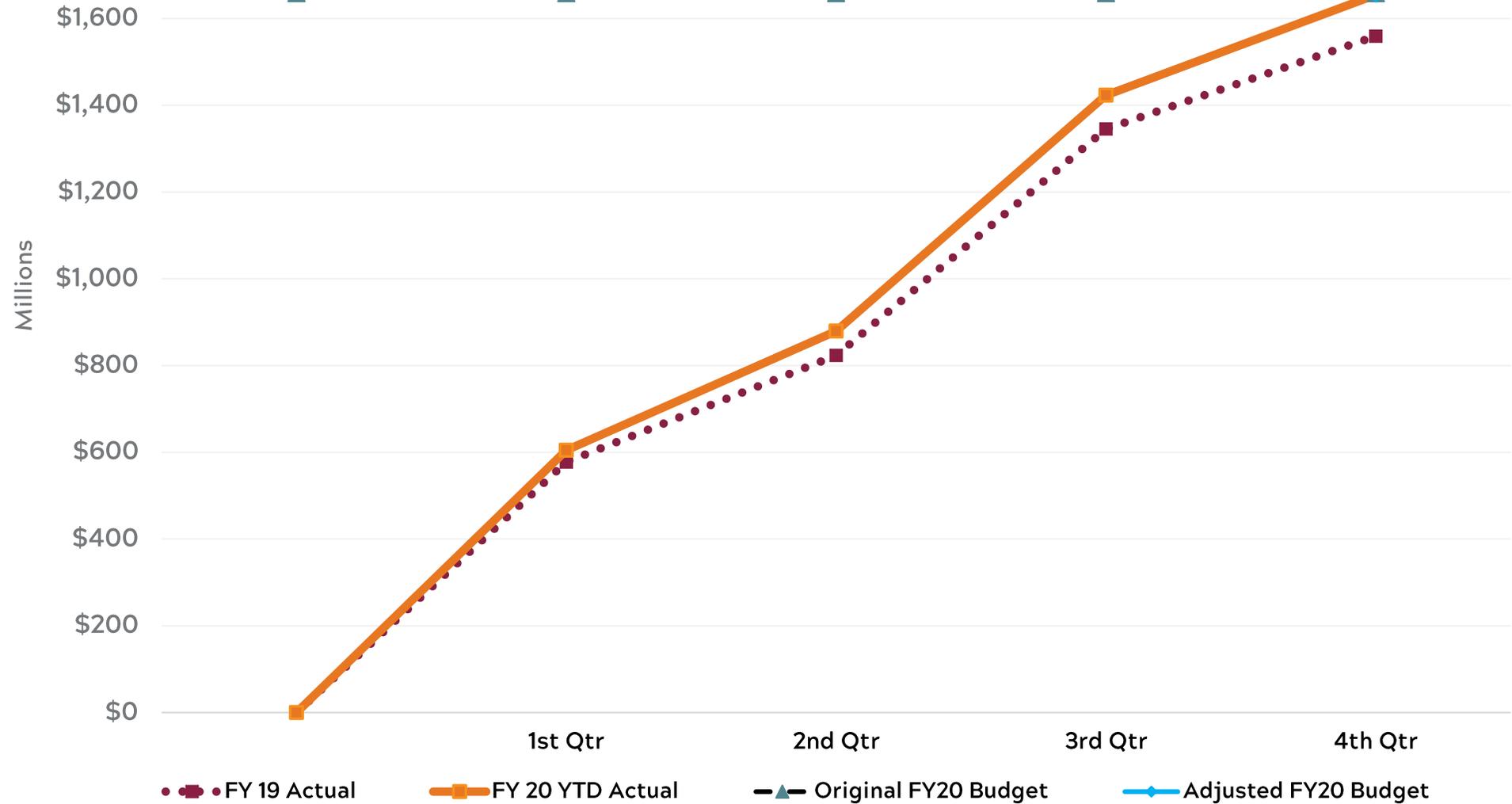
	FY20			FY21
	Gross	CARES Relief	Net	Gross
<i>Revenue Loss (dollars in millions)</i>				
<i>Residential & Dining Hall System</i>	<i>\$(19)</i>	<i>9.7</i>	<i>(9.3)</i>	<i>(4)</i>
<i>Athletics (\$4 million is timing delay)</i>	<i>(6)</i>		<i>(6)</i>	
<i>Veterinary Hospital & Equine Center</i>	<i>(2)</i>		<i>(2)</i>	
<i>Hotel & Conference Center</i>	<i>(2)</i>		<i>(2)</i>	
<i>Comprehensive Fee Summer</i>				<i>(1)</i>
<i>Parking & Fleet Services</i>	<i>(1)</i>		<i>(1)</i>	
<i>Other Services</i>	<i>(1)</i>		<i>(1)</i>	
<i>Continuing Education</i>	<i>(0.5)</i>		<i>(0.5)</i>	<i>(0.5)</i>
<i>Total</i>	<i>(31.5)</i>	<i>9.7</i>	<i>(21.8)</i>	<i>(5.5)</i>

- VT Direct allocation
 - \$9.7 million for Student Emergency Grants (Sponsored Program)
 - \$9.7 million for Institutional Support (Auxiliary Enterprise)

- State allocation
 - \$3.5 million for costs associated with COVID-19 pandemic (\$3.16 million E&G, \$0.4 million Auxiliary)

- Total \$22.9 million

Operating Revenue



└ Educational & General Program

4th Quarter - 2019-20

Annual Budget Changes

- Increased \$3.16 million for commonwealth allocation of Federal Coronavirus Relief Fund
- Decreased \$2.0 million for lower revenues in Veterinary Teaching Hospital and Equine Medical Center

Financial Performance

- Successfully closed fiscal year in both agencies
- In accordance with state rules, E&G funds were fully utilized without deficit
 - University Division net \$2.1 million: Continuing Education and Federal Coronavirus Relief funds
 - Cooperative Extension/ Agricultural Experiment Station net \$6.4 million: timing of federal drawdowns

Auxiliary Enterprises

4th Quarter - 2019-20

Annual Budget Changes

- *Residential & Dining System: revenue budget decreased \$18.8 million for spring for COVID-19 rebate/refunds. Partially offset by \$9.7 million of Federal CARES Act funding resulting in a net revenue budget decrease of \$9.1 million. Expense budget decreased \$6.2 million for lower business volume due to COVID-19.*
- *Electric Service: revenue budget decreased by \$2.5 million due to lower electricity sales. Expense budget decreased by \$1.4 million for lower electricity purchases and \$2 million Lane Substation capital project savings.*

Financial Performance

- *Held back expenditures in response to COVID-19*
- *Auxiliary temporary year-end expense savings due to timing of incomplete projects (carryover): estimated \$6.5 million*

Auxiliary Enterprises - Intercollegiate Athletics

4th Quarter - 2019-20

Annual Budget Changes

Revenue budget decreased \$6.8 million primarily due to cancellation of the NCAA basketball tournament and timing of IMG guarantee payment as a result of COVID-19. Expense budget increased \$0.9 million primarily for football operating.

Financial Performance

\$3.4 million original reserve contribution/internal financing repayment

(\$4.9 million) timing IMG Learfield revenue *

(\$3.2 million) timing ACC Network revenue (could receive \$4 million)

(\$1.9 million) ACC conference share

(\$1.6 million) ACC revenue cancellation NCAA basketball tournament *

(\$0.8 million) increased football operating exp

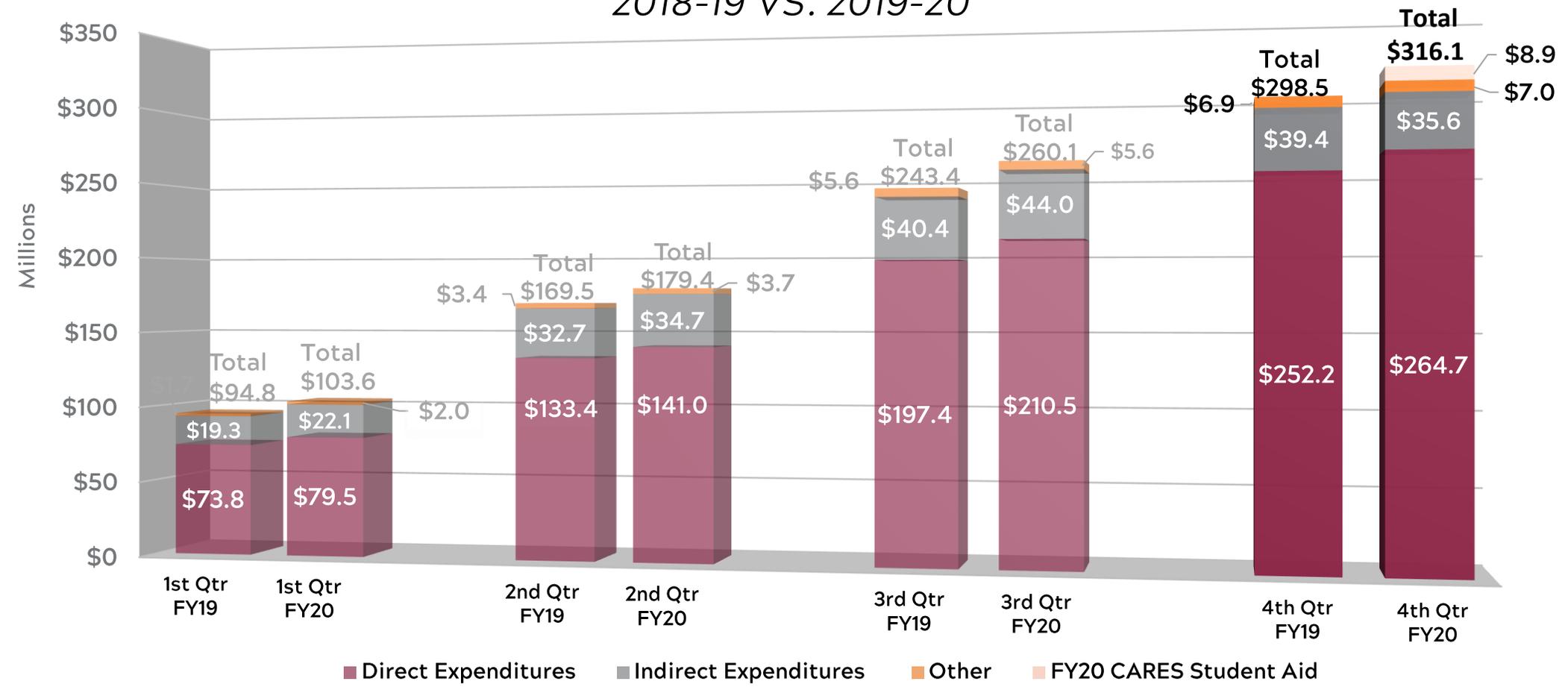
(\$9 million) reserve draw

IMG & ACC Network revenues are anticipated in the first quarter of FY21 to partially restore FY20 reserve draws. University is closely monitoring.

* COVID

Sponsored Program Expenditures

2018-19 VS. 2019-20



*Other includes Enterprise Funds, Royalty, and Research Ancillary Activity

Capital Outlay Total Program

Total Budget

Total Expenditures

1 st Quarter Open	Total Projects = 32	\$1,155,026	\$193,854
Board Action, Nov. 18 2019	Athletic Weight Room full project	3,800	
State Action	Holden Hall supplement	2,578	
State Action	Livestock & Poultry supplement	3,138	
University Actions	Undergraduate Science Laboratory working drawings supplement	2,057	
State Action	Commonwealth Cyber Initiative	500	
University Action	Breakout Tennis Planning from Athletic Facility Improvements	-	
4 th Quarter Ended	Total Projects = 33	\$1,167,099	\$378,151



14 Design



10 Construction



9 Closeout

Key Updates to Portfolio

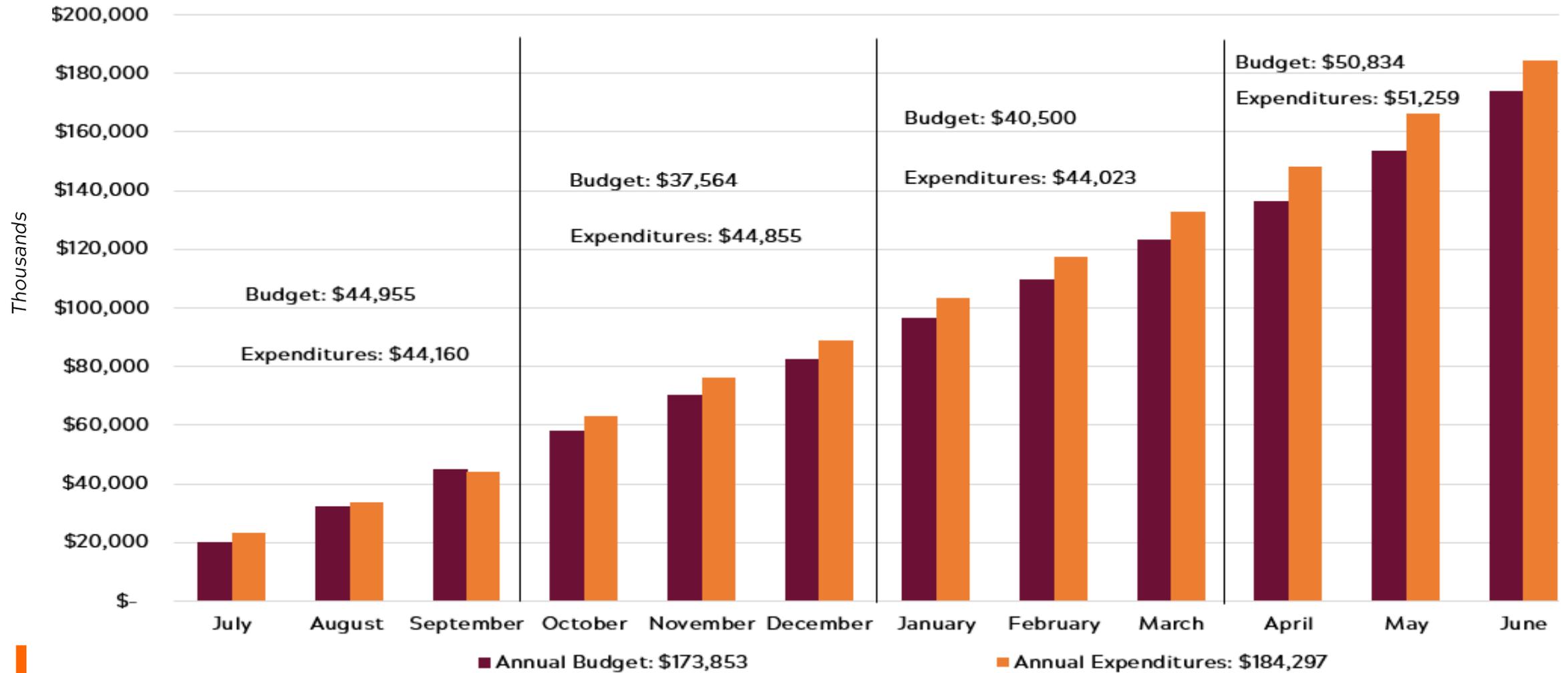
Projects Closed June 30

- ACC Network Studio
- Renovate-Renew Academic Buildings
- Undergraduate Science Lab Renovations
- O'Shaughnessy Renovation
- Baseball Improvements
- Rector Field House Improvements

New Projects Effective July 1

- Accessibility and ADA Compliance
- Planning Randolph Replacement
- Fralin Life Sciences Equipment
- Maintenance Reserve appropriation for FY2021

Activity through June 30, 2020



Timing for Market Pricing

▪ Student Wellness *	July 2020	\$195,574,000
▪ Agriculture Production Facilities	August 2020	
▪ Dietrick First Floor and Plaza Renovation *	October 2020	
▪ Data and Decision Science	November 2020	
▪ Corps Leadership & Military Science Building	December 2020	
▪ New Upper Quad Residence Hall	December 2020	
▪ Innovation Campus-Academic Building	May 2021	
▪ Undergraduate Science Laboratory Building	July 2021	
▪ Hitt Hall	September 2021	
▪ Global Business & Analytics Complex Residence Halls	June 2022	
▪ Slusher Replacement	March 2024	

Construction Spending

	Expected Occupancy	Expenditures (\$ = Thousands)
▪ Health Sciences and Technology	May 2020	\$39,603
▪ Creativity and Innovation Residence Hall	June 2021	\$36,070
▪ Maintenance Reserve	On-going	\$26,500
▪ Chiller Plant, Phase II	July 2021	\$21,186
▪ Student Athlete Performance Center	November 2020	\$9,597
▪ Renovate Holden Hall	December 2021	\$7,058
▪ Improve Kentland Facilities: Metabolic Research Lab	August 2020	\$4,740
▪ Gas Fired Boiler	January 2021	\$3,435
▪ Athletics Weight Room Renovation & Expansion	August 2020	\$2,163
▪ Improve Kentland Facilities: Bovine Extension Facility	October 2020	\$1,581
▪ <u>Improve Kentland Facilities: Applied Reproduction Facility</u>	July 2020	<u>\$548</u>
Construction Expenditures through June 30, 2020		\$152,481

Innovation Campus Update

Land, Zoning, & Entitlements

- Land conveyed June 29
- City approvals for development district complete January 2021

Campus & District Planning

- Environmental Sustainability Master Plan
- Parks and greenspace
- Streetscapes and naming
- Public art
- Signage plan

Academic Building

- Expected January 2024
- 300,000 GSF
- Schematic drawings
- \$275 million- \$168 million GF & \$107 million private support

Innovation Building Lease

- Expected December 2023
- 75,000 RSF, 15YRS, \$45/RSF-NNN
- NPV ~\$35 million

NIB Lease - temporary

- Administrative units fall 2020 through fall 2024
- 6,000 RSF
- ~\$2 million one-time costs
- ~\$1.5 million total rent costs

Falls Church Facility - temporary

- Instruction activity fall 2020 through fall 2024

Recommendation

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, 2019 through June 30, 2020 and the Capital Outlay report be approved.

August 25, 2020



Resolution Establishing University Policy 12111, Acceptance of Terms and Conditions Associated with Donations, Gifts, and Other Private Philanthropic Support

KEN MILLER, VICE PRESIDENT FOR FINANCE

AUGUST 25, 2020



Background

- The 2020 General Assembly passed legislation codified in the Code of Virginia §23.1-1304.1 requiring boards of visitors to establish a policy for the acceptance of terms and conditions associated with any donation, gift, or other private philanthropic support.
- The legislation directs that the policy include an administrative process for reviewing, accepting, and documenting terms and conditions associated with
 - gifts that direct academic decision-making; and
 - gifts of \$1,000,000 or more that impose a new obligation on the institution, excluding gifts for scholarships or other financial aid.

Summary & Recommendation

- The Board of Visitors of Virginia Tech hereby adopts University Policy 1211, which incorporates the requirements of Code of Virginia §23.1-1304.1.

RECOMMENDATION:

That the resolution establishing University Policy 1211 on the acceptance of terms and conditions associated with donations, gifts, and other private philanthropic support be approved.

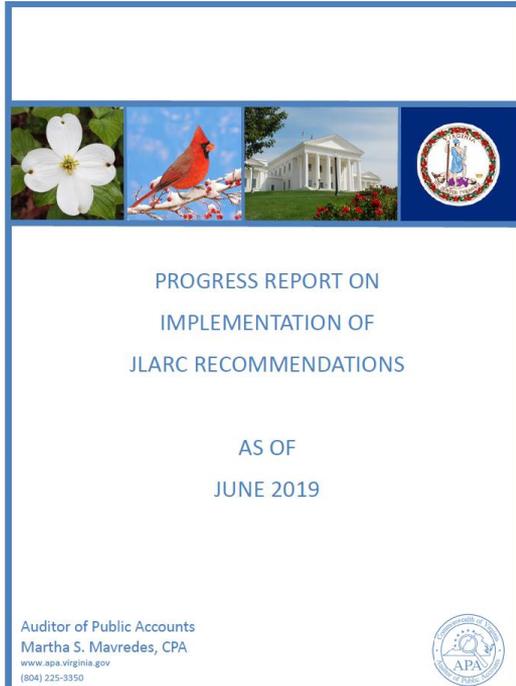
August 25, 2020

Span of Control Update

*August Board of Visitors Meeting -
Finance and Resource Management Committee*

- *Ken Miller, Vice President for Finance*
- *Bryan Garey, Vice President for Human Resources*

August 25, 2020



Recommendation: Human Resource Policies

Direct staff to revise human resource policies to eliminate unnecessary supervisory positions by developing standards that establish and promote broader spans of control.

■ Actions Implemented for Broader Spans of Control:

Attachment E

- **i) Set an overall target span of control for the institution**
 - *Based on industry standards, Virginia Tech has adopted an average of 3.5 to 4.5 direct reports per supervisor*
 - *Second review of senior management areas completed - institutional average moved from 3.7 to 3.9*
 - *Guidelines established and training implemented*
- **ii) Set a minimum number of direct reports per supervisor, with guidelines for exceptions**
 - *Strict minimum not mandated; exceptions to target range require organizational justification*
 - *As reorganization occurs or new positions are requested, trained human resources (HR) professionals insert guidance to drive flatter structure*

■ Actions Implemented for Broader Spans of Control:

Attachment E

- **iii) Define circumstances that necessitate the use of a supervisory position**
 - *Hiring managers must justify supervisory position or adding organizational layer with clear alignment to organizational results or effectiveness*
- **iv) Prohibit establishment of supervisory positions for the purpose of recruiting or retaining employees**
 - *New positions or promotional actions are reviewed by HR professionals to assess business needs*
 - *HR personnel now integrate span of control analysis into classification and compensation work, along with its approval process for promotions*

■ Actions Implemented for Broader Spans of Control:

Attachment E

- v) **Establish periodic review of departments where spans of control are unusually narrow**
 - *Second organizational analyses indicated progress with institutional average moving from average of 3.7 to 3.9*
 - *Administrative Senior Management Areas (SMAs) range from 3.0 to 4.8*
 - *Periodic reviews to be conducted no less than once per three years; SMAs falling below target range to receive closer review (Finance and Human Resources)*

■ Additional Actions Implemented:

- ✓ *HR Division Directors and key HR resources provided span of control analyses and training to assist with managing organizational structure*
- ✓ *HR launched a new recruitment management system with better reporting functionality*
- ✓ *Senior management level reports distributed to administrative senior management areas*
- ✓ *Training materials developed for span of control being integrated into leadership development programs*

Human Resource Update

2019

Build a
strong
HR
infrastructure

- ✓ *Embedded six HR Division Directors into colleges and units*
- ✓ *Replaced university recruitment system*
- ✓ *Built new recruitment capability*
- ✓ *Rebuilt talent development unit*
- ✓ *Launched university onboarding program*
- ✓ *Established new compensation priorities*

Attachment E

2020

Expand
services
and
offerings

- *Grow and develop HR Division Director role*
- *Design job architecture project aligned with Institutional Excellence Roadmap*
- *Expand HR services: talent acquisition, onboarding, compensation, talent development, data and analytics, employee relations, service center, policy and compliance*
- *Analysis, selection, and launch of learning management system project*

Questions?

Discussion of Future Agenda Topics and Closing Remarks

ED BAINE

CHAIR, FINANCE AND RESOURCE MANAGEMENT COMMITTEE