Committee Minutes

FINANCE AND RESOURCE MANAGEMENT COMMITTEE
The Inn at Virginia Tech
March 21-22, 2021

Open Session
March 21, 2021

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, Chris Petersen, Mehul Sanghani, Sabrina Sturgeon – Graduate Student Representative, Horacio Valeiras, Jeff Veatch, Preston White

Virginia Tech Personnel: Callan Bartel, Eric Brooks, Bob Broyden, Caroline Buscaglia, Cyril Clarke, Al Cooper, John Cusimano, Karen DePauw, John Dooley, Corey Earles, Kari Evans, Bryan Garey, Rebecca Gunn, Kay Heidbreder, Tim Hodge, Elizabeth Hooper, Chris Kiwus, Sharon Kurek, Nancy Meacham, Ken Miller, Kim O’Rourke, Mark Owczarski, Charlie Phlegar, Dwayne Pinkney, Ellen Plummer, Tim Sands, Dan Sui, Don Taylor, Tracy Vosburgh, Melinda West, Lisa Wilkes, Chris Yianilos

Guests: Henri Gendreau (Roanoke Times)

1. **Welcome and Opening Remarks:** The Committee began the meeting by recognizing John Dooley, Chief Executive Officer of the Virginia Tech Foundation, who is retiring this summer after almost 40 years of service to the university and the Foundation. Dr. Dooley has made a significant impact on the university and worked tirelessly to further its land grant mission, as well as serving his local communities, and for that we wish to thank him for his service to Virginia Tech.

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

   a. Approval of Minutes of the November 16, 2020 Meeting

   b. Update on University Debt Restructuring Initiatives: The Committee received an update on the university’s debt restructuring initiatives.

   The Committee approved the minutes from the November 16, 2020 meeting.

3. **Update on Advancement:** University Advancement provided a quarterly report on their fundraising efforts including an update on fundraising in fiscal year 2021, a Giving Day update, a campaign update, an overview of the strategies for meeting the 22 percent participation rate by 2022 goal, and the outlook for fundraising.

   The Committee thanked Advancement for their work toward meeting the 22 percent participation rate by 2022 goal. Advancement projects that the participation rate will reach 20 percent by the end of this fiscal year.

4. **Update on University's Cost Efficiencies:** The Committee received an update on university cost efficiencies. This update provided an analysis of the university's cost structure as compared to peer institutions across several established cost benchmarks and highlighted recent university efficiency initiatives.

5. **Report on Actions Taken Under the Delegation of Authority and Policy 4240 and the Corresponding Financial and Programmatic Impacts:** The Committee received a report on the actions taken under the Delegation of Authority and Policy 4240 and the related financial and programmatic impacts.

* 6. **Approval of the Financial Plan to Close the Budget Gap Caused by the COVID-19 Pandemic:** The Committee reviewed for approval the financial plan to close the budget gap caused by the COVID-19 pandemic. This financial plan will close the $60.6 million operating gap identified and reported at the November 2020 Board of Visitors meeting, plus additional financial impacts of $2.6 million identified after the November 2020 Board meeting. The plan included shortfalls identified through December 31, 2020 and updates to the plan may need to be discussed at future meetings. The financial plan also included an overview of the temporary authority granted by the commonwealth to mitigate the financial impacts of the pandemic and a summary of the key financial ratios the Auditor of Public Accounts (APA) uses to determine the financial health of state institutions of higher education.

   The Committee recommended the Financial Plan to Close the Budget Gap Caused by the COVID-19 Pandemic to the full Board for approval.

* 7. **Resolution for Approval of Transportation Services Fee Refund for Spring 2021:** The Committee reviewed for approval a resolution authorizing refunding of the 2021 Spring semester Transportation Services Fee to reflect the cost reduction from the Town of Blacksburg transit contract made possible by federal

Coronavirus Aid, Relief, and Economic Security (CARES) Act support for transit service received by the town.

The Committee recommended the Resolution for the Transportation Services Fee Refund for Spring 2021 to the full Board for approval.

*♦ 8. **Resolution for Approval of Tuition and Fee Rates for 2021-22:** The Committee reviewed for approval the proposed tuition and fee rates for 2021-22. 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 Committee received an overview of the unavoidable cost drivers of tuition and fee rates, including faculty and staff compensation, state-mandated healthcare rate increases, and student financial aid support. For 2021-22, the university proposes a 2.9 percent increase in tuition and mandatory educational and general (E&G) fee rates, reduced to a 2.1 percent increase with one-time relief provided by the state for in-state and out-of-state undergraduate students and graduate students, and for Virginia Tech Carilion School of Medicine students.

Consistent with this, the package proposes an increase of $238 to a total tuition and mandatory E&G fee rate of $11,658 for in-state undergraduate students and an increase of $624 to a total tuition and mandatory E&G fee rate of $30,584 for out-of-state undergraduate students.

For on-campus graduate students, this package proposes to increase tuition and mandatory E&G fees by $285 to a total rate of $13,986 for in-state students, and by $575 to a total rate of $28,189 for out-of-state students.

For Virginia Tech Carilion School of Medicine Students, the university proposes an increase of $1,106 to a total tuition and mandatory E&G fee rate of $54,219.

Additionally, this package proposes to increase the tuition and mandatory E&G fees for Virginia/Maryland Veterinary Medicine students by $556 or 2.5 percent, reduced to a net increase of $399 or 1.8 percent with one-time relief, to a total tuition and mandatory E&G fee rate of $22,305. For out-of-state, non-Maryland students, the package proposes to increase the tuition and mandatory E&G fees by $1,024 or 2.0 percent, reduced to a net increase of $735 or 1.5 percent with one-time relief, to a total tuition and mandatory E&G fee rate of $51,17.

The university recommends an increase of $90 or 4.2 percent to total comprehensive fees for a total of $2,244 for in-state and out-of-state undergraduate and graduate students. An average 3.3 percent increase in room and board on the Blacksburg campus is recommended.

The Committee recommended the Resolution for Tuition and Fee Rates for 2021-22 to the full Board for approval.

* 9. **Approval of 2021-22 Compensation for Graduate Assistants:** The Committee reviewed for approval the proposed 2021-22 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. Stipends proposed for 2021-22 are consistent with the 5.0 percent increase in the state approved employee compensation plan. The key components of the graduate student compensation package include competitive stipends, tuition assistance, and health insurance.

The Committee recommended the 2021-22 Compensation for Graduate Assistants to the full Board for approval.

10. **University's Annual Financial Statements:** The Committee received an overview of the university's annual financial statements for the fiscal year ending June 30, 2020. The financial statements have been prepared in accordance with generally accepted accounting principles, and the Auditor of Public Accounts (APA) issued an unmodified (or clean) opinion. The APA reported three minor written audit comments and the university is in the process of implementing corrective action plans to address these audit comments.

At June 30, 2020, the university had total net position of approximately $1.5 billion, an increase of $123.7 million or 8.9 percent since fiscal year 2019. Total unrestricted net assets increased by $15.2 million or 10.1 percent.

Total revenues for fiscal year 2020 were $1.7 billion, an increase of $72.3 million or 4.5 percent. Total operating expenses for fiscal year 2020 were $1.6 billion, an increase of $81.8 million or 5.6 percent.

11. **Intercollegiate Athletics Programs Report for Year ended June 30, 2020:** The Committee received a report on the Auditor of Public Accounts (APA) Intercollegiate Athletics Program review for fiscal year 2020. The APA performs certain agreed-upon procedures to evaluate whether the Schedule of Revenues and Expenses of the Intercollegiate Athletics Program is in compliance with the National Collegiate Athletic Association (NCAA) bylaws.

Because the APA's review of the report for fiscal year-ended June 30, 2020 is still in process, the Committee received a report on the university's unaudited Schedule of Revenues and Expenses of Intercollegiate Athletics Program. The university is not aware of any matters identified by the APA requiring adjustments to this Schedule. The final APA report will be presented to the Committee once it is issued.

* 12. **Approval of Year-to-Date Financial Performance Report (July 1, 2020 – December 31, 2020):** The Committee reviewed for approval the Year-to-Date Financial Performance Report for July 1, 2020 – December 31, 2020. For the second quarter, budget adjustments were made to reflect revisions to projected revenues and expenditures. The University Division budget was increased by $5.7 million due to the Commonwealth of Virginia's second Coronavirus Relief Funding, $4 million for additional General Fund support for COVID-19 impacts, and $1.5 million for the establishment of the Virginia Tech Animal Laboratory Services (ViTALS). The Auxiliary Enterprises continue to work through short-term and long-term budget impacts of the COVID-19 pandemic, with an additional revenue decrease of ($5.8 million) from the first quarter. Additionally, the Auxiliary Enterprise budget was increased for $7.6 million Coronavirus Relief Fund Allocation from the commonwealth.

The Auxiliary Enterprises are experiencing expense savings due to the essential spending order and decreased business volume. Additional adjustments are anticipated in the third quarter of fiscal year 2021 to further align the budget for additional financial impacts of the pandemic.

Through the quarter ending December 31, 2020, $40.2 million was expended for Educational and General capital projects, and $41.9 million was expended on Auxiliary Enterprises capital projects. Cumulative capital outlay expenditures through the quarter ending December 31, 2020 totaled $82.1 million.

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

13. **Discussion of Future Agenda Topics and Closing Remarks:** The Committee did not have any discussion on this topic.

There being no further business, the meeting adjourned at 6:18 p.m.

<u>Closed/Open Session</u>
March 22, 2021

Board Members Present: Ed Baine, Anna James, Preston White

Virginia Tech Personnel: Kay Heidbreder, Nancy Meacham, Ken Miller

1. **Motion for Closed Session:** Motion to begin closed session.

* 2. **Ratification of Personnel Changes Report:** The Committee met in closed session to review and ratify the quarterly Personnel Changes Report.

   The Committee recommended the Personnel Changes Report to the full Board for ratification.

There being no further business, the closed session adjourned at 10:24 a.m.

3. **Motion for Open Session:** Motion to begin open session.

4. **Approval of Items Discussed in Closed Session:** The Committee reviewed and approved the items discussed in closed session.

There being no further business, the open session adjourned at 10:25 a.m.

<u>Joint Open Session with the Buildings and Grounds Committee</u>
March 22, 2021

Board Members Present: Ed Baine, Shelley Barlow, Sharon Brickhouse Martin, C. T. Hill, Anna James, Tish Long, Mehul Sanghani, Horacio Valeiras, Preston White

Virginia Tech Personnel: Mac Babb, Callan Bartel, Eric Brooks, Bob Broyden, Caroline Buscaglia, Al Cooper, David Crotts, John Cusimano, Kevin Foust, Elaine Gall, Mark Gess, Wendy Halsey, Kay Heidbreder, Tim Hodge, Elizabeth Hooper, Travis Hundley, Mary-Ann Ibeziako, Frances Keene, Sharon Kurek, Nathan King, Chris Kiwus, Jamie Lau, Jack Leff, Nancy Meacham, Ken Miller, Liza Morris, Justin Noble, Kim O'Rourke, Mark Owczarski, Dwayne Pinkney, John Randolph, Tim Sands, Rachel Spector, Dwyn Taylor, Jon Clark Teglas, Tracy Vosburgh

Guests: Henri Gendreau (Roanoke Times)

* 1. **Approval of the 2022-2028 Capital Outlay Plan:** The Committees reviewed for approval the 2022-2028 Capital Outlay Plan. The university prepares an updated

Six-Year Capital Outlay Plan every two years as part of its normal planning and budgeting cycle. The Plan is a critical component of positioning the university for state support of major Educational and General projects and for advancing high priority projects that may be funded entirely with nongeneral fund resources. The next state capital outlay plan will be for 2022-2028 and will be established in the 2022 budget development process. Traditionally, the state requires each institution to submit a capital plan in June of the year before a new biennium begins. Based on that timetable, a plan from the university for 2022-2028 will be due to the state in June of 2021.

Preliminary work has been done to identify potential projects for inclusion in the 2022-2028 Capital Outlay Plan in anticipation of future guidance and instructions from the state. These projects are consistent with programmatic needs established for the planning period and with the strategic plan of the university, and they position the university with options to respond to guidance from the state.

Since the submission date for the new Plan may occur before the June 2021 Board of Visitors meeting, the university is requesting the review and approval of the list of potential projects for inclusion in the 2022-2028 Capital Outlay Plan. The university will provide an update to the status of the 2022-2028 Plan at a future Board of Visitors meeting.

The Committees recommended the 2022-2028 Capital Outlay Plan to the full Board for approval.

2. **Financial Considerations of the Virginia Tech 2020 Climate Action Commitment:** The Committees received a presentation on the financial considerations of the Virginia Tech 2020 Climate Action Commitment. A highly collaborative cross-divisional team worked to identify the financial impacts to achieve each prescribed pathway of the updated commitment. The team analyzed the economic and financial impacts of each initiative in depth.

   While detailed and comprehensive, the analysis was based on assumptions regarding technologies, costs, and policies for the future that are dynamic in nature. Current developments and future projections in energy markets and in state and federal energy policy indicate that future values of those assumptions may become more favorable for cost-effective implementation of the updated commitment. These evolving factors will be monitored and incorporated into five-year revisions in 2025 and 2030. In addition, the updated commitment requires an annual report of progress. That annual report will evaluate the assumptions and actual costs and/or savings of the commitment's implementation.

No specific funding decisions are to be made at this time. Funding requests will be incorporated into annual operating and/or capital budgeting processes. All financial needs compete for resources while considering tuition/fee constraints and university debt capacity.

* 3. **Resolution to Approve the Virginia Tech 2020 Climate Action Commitment:** The Committees reviewed for approval a resolution on the Virginia Tech 2020 Climate Action Commitment. Approved initially in 2009 by the Board of Visitors and revised in 2013, the Virginia Tech Climate Action Commitment serves as the university's guiding framework around sustainability and energy efficiency in campus operations, facilities, curriculum, and research.

In late 2019, President Sands called for its renewal and revision to ensure the most stringent climate and sustainability standards are implemented as the university continues to grow and seeks to be a leader in environmental stewardship. The mission of the revised commitment is to achieve carbon neutrality by changing our physical infrastructure, collective and individual behaviors, and educational mission; to engage everyone in creating a culture of sustainability; and to achieve these objectives through just and equitable means.

A working group of faculty experts, governance representatives, students, operations professionals, and community members led this charge and crafted the revision. Through participation in working group and subcommittee meetings, brainstorming sessions, and community engagement events, students involved in the revision process had countless opportunities to gain practical sustainability experience. Senior Vice President and Chief Business Officer, Dwayne Pinkney, sponsored the initiative. The work group was chaired by John Randolph, professor emeritus of urban affairs and planning, and co-chaired by Todd Schenk, assistant professor of urban affairs and planning and member of the Commission on Faculty Affairs.

On an aggressive timeline, the revision moved through university governance during Fall Semester 2020, receiving approval from the Energy and Sustainability Committee, the Commission on University Support, and the University Council. It was endorsed by the Faculty and Staff Senates, the Student Government Association, and the Graduate Student Assembly. The Board received a preview of the updated Climate Action Commitment at its November 2020 meeting.

The Committees recommended the Resolution for the Virginia Tech 2020 Climate Action Commitment to the full Board for approval.

There being no further business, the meeting adjourned at 11:30 a.m.

*** Requires full Board approval.**

Welcome and Opening Remarks

ED BAINE

CHAIR, FINANCE AND RESOURCE MANAGEMENT COMMITTEE

Consent Agenda

a. Approval of Minutes of the November 16, 2020 Meeting

b. Update on University Debt Restructuring Initiatives

*Requires full Board approval

Committee Minutes

FINANCE AND RESOURCE MANAGEMENT COMMITTEE
Latham A/B, The Inn at Virginia Tech
November 15-16, 2020

Joint Closed Session with the Buildings and Grounds Committee
November 15, 2020

Board Members Present: Ed Baine, Shelley Barlow, Sharon Brickhouse Martin, Carrie Chenery, Greta Harris, C.T. Hill, Anna James, Eric Kaufman – Faculty Representative, Melissa Nelson, Camellia Pastore – Undergraduate Student Representative, Chris Petersen, Mehul Sanghani, Tamarah Smith – Staff Representative, Sabrina Sturgeon – Graduate Student Representative, Horacio Valeiras, Jeff Veatch (remote)

Virginia Tech Personnel: Mac Babb, Eric Brooks, Bob Broyden, Cyril Clarke, Al Cooper, Corey Earles, Kari Evans, Kevin Faust, Randal Fulhart, Bryan Garey, Mark Gess, Wendy Halsey, Kay Heidbreder, Mary-Ann Ibeziako, Frances Keene, Chris Kiwus, Sharon Kurek, Jamie Lau, Ken Miller, Liza Morris, Heidi Myers, Bob Muse, Justin Noble, Mark Owczarski, Kim O'Rourke, Dwayne Pinkney, Tim Sands, John Tarter, Dwyn Taylor, Jon Clark Teglas, Chris Yianilos, Tracy Vosburgh

* 1. **Approval of Resolution for a Capital Lease for the 3200 Commerce Street Property:** The Committees reviewed for approval a resolution for a capital lease for the 3200 Commerce Street property.

The university vision to expand research and development under the Virginia Tech Transportation Institute (VTTI) is a key strategic initiative for the future. The acquisition of 3.29 acres of property with 10,434 square feet of additional office and garage space at 3200 Commerce Street is an essential asset for growth by housing VTTI's technical support operations and facilitate vehicle repairs and modifications, streamlining access to research vehicles, and promoting the expedient staging of research props and fixtures. This space also provides a conditioned area for sponsors and researchers to interact with vehicle systems and is a critical staging area for modified vehicles and equipment that are not fully weather rated.

The Virginia Tech Foundation (Foundation) acquired the property on behalf of the university for $1.52 million on May 29, 2020. The funding plan calls for the university to enter a lease with the Foundation at a rate sufficient to retire the acquisition costs, normal operating costs, and property carrying costs. VTTI will fund the lease costs from its returned overhead revenues. The University Controller's Officer has reviewed the lease and determined that the terms and conditions meet the standard for a capital lease. Under the university's management agreement for capital projects with the commonwealth, capital leases are defined as capital projects that require a capital project authorization, irrespective of their total value. While the asset acquisition costs are below the commonwealth's $3 million capital project threshold, the lease meets the Generally Accepted Accounting Principles (GAAP) for a capital lease.

The university and VTTI are ready to proceed with entering a lease with the Foundation and have developed an entirely nongeneral fund resource plan sufficient to cover the $1.52 million property acquisition costs, future property carrying, and maintenance costs.

This request is for authorization to move forward with a capital lease for the 3200 Commerce Street property.

The Committees recommended the Resolution for a Capital Lease for the 3200 Commerce Street Property to the full Board for approval.

* **2. Approval of Resolution to Supplement the New Upper Quad Residence Hall:** The Committees reviewed for approval a resolution to supplement the New Upper Quad Residence Hall project.

The Board of Visitors approved the New Upper Quad Residence Hall project at its June 3, 2019 meeting. This approved project includes a program of 300 beds and will be located on the corner of Stanger Street and Old Turner Street adjacent to the site for the New Corps Leadership and Military Sciences Building. The program bed count ensures housing capacity to support the enrollment growth plans for the Corps of Cadets to reach 1,400 students. The original project authorization includes a $33 million budget which is based on a university residential cost model of $110,000 per bed. The project scope includes razing Femoyer Hall and the design, construction, and furnishings for the new residential facility.

Subcontractor pricing at the completion of preliminary designs (September 15, 2020) show the costs for the project are $133,000 per bed, or $40 million. The primary drivers that push the cost over $110,000 per bed are associated with the site, a necessary feature for the Corps of Cadets, including the complexity and extensiveness of utility relocations, volume of contaminated soils remediation and hazardous materials handling for the demolition of Femoyer Hall, extensive grade changes to address ADA compliance, and market pricing. The costs above reflect the acceptance of value engineering alternatives.

The project includes the scope necessary to meet the needs of the Corps of Cadets, residential program, and campus requirements. The university reviewed the project scope and established that the acceptance of any additional value engineering would be detrimental to the program requirements for the Corps of Cadets.

To ensure the project addresses its programmatic intent, the university is requesting a $7 million supplement authorization for the New Upper Quad Residence Hall project. The university has developed a financing plan to support the additional $7 million of costs necessary to complete the entire scope of work. The plan calls for the use of debt serviced from residential program auxiliary revenue. Any cash designated for the project accumulated prior to the issuance of permanent debt may be used directly for project costs and to lower the total debt issuance.

This request is for authorization move forward with a $7 million supplement to adjust the total project authorization for the New Upper Quad Residence Hall project to $40 million and to complete the project.

The Committees recommended the Resolution to Supplement the New Upper Quad Residence Hall to the full Board for approval.

There being no further business, the meeting adjourned at 4:43 p.m.

Joint Open Session with the Academic, Research, and Student Affairs Committee
November 16, 2020

Board Members Present: Ed Baine, Shelley Barlow, Sharon Brickhouse Martin, Carrie Chenery, Greta Harris, C. T. Hill, Anna James, Eric Kaufman – Faculty Representative, Melissa Nelson, Camellia Pastore – Undergraduate Student Representative, Tamarah Smith – Staff Representative, Sabrina Sturgeon – Graduate Student Representative, Horacio Valeiras, Jeff Veatch (remote)

Virginia Tech Personnel: Callan Bartel, Eric Brooks, Cyril Clarke, Al Cooper (remote), Jack Finney, Bryan Garey, Kay Heidbreder, Nancy Meacham, Ken Miller, Kim O'Rourke, Dwayne Pinkney, Tim Sands, Dan Sui, Don Taylor

Guests: Henri Gendreau

♦ **1. Annual Report on Research:** The Committees received a comprehensive annual report on research highlighting university research expenditures and related trends and benchmarking information. This report also included an introduction of the new Vice President for Research and Innovation, Dr. Daniel Sui.

2. **Critical Hiring and Compensation Exceptions First Quarter FY 2020-21:** As a dimension of managing budget constraints, the university established a process for reviewing personnel actions. After review, only critical and essential hires and compensation actions are approved. The Committees reviewed personnel actions and data for the first quarter. While the commonwealth lifted restrictions on personnel actions in October 2020, the university maintains its review and approval processes.

* 3. **Approval of Resolution Delegating Authority for the Personnel Changes Report:** The Committees reviewed for approval the Resolution to Amend Delegation of Authority for Selected Faculty Personnel Actions. This resolution would allow the Board of Visitors to focus on high-level appointments and compensation; appointment and promotion of tenure-track or continued appointment-track faculty members who have permanent status with the institution; salary adjustments with more significant financial impact; deferred compensation; and appointment and compensation packages for athletic personnel.

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

<u>Closed Session</u>

Board Members Present: Ed Baine, Shelley Barlow, Sharon Brickhouse Martin, Anna James, Horacio Valeiras

Virginia Tech Personnel: Callan Bartel, Kay Heidbreder, Nancy Meacham, Ken Miller, Charles Phlegar, Dwayne Pinkney, Tim Sands

1. **Motion for Closed Session:** Motion to begin closed session.

* 2. **Ratification of Personnel Changes Report:** The Committee met in closed session to review and ratify the quarterly Personnel Changes Report.

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

<u>Open Session</u>

Board Members Present: Ed Baine, Shelley Barlow, Sharon Brickhouse Martin, C.T. Hill, Anna James, Horacio Valeiras

Virginia Tech Personnel: Beth Armstrong, Callan Bartel, Eric Brooks, Bob Broyden, Al Cooper (remote), John Cusimano, Kay Heidbreder, Tim Hodge, Chris Kiwus, Nancy Meacham, Ken Miller, Charles Phlegar, Dwayne Pinkney, Tim Sands, Dwyn Taylor, Chris Yianilos

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 August 25, 2020 Meeting**

    c. **Annual Write-off of Delinquent Accounts**: As of June 30, 2020, the amount of write-offs of delinquent accounts totaled $385,065 which represents 0.03 percent of the 2019 annual operating revenues of $1.16 billion. The current year write-off is consistent with the total write-off amounts in recent years.

* d. **Approval of Pratt Fund Program and Expenditure Report:** 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 fiscal year 2019-20, the College of Engineering had total expenditures of $940,029 and the Animal Nutrition had total expenditures of $1,157,032.

The Committee approved the items on the Consent Agenda and recommended the Pratt Fund Program and Expenditures Report to the full Board for approval.

4. **Update on Advancement:** University Advancement provided a quarterly report on their fundraising efforts including an update on the first months of fundraising in fiscal year 2021, a campaign update, an overview of the strategies for meeting the 22 percent participation rate by 2022 goal, and the outlook for fundraising.

5. **Annual Report on Investments and Quasi-Endowments:** The Committee received a report on university investments, investment performance and related benchmarks, estimated payouts for fiscal year 2021, and planned use of such funds. The university has two investment pools: a short to intermediate-term pool managed within the university and a long-term pool managed by the Virginia Tech Foundation, Inc. The report shows the purposeful growth of funds invested in the

endowment pool managed by the foundation, which consists of true endowments, quasi-endowments and nongeneral fund reserves and balances, and local funds owned by the university.

As of June 30, 2020, the market value of university funds invested in the short to intermediate-term pool was $376.5 million and in the foundation was $401.8 million. The short-term university investment income for fiscal year 2021 is estimated to be approximately $6 million and the long-term university investment income for fiscal year 2021 is estimated to be approximately $18.8 million. The university's investment income is budgeted for restricted and unrestricted purposes to support scholarships, professorships, graduate student assistantships, auxiliary enterprises, and the Virginia Tech Carilion School of Medicine, one-time or limited recurring commitments for strategic institutional goals and initiatives, and building adequate operating reserves (including the strategic plan milestone of growing net assets by $20 million per year).

6. **Annual Report on the University's Financial Aid Resources:** The Committee received a comprehensive report on the university's scholarship and financial aid program. In its Management Agreement with the commonwealth, the university affirmed its commitment to increase the support for student financial aid. The university continues to work proactively to ensure access and affordability. The amount of total student financial aid awarded increased from $511.9 million in fiscal year 2019 to $538.4 million in fiscal year 2020.

7. **Update on the Special Session of the General Assembly:** The Committee received an update on the Special Session of the General Assembly including a summary of major budget actions from the Reconvened Session and the Special Session and the next steps for finalizing the budget revisions.

*⧫ 8. **Financial Update on COVID-19 and Approval of the 2020-21 Operating Budget Adjustment:** The Committee received an update on the financial impacts of the COVID-19 pandemic and reviewed for approval the 2020-21 Operating Budget Adjustment.

The preliminary 2020-21 Operating Budget was approved by the full Board at the June 2, 2020 meeting; however, adjustments are needed due to the impact of the outcome of the special legislative session and the confirmation of Fall 2020 enrollment levels on the current operational model. These adjustments include a $29 million increase in revenue and expenditure budgets for the Educational and General program, and a $77.4 million decrease in revenue and a $16.8 million decrease in expenses for a net decrease adjustment of $60.6 million for Auxiliary Enterprises.

In addition to the proposed budget adjustments, this update included an overview of the strategies that are being considered to manage the pandemic's impact on the university's finances.

The Committee recommended the 2020-21 operating budget adjustment to the full Board for approval.

* 9. **Approval of 9(d) Debt Restructuring and Refunding Resolutions:** The Committee reviewed for approval the proposed Virginia College Building Authority (VCBA) 9(d) Debt Restructuring Resolution and the Virginia Tech 9(d) Debt Restructuring and Refunding Resolution. As a result of the impact of COVID-19 on the university and its finances, the university is seeking approval to pursue the following restructuring and refunding initiatives.

a. <u>VCBA 9(d) Debt Restructuring Resolution:</u> Under the commonwealth's initiative, the VCBA will restructure a portion of the university's pooled VCBA bonds for debt service relief. The restructuring will result in having no principal payments in fiscal years 2022 and 2023. These deferred principal payments will be added to the end of the existing amortization schedules, thereby extending the final maturities by two years. The proposed VCBA resolution authorizes the university to participate in the restructuring program and to pledge the general revenues of the university to secure the debt.

b. <u>Virginia Tech 9(d) Debt Restructuring and Refunding Resolution:</u> Under the university's initiative, athletic VCBA bonds will be restructured, and other VCBA, 9(c) general obligation, and university Series 2015 bonds will be reviewed for additional restructuring and refunding opportunities. The 9(d) bonds will be issued directly by the university. The proposed resolution authorizes the issuance of the university's 9(d) bonds and pledges the general revenues of the university to secure the debt.

The Committee recommended the 9(d) Debt Restructuring and Refunding Resolutions to the full Board for approval.

10. **Review and Acceptance of the Annual Report on University Debt Ratio and Debt Capacity:** The Committee received for acceptance a report on the university's debt ratio and debt capacity. At the conclusion of fiscal year 2019-20, outstanding long-term debt of the university totaled $452.8 million with a debt ratio of 3.51 percent. The university proposed the continuation of the five percent cap on the debt ratio for future years and the Committee affirmed its support for continuation of the five percent internal debt ratio target.

* **11. Approval of Year-to-Date Financial Performance Report (July 1, 2020 – September 30, 2020):** The Committee reviewed for approval the Year-to-Date Financial Performance Report for July 1, 2020 – September 30, 2020. For the first quarter, budget adjustments were made to reflect revisions to projected revenues and expenditures. The tuition and fee budget was increased by $14.0 million for planned Fall 2020 enrollment growth and by $8.1 million for higher than projected Summer 2020 enrollment. The University Division revenue budget was updated to remove the $25 million revenue contingency established for potential impacts due to COVID-19. The corresponding expenditure budget increase includes the restoration of two percent of the preliminary expenditure budget reductions. A three percent budget reduction remains to manage cost escalation, unfunded mandates, the fall enrollment shortfall, and impacts of COVID-19. An additional two percent budget remains in non-college areas for critical needs. For the Cooperative Extension/Agriculture Experiment Station the five percent budget reductions were completely eliminated. Additional adjustments are anticipated in the second quarter of fiscal year 2021 to further align the budget for additional financial impacts of the pandemic.

For the quarter ending September 30, 2020, $22.5 million was expended for Educational and General capital projects, and $26.3 million was expended on Auxiliary Enterprises capital projects. Capital outlay expenditures for the quarter ending September 30, 2020 totaled $48.8 million.

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

12. Discussion of Future Agenda Topics and Closing Remarks: The Committee discussed possible topics for future meetings and other topics as needed.

The Committee expressed appreciation for the good work of the finance team with their proactive planning and flexibility in response to these challenging times.

There being no further business, the meeting adjourned at 11:41 a.m.

*** Requires full Board approval.**

Debt Restructuring Initiatives

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

March 04, 2021

COVID-19 has affected Virginia Tech significantly, and there is continued uncertainty regarding the virus's future effects on the university and its finances. Over the past six months, the university has been restructuring and refunding its 9(c) Commonwealth General Obligation bonds, all Athletic Department bonds, and its 9(d) Virginia College Building Authority (VCBA) bonds to provide debt service relief and capture refinancing opportunities where available (see the attached summary).

Commonwealth 9(c) Debt

In November, the commonwealth refunded bonds for the university's Ambler Johnston Hall project to provide debt service savings and defer principal payments until June 1, 2023. The taxable bonds had an average life of 6.9 years, an all-in cost of capital of 1.12 percent, and a present value from cash flows of $2.07 million net of expenses. This spring, after receiving the General Assembly's approval to extend maturities, the commonwealth is expected to restructure and refund bonds for the university's remaining 9(c) projects to defer principal payments until June 1, 2023. The deferred principal payments from fiscal year 2021 and fiscal year 2022 will be added to the end of each project's existing amortization schedule, thereby extending the final maturity by two years. It is estimated that the bonds will produce a present value from cash flows of ($382,592) net of expenses.

Athletic 9(d) Debt

In January, the university consolidated and restructured all of Athletics' long-term debt into a 20-year amortization that deferred all debt service payments until September 1, 2023 and extended the maturity to 2040. The taxable bonds had an average life of 11.6 years, an all-in cost of capital of 2.11 percent, and a present value from cash flows of ($200,310) net of expenses.

VCBA 9(d) Debt

In January, the commonwealth restructured and refunded debt for 19 university projects and deferred principal payments until September 1, 2023. The deferred principal payments from fiscal year 2022 and fiscal year 2023 were then added to the end of each project's existing amortization schedule, thereby extending the final maturity by two years. The costs incurred by extending these maturities were more than offset by the positive savings generated from the refunding. The tax-exempt and taxable bonds had an average life of 8.1 years, an all-in cost of capital of 1.46 percent, and a present value from cash flows of $5.75 million net of expenses.

In total, these strategies are expected to accomplish the following:

- Refund / restructure over $120.8 million of debt obligations;
- Generate over $7.2 million savings from net present value of cash flows; and
- Defer approximately $46.3 million of debt service payments through fiscal year 2023 to improve the university's short-term cash position.

Debt Restructuring Initiatives

	Ambler Jonhston 9c		Athletic VT 9d		VCBA 9d		General Obligation 9c (est.)		Total
Sale Date:		Nov-20		Jan-21		Jan-21		Apr-21	
Total Bonds Refunded:	$	12,520,000	$	30,945,000	$	62,025,000	$	15,351,444	$ 120,841,444
Average Life of Issue in Years:		6.9		11.6		8.1		9.9	
Taxable (TX) or Tax Exempt (TE):		TX		TX		TX and TE		TX and TE	
Interest Rate:		1.12%		2.11%		1.46%		1.68%	
*Present Value of Cash Flows:	$	2,070,103	$	(200,310)	$	5,748,520	$	(382,592)	$ 7,235,721
FY 21 Reduced Debt Service:	$	1,374,938	$	622,294	$	1,230,904	$	7,858,916	$ 11,087,052
FY 22 Reduced Debt Service:		1,324,191		4,769,213		8,135,276		7,656,719	21,885,399
FY 23 Reduced Debt Service:		5,736		4,637,213		8,713,223		-	13,356,172
Total Debt Service Relief:	$	2,704,864	$	10,028,720	$	18,079,404	$	15,515,635	$ 46,328,623

* The PV of cash flows are net of all expenses and include refinancing at lower interest rates where available.

UPDATE ON ADVANCEMENT

Finance & Resource Management Committee - Board of Visitors

MARCH 21, 2021

CHARLES D. PHLEGAR
VICE PRESIDENT FOR ADVANCEMENT

VIRGINIA TECH™

Update on University Cost Efficiencies

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

March 5, 2021

Virginia Tech strives to provide high-quality educational opportunities and fulfill its historic mission as a land-grant institution accessible to all. Affordability is a critical component of that promise. Virginia Tech has implemented a pro-active approach to manage and, to the extent possible, contain administrative and other support costs. This approach has led to below-market tuition pricing without sacrificing support for the university's strategic objectives, all while operating in a fiscally constrained environment.

The university's rigorous budget process carefully contemplates new spending and seeks to focus limited resources into academic programs and strategic initiatives that enhance the university's mission and quality. In addition, the university conscientiously explores opportunities to further streamline business processes, eliminate non-value-added functions, and invest in technologies that ensure the effective and scalable delivery of services to the campus community. These budget decisions and process innovations are reflected by the university's consistent low spending on institutional support, which has steadily comprised just five percent of total expenditures over the last decade, and favorable ranking among various peer groups in nationally accepted measures of administrative efficiency.

The following report analyzes the university’s cost structure, with special attention paid to Educational and General (E&G) funded expenditures. Where applicable, affordability comparisons to peer institutions are included to highlight the university's commitment to growing responsibly and providing an affordable education. This report will highlight several administrative investments that demonstrate a balance between achieving cost efficiencies and making progress towards strategic objectives. Cost-consciousness is the overarching theme under which the university pursues its strategic objectives.

Background

Institutions of higher education classify and report expenses programmatically according to their primary function or purpose. Standards are recommended by the National Association of College and University Business Officers (NACUBO) and promulgated through national accounting standards as well as through the Commonwealth of Virginia's accounting requirements. These accounting standards separately identify academic activities from support activities and allow for comparison between institutions. Administrative costs are primarily represented as expenses within two specific programmatic categories: academic support and institutional support.

Core Expenditures

Instruction includes all activities which are part of the institution's instructional program. Expenditures for departmental research which are not separately budgeted or organized into an approved research center should be included in Instruction.

Research includes all activities specifically organized to produce research outcomes and commissioned by an agency either external to the institution or separately budgeted by an organization unit within the institution. This program does not contain sponsored research only, since internally supported research programs that are separately budgeted should also be included in this program. It includes expenditures specifically budgeted for research.

Public Service includes all activities that provide non-instructional services beneficial to individuals and groups external to the institution. Such activities can include seminars, projects, and various organizational entities established to provide services to particular sectors of the community such as the Cooperative Extension and economic development activities of the university.

Student Services includes all activities whose primary purpose is to contribute to students' emotional and physical well-being and to their intellectual, cultural, and social development outside the context of the formal instruction program.

Student Financial Assistance this category applies only to monies given in the form of outright grants and trainee stipends to individuals enrolled in the official courses, either for credit or not.

Academic support includes activities that support instruction, research, and public service, including academic computing and academic administration (including deans' offices). It is important to note that this category also includes the cost of operating the library and, for Virginia Tech, the veterinary hospital.

Institutional support reflects an institution's central administration. This expense category includes general administrative services, executive management, legal and fiscal operations, public relations and advancement (fund raising), sponsored programs administration, police and emergency response, finance, information technology, and other centralized services. While many of these costs are under the control of the institution, some costs in this category are due to unfunded mandates or compliance with laws and regulations that are required for basic operations of the university's various academic and support programs.

Depreciation, O&M, and Interest Expense on Capital Assets includes all expenses related to the depreciation, repair and maintenance, and financing of the university's physical plant.

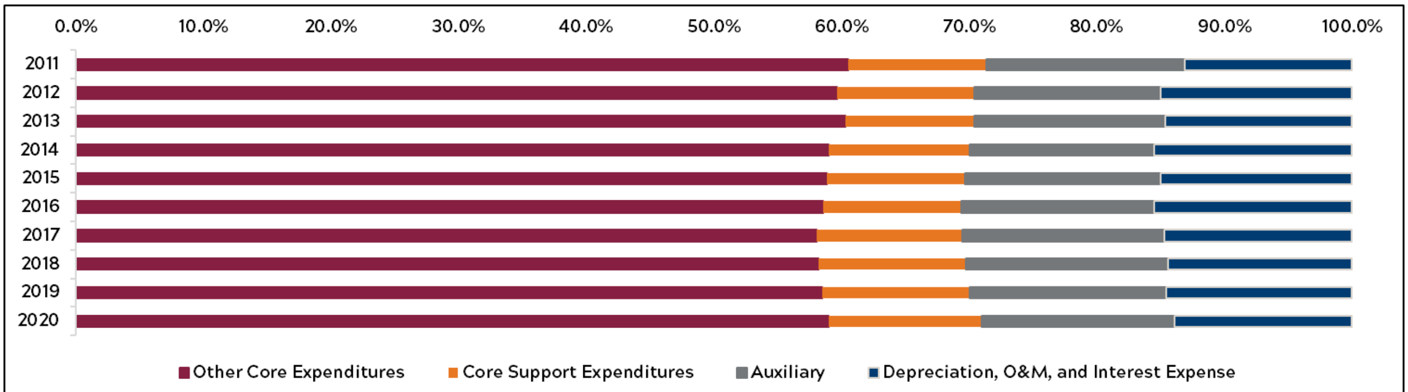
University Cost Structure

<u>Total Expenditures</u>

The university's cost structure has remained virtually unchanged between FY2011 and FY2020. The relative proportion of expenditures across academic (other core expenditures), core support expenditures (academic support and institutional support), auxiliary, depreciation, operations and maintenance (O&M), and interest expense on capital assets expenditures have varied only slightly from year-to-year, but overall have remained remarkably stable, as seen in Chart 1.

The overall cost structure provides one example of the university's administrative efficiency, with five percent of total expenditures attributed to institutional support expenditures and seven percent to academic support expenditures. These results are consistent with a 2017 analysis by Virginia's Auditor of Public Accounts (APA) which found that Virginia Tech has relatively low expenditures on both institutional support and academic support expenditures when compared to Virginia's 15 four-year public higher education institutions.[1]

Chart 1: 10-Year Trend in Financial Statement Expenditures by Function



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 Dollars ($)	2020 Percent (%)
	all dollars in millions										
Other Core Expenditures[1]	*629.7*	*652.7*	*709.4*	*737.0*	*752.8*	*783.5*	*802.0*	*837.6*	*867.7*	*924.3*	*59%*
Core Support Expenditures											
Academic Support	*61.2*	*65.0*	*68.5*	*79.4*	*80.9*	*81.7*	*87.4*	*91.2*	*98.9*	*106.4*	*7%*
Institutional Support	*51.3*	*52.5*	*50.7*	*58.2*	*56.9*	*63.1*	*70.3*	*75.9*	*73.4*	*81.7*	*5%*
	112.5	*117.5*	*119.2*	*137.6*	*137.8*	*144.8*	*157.7*	*167.1*	*172.3*	*188.1*	*12%*
Auxiliary	*162.0*	*159.6*	*176.3*	*181.5*	*196.2*	*203.0*	*218.7*	*227.8*	*227.9*	*236.2*	*15%*
Depreciation, O&M, and Interest Expense	*136.3*	*164.2*	*172.1*	*193.3*	*192.1*	*207.2*	*203.7*	*207.3*	*216.3*	*217.8*	*14%*
Total	**1,040.5**	**1,094.0**	**1,177.0**	**1,249.4**	**1,278.9**	**1,338.5**	**1,382.1**	**1,439.8**	**1,484.2**	**1,566.4**	**100%**

[1] *Other core expenditures include Instruction, Research, Public Service, Student Services, and Student Financial Assistance expenditures.*

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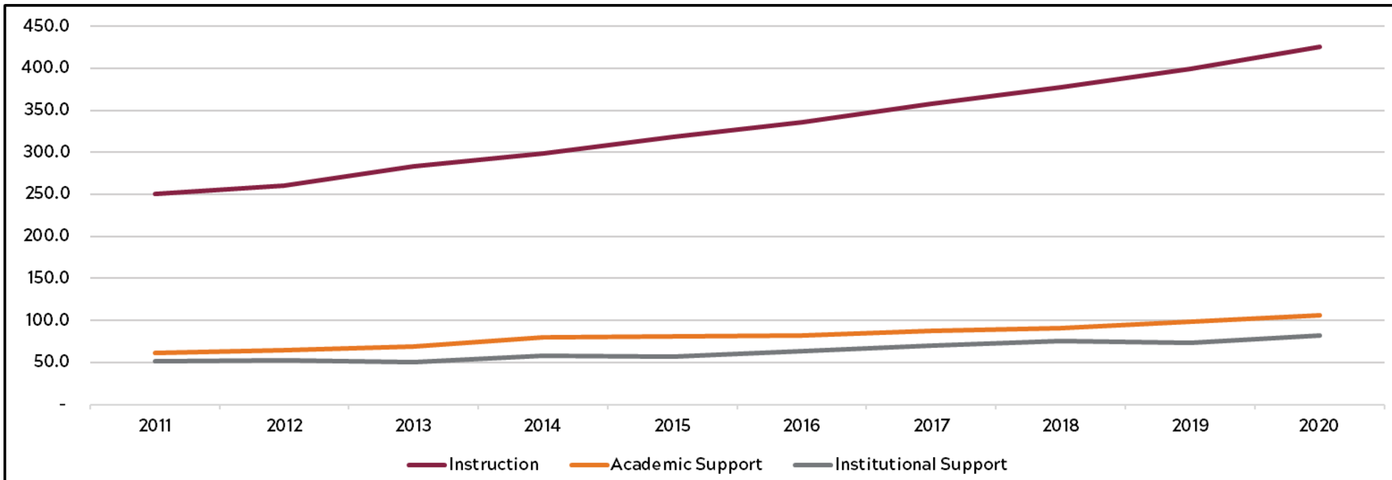
[1] Higher Education Comparative Report (2017) Available: http://www.apa.virginia.gov/reports/HigherEducationComparativeReport2017.pdf

Instructional vs. Support Expenditures

In addition to the university's low overall support burden, institutional support expenditures have lagged growth in instructional expenditures over the same period, shown below in Chart 2. Because instruction and institutional support expenditures are primarily funded by state General Funds and student tuition, comparing these growth rates provides insight into how the university is allocating resources from these critical stakeholders. Academic support expenditures have grown faster than instruction and institutional support expenditures due to a purposeful investment in the university's library over this time period, comprising $12 million, or 27 percent, of the total growth in academic support expenditures from FY2011 to FY2020.

Chart 2: 10-Year Trend in Instruction and Core Support Expenditures



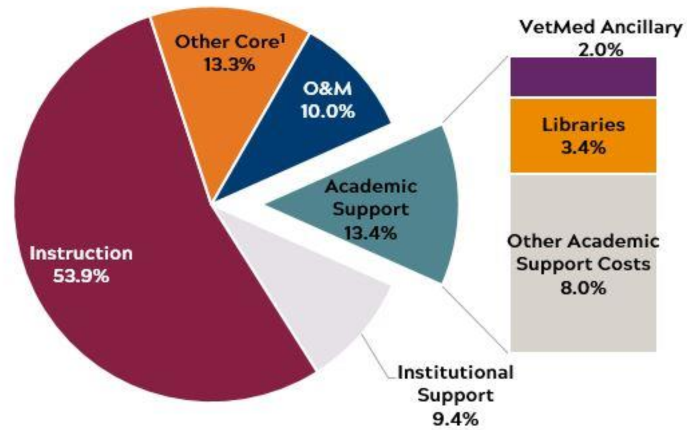
all dollars in millions	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Annualized Change (%)
Instruction	*250.1*	*260.1*	*283.5*	*298.8*	*318.7*	*335.8*	*357.9*	*377.5*	*398.9*	*426.0*	*6.1%*
Academic Support[1]	*61.2*	*65.0*	*68.5*	*79.4*	*80.9*	*81.7*	*87.4*	*91.2*	*98.9*	*106.4*	*6.3%*
Institutional Support	*51.3*	*52.5*	*50.7*	*58.2*	*56.9*	*63.1*	*70.3*	*75.9*	*73.4*	*81.7*	*5.3%*

[1]Increase in Academic Support reflects a purposeful investment in the university's library, comprising $12M (27%) of the growth between FY2011 and FY2020.

208 E&G Expenditures

208 E&G expenditures represent outflows funded by the Commonwealth and the university's students. Controlled growth in these expenditures will have the greatest effect on the university's ability to maintain its competitive affordability metrics. More than half of these expenditures are dedicated to instruction, with the next largest categories being other core expenditures and academic support costs. Institutional support comprises the smallest functional segment of 208 E&G expenditures, as seen in Chart 3. Institutional support expenditures of $70.7 million comprise 9.4% percent of E&G expenditures compared with 5 percent ($81.7 million) of total expenditures. However, 208 E&G institutional support expenditures support the entire university, not just the 208 division.

Chart 3: Composition of 208 E&G Expenditures



[1]Other Core includes: Research, Public Service, Student Services, and Student Financial Aid.

Due to the people-centric business model of higher education, the university's costs are heavily concentrated in compensation and benefits (retirement, health care, and other employment-related benefits). While this is true for the enterprise as a whole, it is even more evident in the 208 E&G expenditures. As shown in Chart 4, between 2016 and 2020, 87.1 percent of the growth in expenditures in the academic areas was due to compensation and benefits. The expenditure growth in administrative units was very similar, with compensation and benefits comprising 86.7 percent of the total expenditure growth.

Chart 4: Recent Growth in 208 E&G Expenditures (Accrual Basis)

dollars in millions

	2016		2020		$ Change	% Change
	Dollars ($)	Percent (%)	Dollars ($)	Percent (%)		
Academic - Comp & Benefits	$ 387.1	83.8%	$ 494.2	84.4%	$ 107.1	87.1%
Academic - O&M	68.4	14.8%	81.1	13.9%	12.7	10.3%
Academic - Fixed Costs & Recovery	6.5	1.4%	9.7	1.7%	3.2	2.6%
Total Academic	$ 462.0		$ 585.0		$ 123.0	
Admin - Comp & Benefits	91.5	79.8%	118.1	81.3%	26.6	86.7%
Admin - O&M	23.5	20.5%	25.9	17.8%	2.4	7.8%
Admin - Fixed Costs & Recovery	(0.4)	-0.3%	1.3	0.9%	1.7	5.5%
Total Admin	$ 114.6		$ 145.3		$ 30.7	
Central Costs[1]	$ 24.5		$ 24.6		$ 0.1	
Total 208 E&G Expenditures	**$ 601.1**		**$ 754.9**		**$ 153.8**	

[1]Central costs include fixed recurring costs such as central computing charges, software rentals, leases, insurance, and utilities.

Comparisons to Peers

Administrative Efficiency

The following comparisons are a product of the university's periodic review of administrative costs using the three industry standard perspectives described below. Each uses data sourced from the Integrated Postsecondary Education Data System (IPEDS), which contains publicly available data reported to the federal government by the respective institutions. For each of these perspectives, the university's performance is compared against its own performance over time as well as with other comparative institutions. At the time of this report, the most recent data available from IPEDS is for fiscal year 2018.

1. *Administrative costs as a percentage of core expenditures:*
   This comparison, which arrays costs according to their primary purpose, comes from a traditional methodology long employed across institutions of higher education.

2. *Administrative costs per student (full-time equivalent, or FTE):*
   This methodology offers a student-centric approach and was based upon the Delta Project on Postsecondary Education Costs, Productivity and Accountability. The Delta Project was a well-regarded study of higher education spending, efficiency and ultimately productivity.

3. *Administrative Cost Ratio:*
   In 2017, the American Council of Trustees and Alumni (ACTA) published a report entitled *How Much is Too Much: Controlling Administrative Costs Through Effective Oversight.* Using IPEDS data, the ACTA methodology calculates a ratio of Institutional Support *(administrative)* spending compared to Instruction and Academic Support *(instructional)* spending.

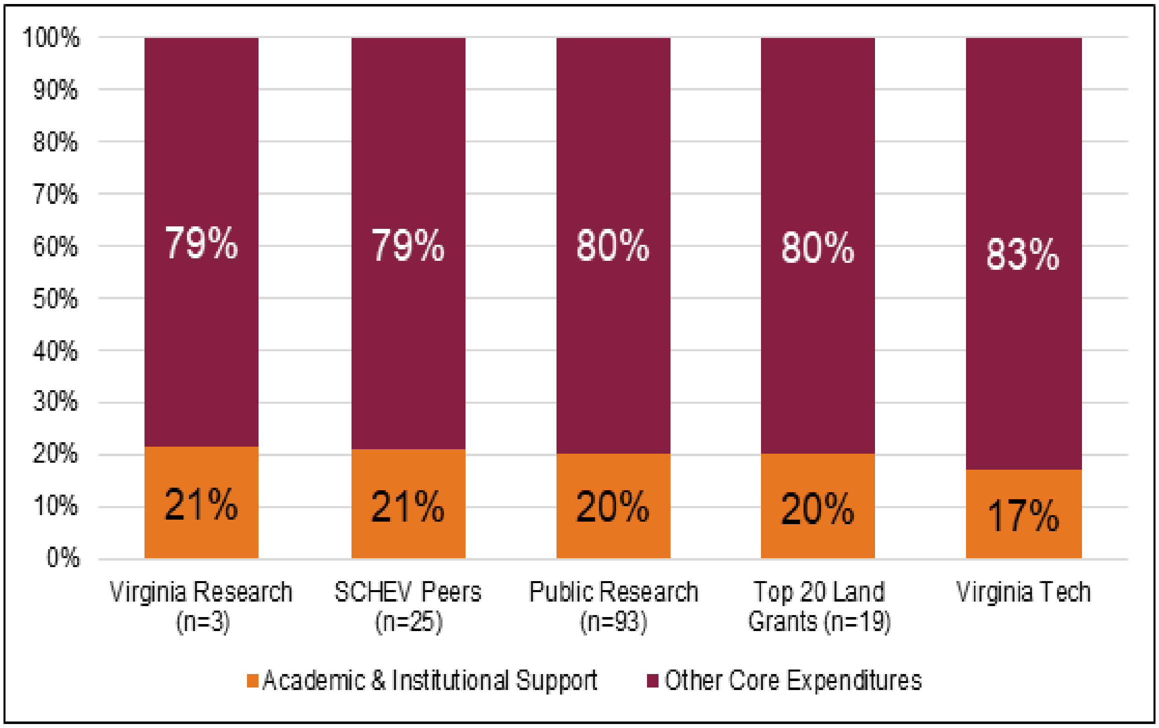
While each individual metric has limitations, the various comparisons considered together indicate that administrative costs at Virginia Tech are well within industry averages for comparable institutions.

Administrative Costs as a Percentage of Core Expenditures

A long-standing method of reviewing administrative costs in higher education has been to examine the proportion of core expenditures that are utilized for administrative activities. Core expenditures are classified by IPEDS as those expenses essential to the educational activities of the institution, including instruction, research, public service, academic support, student services, institutional support, operation and maintenance of plant, depreciation, and student financial aid. This excludes expenses for the university's auxiliary enterprises (e.g. dormitories, dining halls).

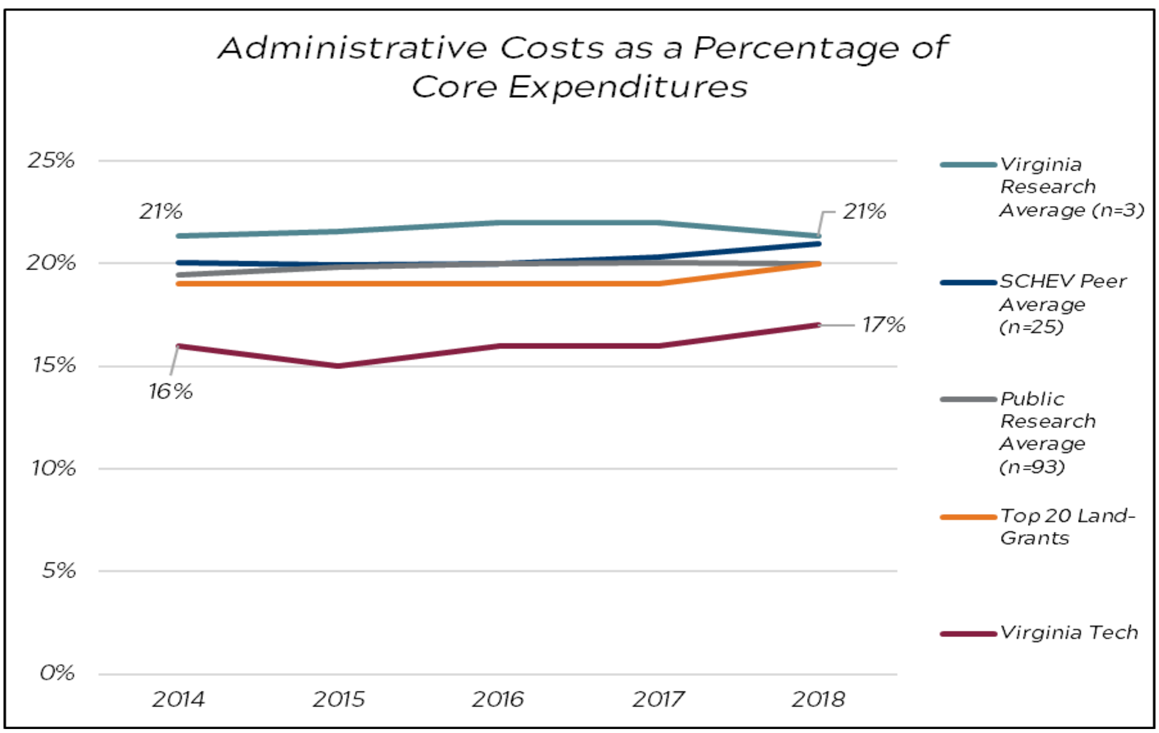
In fiscal year 2018, 17 percent of Virginia Tech's core expenditures were attributable to administrative activities (i.e., academic and institutional support costs). As seen in Chart 5a, Virginia Tech's allocation of resources to administrative costs is significantly below that of the average Virginia research institutions (21 percent), SCHEV peers (21 percent), public research institutions classified by the Carnegie Foundation as having "very high research activity" (20 percent), and the top 20 Land Grant institutions (20 percent). As a percentage of total expenditures, Virginia Tech's administrative spending is within the lowest quartile among both our SCHEV and Top 20 Land Grant peers.

Chart 5a: Administrative Costs as a Percentage of Core Expenditures



A longitudinal review of this metric indicates that Virginia Tech's administrative costs have historically trended well below each of these comparison groups, as seen in Chart 5b.

Chart 5b: Administrative Costs as a Percentage of Core Expenditures

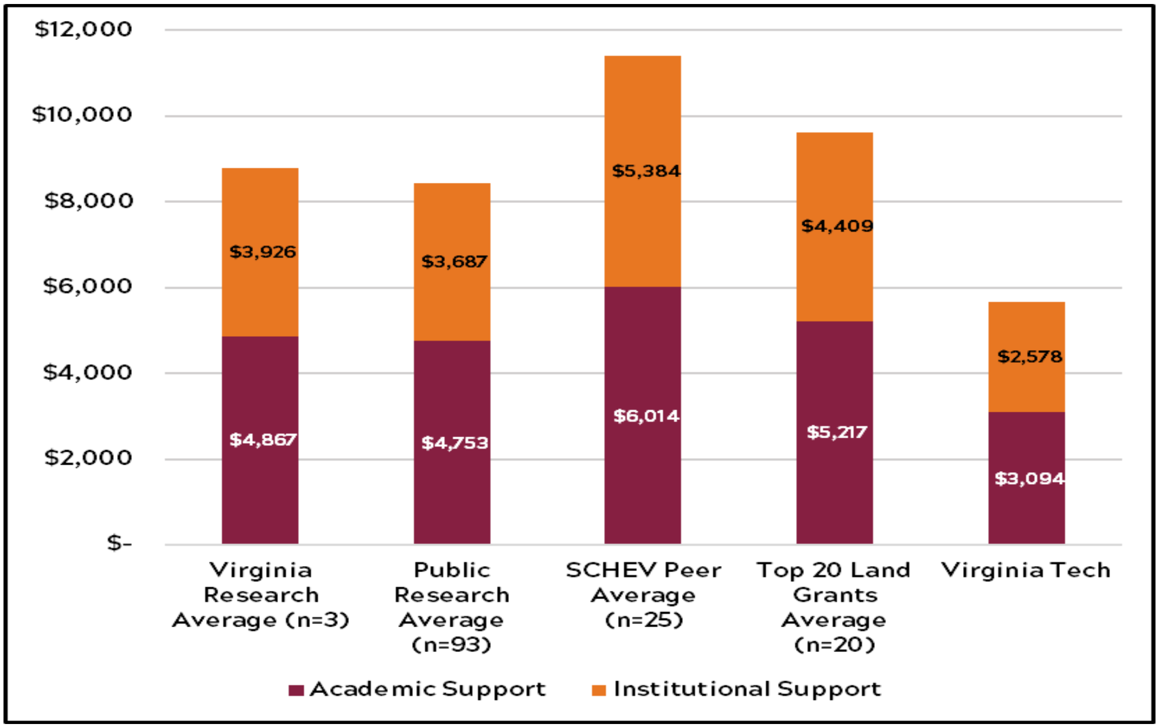


Administrative Costs per Student FTE

The Delta Project on Postsecondary Education Costs, Productivity, and Accountability has established a national best practice methodology for examining higher education costs through a student-centric lens. This methodology normalizes administrative expenses by the number of full-time equivalent students (student FTE).

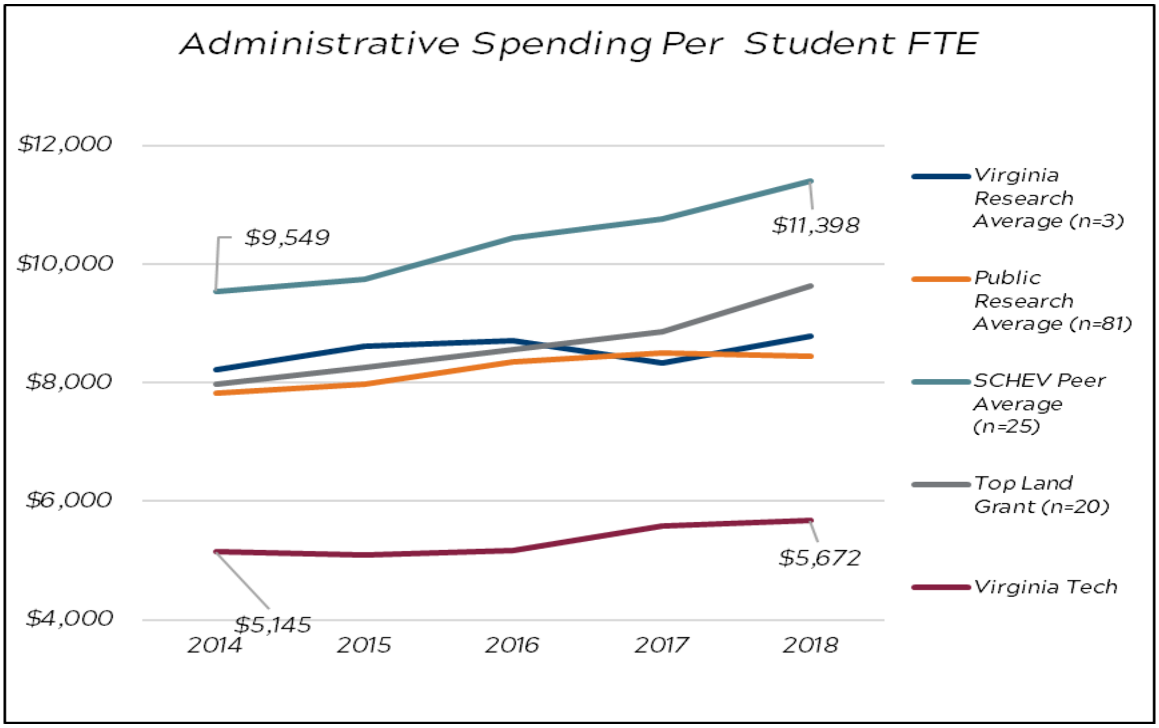
In 2018, Virginia Tech spent $5,672 per student FTE on administrative costs. As seen in Chart 6a below, Virginia Tech spends considerably less on administrative costs per student FTE, spending just 50 percent to 67 percent of the level of peer institutions. For comparison, Virginia Tech's administrative spending deficit as compared to the Top 20 Land Grant institutions of ($3,954) per student FTE represents ($137.9) million less when applied to the total student FTE.

Chart 6a: Administrative Spending per Student FTE 2018



Virginia Tech has maintained this significant efficiency advantage over time, as seen in Chart 6b. From 2014 to 2018 (inflation adjusted to 2018), Virginia Tech increased spending on administrative activities per student FTE by less than one percent (0.6%).

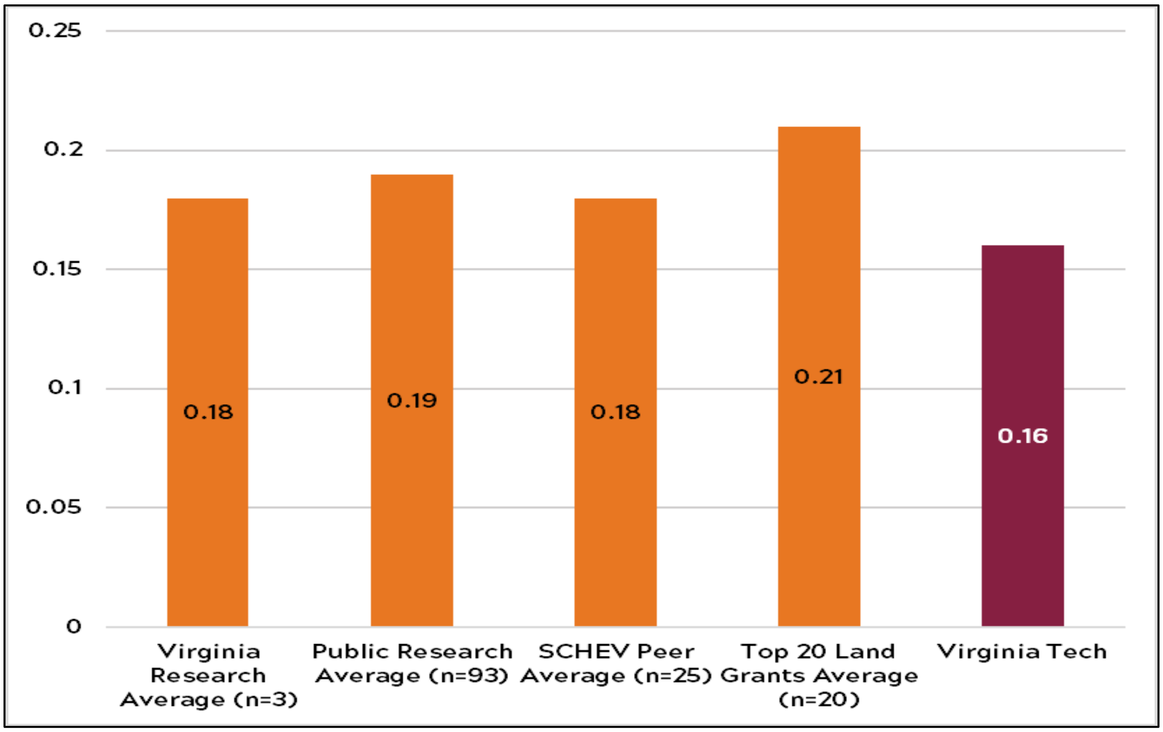
Chart 6b: Administrative Spending per Student FTE 2018



Administrative Cost Ratio

In July 2017, the American Council of Trustees and Alumni (ACTA) published report entitled, *How Much is Too Much: Controlling Administrative Costs through Effective Oversight* which examined the role that administrative expenditures play in an institution's overall cost structure. Relying publicly available IPEDS data which includes levels of expenditures by functional classification, the report develops a methodology to determine an institution's ratio of spending on Institutional Support (administrative spending) relative to Instruction and Academic Support (instructional) spending. Updating this methodology with the latest available data (FY2018) finds that Virginia Tech's ratio is 0.16, meaning the university spent $0.16 on Institutional Support for each $1.00 of spending on Instruction and Academic Support. This ratio is significantly lower than peer averages, as seen in Chart 7 below.

Chart 7: ACTA Administrative Cost Ratio 2018



Virginia Tech's ratio trended over time demonstrates the relative stability of the university's expenditure allocations. From FY2011 to FY2020, the university's Administrative Cost Ratio fell from 0.16 to 0.15 cents per dollar spent on Instruction and Academic Support, as seen below in Chart 8.

Chart 8: ACTA Administrative Cost Ratio 2011-2020
dollars in millions

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Annualized Change (%)
Instruction	*250.1*	*260.1*	*283.5*	*298.8*	*318.7*	*335.8*	*357.9*	*377.5*	*398.9*	*426.0*	*6.1%*
Academic Support	*61.2*	*65.0*	*68.5*	*79.4*	*80.9*	*81.7*	*87.4*	*91.2*	*98.9*	*106.4*	*6.3%*
Institutional Support	*51.3*	*52.5*	*50.7*	*58.2*	*56.9*	*63.1*	*70.3*	*75.9*	*73.4*	*81.7*	*5.3%*
ACTA Administrative Cost Ratio	**0.16**	**0.16**	**0.14**	**0.15**	**0.14**	**0.15**	**0.16**	**0.16**	**0.15**	**0.15**	

While this perspective provides valuable insight into the university's institutional support costs relative to its instruction expenditures, it is important to note that these institutional support expenditures support all programs (research, outreach, etc.) and not just instruction.

<u>Affordability</u>

Total Cost per Degree

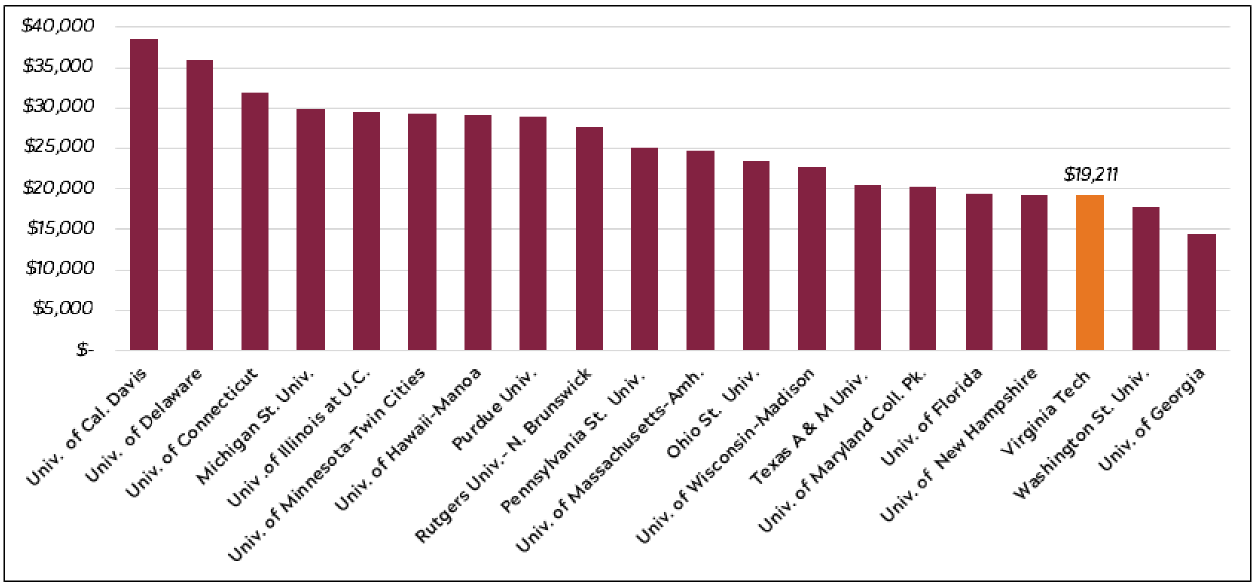
Beyond purely administrative cost comparisons, the university also reviews the total cost of producing a Virginia Tech degree as compared to peers. With support from the Lumina Foundation's Strategy Labs, SCHEV released its *Virginia Postsecondary Strategic Finance Plan* in October 2019. The authors developed a novel standardized cost measure of the operating expenditures required for institutions to graduate students within the Commonwealth's postsecondary system.

Using IPEDS functional expense categories, the methodology calculates a 'Cost Per Degree Year,' based on a calculated "educational and related" set of expenses derived from the overall expenditure data provided to IPEDS.

This study did not provide institutional figures, but the methodology can be replicated using IPEDS data to compare Virginia Tech's cost per degree year to other peer groups. The university's comparison to the Top 20 Land Grants is shown in Chart 9. Highlights for fiscal year 2018 are:

- The average cost per degree year for the top 20 Land-Grants was $25,700, or $102,800 for a four-year bachelor's degree.
- Among the top 20 Land Grant institutions in the nation, Virginia Tech's cost per degree year ranked among the lowest at $19,211, or $76,844 for a four-year bachelor's degree.

Chart 9: Cost Per Degree Year – 2018

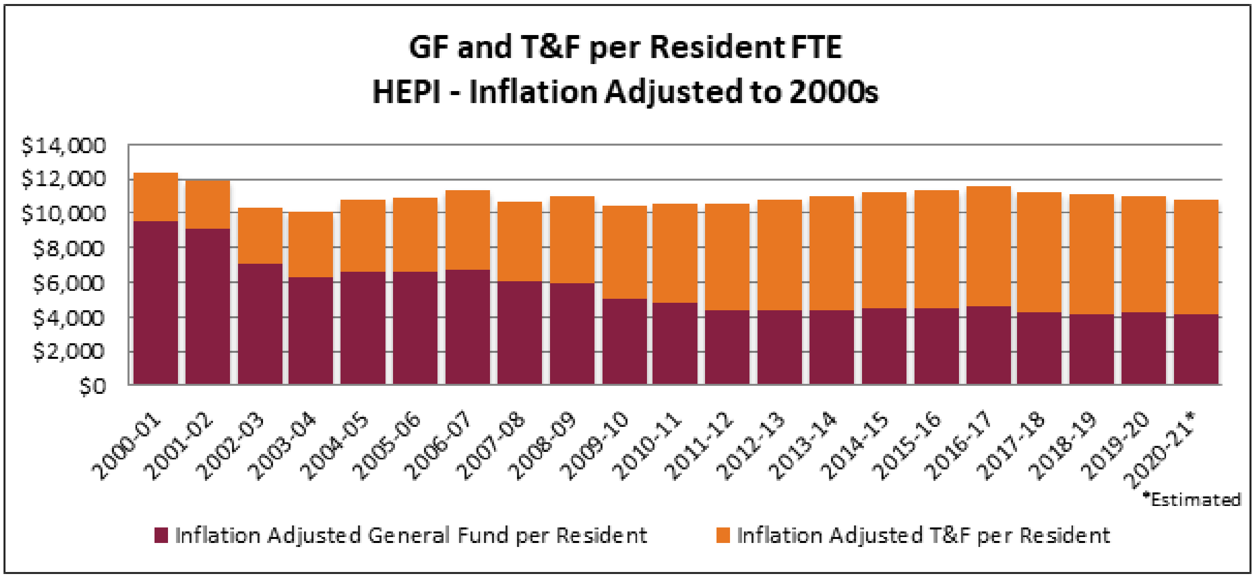


Each of these measures demonstrate that Virginia Tech more than outperforms our comparison groups in terms of efficiency; Virginia Tech spends considerably less on administrative support than the average comparison group in each measure. This is the result of a cost-conscious and deliberate effort to maximize student benefit while minimizing administrative overhead.

Maintaining Affordability for Virginia Residents

Due to economic volatility and growth in other state budget drivers like Medicaid, the Commonwealth's ability to subsidize Virginia resident undergraduate education has been negatively impacted over time. Since 2000, students and families have absorbed a greater share of the costs related to higher education. However, when combining state support and student tuition, overall net resources per resident undergraduate have actually fallen ($1,542) since 2000 when adjusting for inflation, shown in Chart 10. This represents a net loss in purchasing power to the institution. The chart below illustrates this gradual shift from General Fund support to tuition and fees.

Chart 10: General Fund and T&F per Resident FTE



The decline in state investment has further exacerbated the tension between the university's mission to provide an affordable, high-quality education and key cost drivers described below. Faced with these challenging budget parameters, the university consistently strives to enhance its ability to measure and improve productivity outcomes in a systematic manner. The cultivation of a cost-conscious culture across all management areas has enabled the university to strategically direct more resources to mission-driven activities while simultaneously continuing efforts to strengthen its capacity to deliver services efficiently and effectively.

Administrative Cost Pressures and Efficiencies

The university's administrative enterprise faces increasing operational and cost pressures on a range of fronts. The university expansion into the DC-Metro region and the increased administrative support needed for the Innovation campus, the state's mandated minimum wage increase, and ever-increasing employee benefits all represent strategic pressures on cost control within the university. Coming from outside the university, unfunded mandates ask more from the administrative enterprise without providing additional resources. Examples of such mandates include the multi-year phased implementation of the U.S. Department of Education's Campus Cybersecurity Program advancing compliance with NIST800.171 Information Security Standards for Controlled Unclassified Information (CUI) to protect data used in the administration of federal student aid programs, the Commonwealth of Virginia's multi-year phase-in of additional minimum wage increases, and Title IX programmatic enhancements. Additionally, the Commonwealth's actions to reduce its net pension liability by requiring larger annual contributions from state agencies and the continuously increasing cost of employer-provided health insurance are adding significant costs pressures on the university administrative enterprise, as well as the university's core programs.

Additionally, the university implemented five percent across-the-board budget reductions as part of the base 2020-21 budget in anticipation of significant revenue impacts resulting from the ongoing COVID-19 pandemic. That reduction was subsequently lowered to three percent for academic areas as actual enrollment and state support was better understood. The five percent reduction remained in administrative units and auxiliary budgets to fund critical initiatives and manage cost escalation, unfunded mandates, the slight fall 2020 enrollment shortfall for out-of-state students, and the impacts of COVID-19. For administrative areas, two percent of the five percent reduction was reallocated to fund critical initiatives in administrative areas. These reductions have required campus units to prioritize spending and curtail non-critical spending in operating and personnel (largely unfilled positions). Budget reductions are summarized in Chart 11.

Chart 11: FY2020-21 Budget Reduction Summary

	Personnel Reductions		**Operating Reductions**	Total	
	Positions	Salary Budget	Operating Budget		
208 E&G					
Colleges	-	-	(8,461,326)	(8,461,326)	(a)
Academic Administrative Units	(16.11)	(1,763,684)	(3,784,670)	(5,548,354)	
Administrative Units	(84.40)	(2,788,036)	(2,725,262)	(5,513,298)	
Subtotal E&G Reductions	(100.51)	(4,551,720)	(14,971,258)	(19,522,978)	
Auxiliaries					
Comprehensive Fee Units			(5,268,797)	(5,268,797)	
Room and Board Units			(3,513,421)	(3,513,421)	
Other Auxiliaries			(1,512,138)	(1,512,138)	
Total Auxiliary Reductions			(10,294,356)	(10,294,356)	(b)

(a) College reductions distributed through Partnership Incentive Based Budget (PIBB) rather than specific reduction plans.

(b) Auxiliary amounts represent the planned 5% base budget reduction to variable expenses. This does not reflect the full one-time impacts of the pandemic.

The university continues to make investments of personnel and systems to support a growing enterprise in pursuit of its Beyond Boundaries vision for the future. Recent growth in administrative operations have included an increase in advancement and support operations for the $1.5 billion Boundless Impact campaign launched in 2019, the creation of a new Vice President for Health Sciences in 2016, investments into a reimagined Vice President for Human Resources organization, and administrative resources for the newly-integrated Virginia Tech Carilion School of Medicine, whose operations are now fully within Virginia Tech's overall cost structure. In addition, the university has made important strategic investments in academic and administrative operations corresponding with the 20.0 percent growth in student FTE in the decade spanning 2009-10 to 2019-20, including initiatives such as integrated experiential learning, expansion of transdisciplinary research, and the creation of living-learning communities. These initiatives and others have been met with improved efficiency and increased capacity to scale administrative support systems like those used to process new student applications and classroom assignments.

Examples of recent improvements implemented by various units across the university to enhance efficiency and maximize effectiveness in a resource-constrained environment are detailed in Appendix 1. Though not unique in university operations, Appendix 2 provides an account of improved efficiency, increased capacity, and automation in University Bursar operations. Administrative units and student service areas continue to implement products and services that leverage technology and automation, improve service delivery, eliminate duplicative work efforts, and support the university strategic plan.

Summary

A lean administrative structure means that a greater share of institutional resources can be directed to mission-driven activities such as instruction, research, and public service.

The university's cost structure compared with peer benchmark data, along with ongoing administrative investments, demonstrate the university's determination to create cost efficiencies while also pursuing the university's stated objectives. Moving ahead, the university's cost-conscious budget process and management structure will continue to maximize limited resources and provide excellent administrative services, despite mounting cost pressures, to keep tuition affordable and achieve strategic goals.

Virginia Tech Efficiency Initiatives

The university continues to implement strategies to strengthen its cost-conscious culture with an emphasis on leveraging technology and automation, improving service delivery, eliminating duplicative work efforts, and enhancing strategic flexibility. As part of these efforts, the university's annual budget process requires units to identify additional cost-savings strategies and goals. These efficiency efforts promote and facilitate cost-containment efforts before new resource allocations are considered.

Below are some examples of recent improvements implemented by various units across the university to enhance efficiency and maximize effectiveness in a resource-constrained environment:

- **Office of the University Registrar**
  - Partnered with Ad Astra, a leader in higher education scheduling software, to assist the institution to more effectively forecast student course demand, allocate space and faculty resources, and therefore accelerate students time to degree. Ad Astra uses course enrollment history and semester by semester course planning roadmaps for each degree to predict the number of seats needed for future terms. This allows departments the ability to more accurately predict and therefore allocate instructional resources in a timelier manner. This process has positioned the university to efficiently accommodate and manage recent enrollment growth.
- **Undergraduate Admissions**
  - Became the first institution in Virginia to transition from accepting paper high school transcripts to a self-reported academic record system (SRAR), saving manual efforts to process thousands of transcripts per year and providing enhanced access for prospective students and school counselors. The SRAR system led to a significant reduction in the number of cancelled applications, especially from underrepresented and underserved groups, and an acceleration in the completion of application files. The SRAR system also significantly reduced use of paper and printing supplies.
  - Through implementation of the SLATE admissions system, Admissions can more efficiently coordinate all communications, event registration, and application review efforts, leading to a more effective and positive recruitment process for applicants, and ultimately supporting the university's enrollment growth goals.
- **Campus Planning, Infrastructure, and Facilities** (CPIF)
  - Implementation of the university's Five-Year Energy Plan designed to improve energy efficiency and reduce energy costs within five years in the most energy-intensive buildings on the Blacksburg campus. Funds for this initiative are used to convert lighting to LED, retro-commission building mechanical systems, install energy meters and complete various other energy conservation measures identified during audit of campus buildings identified as energy hogs.
  - **Insource Renovation Services -** In FY2020 and FY2021, CPIF began the Renovations transformation, an initiative aimed at transitioning the management of university renovations projects from an outsourced model to an in-house model. This in-house project management team has a vested interest in increasing the overall quality of renovations projects while simultaneously controlling cost. The team aims to provide a higher level of overall customer satisfaction.
  - **Space Management Program –** A comprehensive space management study was predominantly completed during the FY2020 academic year, reviewing the majority of E&G space around the Blacksburg campus to provide up-to-date E&G space data that will lead to more efficient and effective space utilization.
  - **Central Chilled Water System –** enhances campus service while improving efficiency in terms of energy cost, maintenance costs, and cost of new capital projects. Improvements

to central chilled water system include increasing capacity in the two plants and connecting them to create a system loop. This phase of improvement will give us the backbone of a central system that will create opportunities in the future to eliminate the inefficient installation of standalone chillers for future capital projects and decommission existing standalone systems.

- **Business and Management Systems (BAMS)** - in the past fiscal year, BAMS has worked with Analytics and Institutional Effectiveness to move a total of 18 databases supporting the data lake from physical hardware to the cloud by utilizing the Division of IT's contracted Amazon Web Services (AWS). Additionally, BAMS is in the process of decommissioning a SharePoint framework of numerous servers it has hosted for 13 years in favor of the university's contracted instance of SharePoint Online and other Microsoft 365 technologies. This includes the BOV portal that is scheduled to go live before the June 2021 BOV meeting. The department's strategy is to utilize cloud services whenever possible and eliminate its dependency on physical hardware in the next three to five years.
- **Vice President for Finance**
  - Implemented robotic process automation (RPA) to reduce manual labor (data extraction, data entry, reconciliation/validation, etc.) in the Offices of the University Bursar, Controller, and Finance Information Technology. The pilot program expects to have ten automations in production by the end of the fiscal year returning approximately 7,500 hours to the associated business units.
  - Implemented Chrome River system to automate the P-Card and Travel reimbursement processes, reducing transactions processing time for Accounts Payable.
  - Launched online Auxiliary Budget Development System to streamline the annual budget process for over 40 business units, reducing manual effort and elevating strategic review.
- **Human Resources**
  - Consolidation of university talent acquisition advertising costs that were previously dispersed and duplicated across campus. Consolidation of The Chronicle of Higher Education contract provides a central source for all teaching/research, research, and administrative faculty position online advertising, and provides departments with discounted print advertisement. This initiative is estimated to save approximately $68,000 over a two-year period while providing enhanced advertisement services to campus.
  - Development of a one-stop shop on the Human Resource (HR) web site where managers and supervisors, employees in HR roles, and all other university employees can find a comprehensive suite of HR transactions, a forms library, hiring and onboarding content, and answers to common HR questions. This has been particularly useful during the ongoing pandemic, as many employees can find remote assistance for their HR needs.
- **Virginia Tech Electric Systems** (VTES) – updating billing and online payment system that will reduce paper usage and many manual processes within the business unit. The updated online payment system will be more customer friendly to encourage paperless billing, electronic notices, and electronic bill payments. These system updates will also save the university printing and mailing costs while bringing VTES closer to industry standard customer service expectations.
- **Parking Services** - fully automated the access and revenue control functions of the North End Center garage. This included upgrading the equipment at the entrance and exit gates to allow for automated 24/7/365 functionality as well as a walk-up pay station for self-service, saving personnel costs and streamlining the operations of the garage.

Capital Program Initiatives

  - The administrative enterprise introduced organizational changes to ensure critical capital projects come to fruition by boosting the efficacy of the capital planning, construction, and financing processes. Over 22 capital construction projects totaling nearly $1.15 billion across Blacksburg, Roanoke, the Greater Washington, D.C. metro region, the commonwealth, and Switzerland are included in the university's Six-Year Capital Outlay

Plan for 2022-28. The creation of a high-performance cross-functional team will facilitate strategic, enterprise-wide long-range physical planning, advancement of the capital outlay program, space and land use, and real estate activities. To more closely integrate these efforts, the leader of the high-performance team reports dually to the vice president for campus planning, infrastructure, and facilities and the vice president for finance.

- **Insource Construction Field Representatives** – established an in-house team of construction field representatives that monitor ongoing construction activities, which saves both time and capital project soft costs for work previously performed by third-party contractors.
- **Electronic Drawing Review** – construction drawings are now reviewed electronically by the University Building Official, which saves both time and printing costs associated with the activity.
- **Electronic Billing** – income leases and agreements are now billed electronically which improves service delivery and results in cost savings in labor and materials.
- **Cloud-based File Management Systems** – Established efficient, remotely accessible IT storage for improved retrieval and management of construction documents and related files.

Automation in the Office of University Bursar

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

March 4, 2021

Background: The Office of University Bursar (OUB) is responsible for billing student tuition and fees, as well as ensuring the proper receipt and application of all payments on each student's account. OUB works closely with University Scholarships and Financial Aid, third parties, and students to obtain, coordinate, facilitate, and maintain financial aid resources through payment of Title IV and other financial aid, outside scholarships, and the university's tuition installment payment plan. OUB manages cash for Title IV financial aid funds and maintains the university's federal and institutional loan programs. OUB also processes receipts (in excess of $1 billion annually) and disbursements for payroll, vendor, and financial aid payments; and in conjunction with the Controller's Office, seeks to maximize the number of such disbursements that are made electronically. With the implementation of Banner Accounts Receivable ERP in 2000, the university identified ways to work more efficiently, automating many routine and recurring tasks through system modifications and jobs.

An independent review by Ernst & Young in 2018 found that the work of the bursar office utilizes available technology to be innovative and capitalize on the skillsets of an experienced staff. The report compared OUB favorably to industry in almost all of their benchmarking metrics, noting the number of FTE's that process receivables is higher than other industries primarily due to conditions not encountered by industry such as the federal financial aid regulations.

Digital Transformation: Through the years, OUB operations have benefitted from more traditional automation efforts. Digital transformation began in 2005 in OUB with the overhaul of processes, operations and customer facing services. The strategic outsourcing of online student billing and payment options with real-time account activity facilitates efficient and improved services. Students and their authorized payers receive email notifications of new statements and have access to remit payments 24/7 through a self-service portal.

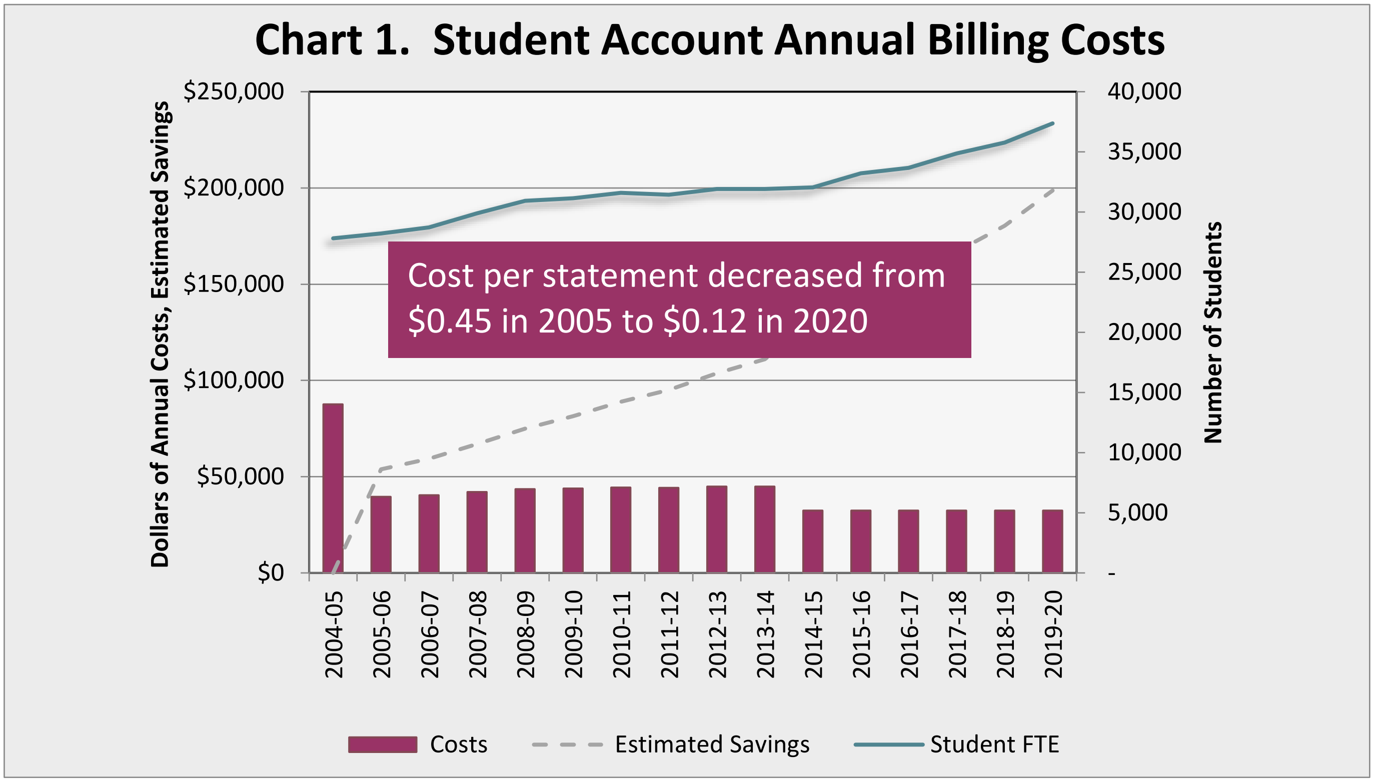
Through the vendor solution, VT reintroduced credit card payment options which had been eliminated decades earlier during budget reductions. While the Government and Higher Education Payment Program allows the university to assess a variable service fee as a separate transaction to cover acceptance costs, the 2.65 percent service charge (payable to the vendor, not the university) on a credit card payment also encourages payment by eCheck or installments. The introduction of real time payments presented opportunities to automate reconciliation of activities, settle batches by type, and improve the effectiveness of financial holds to prompt payment of account balances. Fully automated financial holds generally prevent registration for future terms until payments are received, serving as one of the university's most effective collection techniques.

Electronic payments from students improved efficiency in the operations and eliminated the need for bank provided lockbox services. Today, over 94 percent of payment transactions are received through electronic channels. While opportunities to

Today, over 94% of payment transactions are received through electronic channels.

further automate remaining heterogenous payment types are uniquely difficult, we continue to seek vendor solutions and sources that will reduce remittance by mail from third party entities such as college savings plan providers and private scholarship sponsors.

With the elimination of paper tuition bills and postage, the university has realized a 56 percent reduction in the cost per statement beginning in 2006, and through contract negotiations a ceiling on cost per statement resulted in additional savings beginning in 2015. Savings in 2019-20 from e-Bill are estimated at more than $180,000 over traditional, paper-based processes as shown in Chart 1. Perhaps most importantly with enrollment growth on the horizon (in 2006), the electronic billing and payment solution provided capacity to successfully bill and receive payment from an unlimited number of students.



In 2008, Virginia Tech upgraded the in-house payment plan solution developed in the early 1990s moving away from paper to electronic enrollment to expedite processing over 8,600 applications annually. With the need to upgrade security and processing software on the horizon, the university made the decision in 2014 to move to a vendor hosted software. Beginning in fall 2017, the university expanded the payment plan options integrating graduate assistants' payment plans and eliminating the less efficient payroll deduction process that had existed for a decade or so prior. Unlike many higher education institutions that outsource payment plan administration with enrollment fees going to the vendor, Virginia Tech administers its payment plans in house, generating more than $375,000 of revenue in

> *Virginia Tech administers its payment plans in house, generating more than $375,000 of revenue in 2019-20.*

2019-20 of which two-thirds was used to directly support operating and salary expenses in the bursar office.

While some of our modernizations had roots in replacing end of life products, the introduction of e-payment channels encouraged more efficient payment mechanisms across the university and consolidation of vendor contracts readying Virginia Tech for compliance with the Payment Card Industry Data Security Standard (PCIDSS) introduced in late 2004. PCIDSS is a comprehensive information security standard for organizations that handle branded credit cards requiring annual validation of compliance. The university committed one new FTE in 2011-12 to manage payment card compliance across the university. With the implementation of a second preferred hosted payment solution in 2015, the bursar office worked with several high-volume merchants on campus to move to a more cost-efficient solution reducing card and e-check payment acceptance processing fees 75 percent – 94 percent depending on transaction volume. In 2019-20, the university had more than 60 merchants and accepted 585,000 payment card transactions valued at $76.2 million. The bursar office quickly on-boarded several new merchants at the beginning of the pandemic as online payment acceptance became the viable payment channel for operations newly available online.

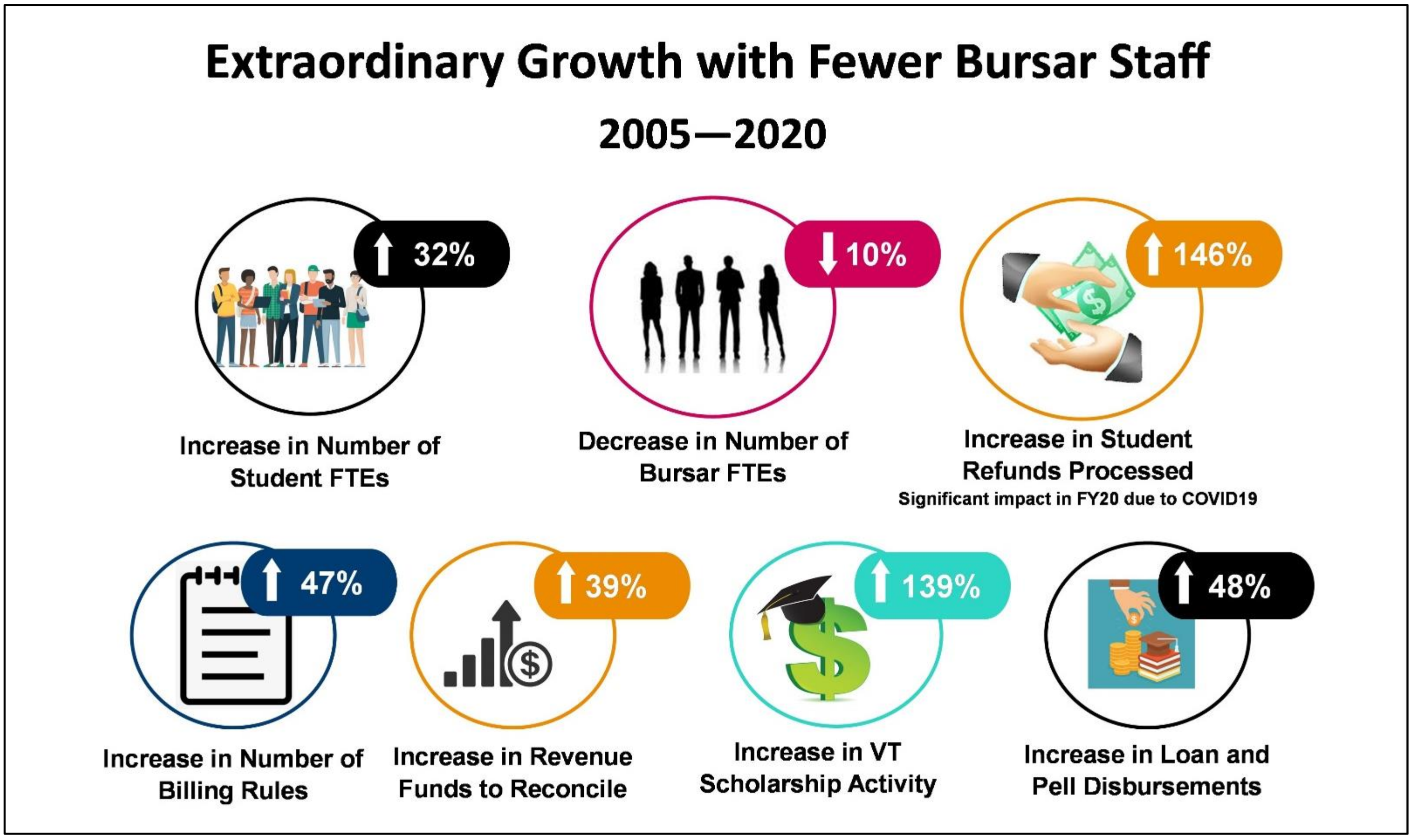
Also, on the payment front, the university implemented a new vendor-hosted cashiering solution in 2015 achieving its goals to streamline processes to record revenues in the finance ledger, eliminate paper-based departmental deposits, and promote a fully electronic reconciliation of bank deposit activities. Through the reconciliation improvements alone, leaders estimate a savings of 1,000 hours annually. The cashiering solution was the foundation for the university's first Robotics Process Automation in 2020 reconciling departmental and credit card activities to bank deposits and posting the transactions using robotics. A second robotics automation is near completion that will support batch posting of payments from varying remittance sources, achieving a long-time goal of a more efficient batch payment processor to support demand during peak periods. Though challenging to calculate savings from these two automations due to changes in activity levels during the pandemic, we initially projected the cashiering automation to return 2,000-person hours to the enterprise.

The cashiering solution was the foundation for the university's first Robotics Process Automation in 2020.

While the bursar office supports university-wide funds handling and deposit activities, daily operations primarily result from tuition and fee assessment and collection activities. The university introduced its first college/program specific fee in 2007-08. Today, there are ten college/program specific fees, ten programs with unique tuition rates, and numerous course fees. As the complexity of tuition changes to meet the needs of a growing university, the rule sets required to properly assess tuition have increased significantly. One result is more opportunities to engage with students and parents individually to answer questions about the charges on tuition statements. At payment deadline, the team can answer as many 125 calls an hour in addition to handling peak level operational transactions and responding to customer emails. With 32 percent growth in the number of student FTEs since 2005, the student to bursar staff ratio has increased 45 percent.

Student-to-Bursar Staff Ratio

2020	1,205:1	+45%
2005	830:1	



As a result of automation efforts and efficiencies gained in processes, today's bursar office staff is ten percent smaller than it was in 2005 while serving 10,000 more students and families in a more complex student finance environment.

The team actively looks for, engages with campus partners, and identifies opportunities each year for improvement in operations and procedures. With goals for improved operations like introducing robotics processing and timely customer service that challenge management and employees, the team has been successful in meeting its operational goals even with significant increases in the student population and unforeseen events like the pandemic. Projects are underway to automate the recording of outside scholarships reported by students and to create PDF copies of electronic loan agreements for Perkins loans during program winddown. The team is also exploring AI-powered chatbots to answer simple customer inquiries in conjunction with Enrollment Services and the Office of University Scholarships and Financial Aid in effort to find the right medium to serve tomorrow's students and parents in a better, more efficient and more cost-effective way.

Update on University Cost Efficiencies

DWAYNE PINKNEY, SENIOR VICE PRESIDENT AND CHIEF BUSINESS OFFICER

MARCH 21, 2021

University Cost Structure Overview

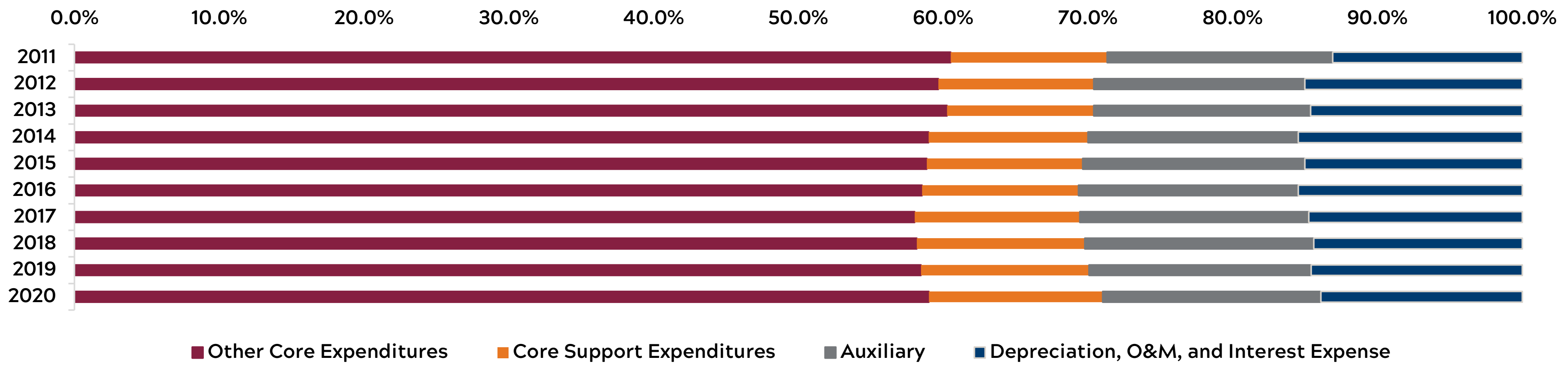
- Composition of cost is unchanged over the last ten years.
- Support costs remain a small percentage of the university's total expenditures.
- Academic Support costs are growing faster than Institutional Support costs.

  Academic Support includes activities that support instruction, research and public service as well as university library and the veterinary hospital.

  Institutional Support includes central administration (i.e. executive management, legal and fiscal operations, public relations and advancement, sponsored program administration, police and emergency response, etc.) activities that support the entire operation including instruction, research and public service.

- The university consistently ranks favorably among its various peer groups in nationally accepted measures of administrative efficiency.

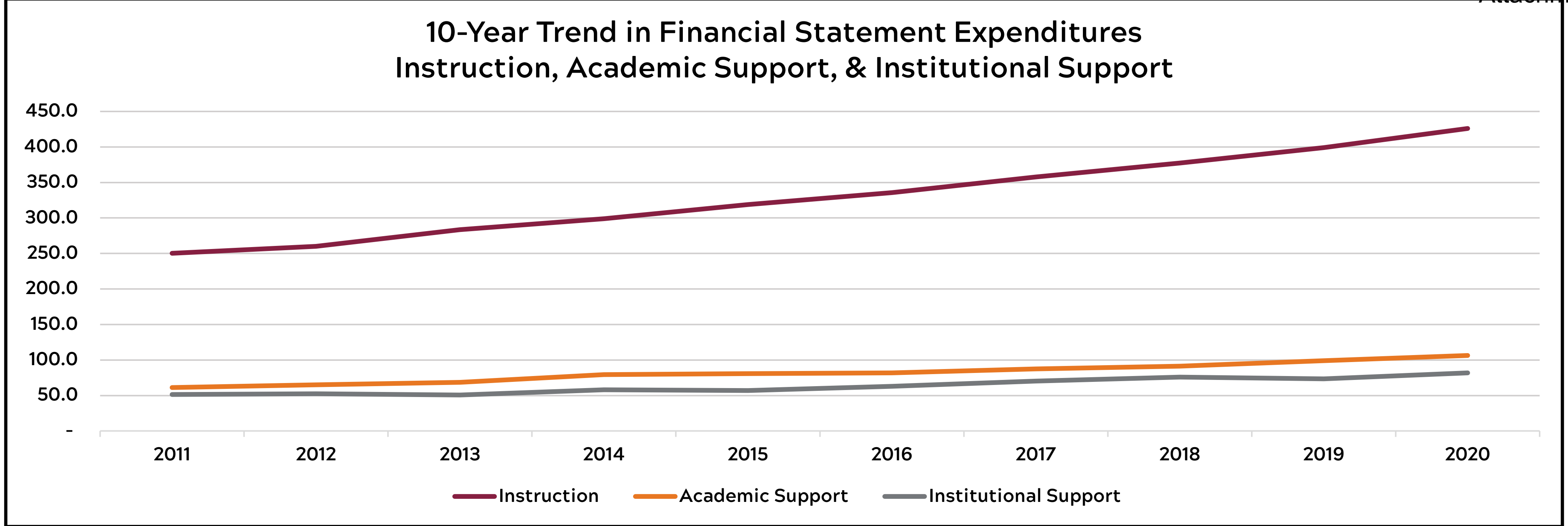
10-Year Trend in Financial Statement Expenditures by Function



all dollars in millions	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 Dollars ($)	2020 Percent (%)
Other Core Expenditures[1]	629.7	652.7	709.4	737.0	752.8	783.5	802.0	837.6	867.7	924.3	59%
Core Support Expenditures											
Academic Support	61.2	65.0	68.5	79.4	80.9	81.7	87.4	91.2	98.9	106.4	**7%**
Institutional Support	51.3	52.5	50.7	58.2	56.9	63.1	70.3	75.9	73.4	81.7	**5%**
	112.5	117.5	119.2	137.6	137.8	144.8	157.7	167.1	172.3	188.1	**12%**
Auxiliary	162.0	159.6	176.3	181.5	196.2	203.0	218.7	227.8	227.9	236.2	15%
Depreciation, O&M, and Interest Expense	136.3	164.2	172.1	193.3	192.1	207.2	203.7	207.3	216.3	217.8	14%
Total	1,040.5	1,094.0	1,177.0	1,249.4	1,278.9	1,338.5	1,382.1	1,439.8	1,484.2	1,566.4	100%

[1] Other core expenditures include Instruction, Research, Public Service, Student Services, and Student Financial Assistance expenditures.

VIRGINIA TECH



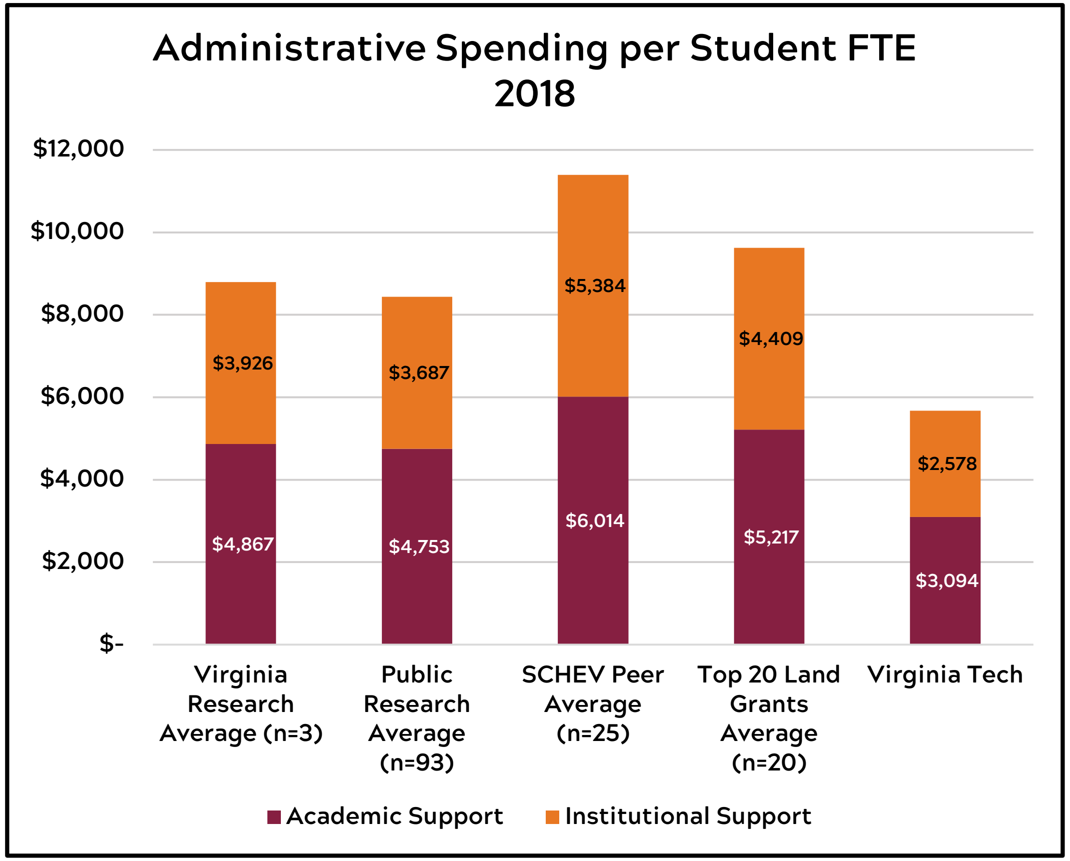
all dollars in millions

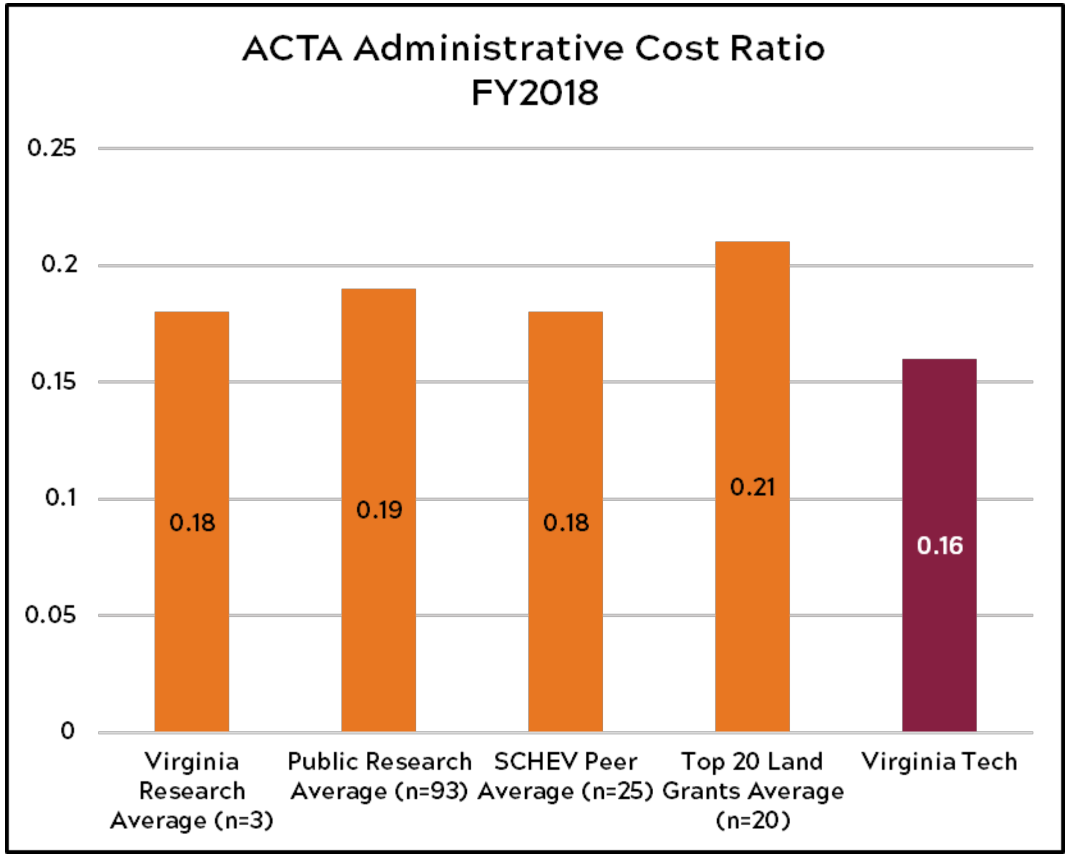
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Annualized Change (%)
Instruction	250.1	260.1	283.5	298.8	318.7	335.8	357.9	377.5	398.9	426.0	6.1%
Academic Support[1]	61.2	65.0	68.5	79.4	80.9	81.7	87.4	91.2	98.9	106.4	6.3%
Institutional Support	51.3	52.5	50.7	58.2	56.9	63.1	70.3	75.9	73.4	81.7	5.3%

[1]Increase in Academic Support reflects a purposeful investment in the university's library, comprising $12M (27%) of the growth between FY2011 and FY2020.

- Growth in Instruction and Academic Support outpaced that of Institutional Support.

Peer Comparisons

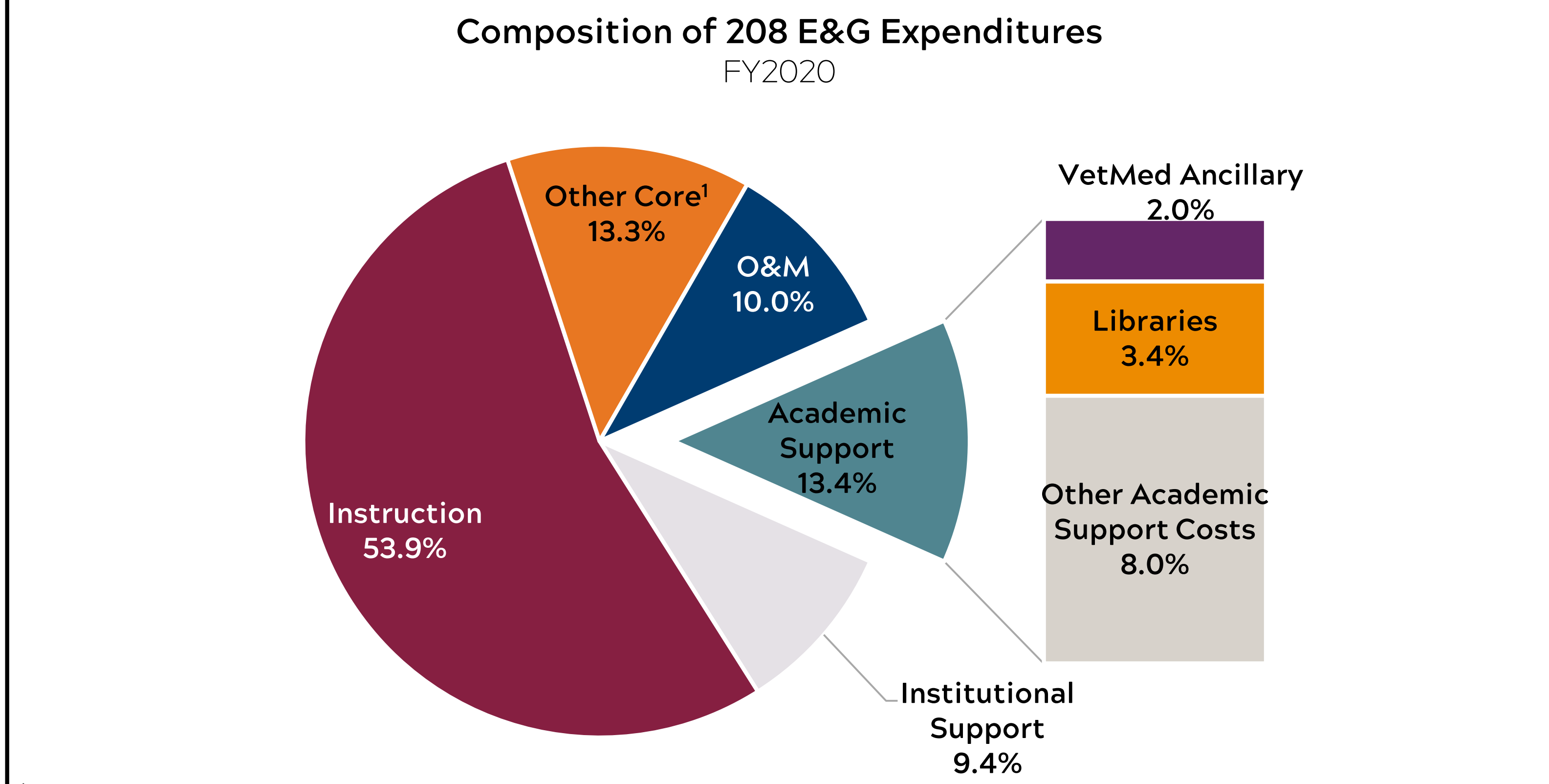




- The American Council of Trustees and Alumni (ACTA) Administrative Cost Ratio indicates the university spends $0.16 on Institutional Support for every $1 spent on Instruction and Academic Support costs.

208 E&G Cost Structure Overview

- Examining State General Fund and T&F Funded (208 E&G) expenditures enhances consideration of affordability.
- Instructional, Institutional Support, and Academic Support costs comprised 77 percent of 208 E&G expenditures in FY2020.
- Compensation and Benefits made up 89 percent of 208 E&G expenditure growth between FY2016 and FY2020.



[1]Other Core includes: Research, Public Service, Student Services, and Student Financial Aid.

Comp & Benefits Drive 208 E&G Expenditure Growth

Change from FY2016 to FY2020 Financial Statements (Accrual Basis)
all dollars in millions

	Dollars ($) 2016	Dollars ($) 2020	Change Dollars ($)	Change Percent (%)
Financial Statement 208 E&G Operating Expenditures				
Salaries	$ 359.9	$ 459.5	$ 99.6	64.8%
Benefits	118.5	155.0	36.5	23.8%
Compensation and Benefits Subtotal	$ 478.4	$ 614.5	$ 136.1	**88.5%**
Non-Compensation Expenditures	122.7	140.4	17.7	11.5%
Total Financial Statement 208 E&G Operating Expenditures	**$ 601.1**	**$ 754.9**	**$ 153.8**	

- 89 percent of the recent growth in 208 E&G expenditures was in Comp & Benefits.
- Comp & Benefits were 81 percent of total expenditures in FY2020 and comprised of 75 percent compensation and 25 percent benefits.
- The growth in Comp & Benefits was similar across academic areas and administrative units.

Comp & Benefits Drive 208 E&G Expenditure Growth

Change from FY2016 to FY2020 Financial Statements (Accrual Basis)
all dollars in millions

	2016		2020		$ Change	% Change
	Dollars ($)	Percent (%)	Dollars ($)	Percent (%)		
Academic - Comp & Benefits	$ 387.1	83.8%	$ 494.2	84.4%	$ 107.1	**87.1%**
Academic - O&M	68.4	14.8%	81.1	13.9%	12.7	10.3%
Academic - Fixed Costs & Recovery	6.5	1.4%	9.7	1.7%	3.2	2.6%
Total Academic	$ 462.0		$ 585.0		$ 123.0	
Admin - Comp & Benefits	91.5	79.8%	118.1	81.3%	26.6	**86.7%**
Admin - O&M	23.5	20.5%	25.9	17.8%	2.4	7.8%
Admin - Fixed Costs & Recovery	(0.4)	-0.3%	1.3	0.9%	1.7	5.5%
Total Admin	$ 114.6		$ 145.3		$ 30.7	
Central Costs[1]	$ 24.5		$ 24.6		$ 0.1	
Total 208 E&G Expenditures	**$ 601.1**		**$ 754.9**		**$ 153.8**	

[1] Central costs include fixed recurring costs such as central computing charges, software rentals, leases, insurance, and utilities.

- 87 percent of the recent growth in 208 E&G expenditures in academic areas and administrative units was in Comp & Benefits .

Administrative Personnel Investments

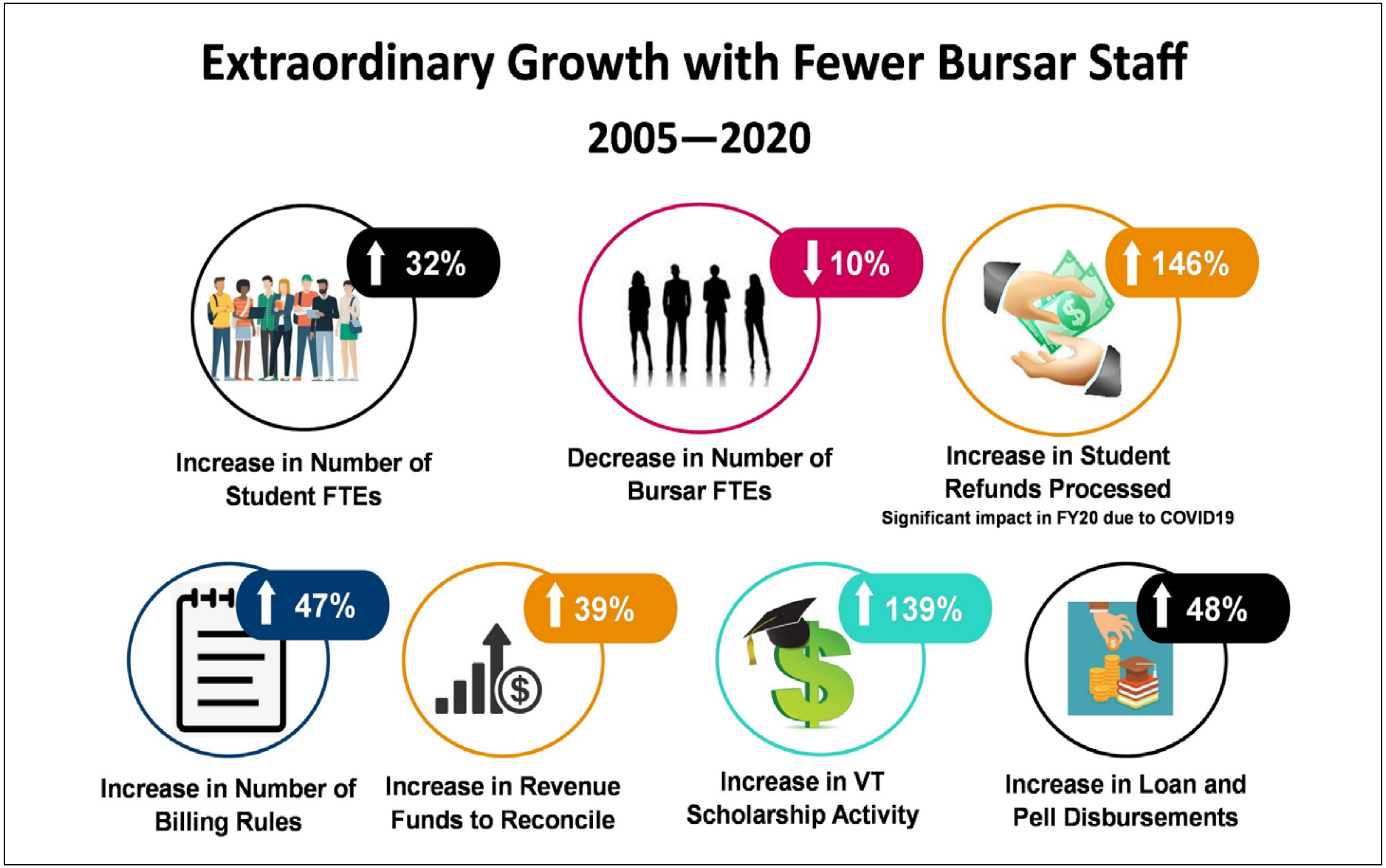
Senior Management Area	Increase in Filled Full-time Administrative Positions/(% Change) Since FY2016	Strategic Objective/Outcome
VP Advancement	28.1 / (23.6%)	Gifts up 75% since FY2016.
VT School of Medicine	52.8 / (New)	Expanded presence in Health Sciences.
VP Health Sciences	25.4 / (1,080%)	Expanded presence in Health Sciences.
Colleges	87.3 / (11.2%)	Destination Areas, Academic Advising, Support for 12.5% growth in Student FTEs since FY2016.

Source: 208 E&G full-time filled administrative positions, fall semester snapshot (2015 and 2020).

Administrative Operational Investments

Project	Strategic Objective/Outcome
Finance Division ▪ Robotic Process Automation	163,000 transactions processed across five tasks since June 2020 (~2 FTEs).
Undergraduate Admissions ▪ Implementation of SLATE Processing Platform	Integrated all elements of recruiting and applicant review to provide a more effective and positive process for applicants, resulting in record applications of 42,084 (up nearly 36% compared to 2020 cycle).
Registrar ▪ Partnership with Ad Astra Classroom Assignments	Improved forecasting student course demand to help the institution effectively allocate space and faculty resources.

- Other investments in the administrative enterprise center on:
  - Data collection and data-driven decision making.
  - Elimination of paper-based processes.
  - Investments in cost-saving energy efficient infrastructure.
  - Administrative reorganizations to improve service delivery.


Extraordinary Growth with Fewer Bursar Staff
2005—2020
32%
Increase in Number of Student FTEs
10%
Decrease in Number of Bursar FTEs
146%
Increase in Student Refunds Processed
Significant impact in FY20 due to COVID19
47%
Increase in Number of Billing Rules
39%
Increase in Revenue Funds to Reconcile
139%
Increase in VT Scholarship Activity
48%
Increase in Loan and Pell Disbursements

Administrative Cost Pressures

- Continued expansion of unfunded mandates:

  <u>Federal</u>

  - NIST800.171 Information Security Standards for Controlled Information currently recommended for Title IV financial aid activities.
  - Title IX programmatic enhancements.

  <u>State</u>

  - Multi-year phased in minimum wage increases.
  - Increased pension expense due to the Commonwealth's efforts to reduce the pension liability.
  - Increasing costs of employee healthcare.
- Future expansion in the DC-Metro Region/Innovation Campus.
- Response to COVID-19 Pandemic.

Budget Reductions

	all dollars in millions			
	Personnel Reductions		Operating Reductions	Total
	Positions	Salary Budget	Operating Budget	
208 E&G				
Colleges [1,2]	na	na	$ (8.5)	$ (8.5)
Academic Administrative Units	(16.11)	(1.7)	(3.8)	(5.5)
Administrative Units	(84.40)	(2.8)	(2.7)	(5.5)
Subtotal E&G Reductions	(100.51)	$ (4.5)	$ (15.0)	$ (19.5)
Auxiliary Reductions [2]	na	na	$ (10.3)	$ (10.3)

[1] College reductions distributed through Partnerships Incentive Based Budget (PIBB) rather than specific reduction plans.
[2] Salary and operating budget reductions not reported separately.

- Academic area budgets reduced three percent.
- Administrative unit budgets reduced five percent, with two percent reallocated to fund critical initiatives in administrative areas.
- Auxiliary budgets reduced five percent, which does not reflect the full one-time impact of the COVID-19 pandemic.

Discussion

Attachment F

Approval of Financial Plan to Close the Budget Gap Caused by the COVID-19 Pandemic

KEN MILLER, VICE PRESIDENT FOR FINANCE

MARCH 21, 2021

Financial Impact of COVID-19 on 2020-21

- In November 2020, the university provided the Board of Visitors (BOV) with an update on impact of the COVID-19 pandemic on campus finances as determined during the Fall semester and as projected for the 2020-21 fiscal year
- The impact was uneven across campus and primarily effected self-generated revenue activities in *Auxiliary Enterprises* due to the university's response to ensure the safety and well-being of the campus community
- University efforts to minimize impact spanned cost control efforts to philanthropy (Athletics)
- This identified a ($63.2) million net budget shortfall *as of December 31, 2020* in the Auxiliary Enterprises

Temporary Authority provided by the 2020 Virginia General Assembly in § 3-4.01

For 2020-22 biennium impacts caused by COVID-19 pandemic:

- Ability to reduce the recovery of the institutional indirect cost assessed to Auxiliary Enterprise programs
- Ability to use other fund sources subject to the requirements below:
  - Requires BOV approval and the Board must review the measures of financial status included in the most recent Auditor of Public Accounts Higher Education Comparative Report
  - The resolution is to be shared with the Chairs of the House Appropriations and Senate Finance and Appropriations Committees
  - The use of other fund sources for Intercollegiate Athletics is limited to scholarship support

Auxiliary Enterprise COVID-19 Impact

Attachment F

as of December 31, 2020 (dollars in millions)

Auxiliary Enterprise	Revenue	Expense/ Cost Savings	Net
Dining	-$36.7	-$13.5	-$23.2
Athletics	-25.0	-5.9	-19.1
Residential	-9.9	-1.0	-8.9
Inn at VT: Hotel & Conference Center	-8.6	-4.0	-4.6
Electric Service	-3.4	-1.8	-1.6
Parking & Fleet Services	-3.3	-1.5	-1.8
Health Services	-0.6	0.7	-1.3
Other Units (Steger Center, Printing, Center for Arts, Library Photocopy, Licensing/Trademark)	-3.9	-1.2	-2.7
Total	-$91.4	-$28.2	-$63.2

Auxiliary Financial Plan to Close the Budget Gap Due to COVID-19

as of December 31, 2020 (dollars in millions)

Strategy	Amount
Federal Support	
CARES Act (via Commonwealth of Virginia)	$10.7
2nd Stimulus (Consolidated Appropriation Act)	18.1
State Support	4.0
Restructuring of Existing Debt (FY21)	10.8
One-time Savings (health insurance holiday)	4.8
Relief from Indirect Cost Assessments	13.9
Expenditure Savings/Cost Control	0.9
TOTAL	$63.2

APA Comparative Report

Attachment F

- Original goal was to compare the financial health of all public colleges and universities for fiscal years 2015 through 2017*
- Goal of the required BOV review is to assess the financial health of the university and the potential impact of the funding plan to address COVID-19 related deficits in Auxiliary Enterprises
- The university has used the APA methodology to create the key financial ratios and the Composite Financial Index for the six year period for fiscal years 2015 through 2020
- The university exceeds the applicable benchmarks for these key financial ratios

* a similar report for more recent years is in progress but not yet available

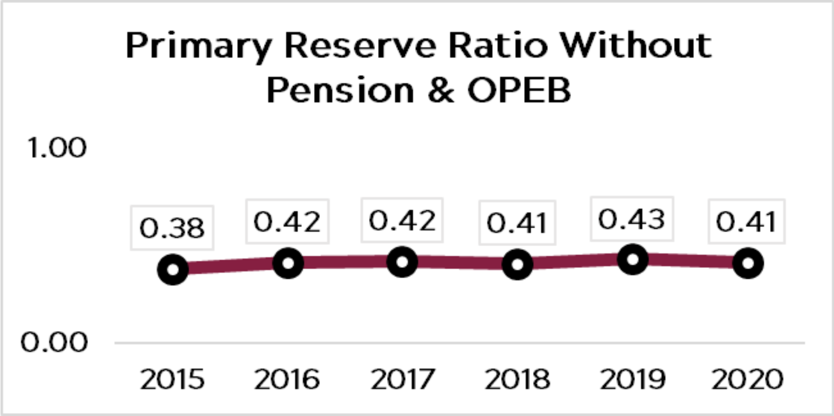
Key Financial Ratios of Financial Health Cited in APA Comparative Report

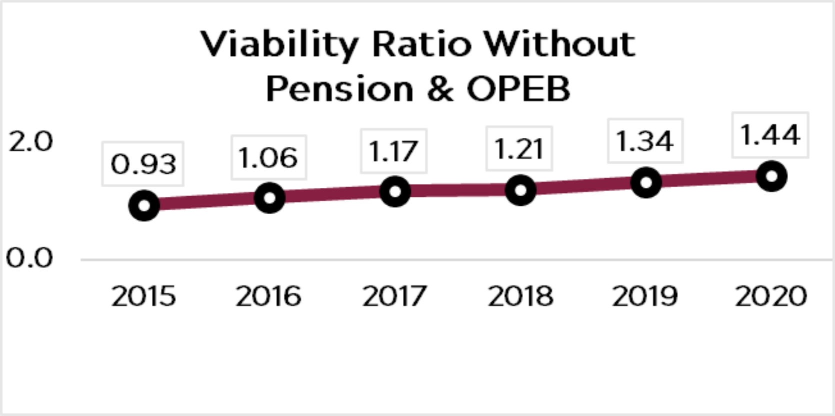
Ratio	Definition
Primary Reserve	Snapshot of the financial strength and flexibility of an institution calculated by dividing expendable net assets by total expenses. The accepted benchmark for this ratio is 0.4.
Viability	Availability of expendable net position to cover long-term debt and indicates whether an institution can assume new debt calculated by dividing expendable net assets by long-term debt. The accepted benchmark for this ratio is 1.0 or greater.
Net Operating Revenue	Indicates whether an organization is living within its available resources calculated by dividing net income less capital revenues by noncapital revenues.
Return on Net Position	Answers whether the university is achieving a positive economic return on its investment of resources calculated by dividing change in net assets by total net assets.

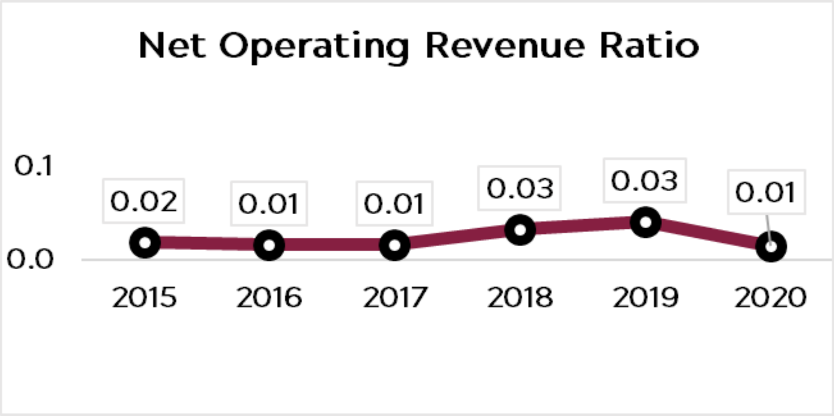
Consistent with the Auditor of Public Accounts report, the impacts of Pension and Other Post Employment Benefits have been excluded.

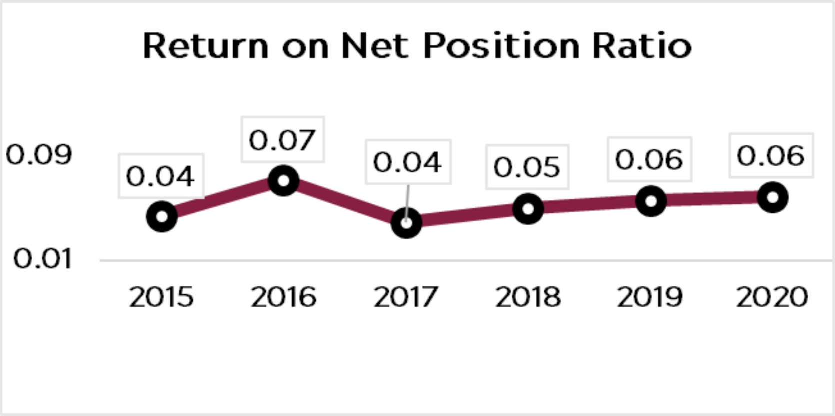
Prager, Sealy & Co., LLC; KPMG LLP; and Attain LLC 2010, Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks, Seventh Edition, 2010, https://www.attain.com/sites/default/files/take-aways-pdf/HEAMC_Strategic%20Financial%20Analysis%20Seventh%20Edition.pdf

Measuring the Overall Level of Financial Health



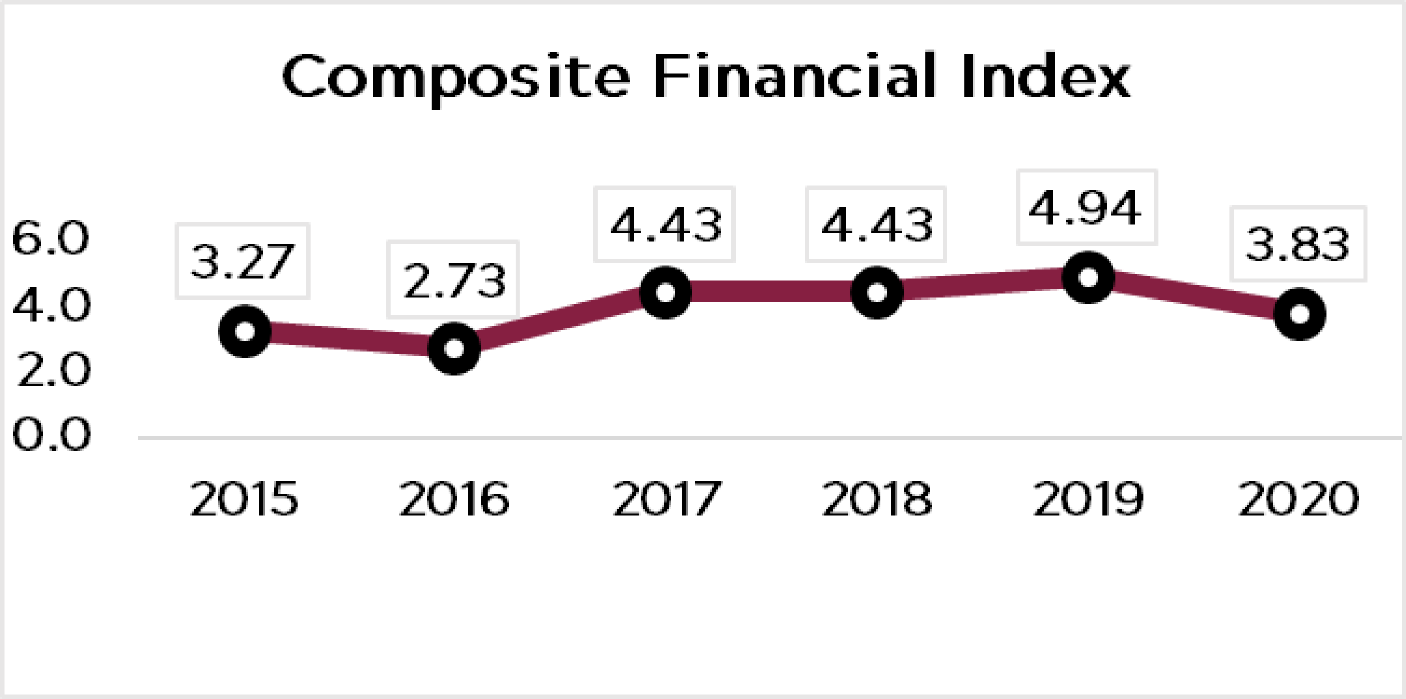






Prager, Sealy & Co., LLC; KPMG LLP; and Attain LLC 2010, Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks, Seventh Edition, 2010,
https://www.attain.com/sites/default/files/take-aways-pdf/HEAMC_Strategic%20Financial%20Analysis%20Seventh%20Edition.pdf

Measuring the Overall Level of Financial Health



The CFI is a weighted average of the four previous financial ratios.
The accepted benchmark is 3.0 or greater. The above statistics include the Virginia Tech Foundation.

Prager, Sealy & Co., LLC; KPMG LLP; and Attain LLC 2010, Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks, Seventh Edition, 2010, https://www.attain.com/sites/default/files/take-aways-pdf/HEAMC_Strategic%20Financial%20Analysis%20Seventh%20Edition.pdf

Other Actions

Attachment F

- This plan provides proposed solutions to the known or projected financial impacts of COVID-19 through December 31, 2020 and therefore additional actions may be needed
    - COVID-19 will continue to have local, national, and global impacts into the future & the university will continue to monitor the financial impacts on Spring and Summer semesters and the next fiscal year
    - The university will continue to monitor for additional governmental support
    - Any additional information will be shared with the BOV as it becomes known
- Since this proposed plan is funded primarily with new one-time sources of funds, it is anticipated to have minimal impacts on the financial health of the university

Attachment F

Approval of Financial Plan to Close the Budget Gap Caused by the COVID-19 Pandemic

RECOMMENDATION:

That the resolution approving Virginia Tech's financial plan to close the budget gap created by the COVID-19 pandemic be approved.

March 22, 2021

Resolution for Approval of Transportation Services Fee Refund for Spring 2021

KEN MILLER, VICE PRESIDENT FOR FINANCE

MARCH 21, 2021

Attachment F

Transit Services Fee Refund

- *The Town of Blacksburg received federal support through the Coronavirus Aid, Relief, and Economic Security (CARES) Act to support the cost of mass transit during the COVID-19 pandemic*
- *This support provides relief to the Blacksburg Transit system, which Virginia Tech students, staff, and faculty rely on*
- *The Town of Blacksburg lowered Virginia Tech's contractual contribution for the 2020-21 fiscal year*
- *This allows the university to reduce the Transportation Services fee paid by students in the form of a refund in Spring 2021:*
  - *$96 refund to regular, full-time students on the Blacksburg campus*
  - *Part-time students or students of different statuses refunded a reduced amount based on the amount assessed*

RECOMMENDATION:

That the university refund the 2021 spring semester Transportation Services Fee to reflect the cost reduction from the Town of Blacksburg transit contract made possible by federal CARES Act support for transit service received by the town.

March 22, 2021

VIRGINIA TECH

Attachment F

2021-22 Budget Development Update

MARCH 21, 2021

VIRGINIA TECH

Budget Background

- The budget is a quantification of the university's strategic plan
- Multi-year planning to achieve institution's strategic goals
- Impacted by cost drivers
- Continuous review of operations and opportunity for efficiency enhancements to ensure maximization of existing resources
- Focus on student access and affordability

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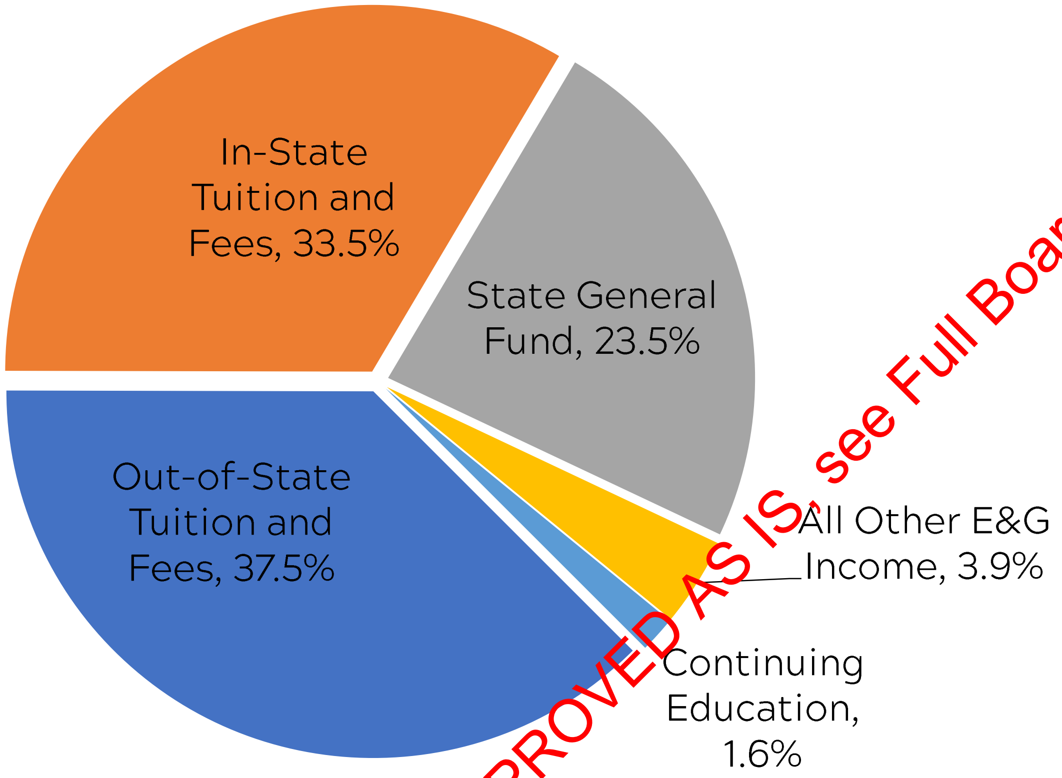
Budget Background

University Division Educational & General Program 2020-21 Revenue Sources



Revenue Components	$ Millions	%
Out-of-state Tuition & Fees	*$ 317.3*	*37.5%*
In-state Tuition & Fees	*283.0*	*33.5%*
State General Fund	*199.0*	*23.5%*
All Other Income	*32.9*	*3.9%*
Continuing Education	*13.5*	*1.6%*
Total 208 E&G Revenue	**$ 845.7**	**100%**

(Source: FY 2020-21 -December 31st, 2020 Adjusted Budget, excluding CARES)

Budget Management Strategies

- In parallel to understanding cost drivers, university develops resource plan.
  - How can existing resources be maximized?
    - Reallocations/Reductions
  - Seek new General Fund support from State
    - Ensure state share of mandated costs
    - Advocate for investment
  - Strategic enrollment management
    - In and outside of Blacksburg
    - Graduate Professional programs
  - Last resort: Tuition and Fee increase

Attachment F

2021-22 Major Cost Drivers

- State Faculty & Staff Compensation
- State mandated healthcare rate increases
- Fixed cost increases and Operation and Maintenance of Facilities
- Student Financial Aid
  - Support achievement of enrollment goals including strategic populations
  - Enhancements for the reduction of unmet need
- Enrollment Growth Support
  - Faculty, college needs

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2021-22 E&G Cost Drivers

$s in Millions

	2021-22 Cost
State Cost Drivers	
Employee Health Insurance Increase	2.6
Faculty/Staff/Graduate Assistant Raise	27.6
Virginia Military Dependent & Survivor Benefits	1.4
Subtotal State Mandated Costs	31.6
Unavoidable Costs	
Fixed Costs [Utilities, Insurance, Workers Comp, Leases]	2.2
Operation & Maintenance of New Facilities	2.1
Subtotal Unavoidable Costs	4.3
Subtotal State Mandated and Unavoidable Costs	35.9

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Attachment F

2021-22 E&G Cost Drivers

$s in Millions

Strategic Initiatives	2021-22
Advance Regional, National, and Global Impact	
Destination Area Faculty	1.1
Enrollment Growth Support (PIBB)	1.3
Self-Generated College Support	3.3
Prior Academic Commitments	2.7
Elevate the Ut Prosim Difference	
Accessibility, Title IX, Captioning	0.7
Support for Strategic Recruitments	0.3
Provost Excellence Scholarship	0.1
Be a Destination For Talent	
Student Financial Aid	2.1
Promotion and Tenure	0.8
Ensure Institutional Excellence	
Other Commitments	1.4
Capacity for Critical Needs	4.4
Subtotal - Strategic Investments	18.2

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2021-22 E&G Budget Development Summary

$s in Millions

		2021-22
Cost Drivers		
State Cost Drivers		(31.6)
Unavoidable Cost Increases		(4.3)
Strategic Investments		(18.2)
	Total Cost	(54.1)
Resource Plan - Part 1		
State Share of Mandatory Costs		11.7
Enrollment		4.5
Phase-In of Previously Approved Program Fees		7.1
	Subtotal - Current Resources	23.3
	Remaining Resource Gap	(30.8)
Tuition Increase Needed To Close Gap (if no other actions were taken)		***5.9%***

2021-22 Tuition Mitigation

	$s in Millions	Tuition %
Tuition Increase Needed To Close Gap (if no other actions were taken)	(30.8)	***5.9%***
Recommendation to Balance University Division Budget for 2021-22		
State Allocations of Base General Fund	4.0	
University Reallocations (2020-21 Budget Reductions)	10.8	
Tuition and E&G Fees Base Rate Increase	16.0	***2.9%***
	0	
One-time Actions for 2021-22		
State Allocation of One-time General Funds	4.9	
One-time Tuition Rate Relief (28.2%)	-4.9	***-0.8%***
Effective (Net) Tuition Increase for 2021-22	0	***2.1%***

Attachment F

DISCUSSION

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Attachment F

Resolution for Approval of Tuition and Fee Rates for 2021-22

DWAYNE PINKNEY, SENIOR VICE PRESIDENT AND CHIEF BUSINESS OFFICER

MARCH 21, 2021

VIRGINIA TECH

Attachment F

Tuition & Fee Development Considerations

Current Environment

- Traditionally, the university would develop tuition and fee rates informed by several factors:
  - Level of state support
  - Known costs
  - Strategic initiatives
  - Market competitiveness
- However, COVID-19 changes the approach to be even more sensitive to potential financial challenges that the pandemic may have created for students and families.
- While Virginia Tech always sought to advance access and affordability, this is increasingly important in response to the pandemic

Advancing Affordability and Access

- $2.1 million increase planned for 2021-22
- Funds for the Future
  - Offsets tuition and fee increases for returning undergraduates with family income of up to $100,000
- Financial aid model seeks to reduce unmet need of incoming students and provide multi-year awards
- Specific aid programs provide targeted support to strategic populations
  - Presidential Scholarship Initiative, Beyond Boundaries, Provost Excellence Scholarship, InclusiveVT Matching program

Efforts to Mitigate Risks of Tuition Dependency

- As a higher education institution, the university is inherently dependent upon tuition revenue. However, several strategies have been implemented to mitigate risks to this primary resource:
  - Strategic enrollment plans for high-demand areas
  - Enhanced enrollment management flexibility provided by state
  - Program and quality investments in high-demand degree programs
  - Structurally balanced budget
  - Diversification of revenue sources
    - Philanthropy
    - Professional graduate programs that address market demand

Attachment F

Tuition & Fee Rate Proposals

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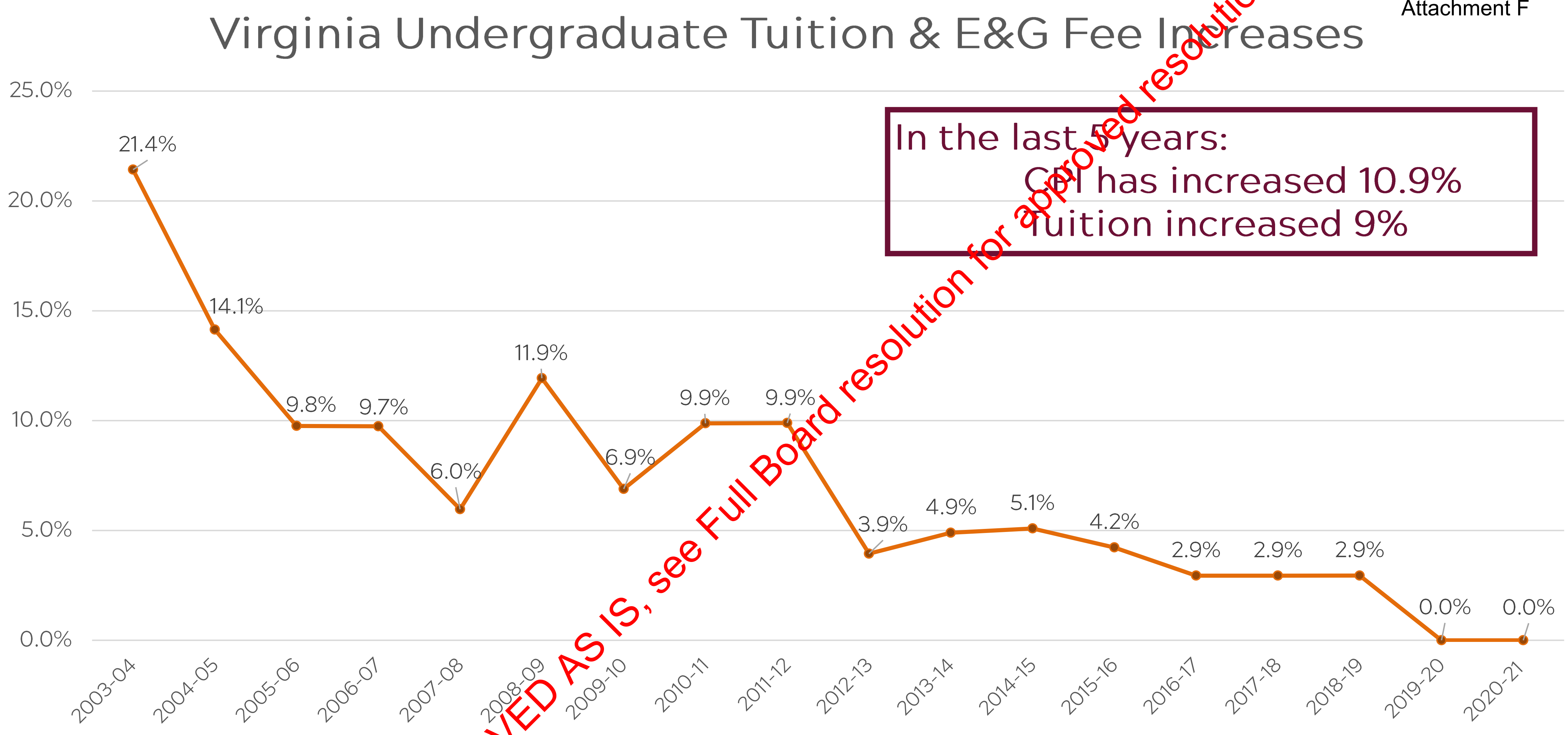
Attachment F



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Attachment F

Resident Undergraduate

	2020-21 Charge	Proposed 2021-22	Increase $	Increase %
Tuition	$11,420	$11,751	$331	2.9%
(less) One-time Relief	-	(93)	(93)	(0.8)
Net Tuition	11,420	11,658	238	2.1%
E&G Fees	175	180	5	2.9%
Tuition & E&G Fees	11,595	11,838	243	2.1%
Comprehensive Fee	2,154	2,244	90	4.2%
Tuition & Mandatory Fees	13,749	14,082	333	2.4%
Room and Board	9,556	9,876	320	3.3%
Total Cost	$23,305	$23,958	$653	2.8%

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Attachment F

Nonresident Undergraduate

NOT APPROVED AS IS, see Full Board resolution for approved resolution

	2020-21 Charge	Proposed 2021-22	Increase $	Increase %
Tuition	$29,960	$30,829	$869	2.9%
(less) One-time Relief	-	(245)	(245)	(0.8)
Net Tuition	29,960	30,584	624	2.1%
E&G Fees	779	784	5	0.6%
Tuition & E&G Fees	**30,739**	**31,368**	**629**	**2.0%**
Comprehensive Fee	2,154	2,244	90	4.2%
Tuition & Mandatory Fees	32,893	33,612	719	2.2%
Room and Board	9,556	9,876	320	3.3%
Total Cost	$42,449	$43,488	$1,039	2.4%

Graduate

	2020-21 Charge	Proposed 2021-22	Increase $	Increase %
Resident				
Tuition	$13,701	$14,098	$397	2.9%
(less) One-time Relief	-	(112)	(112)	(0.8%)
Net Tuition	13,701	13,986	285	2.1%
E&G Fees	175	180	5	2.9%
Tuition & E&G Fees	**13,876**	**14,166**	**290**	**2.1%**
Comprehensive Fee	2,154	2,244	90	4.2%
Total Resident Graduate	$16,030	$16,410	$380	2.4%
Nonresident				
Tuition	$27,614	$28,415	$801	2.9%
(less) One-time Relief	-	(226)	(226)	(0.8%)
Net Tuition	27,614	28,189	575	2.1%
E&G Fees	779	784	5	0.6%
Tuition & E&G Fees	**28,393**	**28,973**	**580**	**2.0%**
Comprehensive Fee	2,154	2,244	90	4.2%
Total Nonresident Graduate	$30,547	$31,217	$670	2.2%

Veterinary Medicine

	2020-21 Charge	Proposed 2021-22	Increase $	Increase %
Virginia/Maryland Students				
Tuition	$ 21,906	$22,462	$556	2.5%
(less) One-time Relief	-	(157)	(157)	(0.7%)
Net Tuition	21,906	22,305	399	1.8%
Educational and General Fee	175	180	5	2.9%
Comprehensive Fee	2,154	2,224	90	4.2%
Vet Med Facility Fee	1,200	1,200	0	0.0%
Total Cost for Virginia/Maryland Students	$25,435	$25,929	$494	1.9%
Out-of-State Students				
Tuition	$ 50,435	$51,459	$1,024	2.0%
(less) One-time Relief	-	(289)	(289)	(0.6%)
Net Tuition	50,435	51,170	735	1.5%
Educational and General Fee	779	784	5	0.6%
Comprehensive Fee	2,154	2,244	90	4.2%
Vet Med Facility Fee	1,200	1,200	0	0.0%
Total Cost for Out-of-State Students	$54,568	$55,398	$830	1.5%

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Attachment F

Virginia Tech Carilion School of Medicine

	2020-21 Charge	Proposed 2021-22	Increase $	Increase %
Medical Education				
Tuition	**$53,113**	**$54,653**	**$1,540**	**2.9%**
(less) One-time Relief	-	(434)	(434)	(0.8%)
Net Tuition	53,113	54,219	1,106	2.1%
Educational and General Fee	175	180	5	2.9%
VTCSOM Student Services Fees (a)	1,132	1,192	60	5.3%
Total Cost	$54,420	$55,591	$1,171	2.2%

(a) Includes VTCSOM Student Services, Health Services, Student Government/Activities, and Recreational Sports (M1, M2, M3) fees.

Comprehensive Fee Components for 2021-22

NOT APPROVED AS IS, see Full Board resolution for approved resolution

Comprehensive Fee	2020-21 Charge	Proposed 2021-22	Increase $	Increase %
Student Activity Fee	$ 330	$ 330	$0	0.0%
Health Service Fee	508	557	49	9.6%
Athletic Fee	326	362	36	11.0%
Transportation Services Fee	192	194	2	1.0%
Recreational Sports Fee	327	335	8	2.4%
Student Services Fee	298	302	4	1.3%
Student Cultural Activities Fee	173	164	(9)	(5.2%)
Total Comprehensive Fee	$ 2,154	$2,244	$90	4.2%

Comprehensive fees at the other Virginia doctoral institutions range from $2,451 to $6,058.
Athletic fees at other Virginia institutions range from $634 to $3,650.

Attachment F

Average Cost of Education

	2020-21		Estimated 2021-22	
	Amount	% of Average	Amount	% of Average
Average Cost of Education	$20,289		$20,803	
<u>Undergraduates</u>				
Residents	11,595	**57%**	11,838	**57%**
Nonresidents	30,135	**149%**	30,764	**148%**
<u>Graduates</u>				
Residents	13,876	68%	14,166	68%
Nonresidents	27,789	137%	28,369	136%
<u>Residency</u>				
Residents		58%		58%
Nonresidents		145%		145%

Attachment F

Other Rates and Changes for 2021-22

- New Online Programs and Pricing — Per Credit
  - Master of Business Administration (OMBA) — $ 1,075
  - Master of Agriculture and Applied Economics — 1,000
  - Graduate Certificate in Leadership for an Aging Society — 850

- Graduate Candidacy Status Discounted Tuition Rate
  - For Ph.D. students who have completed their preliminary exam and are engaged solely in research & dissertation efforts, a 10% rate discount will be provided for up to 2 years.
  - Incents faster time-to-degree, graduate assistantships, and research.

NOT APPROVED AS IS, see Full Board resolution for approved resolution

Attachment F

Proposed 2021-22 Tuition and Fee Rates

NOT APPROVED AS IS, see Full Board resolution for approved resolution

RECOMMENDATION:

That the proposed tuition and fee rates be approved, effective Fall Semester 2021.

March 22, 2021

Attachment F

DISCUSSION

NOT APPROVED AS IS, see Full Board resolution for approved resolution

Attachment F

ADDITIONAL INFORMATION

Virginia Public Four-Year Institutions, 2020-21 Resident Undergraduate

Institutions	Tuition and E&G Fees $	Tuition and E&G Fees Rank	Non-E&G Mandatory $	Non-E&G Mandatory Rank	Room & Board $	Room & Board Rank	Total Cost $	Total Cost Rank
William and Mary (Freshmen)	*$17,570*	*1*	*$6,058*	*2*	*$13,356*	*1*	*$36,984*	*1*
University of Virginia (First Year)	*14,658*	*2*	*2,638*	*13*	*12,083*	*3*	*29,379*	*2*
Virginia Military Institute	*9,562*	*5*	*9,648*	*1*	*10,060*	*13*	*29,270*	*3*
Christopher Newport University	*9,100*	*7*	*5,824*	*3*	*11,760*	*5*	*26,684*	*4*
Virginia Commonwealth University	*12,259*	*3*	*2,451*	*14*	*11,297*	*8*	*26,007*	*5*
Longwood University	*8,180*	*9*	*5,730*	*4*	*12,020*	*4*	*25,930*	*6*
George Mason University	*9,510*	*6*	*3,504*	*10*	*12,090*	*2*	*25,104*	*7*
University of Mary Washington	*8,678*	*8*	*4,896*	*7*	*10,104*	*12*	*23,678*	*8*
James Madison University	*7,250*	*11*	*5,080*	*5*	*11,348*	*7*	*23,678*	*8*
Virginia Tech	**11,595**	**4**	**2,154**	**15**	**9,556**	**15**	**23,305**	**10**
Old Dominion University	*7,047*	*12*	*4,113*	*8*	*11,064*	*10*	*22,224*	*11*
University of Virginia's College at Wise	*5,866*	*13*	*4,971*	*6*	*11,277*	*9*	*22,114*	*12*
Radford University	*7,980*	*10*	*3,436*	*11*	*9,743*	*14*	*21,159*	*13*
Virginia State University	*5,769*	*14*	*3,385*	*12*	*11,544*	*6*	*20,698*	*14*
Norfolk State University	*5,752*	*15*	*3,870*	*9*	*10,844*	*11*	*20,466*	*15*

NOT APPROVED AS IS, see Full Board resolution for approved resolution

Market Considerations for Tuition and fees 2020-21

	Average	VT Rank	
In-State Undergraduate			
Virginia Tech	$13,749		
Public SCHEV Peers	$12,588	10 out of 24	
Virginia Institutions	$13,913	7 out of 15	(b)
UVA	$17,296		
CWM	$23,628		
Out-of-State Undergraduate			
Virginia Tech	$32,893		
Public SCHEV Peers	$35,140	16 out of 24	
Virginia Institutions	$33,073	6 out of 15	
Regional Competive Peers (a)	$33,596	5 out of 7	

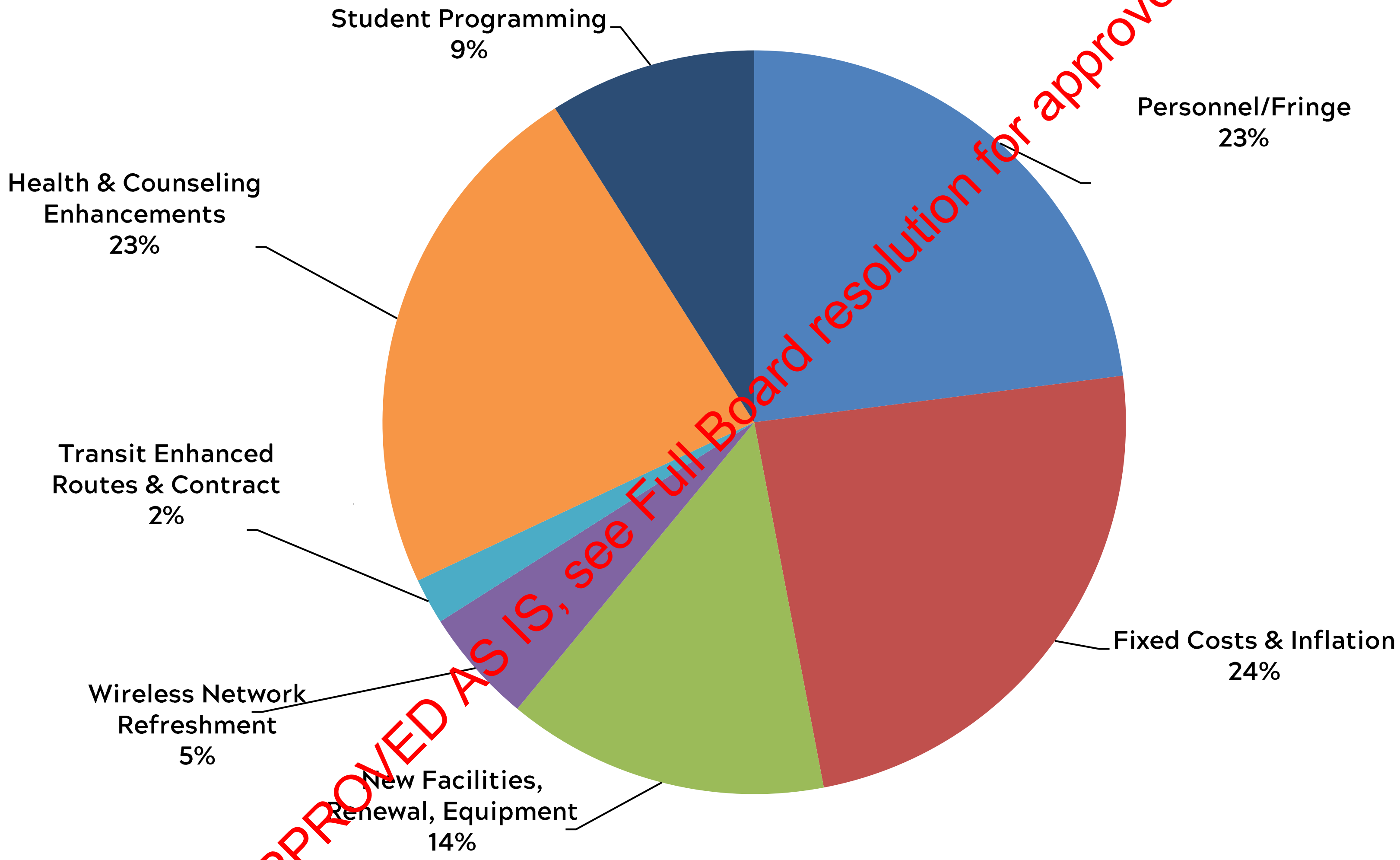
(a) Regional competive peers: Penn State, Rutgers, University of Maryland, Ohio State, University of Pittsburgh, and North Carolina State

(b) Behind W&M, VMI, UVA, CNU, VCU, and Longwood

Attachment F

Comprehensive Fee

Proposed increase of 4.2%

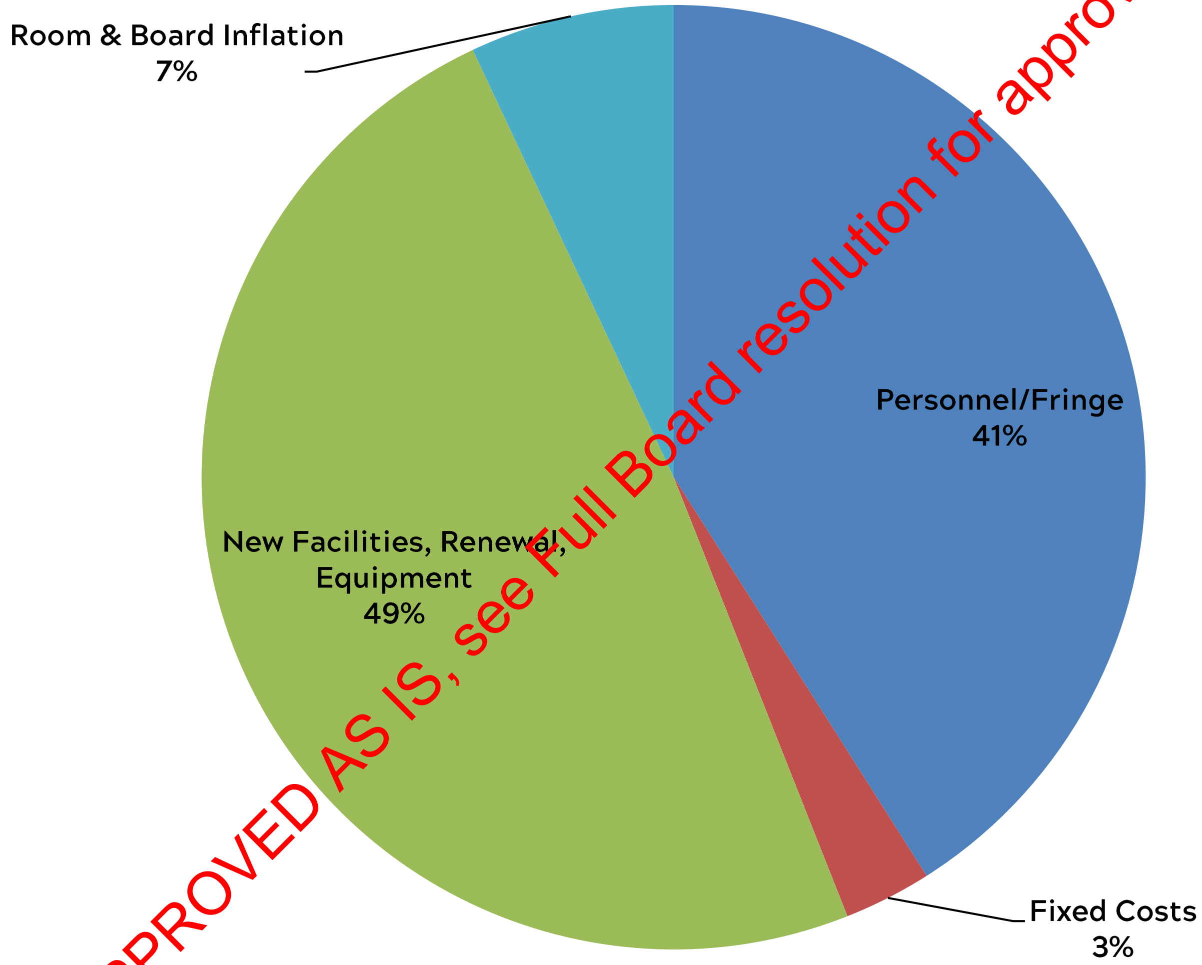


VIRGINIA TECH

Attachment F

Room & Board

Proposed increase of 3.3%



Student Service Enhancements

- **Health Services:** Expanded Health Center hours to add Sunday clinic and expand M-F hours (6 FTEs), Health Center Operations Director (1 FTE), Cook Counseling Center minority groups peer programming
- **Student Engagement & Campus Life:** Event programming for student well-being
- **Cultural & Community Centers:** Cultural programs support (2 Graduate Assistants)
- **Career & Professional Development:** Asst Director or Experiential Learning (1 FTE)
- **Transit:** Enhanced service and route improvements
- **Dining Services:** Increase hourly wage rate minimum, food cost inflation, GrubHub registers, West End Market Bistro serving line enhancements and Grab & Go, Deet's Place venue update, capital project planning
- **Residence Halls:** Residence hall furniture replacement, Living Learning Community program growth, AED purchase and installation, capital project planning

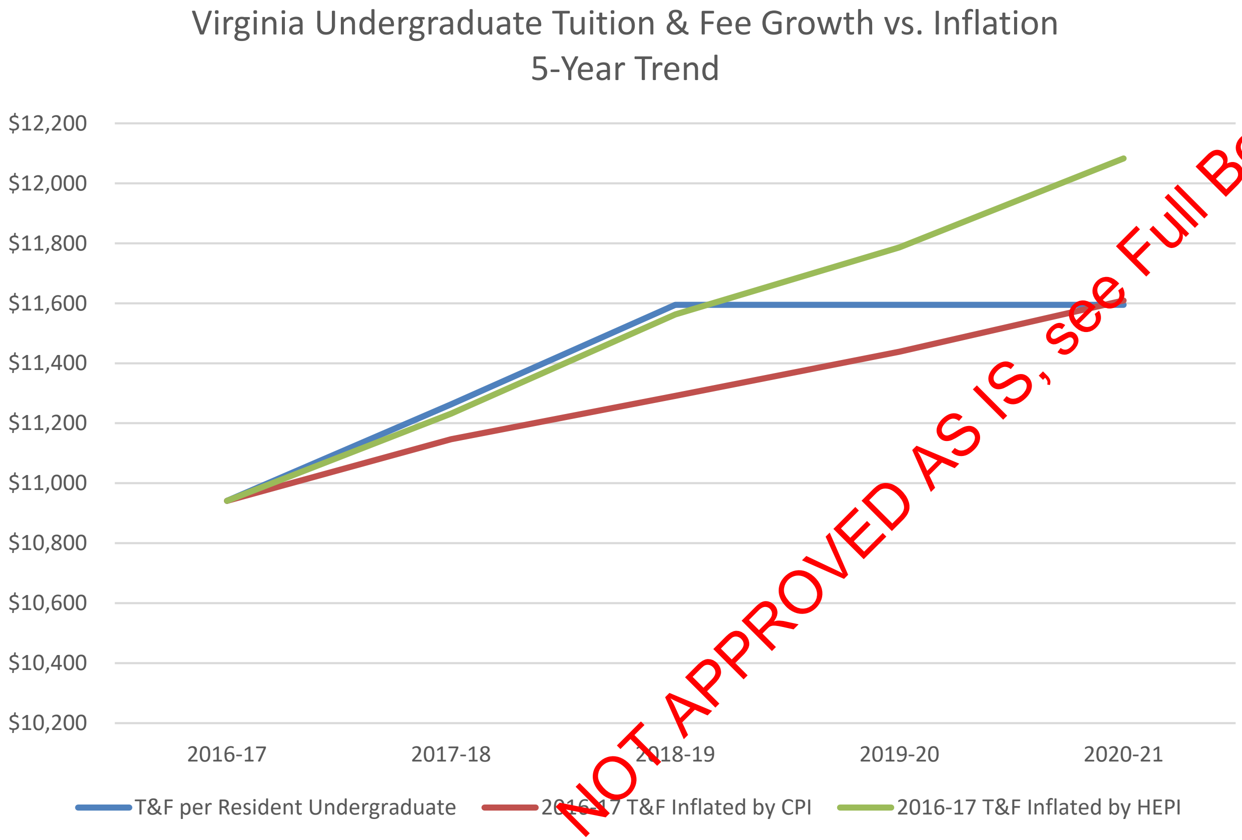
Attachment F

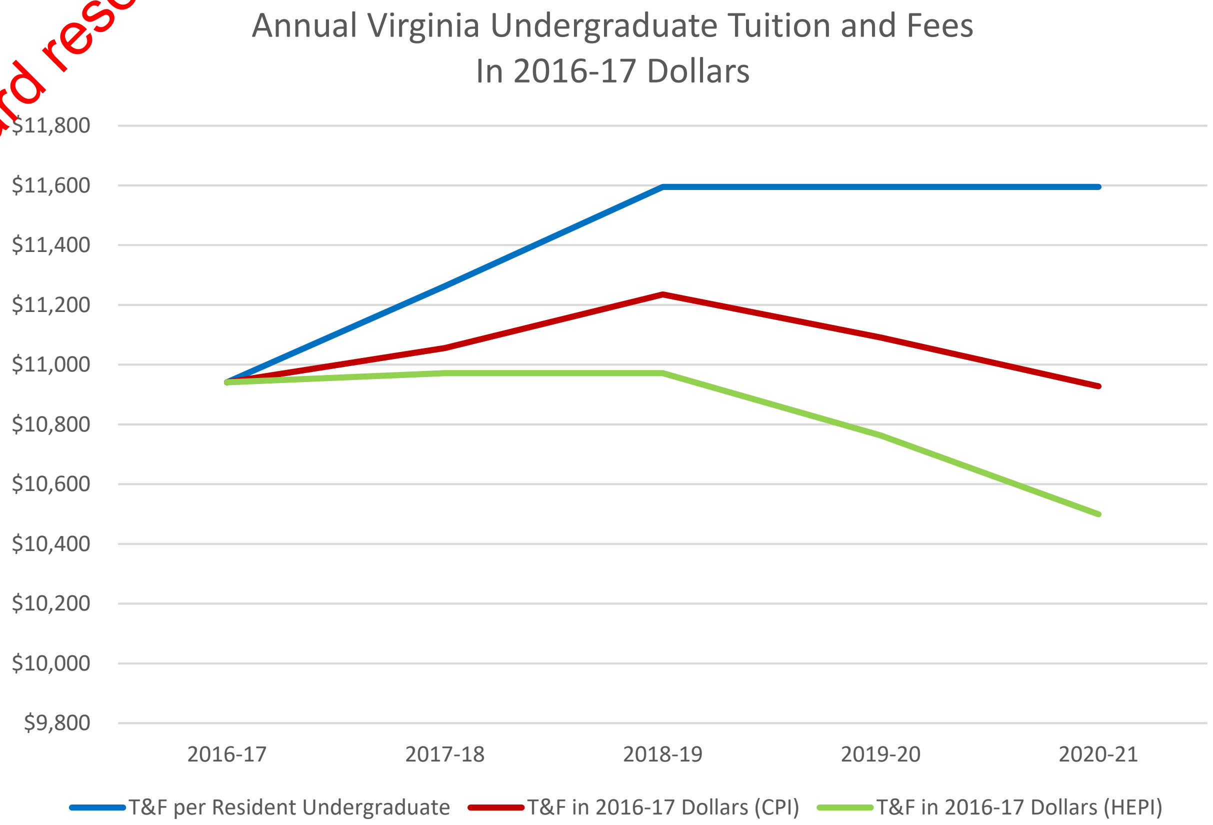
Tuition vs. Inflation

NOT APPROVED AS IS, see Full Board resolution for approved resolution

The chart below compares the actual T&F (blue) to what T&F would have been had it followed the CPI (red) and HEPI (green) inflation trend. Actual T&F is lower at the end of the 5-year period than either inflation measure.

The chart below compares the actual annual T&F (blue) with the inflation-adjusted annual T&F over the same 5-year period. In both CPI (red) and HEPI-adjusted (green) amounts, the buying power of T&F is lower than in 2016-17.





Funds for the Future

Distribution of the Funds for the Future (FFF) Recipients by Income: 2019-20

Family Income	VA Residents		Non-Residents		Total	
	Recipients	$s	Recipients	$s	Recipients	$s
$0-$79,999	2,446	1,391,375	410	650,716	2,856	2,042,091
$80,000-$89,999	264	150,379	54	84,815	318	235,194
$90,000-$100,000	263	149,673	33	44,235	296	193,908
Grand Total	**2,973**	**1,691,427**	**497**	**779,766**	**3,470**	**2,471,193**

Note: Funds for the Future protects students with low-to-middle income from tuition increases. As tuition has slowed and/or been frozen in recent years, fewer students have required tuition protection.

Attachment F

Name	Affiliation	Comment
Deborah	Student	I guess I am just wondering when the tuition and fees increases are going to stop? You keep increasing the cost of attendance to Virginia Tech but the fact is, there is not a commensurate increase in compensation across the country. This include in my graduate student stipend. You have talked constantly about increasing diversity and being inclusive at Virginia Tech but simultaneously make it impossible for people with financial barriers to attend or keep attending your institution. And people with financial barriers are more often than not the case for those diverse people you say you want on your campus. So I ask you, when will the increases stop?
	None	We hope everything will be done not to raise tuition and/or fees. We were paying full tuition but with many cases this year not receiving the full benefit of full time instruction. Almost all of our sonâ€™s classes for the past 2 semesters were asynchronous online. In several instances the professors taped only one lecture for a week and students were to watch on their own, obviously not being able to ask questions. Living on campus this year, our son has not used the classrooms nor many of the services for which we have paid full price. We have had to pay grub hub fees for 2 semesters on top of everything else. Many of us feel that we have not received value for what we have paid particularly with regard to instruction.
Tracy Franco	Parent	Hello ~ I would just ask the Board to consider that for the 2020-2021 school year undergraduate students paid over two thousand dollars total (Fall & Spring) for fees such as rec sports fee, student activity fee, student cultural activities and athletic fee. This was all during the pandemic when activities were limited, virtual or non-existent. In the Spring of 2020, the change was sudden and unexpected, but this current school year, adjustments should have been made for some fees. I understand that fees such as the health fee or library fee are necessary. Please consider the extent of what students paid this year for fees given the pandemic and what may or may not occur for the upcoming year. At minimum, no fee increases should be permitted. Thank you for your time.
Charles Parker	Student	I understand the fact that it takes a considerable amount of resources and capital to operate a university as large as Virginia Tech. We offer a variety of programs that are invaluable to students and the world they will go on to serve. What I do not understand is why the University believes it necessary to increase costs while the country is in a continued state of economic crisis. Students and their families are already stretched thin with costs as it is. Has the University considered pursuing business initiatives that could help to finance operations and alleviate economic pressure on students? We are a land-grant university, not Harvard. If our goal is to educate the masses, why are we only making it harder to do so?
Kase Poling	Student	I am writing to encourage the Board of Visitors to keep current tuition and fee rates the same for the upcoming year. Please do not increase the cost of tuition and fees. While it is important to properly fund things like facility maintenance and improvements, faculty and staff raises, and other important expenses, it is equally important to keep a Virginia Tech education affordable and not increase the financial strain on undergraduate and graduate students alike. This has been a challenging year for everyone and I encourage you to please not put any additional financial hardship on students. Sincerely, A passionate Hokie

Joseph Kozak	Student	Dear members of the Board of Visitors, Attachment F It is an unfortunate case to learn that our BoV is looking to increase the fees for graduate (and undergraduate) students, especially now in a time of crisis that is striking the financial stability of many students and families. And since this issue is returning for a second year, I would like to reiterate my own previous comments. I hoped to share a small part of my experiences as I chose to come to VT to become an expert in my field, and help develop technology that could be utilized in many industrial applications (I am an electrical engineer). One of the major considerations that I factored while comparing various universities included the stipends, comprehensive fees, cost of medical insurance, and cost of living. Right now Blacksburg is having a spike in increase of cost of living which is caused by the expansion of the University population. In addition, this expansion is causing an increase in our fees. If I look back and was considering to come to VT over other institutions...I would have serious pause to recognize that the comprehensive fees have increased numerous times over the past few years while stipends have not matched this increase. While I am very fortunate to attend this institution, and to learn from my advisers and educators around me, I am burdened financially by the overall "grad tax" that these fees represent. I try to do my best to represent my lab and VT to the greater community and my professional field, but it is difficult to feel a sense of support if that community is asking for more and more from me without providing additional support- I have had opportunities to work in multiple national laboratories and present my work at top tier conferences nationally and internationally. As of right now, the graduate comprehensive fees are about 10% of my overall income and general livelihood. So, I find myself with serious decisions each month after paying my comprehensive fee. With all the issues that have been raised and recognized by the University in the past year, especially food security for students, as well as now the impact that the COVID-19 outbreak is adding to already stressed students, I hope the BoV looks for solutions that will add support to the graduate student population. Recognizing the issues that graduate students face and providing gestures of support will reverberate throughout the university as we make up much of the foundation of success - we support students as teaching assistance, we mentor students in research initiatives, and we conduct cutting edge research in the laboratories. We graduate students chose to attend VT because of the community and sense of UT Prosim that reverberates across campus. We want to be successful and speak of the great experiences we have had attending games at Lane stadium, walking around the duck pond, and presenting our work at conferences; and so I hope that you hear our voices and our stories with regards that the continued financial stress of the comprehensive fees bring. While this increase in fees might be necessary, the overall lack of support experienced in the graduate community will echo into future years of research, teaching, recruitment, and retention. I thank you all for your consideration and patience to all graduate student stories, as well as your service and dedication to ensure VT remains a premier institution.

Samantha	Student	I will first state that that tuition and fees should not be raised. Virginia Tech already costs way too much. For a student like me who does not receive any financial support from Tech or anyone else, only federal loans, a decision to raise fees will only hurt me. I can barely afford the expenses I have now. I rarely have any money left over at the end of the month to be able to buy food for me to eat. I survive on 49 cent macaroni and cheese as my food because I can not afford to buy anything else after rent and utilities are paid. Raising the fees will only cause me and other students more pain. The only aid that I qualify for is federal loans from the government. Whatever it does not cover, it is left up to me to find a way. I receive no support from my family and I have to pay for everything. I have many times went hungry or without just to be able to afford a monthly payment of tuition that Tech wants me to pay. So while you voting on if you should raise the tuition, think about me and imagine if your daughter was in a situation like mine and living off macaroni because she can not afford anything else.
Noel Norris	Parent	I would ask the university to first and foremost look internally for areas where cost can be reduced before automatically implementing a increase in tuition. I read a statement from one of the local news outlets stating that professors needed a 5% salary increase. Considering the cost that the university and students have incurred as a result of COVID I think a 5% raise is ludicrous. I have spent 25 years in the healthcare sector in upper management roles. Some years the organization could only offer 1 or 2% raises and in other years when we were highly profitable the organization was able to pass along 3 to 5% increases. It appears that the university is selecting to pass a cost of living increase onto its employees and not taking into consideration the students cost of living. Housing is not cheap by any means in Blacksburg. We are stuck with 12 month leases when our students are elsewhere working or doing an internship on the summer. I would ask the university to think outside the box and ask your employees to share where they see waste and use those ideas to improve processes and reduce expenses before increasing tuition. Offer an incentive for winnings ideas; it is a win win for employee moral, the university and its students. The university should also think about creating a Finance Innovation program where business students could be involved in creating and implementing Lean Six Sigma projects that are aligned to reduce waste, keep the university fiscally stable and allowing VT to be a leader in innovation. The faculty and students are equally important to the university therefore increases in salary and fees/tuition must be equally aligned. Thank you.
Anonymous	Student	As a freshman at Virginia Tech, having a sham of a freshman year and still paying full price hurt. Now you are thinking about raising the prices on something I have yet to experience. Shame on you.
Manisha Chaudhari	Parent	As an out of state parent, I do not want tuition or fees to go up. Can the endowment fund ($1.2 Billion) be used to help? Thank you for your time.

Larkin Rae	Student	Coming from a low income family to Virginia Tech, relying solely on student loans, there is a lot of financial stress in my life that makes attending higher education difficult and stressful. When I look at my current tuition and fees, I already question why I am being charged for some of the things charged. There are already hefty fees for things like the Recreational sports fee, which quite honestly I donâ€™t have the time to engage in because of my course load. So there I find issues with justifying fees that I donâ€™t engage in. It is especially thought provoking that 30,000+ students pay these fees for the small portion of the community that have time to engage in recreational sports or student cultural activities, etc. It is hard for me to understand why more money should be taken from students who are already struggling. Thank you for your time if you read this.
Julie Hollis	Parent	Dear BOV of Va Tech, Please take into consideration the lack of instruction and accessibility to an adequate education that the students have endured for the last two and one-half semesters when the issue of raising tuition is discussed. Professors/instructors can claim to have provided enriching and engaging instruction over the course of the last two and one-half semesters however, this has not been the case. Professors have uploaded PowerPoints for students with no additional discussion or in-depth instruction happening. Others have assigned chapters to read from the textbook and then never once provided any instruction on the material prior to a quiz or test. While your argument for having to raise tuition is due in part to having to increase employeesâ€™ benefits per the state, I have to ask has the university been fiscally responsible with the millions that it received from the CARES Act in 2020? If the university is filing for a second draw, that money can also be used for salaries/benefits instead of increasing tuition. In our current economic times, when so many parents and students have lost income due to an over-the-top reaction to a cold virus with a 99.4% survival rate, an increase in the already exorbitant cost of attending Va Tech is a hard pill to swallow. In addition, students have had to pay thousands in fees for services and activities that they have not been allowed to access. There has been no indication that Timothy Sands, or anyone in the administration, has gone to Richmond to advocate for the students. Instead, the administration has shamed, guilted, isolate, and called for students to turn on one another. The Va Tech campus and community have been nothing but subjects in research that the university received millions to conduct. Instead of considering a tuition and fees increase, consider fully opening the university back up to the students which will, in turn, raise revenue. Universities across the country have already stated that classes will be in-person in the fall, and all student activities will resume at normal levels. My rising Junior and incoming Freshman need to know if they need to commit to Va Tech for the fall, or if they need to look at other universities where they will be allowed to be college students and access all that tuition and fees cover. Sincerely, Julie Hollis

Kela Rosario	Parent	I am a parent of a freshman, a part time wage employee and a spouse to a staff member at VT. I feel strongly that our students and their parents have carried the heaviest burden of change at VT during this pandemic with largely virtual and asynchronous courses, required to pay for housing that at times they have not been able to use as students have returned home due to virtual courses and isolation in the apartments and dorm rooms. They have continued to take loans to pay for fees and services as well as tuition as if it was a normal year. To ask the students and their parents to pay additional tuition at this time is insensitive and not equitable. Other universities have asked the management staff to accept a step back in salary of a small percentage to help make the necessary budgetary adjustments for the coming year. As someone who as witnessed multiple appointed (ie not through a hiring search) high level positions continue to be created during this time - including many that, at least in my perspective, represent a redundancy in our administrative systems , it seems there are other places that the necessary funds could be identified without further burdening the students, many of whom may come from families that have been specifically impacted by COVID impacts. Thank you for your efforts in keeping a college education affordable.
Nancy Rider	Parent	I write to urge you not to increase tuition or fees for the coming year: 1. Many families are still struggling financially from the pandemic and cannot afford additional expenses. 2. Instead please utilize savings from operational expenses, such as utilities, janitorial services, and maintenance, that accrued while most of the campus was shut down for a year. 3. Forty billion dollars is set aside for colleges and universities from the Covid Relief Bill, in addition to generous transfers to the commonwealth. This money should be used toward meeting next yearâ€™s plan rather than increased tuition and fees. 4. Finally, the education value for this past year has been abysmal. If anything, students should receive a partial refund for tuition. Thank you, Nancy Rider

Miles Guth
3/8/21

BOV Speech: Tuition and Fees

Good Afternoon Members of the Board of Visitors and university officials,

My name is Miles Taylor Guth, and I have the honor and duty of serving as the Student Government Association president for this semester. As SGA President, it is my responsibility to represent the voice of the 29,000 undergraduate students at Virginia Tech. Recently, I released an anonymous survey to the students, on behalf of SGA, that allowed them to share their thoughts and opinions on the proposed tuition and fee policy for the upcoming academic year. My speech today is entirely based on the comments received in this survey and other discussions with my colleagues in governance.

Before asking the students any questions about the proposed policy, we asked if they had read the article released in the VT news about this topic, in order to make sure the student's comments were well-founded and based on factual knowledge of the policy. 92.5% of the respondents indicated that they had read the article in its entirety. We then asked students about their approval of the policy, and 93% chose the answer stating "I am not in support of the plan. I do not understand why Virginia Tech needs to increase the cost of tuition and I would like a smaller increase or none at all."

Students also voiced that they feel as though they do not know where the money goes and what it is used for. Many respondents indicated that they would be much more comfortable with the proposition if they understood what the university uses their fees for and how that helps the university operate. Based upon the suggestions I have heard and discussed with other university officials during meetings, I think a beneficial action, could be an Official VT release of details for the finances of the institution. This could explain where, how much, and why the fees are needed. By releasing this information, the greater VT community will develop a better understanding of the university's financial allocation policies, and thus a greater appreciation for the rationale behind the institution's financial policy decisions.

Before closing my statement, I would like to share my personal thoughts on this proposition. The most challenging part of this choice is the difficult balancing act that is necessary. On one hand, the university functions much like a business. We have operating costs and we have revenue sources to cover those costs. Altering our financial policies ensures that the university can operate effectively for the students, faculty, and staff. However, there is also the importance of the student's input and feedback. Even more challenging, though, is that no student comes from the same financial situation. No two students are going to think the same way about this policy, because every student will be impacted differently by it. Trying to make the correct choice and satisfy both sides is quite difficult, and I commend you for listening to the voice of the students.

I very much appreciate the opportunity to speak with you and represent my fellow students today. I firmly believe that, when making difficult decisions, listening is half the battle.

Thank you.

VIRGINIA TECH

Graduate Student Assembly (GSA)
25 Graduate Life Center (0186)
Blacksburg, VA 24061
E-mail: gsa@vt.edu
gsa.vt.edu

March 8th, 2021

To the Members of the Board of Visitors,

It is with distinct pleasure that I, Maruf Hoque, have the opportunity to represent the graduate and professional student body of Virginia Tech as the President of the Graduate Student Assembly. I wish I were able to bring positive news in my update today, but I would like to use the next minute to describe the status of graduate life at Virginia Tech.

First, the stipend data obtained from the Graduate School and Dean DePauw, indicates that the average graduate student at VT has a monthly salary of $2,155 (9 months). About 3 weeks ago, the GSA launched a survey to gauge the Cost of Living of a graduate student at VT. The survey currently has 970 responses. We will be collecting responses for another week and will release our results by the end of the month. Our preliminary data states that on average, graduate students are paying: $827/month for rent, $228/month for utilities (water, heat, electric, internet, & cell phone), $255/month Federal/state income taxes, $367/month for comprehensive fees, $120/month in health/dental insurance premiums, much more in monthly out of pocket medical costs, and $200 month for commuting (parking, auto insurance, gasoline, & vehicle tax). This leaves the average graduate student only $158 a month to get groceries and plan for any potential emergency that may happen. This also does not factor in 3 months of pay that many graduate students do not receive due to lack of a 12 month assistantship.

Furthermore, market reports (obtained from VP Student Affairs, Frank Shushok) indicate that rent in the New River Valley is projected to increase approx. 3.3% annually, outpacing the national average. Increasing rents in the NRV, tagged with a 3% increase in tuition, and $90 increase in comp. fees further cut into the $158 that graduate students are left with.

Advancing Beyond Boundaries presented several strategic goals deemed essential to advancing VT's reputation and position for the next decade and beyond. Of the goals cited in the strategic vision, a number are directly dependent on the activities and work of our graduate teaching and research assistants. We must ask ourselves will the final take-home pay of $158 allow us to recruit and retain future talent to VT's graduate programs.

As a community, we cannot be in the same place year after year. We ask that you take a serious look at graduate stipends and compensation packages to make VT more competitive and to achieve the initiatives presented by Beyond Boundaries. We ask that the Board of Visitors along with the Graduate School:

1) Create a timeline for the implementation of the 14 recommendations recommended by the Graduate Education Task Force Report,
2) Convert all 9-month assistantships to 12-month assistantships,
3) Provide multi-year stipend offers to all accepted graduate students, and most importantly,
4) Offset any increase in tuition/fees with an increased stipend for all graduate students.

Respectfully,

Maruf M. Hoque
President, Graduate Student Assembly (2020-2021)

Good morning, board members. Last year, Virginia Tech elected to freeze tuition in light of the COVID-19 pandemic. The student body is thankful for that and it tells us that you hear us, the students, when we have something to say. I hope that you will maintain the freeze and not raise our comprehensive fees in the next academic term.

I don't tell this story often, because I'm not looking for sympathy, but I think it articulates our need to ensure that we are approaching college from the lens of access. I stayed in Blacksburg this summer and had to pay just under $5000 for my summer tuition. Living from stipend to stipend, I had to ensure I was living on a budget. So I picked up the cheapest sub-lease I could find. This meant I was sharing a 4-bedroom apartment with 6 other roommates. Two of my roommates were hard drug users and would stay up late into the night screaming at each other while experiencing bad trips while I hid behind a locked bedroom door 3 feet away. I never knew who would be coming in and out of the apartment and would often wake up to find strangers passed out on the living room floor. My diet consisted of peanut butter and jelly sandwiches and noodles for most of the Summer, as I attempted to cut costs. To top it all off, my 9-5 was spent working my internship and my nights were spent working at Wendy's, to make a little extra cash. This is what I could afford.

Think back to your college days and how much a break on tuition would have meant to you. To not have to work those extra hours late into the night to make rent. It was an uncomfortable situation. I didn't always feel safe, but I made it work. This articulates a simple fact. Students are the most vulnerable population to be drawing from while we continue to suffer the throws of the pandemic. I lived there for two months. I got out of it. My roommates did not. Neither did my neighbors. There is a reality that many students are living paycheck to paycheck to make their dream of receiving an education from Virginia Tech a reality.

If we are to truly embody the spirit of Ut Prosim that we all hold dear to us, then I ask you, please spare us another fee. These costs are adding up. And sometimes attracting the best and the brightest to our institution doesn't mean having the newest and the shiniest technology. It just means ensuring that others can afford to come here.

Thank you for your time.

Sabrina Sturgeon
Graduate Student

Attachment F

Good afternoon and thank you for allowing me time to speak today,

I know I only have 3 minutes so I will keep my comments brief. My name is Kase Poling and I am a masters student in the civil engineering department.

I have the pleasure of representing my fellow civil engineering graduate students in the Graduate Student Assembly, and all of my fellow masters students on the Commission on Student Affairs.

This year has been one of incredibly trying circumstances for everyone, but perhaps no one more than college students. We have had to face being isolated from our peers, the difficulties of online classes, and serious financial strain due to the pandemic. You see, the industries hardest hit by the pandemic are also the industries where many students, especially graduate students, work to help make ends meet. Additionally, many students have had internships and co-op's cancelled. While the various stimulus packages have helped our nation through these times, not all of the stimulus packages have applied to college students because of various differences in legal and taxation statuses. All of this is simply to say, many college students are hurting.

Now, I recognize that the university is also facing financial strain and that there are a lot of expenditures important to the university's operations that are in need of funding. I understand the desire to meet these needs by simply raising tuition and fees, but I implore you to reject this thinking and vote to keep tuition and fees at the current rate for another year. Please ask yourselves this question: "What is the central mission of Virginia Tech?". I have come to know Virginia Tech as a university that puts immense value on not only students' learning, but also their quality of life and wellbeing. Many students are not able to afford basic necessities because of the skyrocketing costs of tuition, fees, educational materials, not to mention the impacts from the pandemic.

Members of the Board, please vote to keep Virginia Tech students' education and wellbeing as the university's top priority and keep tuition and fees at the current rate for another year.

I sincerely thank you for your time.

Kase Poling
Graduate Student

Attachment F

Approval of 2021-22 Compensation for Graduate Assistants

KEN MILLER, VICE PRESIDENT OF FINANCE

TIM HODGE, ASSOCIATE VICE PRESIDENT FOR BUDGET AND FINANCIAL PLANNING

MARCH 21, 2021

Background

Graduate Assistants provide valuable services to the university, including teaching and support of scholarly and research activities.

Successful recruitment of high quality graduate students requires the university to offer competitive compensation packages.

Components of Total Compensation Package

- Stipend
- Tuition assistance
- Health insurance benefit

Stipend

1. Base stipend scale provides a range of stipend amounts reflective of differing levels of responsibility
   - Current stipend scale has 50 pay ranges to ensure flexibility to the university programs

2. Fixed supplement (established in 2011-12 to help offset university assigned costs such as the health fee)

As of January 2021, the current average monthly stipend for full-time graduate assistants is *$2,169* per month.

Tuition Assistance

Tuition Assistance includes remission of tuition, mandatory E&G fees, and non-executive graduate program fees.

Funded through 4 sources:

1. General Fund appropriation for graduate assistance
2. Tuition remission in the Educational and General budget
3. Tuition payments planned in the budgets of externally sponsored grants and contracts
4. Private funds

Health Insurance

Attachment F

- Health insurance for graduate students on assistantships was established in 2001
- To qualify, full-time graduate students must have a 50 percent or greater assistantship appointment
- In 2020-21, the university provided 88 percent of the $3,173 annual premium cost to 1,966 graduate students
  - The 88 percent subsidy matches the university’s share of other employee health insurance programs
- Graduate students may decline coverage

Graduate Assistant Compensation Plan for 2021-22

Attachment E

- 5.0 percent base stipend increase effective August 10, 2021, consistent with the state's approved employee compensation plan.
- Maintain current academic year stipend supplement of $458 to help mitigate university assigned costs.
- Continue university share of health insurance coverage at 88 percent.
- Continue the tuition remission program.

RECOMMENDATION:

That the graduate assistant compensation program for 2021-22 be approved.

March 22, 2021

Attachment F

Summary of the University's Annual Financial Report

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

January 29, 2021

Fiscal year 2020 represented another successful year in the continued advancement of Virginia Tech's strategic plan. Strong momentum and long-term planning allowed Virginia Tech to succeed in fiscal year 2020 despite unprecedented challenges. The university continues to maintain a strong financial position as a result of prudent fiscal management strategies. The strategic deployment of new and continuing resources and the leveraging of enrollment growth has enabled the university to successfully manage the impact of increasing expenditures.

The university published its Annual Financial Report (Attachment A) in December 2020 for the fiscal year ended June 30, 2020. The report includes the university financial statements and required disclosures. Also included in the independent auditor's report on financial statements and the report on internal control over financial reporting and on compliance and other matters. The Commonwealth of Virginia Auditor of Public Accounts conducted the audit beginning May 14, 2020 and concluded November 12, 2020 with the following results.

Summary of Audit Results

- Unmodified audit opinion *(Previously called an unqualified audit opinion)*

- No material weakness in internal controls

- Written comments and management's response with anticipated correction active completion dates:

    - Improve reporting timeliness of enrollment data to the National Student Loan Data System (April 30, 2022)
    - Strengthen review process for preparation of the Schedule of Expenditures of Federal Awards (November 19, 2020)
    - Improve the timeliness of grant closeout (June 30, 2021)

Assets, Liabilities and Net Position at June 30, 2020 & 2019

(all dollars in millions)

	2020	2019	Change: Amount	Change: Percent
Current assets	$ 307.7	$ 289.4	$ 18.3	6.3 %
Capital assets, net	1,936.1	1,786.0	150.1	8.4 %
Other assets	645.6	681.8	(36.2)	(5.3)%
Total assets	**2,889.4**	**2,757.2**	**132.2**	**4.8 %**
Deferred outflows of resources	120.0	71.1	48.9	68.8 %
Current liabilities	333.3	305.8	27.5	9.0 %
Non-current liabilities	1,057.9	1,037.1	20.8	2.0 %
Total liabilities	**1,391.2**	**1,342.9**	**48.3**	**3.6 %**
Deferred inflows of resources	104.2	95.2	9.0	9.5 %
Invested in capital assets, net	1,437.6	1,326.1	111.5	8.4 %
Restricted	211.9	214.9	(3.0)	(1.4)%
Unrestricted	(135.5)	(150.7)	15.2	10.1 %
Total net position	**$ 1,514.0**	**$ 1,390.3**	**$ 123.7**	**8.9 %**

The balance sheet shows positive results for fiscal year 2020 with the key indicators as follows:

<u>Total assets</u> increased by $132.2 million or 4.8 percent. The majority of the growth occurred in non-current assets ($113.7 million) with an increase of $150.1 million for ongoing construction in support of the university's tripartite mission, which was offset by a $19.5 million decrease in long-term investments due to the COVID-19 pandemic and its effect on the market and another $21.7 million in cash and cash equivalents reflecting the spend-down of bond proceeds for capital projects.

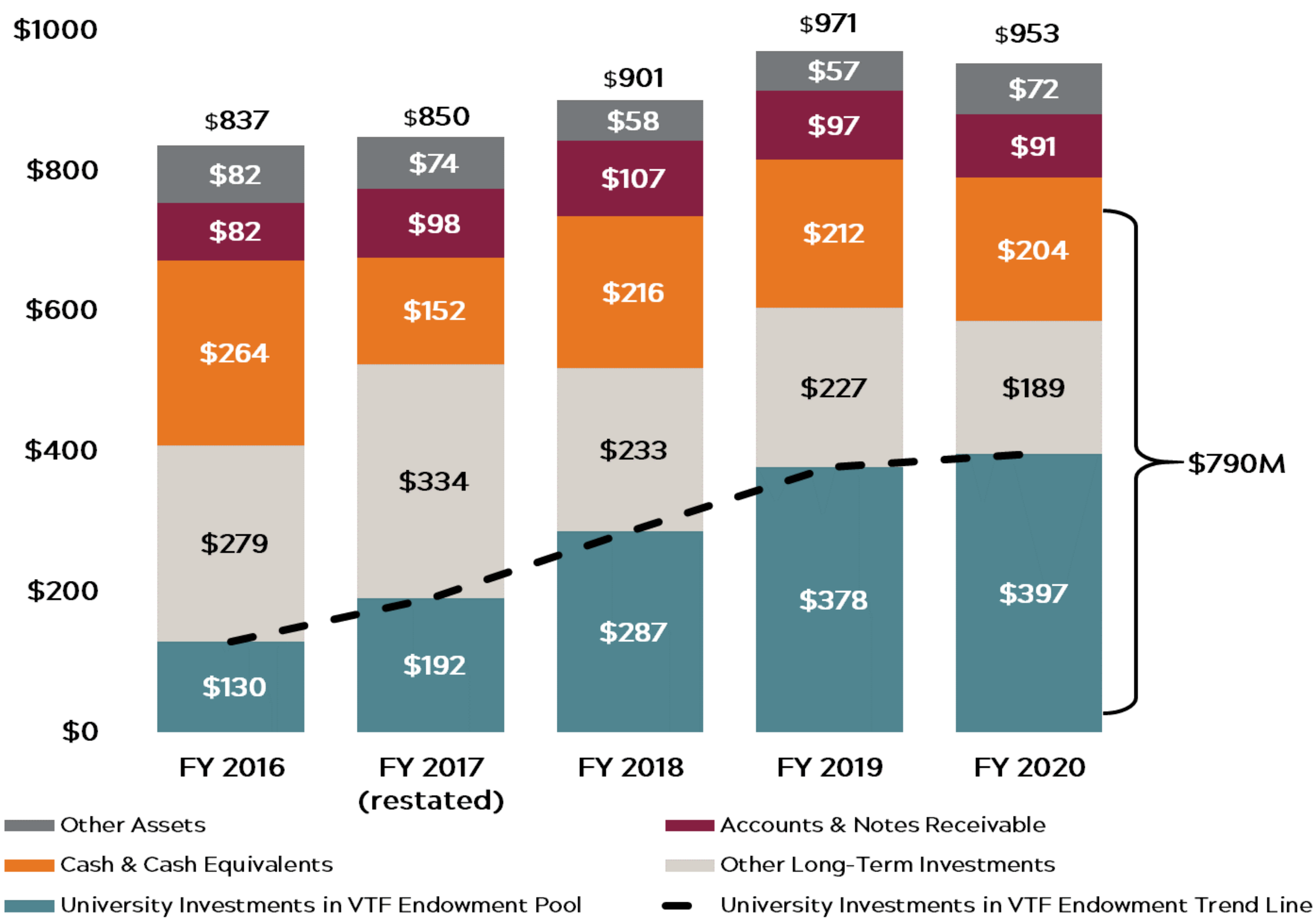
<u>Total liabilities</u> increased by $48.3 million or 3.6 percent. The current liabilities category increased by $27.5 million, with the bulk of the increase ($19.8 million) occurring in the line of credit used to temporarily fund capital projects. The non-current liabilities category increased by $20.8 million, with the primary contributors being the pension liability ($56.5 million), the accrued compensated absences ($7.8 million), offset by decreases in Other Post-Employment Benefits (OPEB) liability ($18.1 million), and long-term debt ($23.5) million.

<u>Total net position</u> increased by $123.7 million or 8.9 percent. This increase includes a beginning balance adjustment of $2.7 million related to the implementation of GASB Statement 84. Net position in capital assets increased by $111.5 million, reflecting the university's continued investment in new facilities and equipment as well as a prudent management of fiscal resources.

Attachment F
Exhibit 2

Composition of Current & Non-Current Assets, Excluding Capital Assets

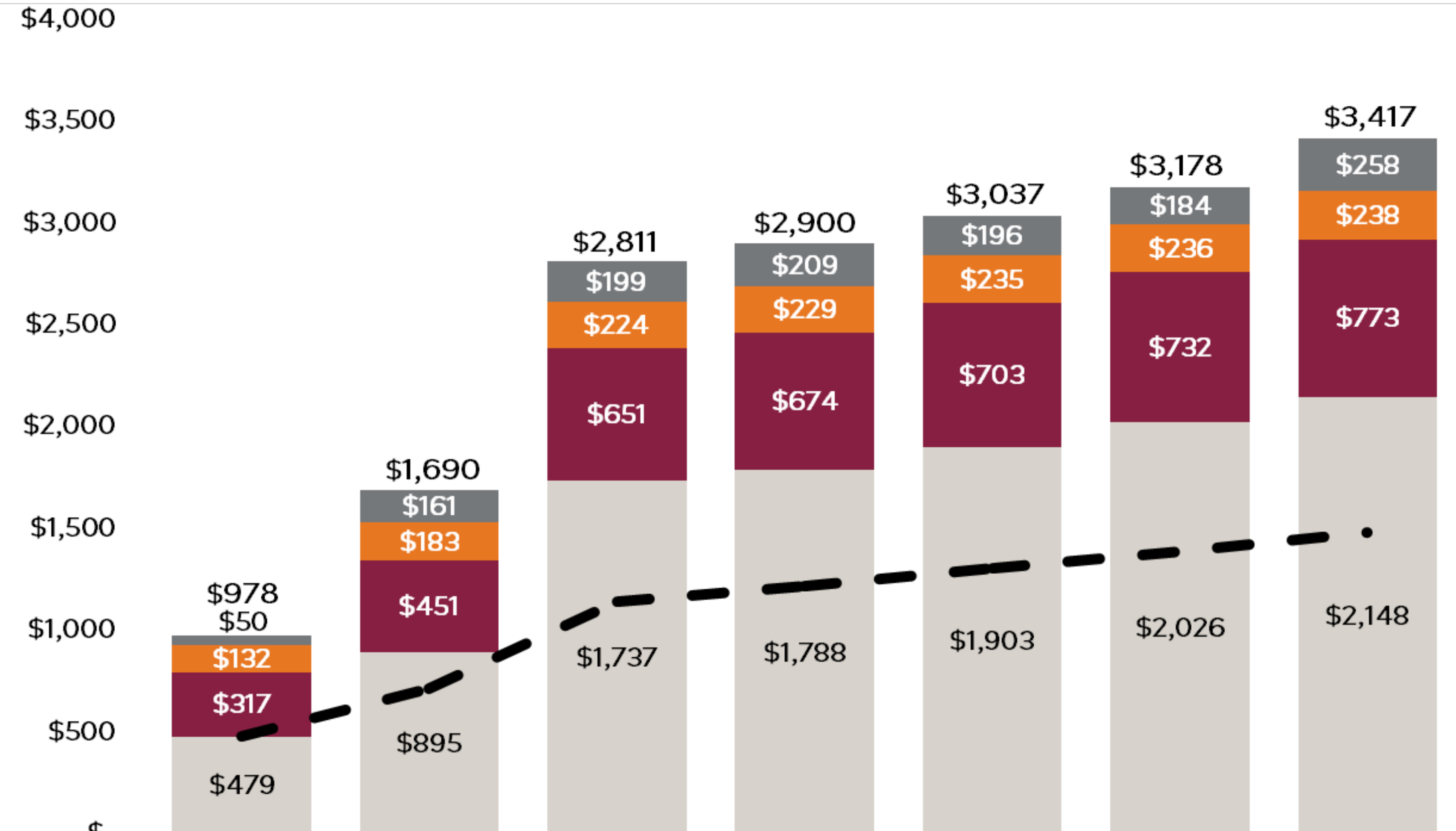
Showing the Strategy to Move Cash & Cash Equivalents to Long-Term Investments at VTF
For the years ended June 30, 2016 - 2020
(all dollars in millions)



Ongoing Investments in Capital Assets

Growth in Capital Assets from FY 2002 to FY 2020

(all dollars in millions)



	FY 2002	FY 2009	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Land & Construction in Progress	50	161	199	209	196	184	258
Infrastructure, etc. - Gross	132	183	224	229	235	236	238
Equipment - Gross	317	451	651	674	703	732	773
Buildings- Gross	479	895	1,737	1,788	1,903	2,026	2,148
Total Capital Assets - Gross	978	1,690	2,811	2,900	3,037	3,178	3,417
Total Accumulated Depreciation	479	718	1,145	1,220	1,306	1,391	1,481

Attachment F
Exhibit 4

Composition of Current & Non-Current Liabilities

Showing the Impact of Accounting Pronouncements GASB 68 and 75 (Pension & OPEB)
For the years ended June 30, 2016 - 2020
(all dollars in millions)

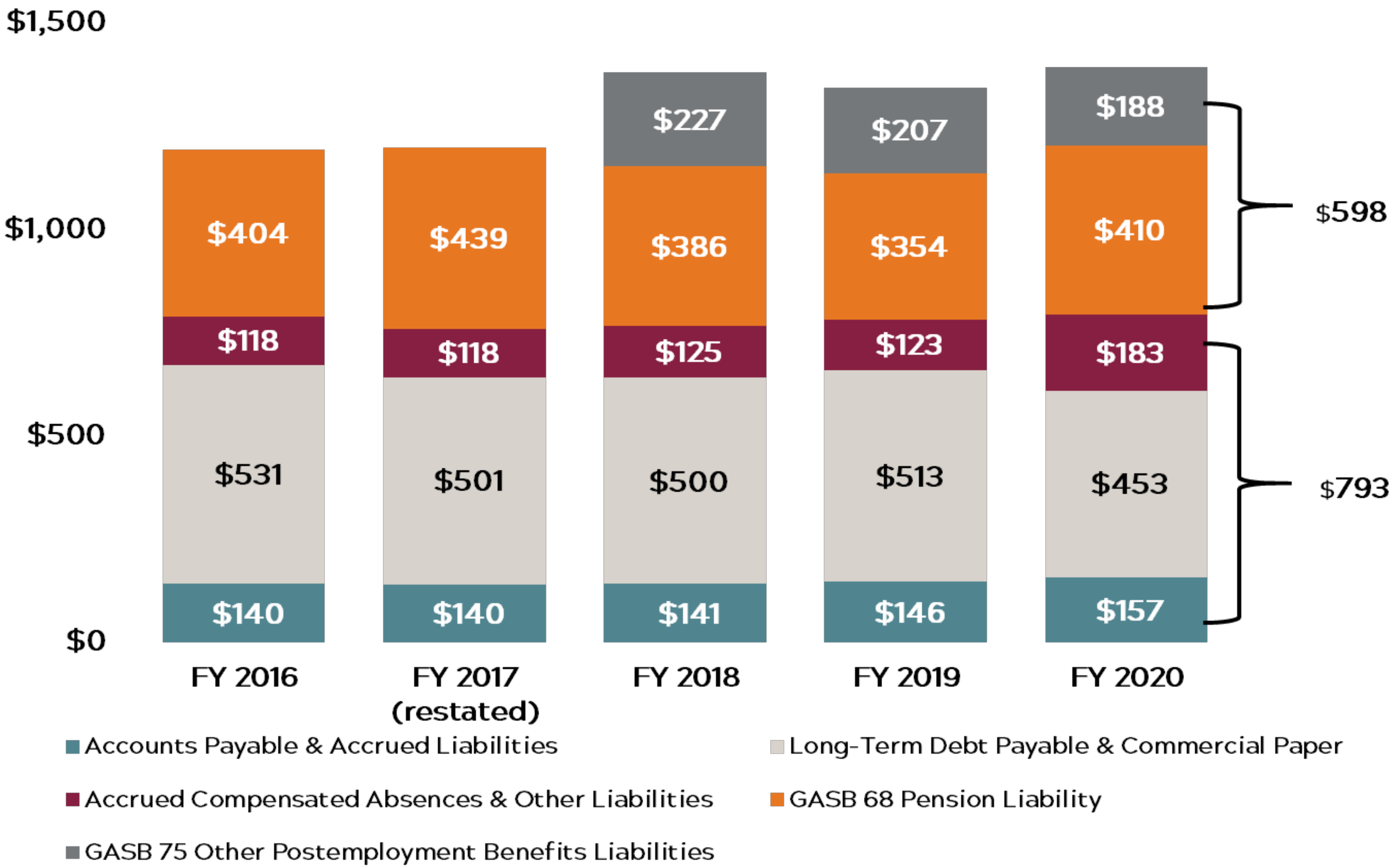


Exhibit 5

Trends in Net Position

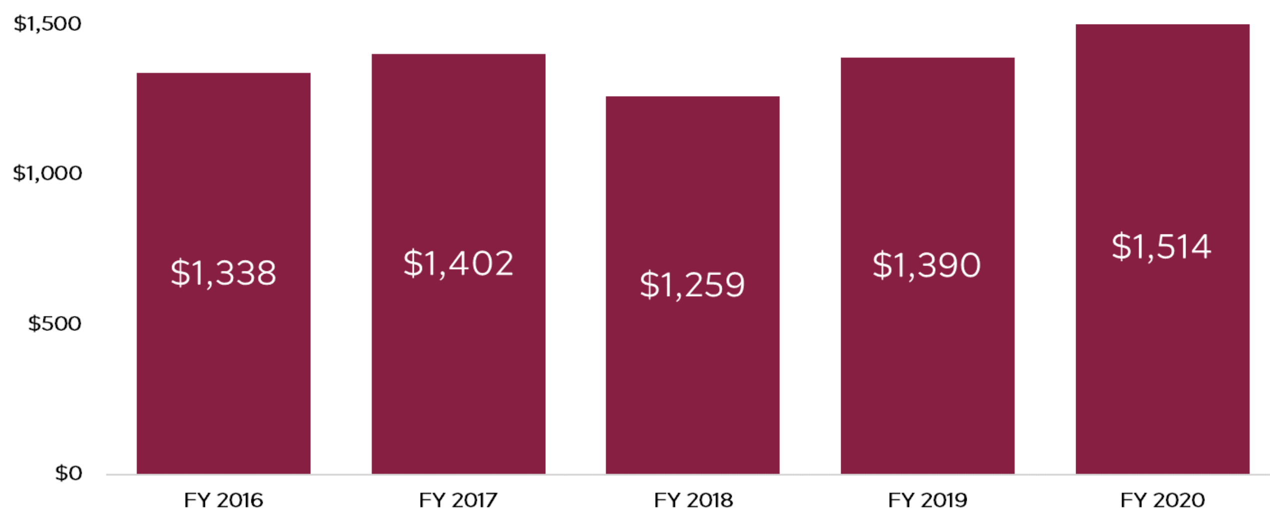
For the years ended June 30, 2016 - 2020
(all dollars in millions)

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Capital assets, net of related debt	$ 1,163.8	$ 1,201.3	$ 1,273.2	$ 1,326.1	$ 1,437.6
Restricted, non-expendable	0.4	11.9	14.4	14.0	12.6
Restricted, expendable					
Capital projects	36.4	39.7	11.5	6.2	3.0
Other	173.1	173.0	186.5	194.7	196.4
Unrestricted	(35.3)	(23.5)	(226.4)	(150.7)	(135.6)
Total Net Position	**$ 1,338.4**	**$ 1,402.4**	**$ 1,259.2**	**$ 1,390.3**	**$ 1,514.0**
Adjusted Unrestricted Net Position Excluding the Impact of GASB Pronouncements Related to Pensions and OPEB	**$ 347.7**	**$ 353.8**	**$ 391.2**	**$ 444.0**	**$ 458.5**

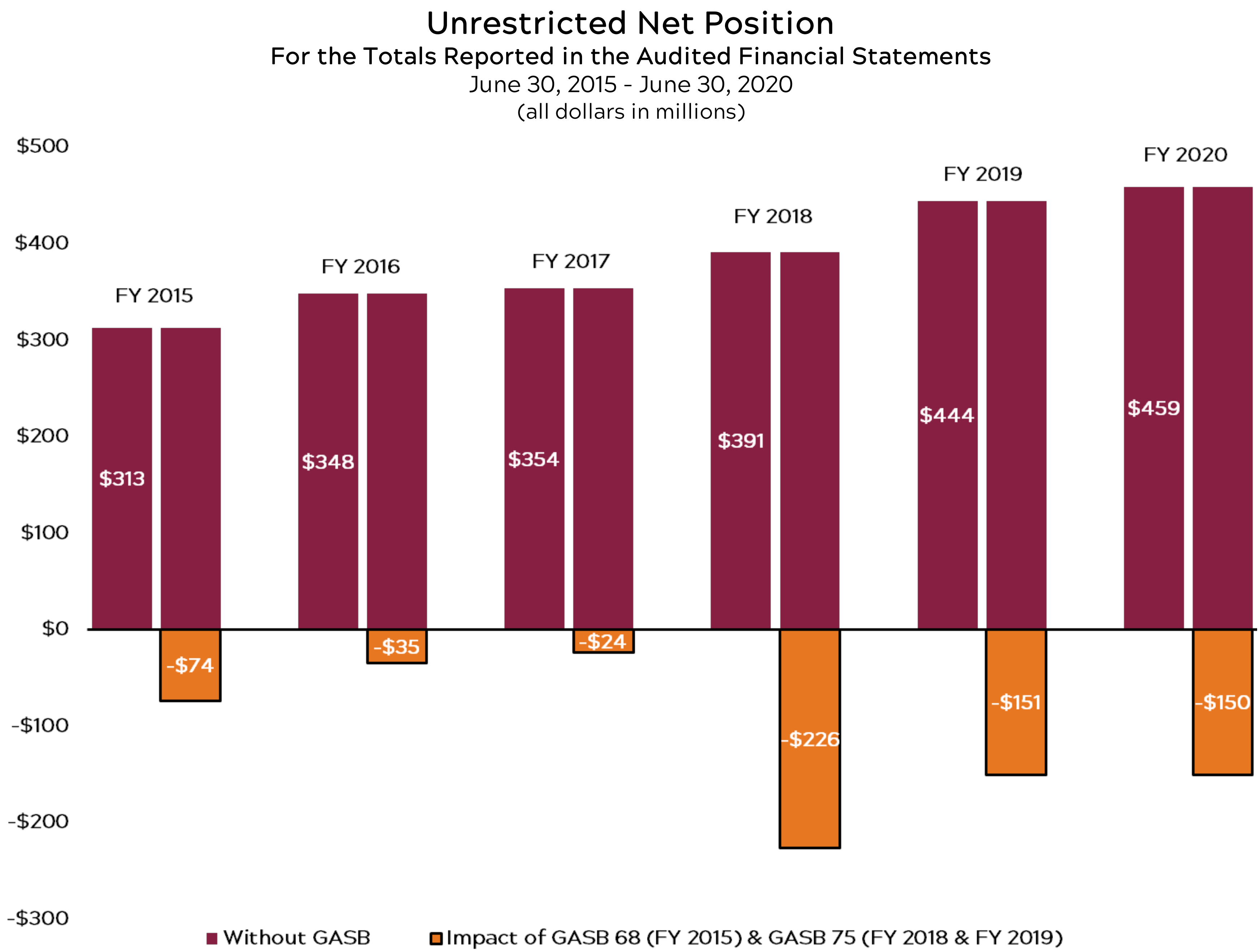
Exhibit 6

Total Net Position

For the years ended June 30, 2016 - 2020
(all dollars in millions)

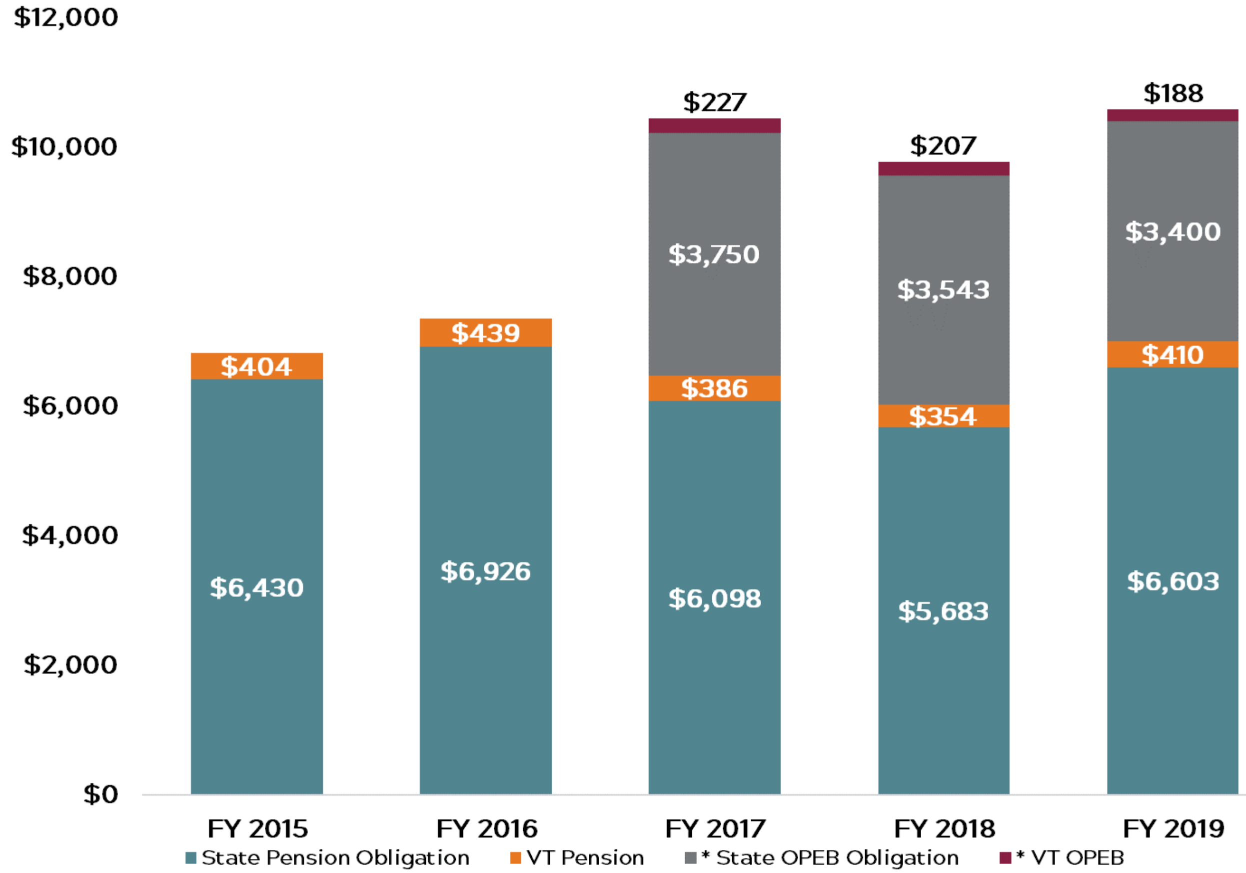


Attachment F
Exhibit 7



Virginia Tech's Share of the Commonwealth's Total Obligation for GASB 68 for Defined Benefit Pension Plans & GASB 75 for OPEB

For the years ended June 30, 2015 - 2019
(all dollars in millions)



* Percentage varies for each defined benefit and postemployment benefit plan. The Pre-Medicare Retiree Healthcare program amount is an imputed total.

Measurement dates for pension amounts will always be one year in arrears from the financial statement dates. Therefore, for the university's fiscal year 2020 financial statement, the fiscal year 2019 pension, and OPEB information was used. As shown above, there are large annual fluctuations in these obligations. However, most of the impact on pension and OPEB expenses and net position is deferred to future periods.

Summary Schedule of Cash and Investments Totals

From the Totals Reported in the Audited Financial Statements - June 30, 2020 and 2019

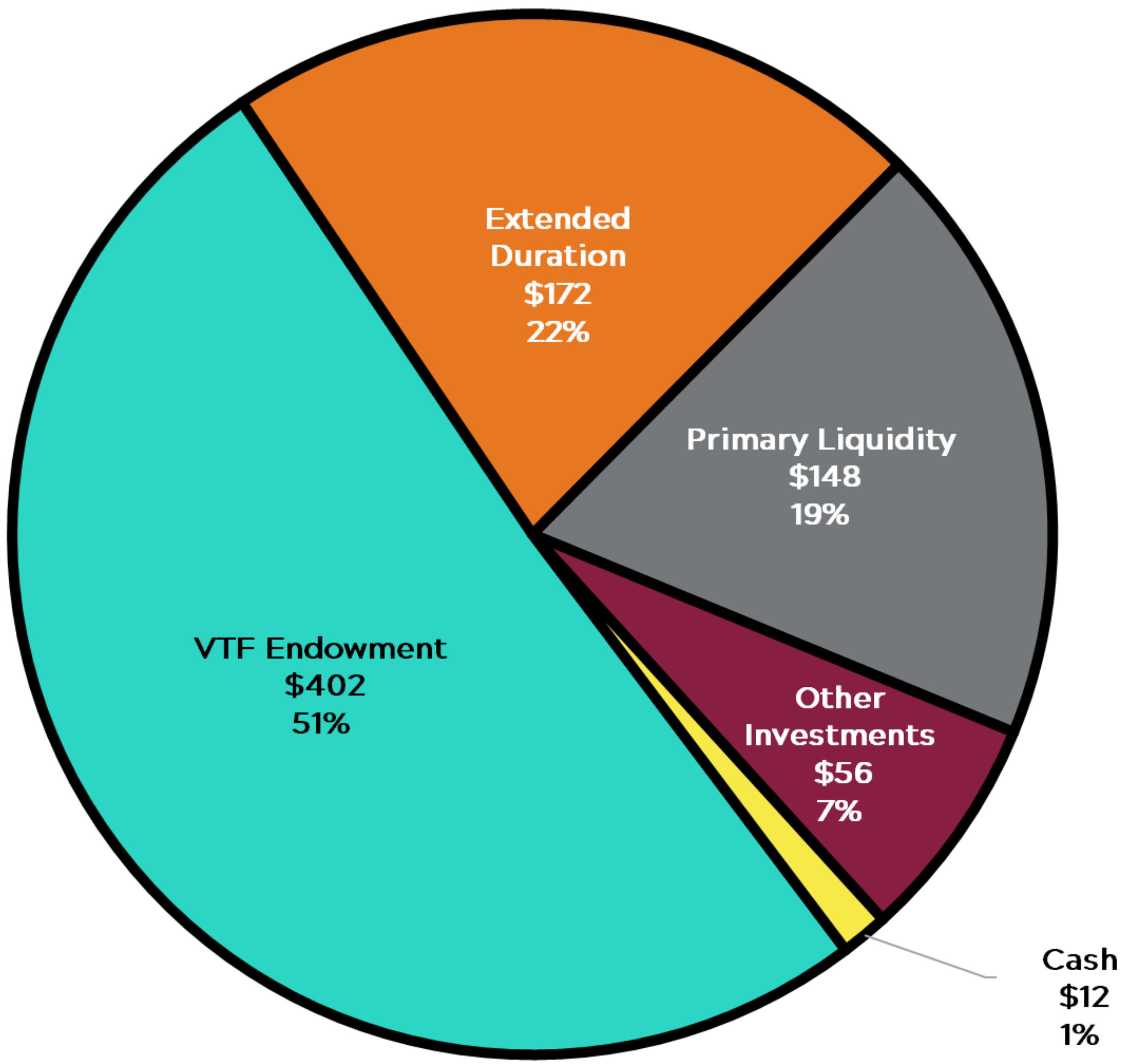
(all dollars in millions)

	Totals at June 30, 2020			Totals at June 30, 2019	
Financial Statement Totals	Current Assets	Non-current Assets	Total Cash & Investments	Total Cash & Investments	Change in Totals
Cash	$ 2.9	$ 8.7	$ 11.6	$ 20.6	$ (9.0)
Cash equivalents (< 90 days)	184.9	4.2	189.1	191.1	(2.0)
Total cash & cash equivalents	**187.8**	**12.9**	**200.7**	**211.7**	**(11.0)**
Short-term investments (>90 days < 1 year)	$ -	$ 3.7	$ 3.7	$ -	$ 3.7
Long-term investments (> 1 year)					
Invested in the VTF endowment pool		397.0	397.0	378.4	18.6
Invested with other investment managers		188.7	188.7	226.7	(38.0)
Total long-term investments	**$ -**	**$ 585.7**	**$ 585.7**	**$ 605.1**	**$ (19.4)**
Grand totals cash & investments	**$ 187.8**	**$ 602.3**	**$ 790.1**	**$ 816.8**	**$ (26.7)**

Attachment F
Exhibit 10

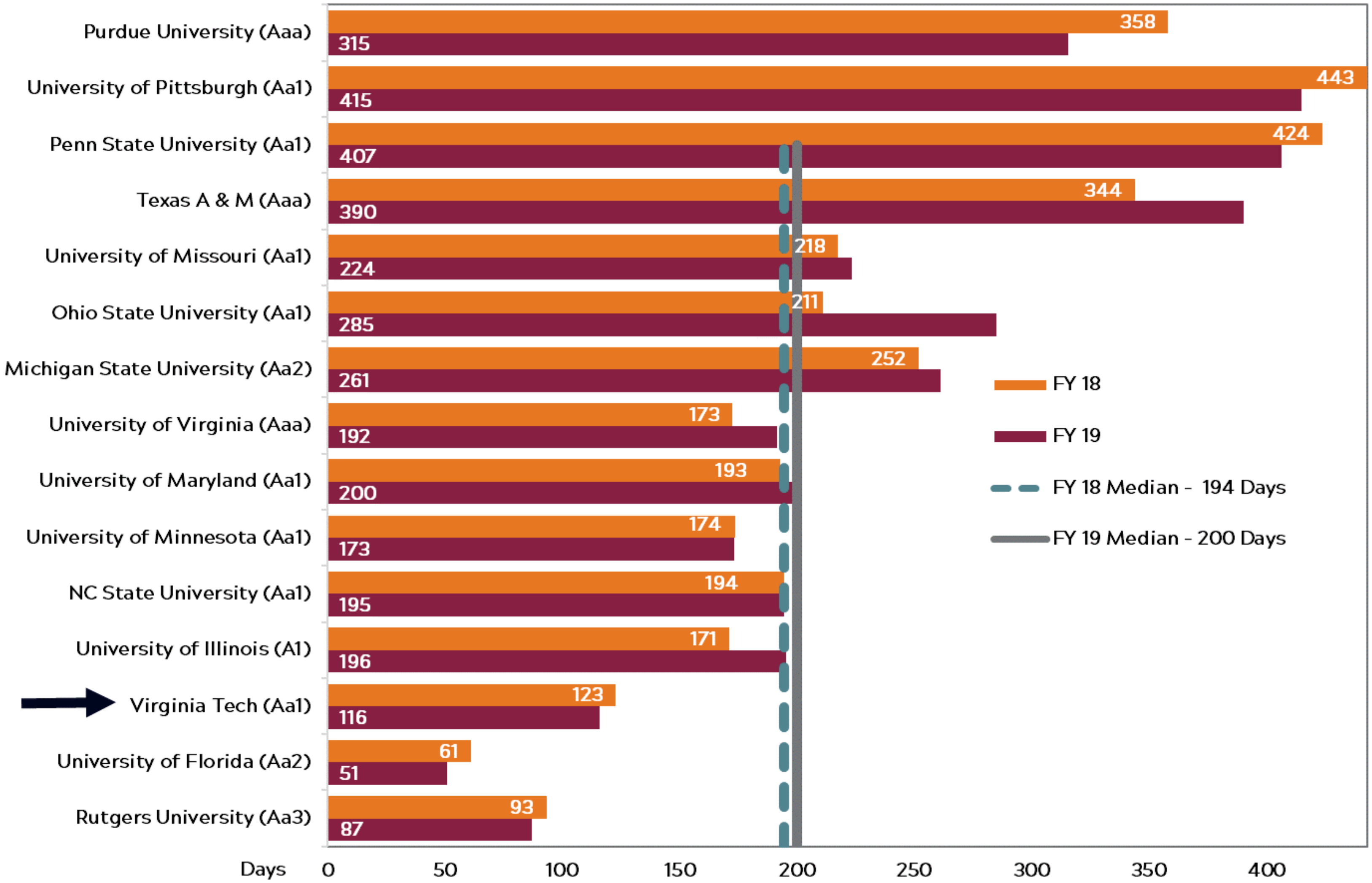
Schedule of Cash & Investments by Investment Pool - $790 Million

From the Totals Reported in the Audited Financial Statements for FY 2020
(all dollars in millions)



Attachment F
Exhibit 11

FY 2018 and FY 2019 Monthly Days Cash on Hand



Monthly Days Cash on Hand measures the number of days a university can operate (cover its cash operating expenses) from unrestricted cash and investments that can be liquidated within one month. The university has established lines of credit with three financial institutions as authorized by the Board of Visitors on June 4, 2018 to provide up to $190 million of liquidity should rapid significant unexpected demands on cash occur. The decrease between cash on hand between fiscal years 2018 and 2019 is due to the strategic move to invest more funds in the Virginia Tech Foundation endowment pool, which is less liquid than previous investments.

Summary of Revenues, Expenses, and Changes in Net Position

For the years ended June 30, 2020 and 2019
(all dollars in millions)

	2020	2019	Change Amount	Change Percent
Operating revenues	$ 1,188.8	$ 1,160.4	$ 28.4	2.4 %
Operating expenses	1,549.7	1,467.9	81.8	5.6 %
Operating loss	**(360.9)**	**(307.5)**	**(53.4)**	**17.4 %**
State appropriations	303.8	266.2	37.6	14.1 %
Other non-operating revenues and expenses	77.0	93.8	(16.8)	(17.9)%
Non-operating revenues and expenses	**380.8**	**360.0**	**20.8**	**5.8 %**
Income before other revenues and expenses	**19.9**	**52.5**	**(32.6)**	**(62.1)%**
Other revenues, expenses, gains or losses	101.1	78.0	23.1	29.6 %
Increase in net position	**121.0**	**130.5**	**(9.5)**	**(7.3)%**
Net position - *beginning of year adjusted	1,393.0	1,259.8	133.2	10.6 %
Net position - end of year	**$ 1,514.0**	**$ 1,390.3**	**$ 123.7**	**8.9 %**

*The university's beginning net position as of July 1, 2020 has been adjusted due to GASB Statement 84, *Fiduciary Activities*. This pronouncement reclassified $2.7 million from custodial funds to unrestricted.

<u>Operating loss</u>: Under GASB reporting, public universities will always show an operating loss because state appropriations, gifts and investment income are all considered non-operating revenues.

Increase (Decrease) in Revenue

For the years ended June 30, 2020 and 2019
(all dollars in millions)

	2020	2019	Change Amount	Change Percent
Operating revenues				
Student tuition and fees, net	$ 575.9	$ 534.2	$ 41.7	7.8 %
Grants and contracts	322.3	321.4	0.9	0.3 %
Auxiliary enterprises	264.1	274.4	(10.3)	(3.8)%
Other operating revenues	26.5	30.4	(3.9)	(12.8)%
Total operating revenues	**1,188.8**	**1,160.4**	**28.4**	**2.4 %**
Non-operating revenues				
State appropriations	303.8	266.2	37.6	14.1 %
Other non-operating revenues	77.0	93.8	(16.8)	(17.9)%
Total non-operating revenues	**380.8**	**360.0**	**20.8**	**5.8 %**
Other revenues				
Capital grants and gifts	101.0	79.2	21.8	27.5 %
Loss on disposal of capital assets	0.1	(1.2)	1.3	108.3 %
Total other revenues, gains	**101.1**	**78.0**	**23.1**	**29.6 %**
Total revenue	**$ 1,670.7**	**$ 1,598.4**	**$ 72.3**	**4.5 %**

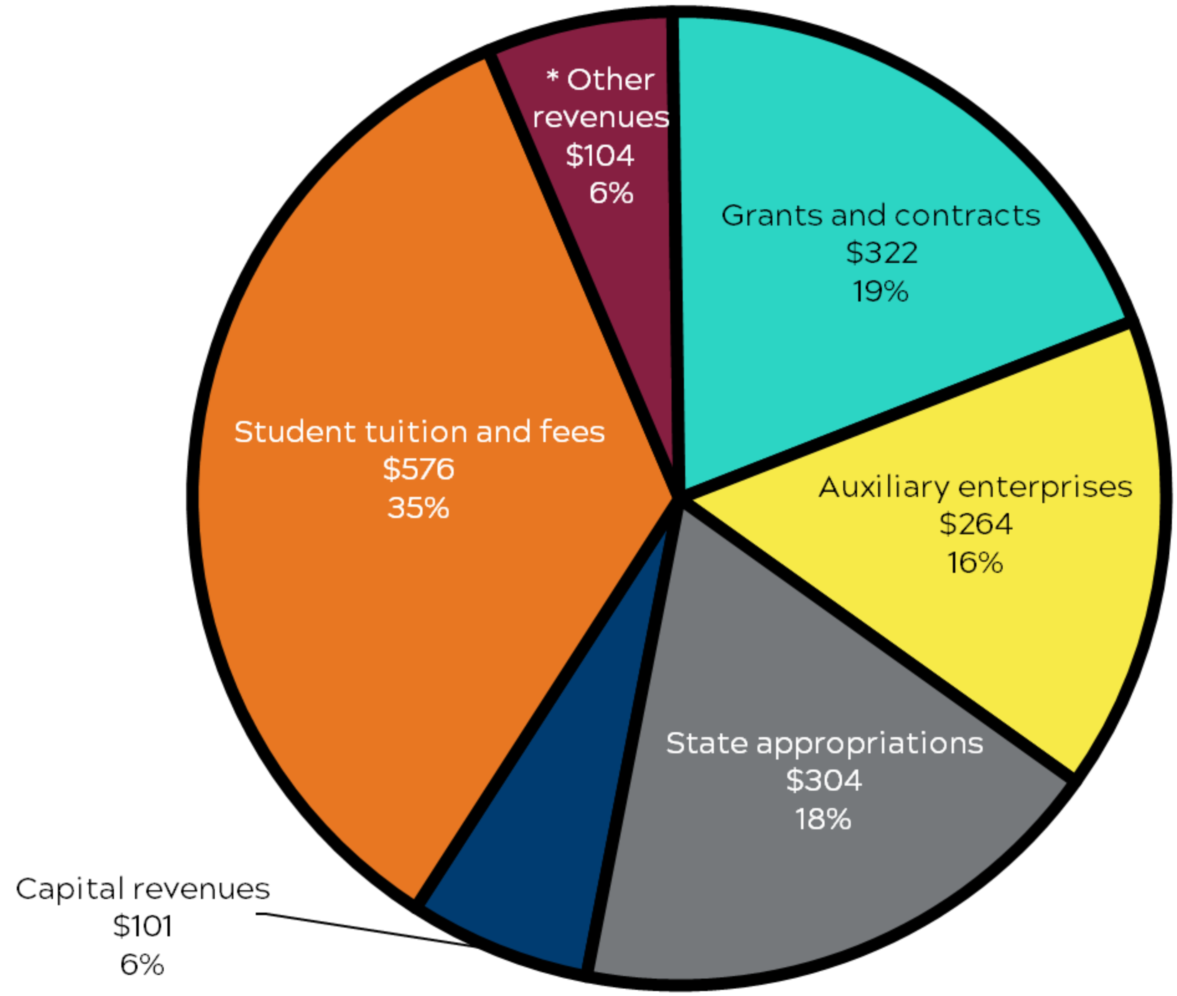
<u>Operating revenue</u> increased by $28.4 million. This growth came primarily from student tuition and fees ($41.7 million or 7.8 percent) due to the larger than anticipated freshmen class. There was a decrease in auxiliary enterprise revenue of $10.3 million due to the campus shutting down and classes going online in March due to the COVID-19 pandemic. Other operating revenue fell by $3.9 million due to a one-time insurance recovery included in the prior year.

<u>Non-operating revenue</u> increased by $20.8 million primarily from growth in state appropriations ($37.6 million), Coronavirus Aid, Relief, & Economic Security (CARES) Act for Higher Education Emergency Relief Fund stabilization revenue ($19.7 million) and gift funding transferred from the Virginia Tech Foundation ($4.8 million). Investment income decreased $40.0 million due to changing market conditions caused by the COVID-19 pandemic.

<u>Total other revenue and gains</u> grew by $23.1 million with capital grants and gifts increasing by $21.8 million.

Total Revenue by Source- $1,671 Million

For the year ended June 30, 2020
(all dollars in millions)



Other revenues include gifts, investment income, interest expense on debt related to capital assets, federal Pell grants, CARES Act stabilization revenue, and other non-operating revenue.

Changes in Operating Expenses by Function

For the years ended June 30, 2020 and 2019
(all dollars in millions)

	2020	2019	Change Amount	Change Percent
Instruction	$ 426.0	$ 398.9	$ 27.1	6.8 %
Research	343.2	330.9	12.3	3.7 %
Public service	98.5	92.8	5.7	6.1 %
Auxiliary enterprises	236.2	227.9	8.3	3.6 %
Depreciation and amortization	109.2	108.2	1.0	0.9 %
Subtotal	**1,213.1**	**1,158.7**	**54.4**	**4.7 %**
Support, maintenance, and other expenses				
Academic support	106.4	98.9	7.5	7.6 %
Student services	26.0	24.5	1.5	6.1 %
Institutional support	81.7	73.4	8.3	11.3 %
Operations and maintenance of plant	91.9	91.8	0.1	0.1 %
Student financial assistance*	30.6	20.6	10.0	48.5 %
Subtotal	**336.6**	**309.2**	**27.4**	**8.9 %**
Total operating expenses	**$ 1,549.7**	**$ 1,467.9**	**$ 81.8**	**5.6 %**

Instruction had the largest increase ($27.1 million), of which the majority occurred in the compensation and benefits category, reflecting the university's commitment to maintaining a high-quality faculty and staff. This increase also reflects the additional expenses required to quickly adjust all of the instructional programs to on-line classes.

Research expenditures increased by $12.3 million, reflecting the rise in grants and contracts received by the university.

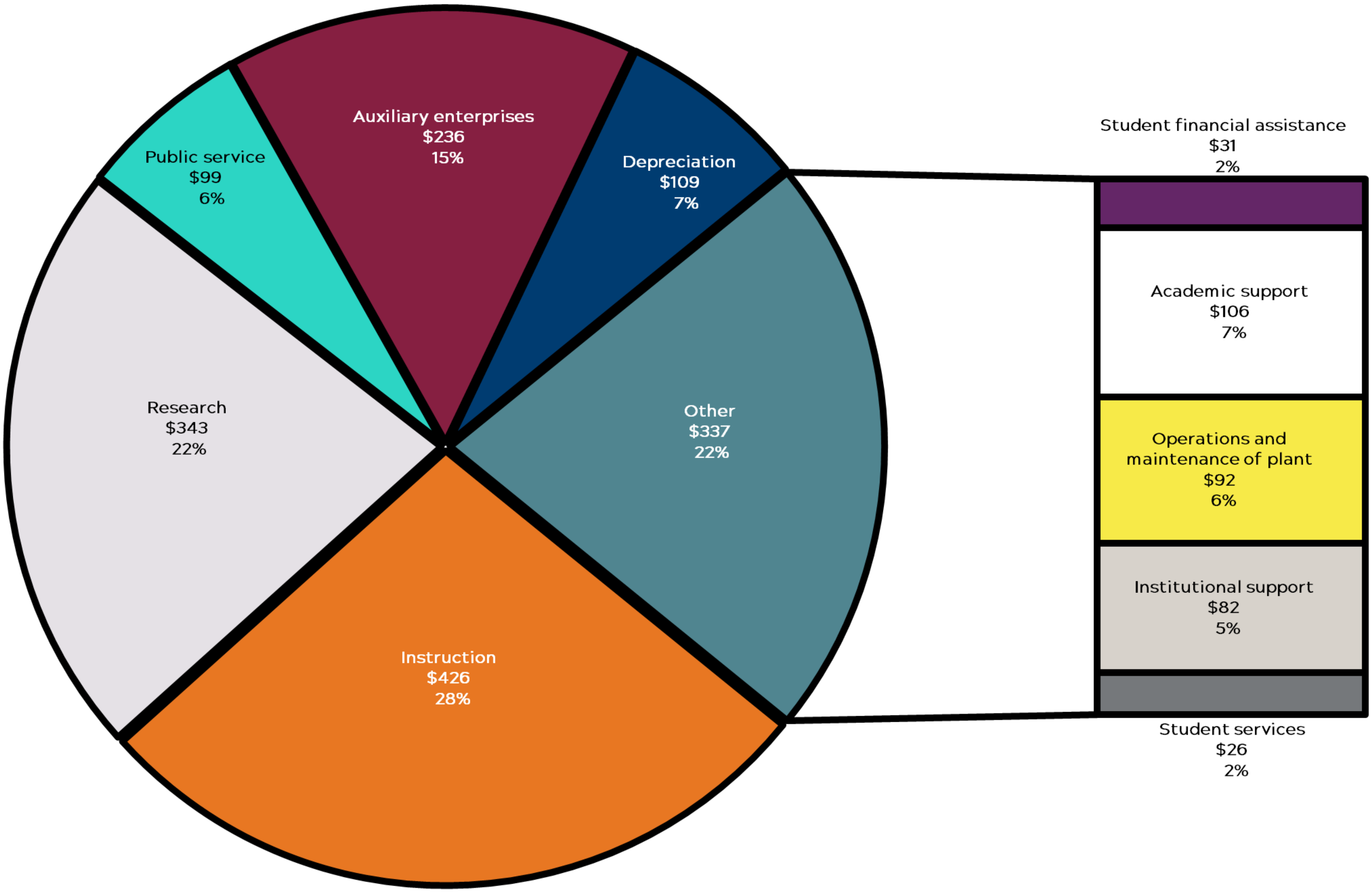
Public service expenditures saw an increase of $5.7 million.

Support, maintenance, and other expenses had a moderate increase in both institutional support ($8.3 million) and academic support ($7.5 million). Compensation and benefits account for the majority of the increases in both of these areas. All areas saw additional costs required to maintain a safe working environment during the pandemic and providing resources for employees to work remotely.

Attachment F
Exhibit 16

Summary of Expenses by Function - $1,550 Million

For the year ended June 30, 2020
(all dollars in millions)



Changes in Expenses by Natural Classification

For the years ended June 30, 2020 and 2019
(all dollars in millions)

	2020	2019	Change Amount	Change Percent
Compensation and benefits	$ 1,003.8	$ 931.6	$ 72.2	7.8 %
Contractual services	125.5	118.9	$ 6.6	5.6 %
Supplies and materials	84.1	97.5	$ (13.4)	(13.7)%
Travel	40.8	44.1	$ (3.3)	(7.5)%
Other operating expenses	100.0	96.1	$ 3.9	4.1 %
Scholarships and fellowships *	52.0	40.7	$ 11.3	27.8 %
Sponsored program subcontracts	34.3	30.8	$ 3.5	11.4 %
Depreciation and amortization	109.2	108.2	$ 1.0	0.9 %
Total operating expenses	**$ 1,549.7**	**$ 1,467.9**	**$ 81.8**	**5.6 %**

*Includes loan administrative fees and collection costs.

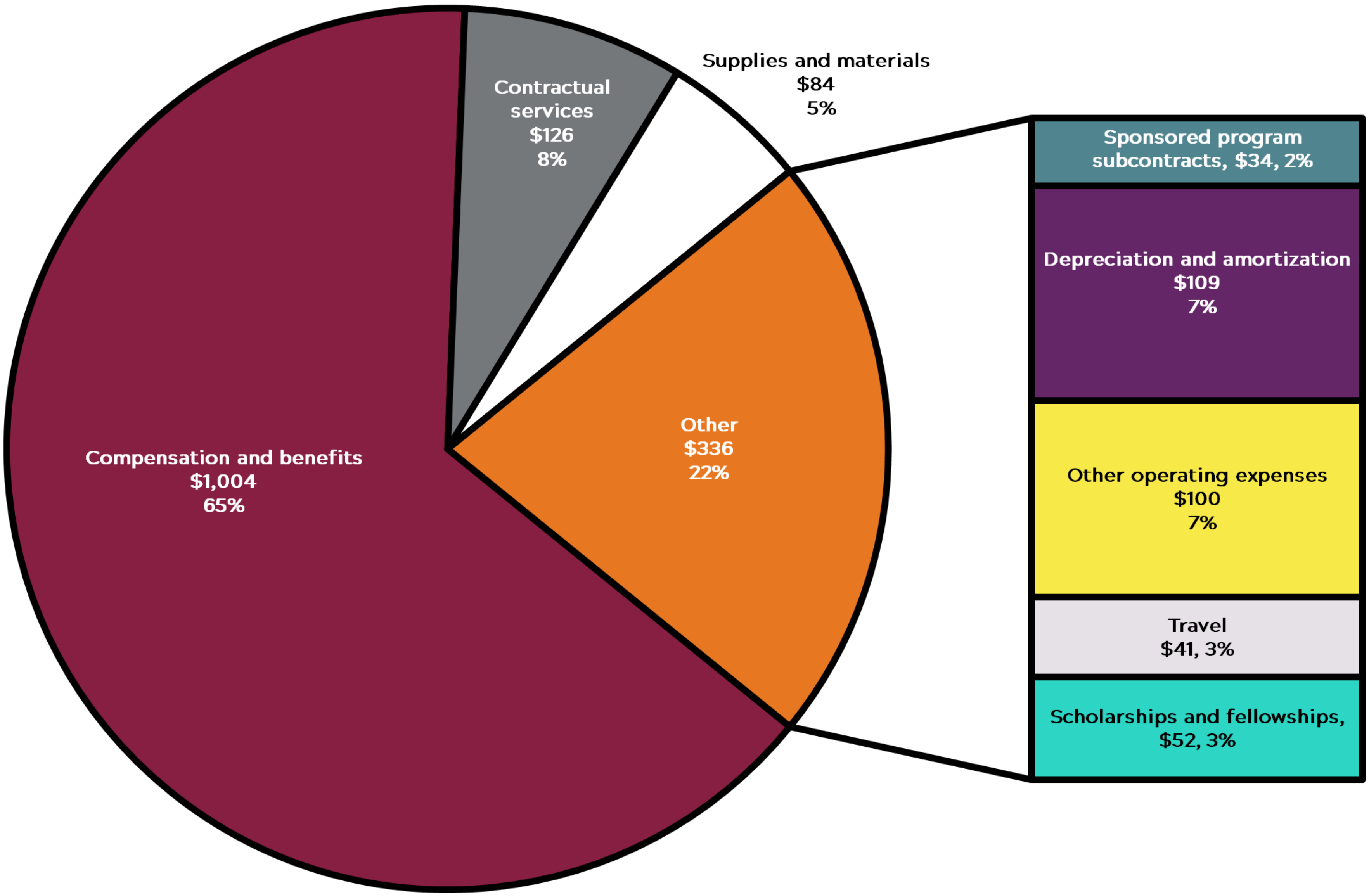
Compensation and benefits comprised of $1,003.8 million or 64.8 percent of the university's total operating expenses. This category increased by $72.2 million, with compensation growing by $45.7 million and benefits increasing by $26.5 million. Generally, changes to expenses in this category come from three sources: increases or reductions in the number of personnel, annual salary increases, and the general trends in the costs of fringe benefits. The benefits section is affected by the changes in the actuarially calculated expenses for the OPEB and pension programs.

Scholarships and fellowships increased by $11.3 million largely due to funding from the CARES Act being used to provide students with emergency hardship support related to the disruption of on-campus operations.

Supplies, materials and travel decreased by $13.4 million and $3.3 million, respectively due to the pandemic with the university instituting a hiring freeze, and restricting travel and other spending.

Total Expenses by Natural Classification - $1,550 Million

For the Year Ended June 30, 2020
(all dollars in millions)



Measuring the Overall Level of Financial Health

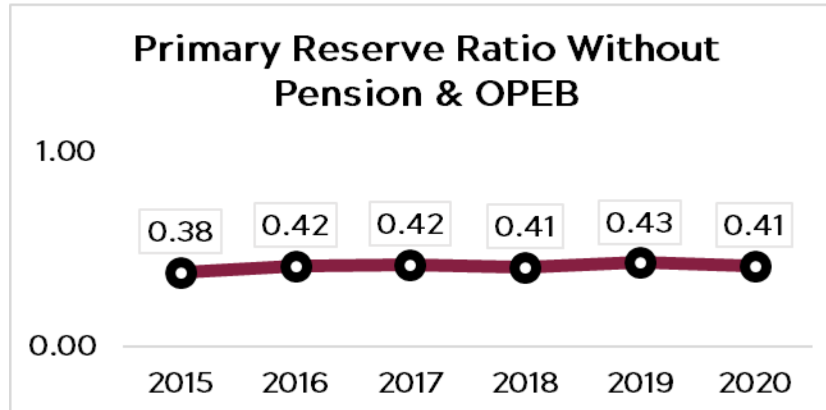
For the years ended June 30, 2015 - 2020

The overall health of the university can be measured by focusing on available resources and the returns generated from those resources. This analysis answers whether the institution has sufficient resources and whether they use those resources to support the mission and strategic direction of the institution.

The Composite Financial Index (CFI) combines four core ratios by assigning various weights to generate an aggregate score for financial strength and stability. These ratios: Primary Reserve ratio, Viability ratio, Net Operating Revenues ratio, and Return on Net Position ratio provide for an understanding of the institutions available resources and results of current operations, which when applied to certain benchmark factors generates a score from one to ten indicating strength of the institution.

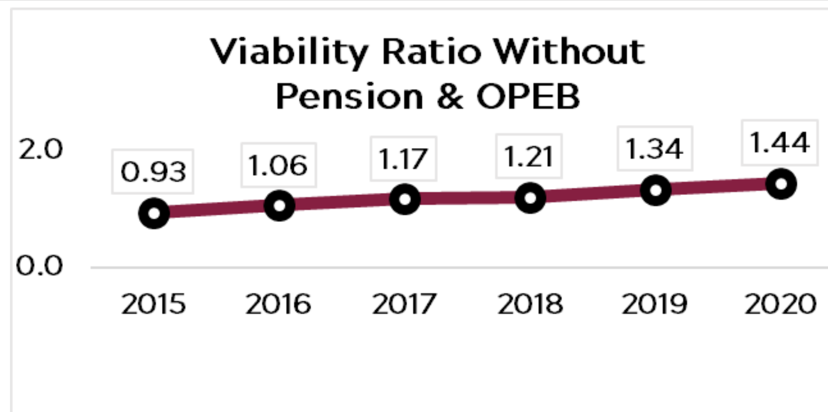
$$Primary\ Reserve\ Ratio = \frac{Expendable\ Net\ Assets}{Total\ Expenses}$$

- Primary Reserve ration provides a snapshot of the financial strength and flexibility of an institution.
- The accepted benchmark for this ratio is 0.40.[i]



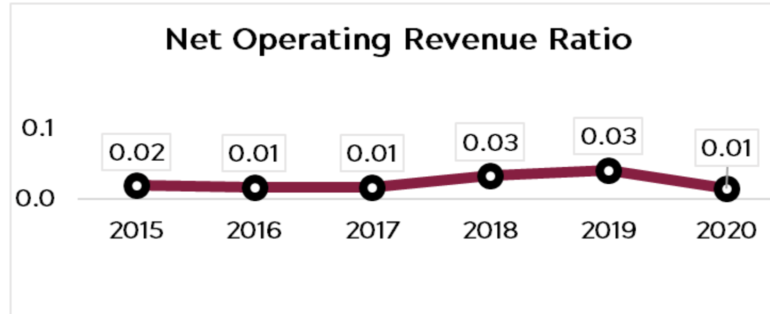
$$Viability\ Ratio = \frac{Expendable\ Net\ Assets}{Long - Term\ Debt}$$

- Viability ration measures the availability of expendable net position to cover long-term debt and indicates whether an institution can assume new debt.
- A benchmark ratio of 1.0 or greater indicates sufficient expendable resources to cover outstanding debt obligations.



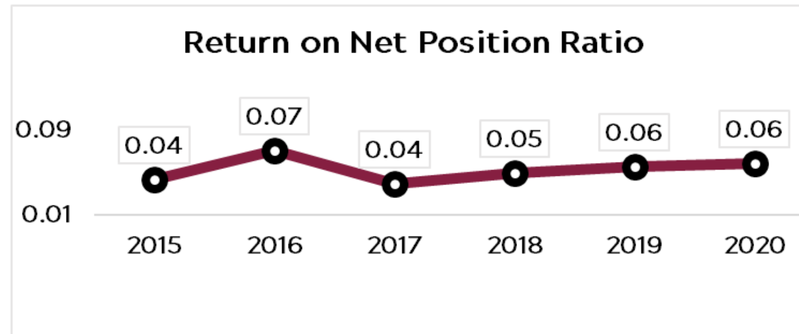
$$\text{Net Operating Revenues Ratio} = \frac{(\text{Net income} - \text{Capital Revenues})}{\text{Noncapital Revenues}}$$

- The Net Operating Revenues ratio indicates whether an organization is living within its available resources.
- The nature of investing activities can result in significant volatility in this ratio and contributes to the need to analyze the results of this ratio over several fiscal years.
- The decrease in the FY20 ratio is a result of effects of the pandemic on auxiliary revenues and investment losses.



$$\text{Return on Net Position Ratio} = \frac{\text{Change in Net Assets}}{\text{Total Net Assets}}$$

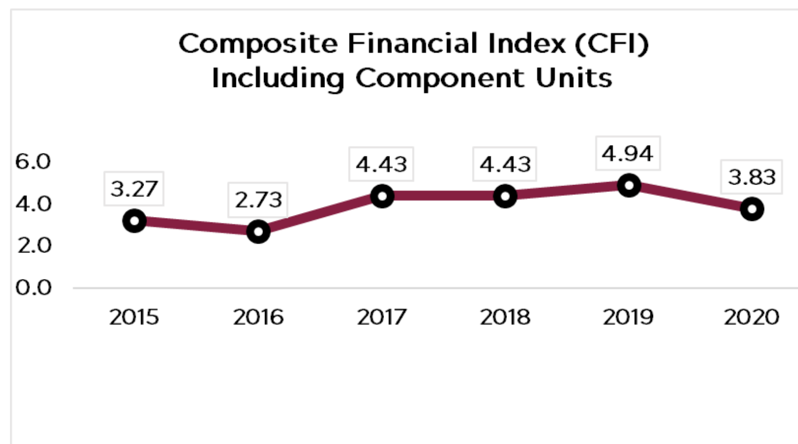
- Return on net position answers whether the university is achieving a positive economic return on its investment of resources.
- There is generally not a fixed benchmark and a higher return on net position indicates a stronger year of financial performance.



The four ratios above provide an understanding of the university's available resources and results of current operations, which when applied to certain benchmark factors generates the CFI.

- A benchmark score of 3.0 generally indicates that an institution is financially healthy.

- The consolidated CFI includes financial data at year-end for the Virginia Tech Foundation, a component unit in VT's financial statement.



Long-Term Debt Payable Activity

as of June 30, 2020
(all dollars in millions)

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion
Bonds payable					
Section 9(c) general obligation revenue bonds	$ 114.9	$ 1.1	$ 10.3	$ 105.7	$ 8.4
Section 9(d) revenue bonds	55.5	-	3.3	52.2	2.4
Notes payable	231.1	8.8	20.7	219.1	16.5
Capital lease obligations	76.8	3.5	4.5	75.8	4.8
Total long-term debt payable	**$ 478.3**	**$ 13.4**	**$ 38.8**	**$ 452.8**	**$ 32.1**

Debt ratio for fiscal year 2020 was 3.51 percent with a long-term debt liability of $452.8 million.

The current portion is the amount that will be payable in FY 2021.

New debt totaling $7.9 million was issued for the renovation of Holden Hall.

New capital leases included the Kmart and Ardmore properties.

GASB 87 Leases Effective FY 2022

Estimated Financial Statement Impact as of June 30, 2020
(all dollars in thousands)

	GASB 62 Long-Term Debt, Capital Leases			GASB 87 Long-Term Debt, Long-Term Leases	
Capital lease obligations	$	75,839	Long-term lease liability (reclassified former capital lease obligations)	$	75,839
Operating lease commitments		-	Estimated long-term lease liability (recognized former operating lease commitments)		63,000
Total long-term debt, capital leases	$	75,839	Total long-term debt, long-term leases	$	138,839

	GASB 62 Operating Lease Commitments Note Disclosure Only			GASB 87 Short-term Lease Commitments
Operating lease commitments	$	95,723	Short-term lease commitments	No Disclosure

Attachment F
Exhibit 21

Upcoming Changes Due to Implementation of GASB 87 Leases

Effective FY 2022

Old Reporting Method - GASB 62	New Reporting Method - GASB 87
1. Capital Leases: capitalize lease payments as a capital asset. Amortize interest expense and depreciate capital asset over life of the lease. ▪ Transfer of ownership, ▪ Bargain purchase option, ▪ Lease term >= 75% asset life, OR ▪ Present value lease payments >= 90% asset value 2. Operating Leases: recognize lease expense as payments made. ▪ Not a capital lease	1. Long-Term Leases: capitalize lease payments as an intangible right-to-use asset. Amortize interest expense and intangible right-to-use asset over life of the lease. ▪ Maximum possible term at commencement exceeds 12 months, ▪ Non-cancelable for at least one party, AND ▪ Present value of lease payments > = $50K 2. Short-Term Leases: recognize lease expense as payments made. ▪ Not a long-term lease

Sponsored Programs

For the years ended June 30, 2016 - 2020
(all dollars in millions)

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Number of awards received	2,291	2,423	2,533	2,364	2,391
Value of awards received	$ 278.1	$ 304.3	$ 336.8	$ 323.7	367.7
Research expenditures reported to NSF	$ 521.8	$ 522.4	$ 531.6	$ 542.0	$ 556.3
NSF Rank	43	46	48	48	Unavailable

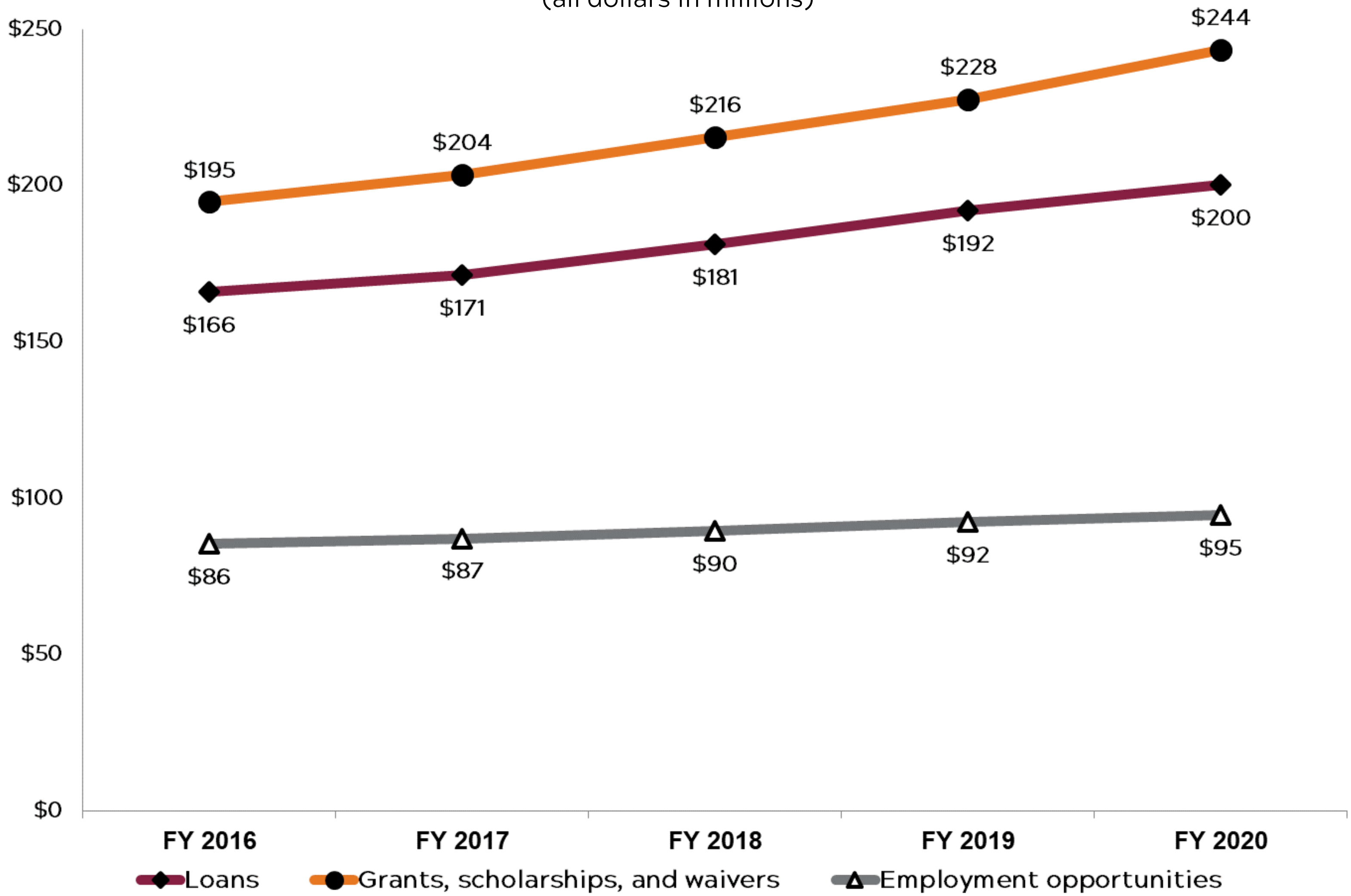
Student Financial Aid

For the years ended June 30, 2016 - 2020

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Number of students receiving selected types of financial aid					
Loans	12,282	12,430	12,947	13,075	13,267
Grants, scholarships, and waivers	18,409	18,746	19,493	19,484	20,548
Employment opportunities	10,934	11,201	11,193	12,717	12,430
Total amounts by major category, ***(all dollars in millions)***					
Loans	$ 165.9	$ 171.4	$ 181.3	$ 191.9	$ 200.2
Grants, scholarships, and waivers	194.8	203.6	215.6	227.7	243.5
Employment opportunities	85.5	87.2	89.5	92.3	94.7
Total financial aid	**$446.2**	**$ 462.2**	**$486.4**	**$ 511.9**	**$538.4**

Student Financial Aid

For years ended June 30, 2016 - 2020
(all dollars in millions)



49 percent of the undergraduate Virginia Tech Class of 2020 carried an average student loan debt of $31,121. Nationally, 62 percent of students at public and non-profit four-year institutions took on student loan debt averaging $28,950 per student in 2019. Over the last several years, the university has consistently had a lower proportion of Virginia resident student borrowers than the national average, and a comparable overall average debt level.

Conclusion:

Despite a challenging financial landscape, the university continues to make progress on several fronts including the following:

- Continued investment in facilities supporting the university's strategic plan with the prudent use of debt financing.

- Strong student demand – the university continues to have growth in applications and the successive improvements of overall quality and diversity of each entering class.

- The university's Board of Visitors also maintained tuition for resident and non-resident undergraduate, graduate, and professional students for the 2020-21 academic year at 2019-20 levels.

- The university continues to assess the lowest non-instructional mandatory charge of any public four-year institution in Virginia, directing 84 percent of a resident undergraduate's mandatory charges towards the instructional mission.

- Virginia Tech's NSF research ranking was 48th in 2019.

- Continued growth in unrestricted net position from operating and non-operating activities which partially offset the impact of GASB 68 in 2014-15 and GASB 75 in 2017-18 for pension liabilities and other postemployment benefits.

[i] Prager, Sealy & Co., LLC; KPMG LLP; and Attain LLC 2010, Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks, Seventh Edition, 2010, https://www.attain.com/sites/default/files/take-aways-pdf/HEAMC_Strategic%20Financial%20Analysis%20Seventh%20Edition.pdf

University's Annual Financial Report

KEN MILLER, VICE PRESIDENT FOR FINANCE

MARCH 21, 2021

VIRGINIA TECH™

Successful Audit & Strong Financial Position

Strong revenue sources	Aa1 and AA Credit Rating	3.51% Debt Ratio
✓	✓	✓
	Target AA- or Better	Target 5% or Below

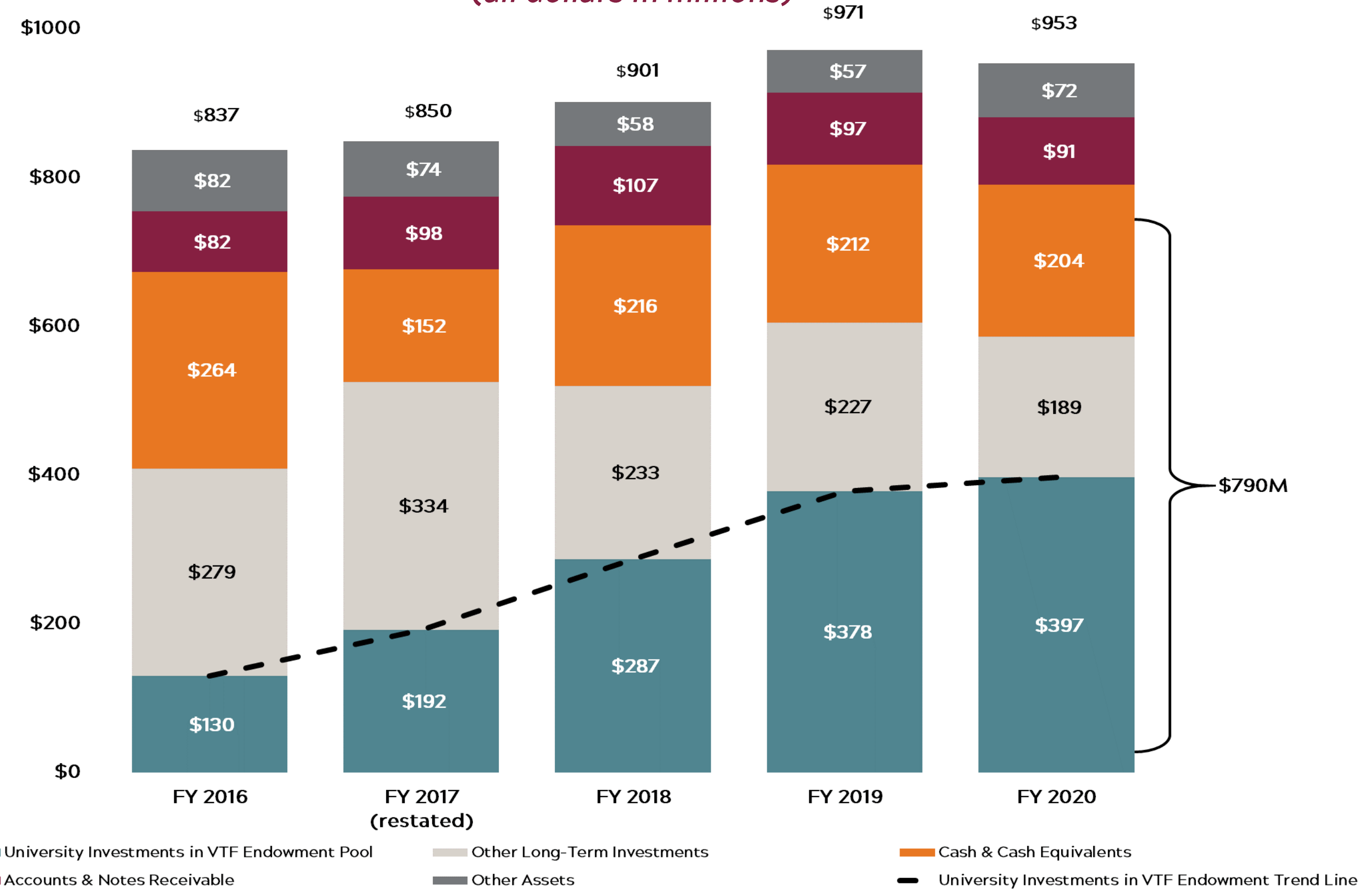
✓	✓	✓
Unmodified audit opinion	No material weakness involving internal controls	Three minor written audit comments

Composition of Current & Non-Current Assets Excluding Capital Assets

Showing the Strategy to Move Cash & Cash Equivalents to Long-term Investments at VT Foundation

For the years ended June 30, 2016 - 2020

(all dollars in millions)

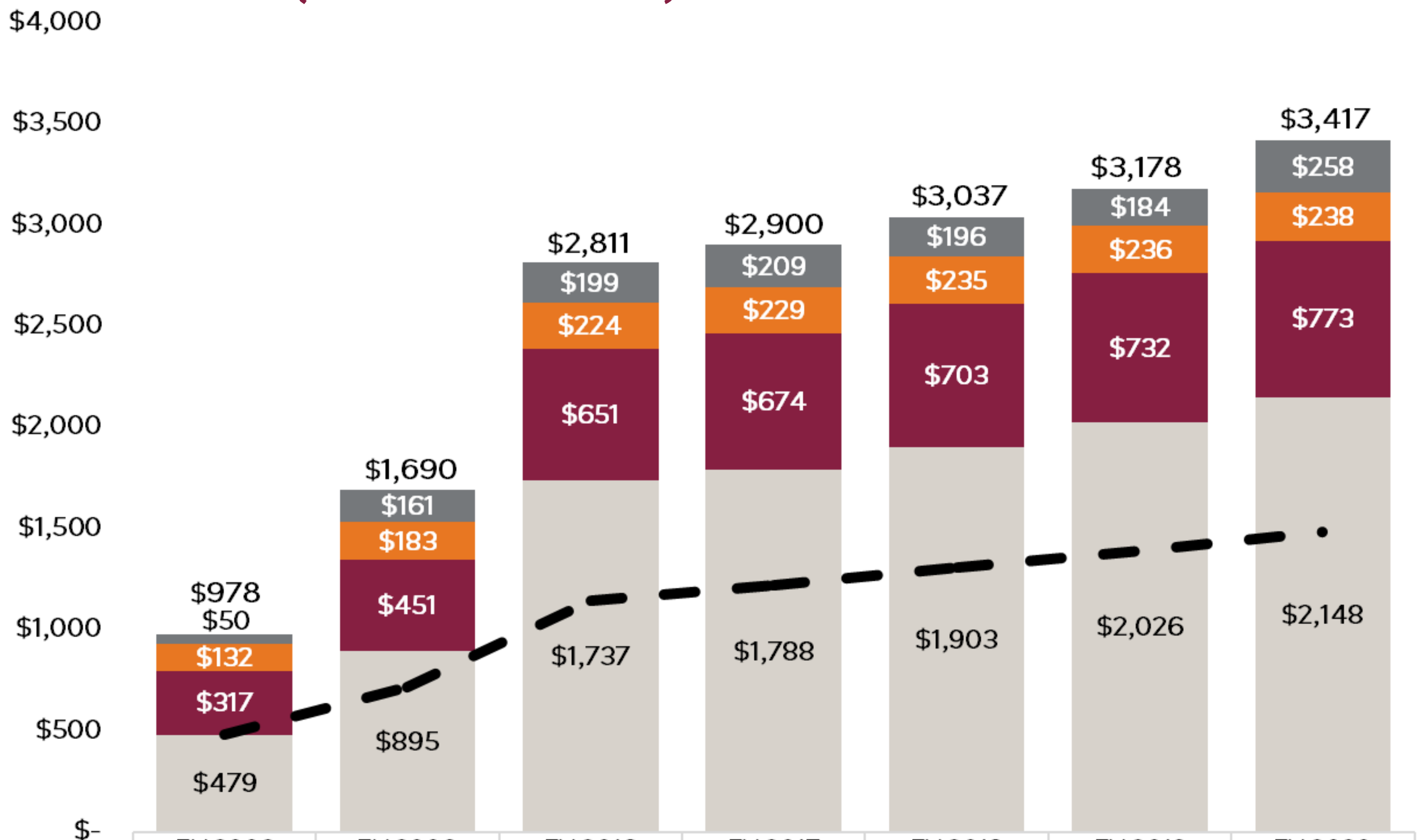


Attachment F

Ongoing Investments in Capital Assets

Growth in Capital Assets from FY 2002 to FY 2020

(all dollars in millions)



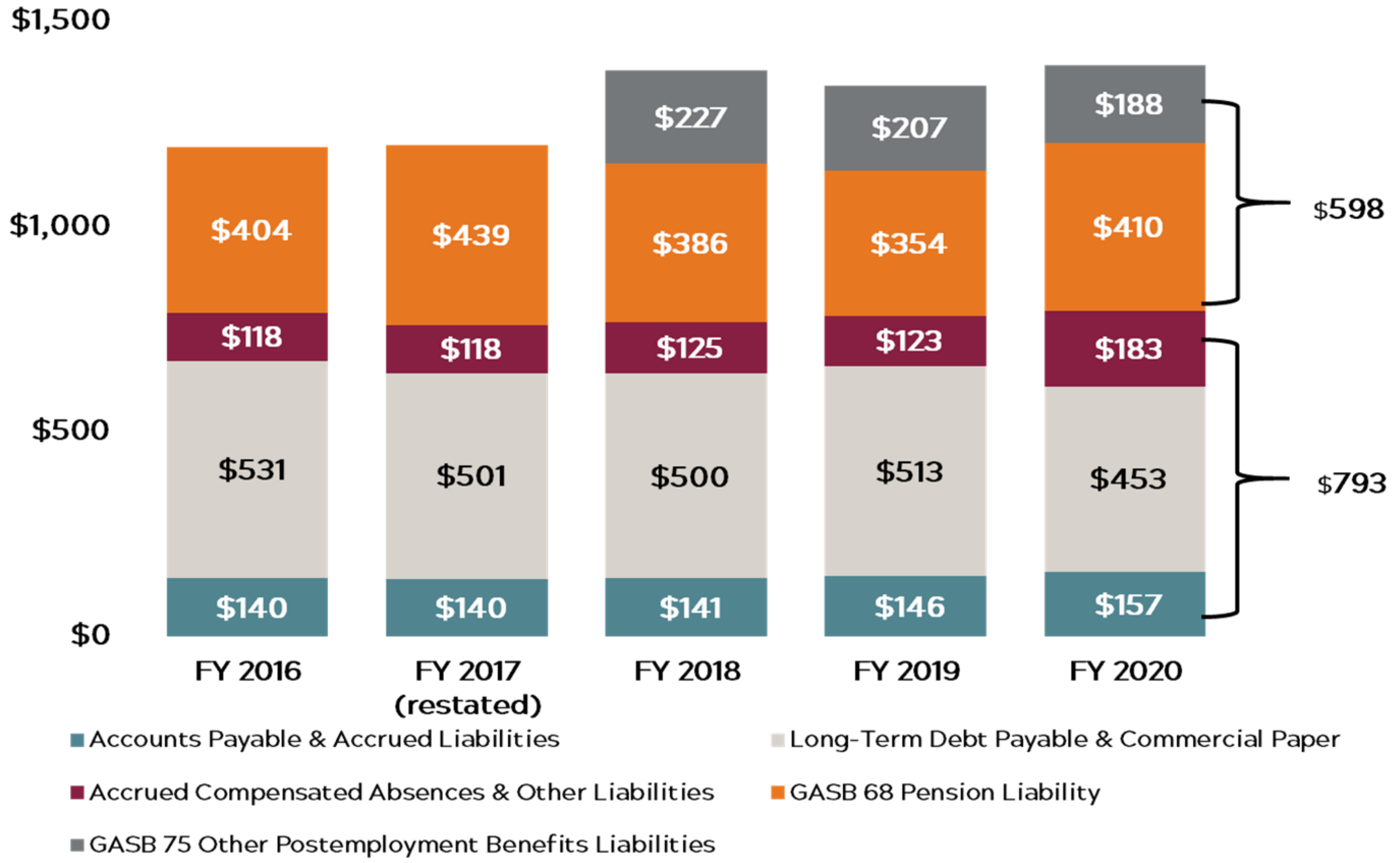
	FY 2002	FY 2009	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Land & Construction in Progress	50	161	199	209	196	184	258
Infrastructure, etc. - Gross	132	183	224	229	235	236	238
Equipment - Gross	317	451	651	674	703	732	773
Buildings- Gross	479	895	1,737	1,788	1,903	2,026	2,148
Total Capital Assets - Gross	978	1,690	2,811	2,900	3,037	3,178	3,417
Total Accumulated Depreciation	479	718	1,145	1,220	1,306	1,391	1,481

VIRGINIA TECH

Attachment F

Composition of Current & Non-Current Liabilities

Showing the Impact of Accounting Pronouncements GASB 68 and 75 (Pension & OPEB)
Accounting & Financial Reporting for Pensions and Postemployment Benefits
For the Years ended June 30, 2016 - 2020
(all dollars in millions)



VIRGINIA TECH

Trends in Net Position

For the years ended June 30, 2016 - 2020

(all dollars in millions)

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Capital assets, net of related debt	$ 1,163.8	$ 1,201.3	$ 1,273.2	$ 1,326.1	$ 1,437.6
Restricted, non-expendable	0.4	11.9	14.4	14.0	12.6
Restricted, expendable					
Capital projects	36.4	39.7	11.5	6.2	3.0
Other	173.1	173.0	186.5	194.7	196.4
Unrestricted	(35.3)	(23.5)	(226.4)	(150.7)	(135.6)
Total Net Position	$ 1,338.4	$ 1,402.4	$ 1,259.2	$ 1,390.3	$ 1,514.0
Adjusted Unrestricted Net Position Excluding the Impact of GASB Pronouncements Related to Pensions and OPEB	$ 347.7	$ 353.8	$ 391.2	$ 444.0	$ 458.5

Summary of Revenues, Expenses, and Changes in Net Position

For the years ended June 30, 2020 and 2019

(all dollars in millions)

	2020	2019	Change Amount	Change Percent
Operating revenues	$ 1,188.8	$ 1,160.4	$ 28.4	2.4 %
Operating expenses	1,549.7	1,467.9	81.8	5.6 %
Operating loss	(360.9)	(307.5)	(53.4)	17.4 %
State appropriations	303.8	266.2	37.6	14.1 %
Other non-operating revenues and expenses	77.0	93.8	(16.8)	(17.9)%
Non-operating revenues and expenses	380.8	360.0	20.8	5.8 %
Income before other revenues and expenses	19.9	52.5	(32.6)	(62.1)%
Other revenues, expenses, gains or losses	101.1	78.0	23.1	29.6 %
Increase in net position	121.0	130.5	(9.5)	(7.3)%
Net position - *beginning of year adjusted	1,393.0	1,259.8	133.2	10.6 %
Net position - end of year	$ 1,514.0	$ 1,390.3	$ 123.7	8.9 %

**The university's beginning net position as of July 1, 2020 has been adjusted due to GASB Statement 84, Fiduciary Activities.*

***Operating loss**: Under GASB reporting, public universities will always show an operating loss because state appropriations, gifts and investment income are all considered non-operating revenues.*

Increase (Decrease) in Revenue
For the years ended June 30, 2020 and 2019
(all dollars in millions)

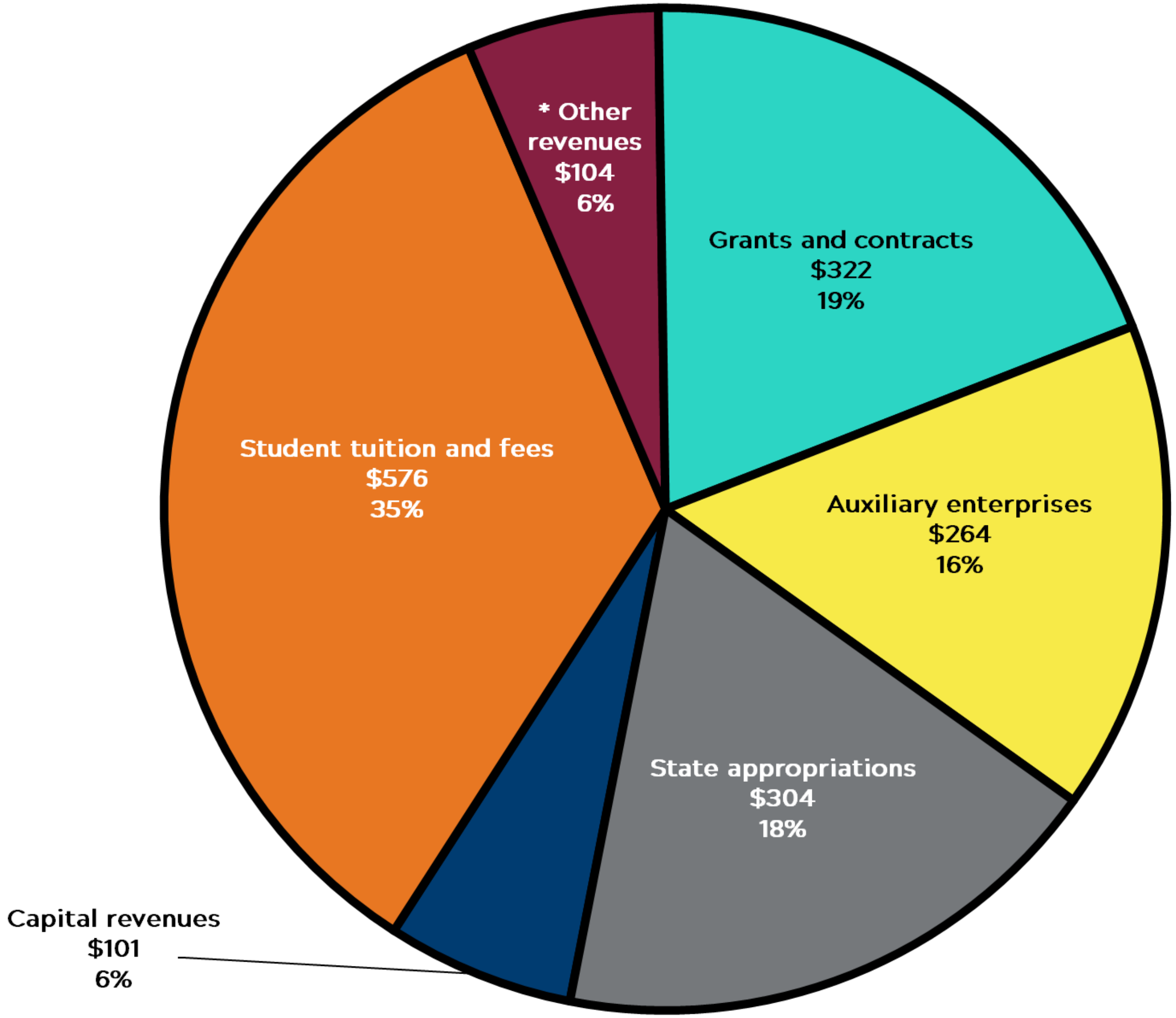
	2020	2019	Change Amount	Change Percent
Operating revenues				
Student tuition and fees, net	$ 575.9	$ 534.2	$ 41.7	7.8 %
Grants and contracts	322.3	321.4	0.9	0.3 %
Auxiliary enterprises	264.1	274.4	(10.3)	(3.8)%
Other operating revenues	26.5	30.4	(3.9)	(12.8)%
Total operating revenues	1,188.8	1,160.4	28.4	2.4 %
Non-operating revenues				
State appropriations	303.8	266.2	37.6	14.1 %
Other non-operating revenues	77.0	93.8	(16.8)	(17.9)%
Total non-operating revenues	380.8	360.0	20.8	5.8 %
Other revenues				
Capital grants and gifts	101.0	79.2	21.8	27.5 %
Loss on disposal of capital assets	0.1	(1.2)	1.3	108.3 %
Total other revenues, gains	101.1	78.0	23.1	29.6 %
Total revenue	$ 1,670.7	$ 1,598.4	$ 72.3	4.5 %

VIRGINIA TECH

Total Revenues by Source- $1,671 Million

for the year ended June 30, 2020

Attachment F



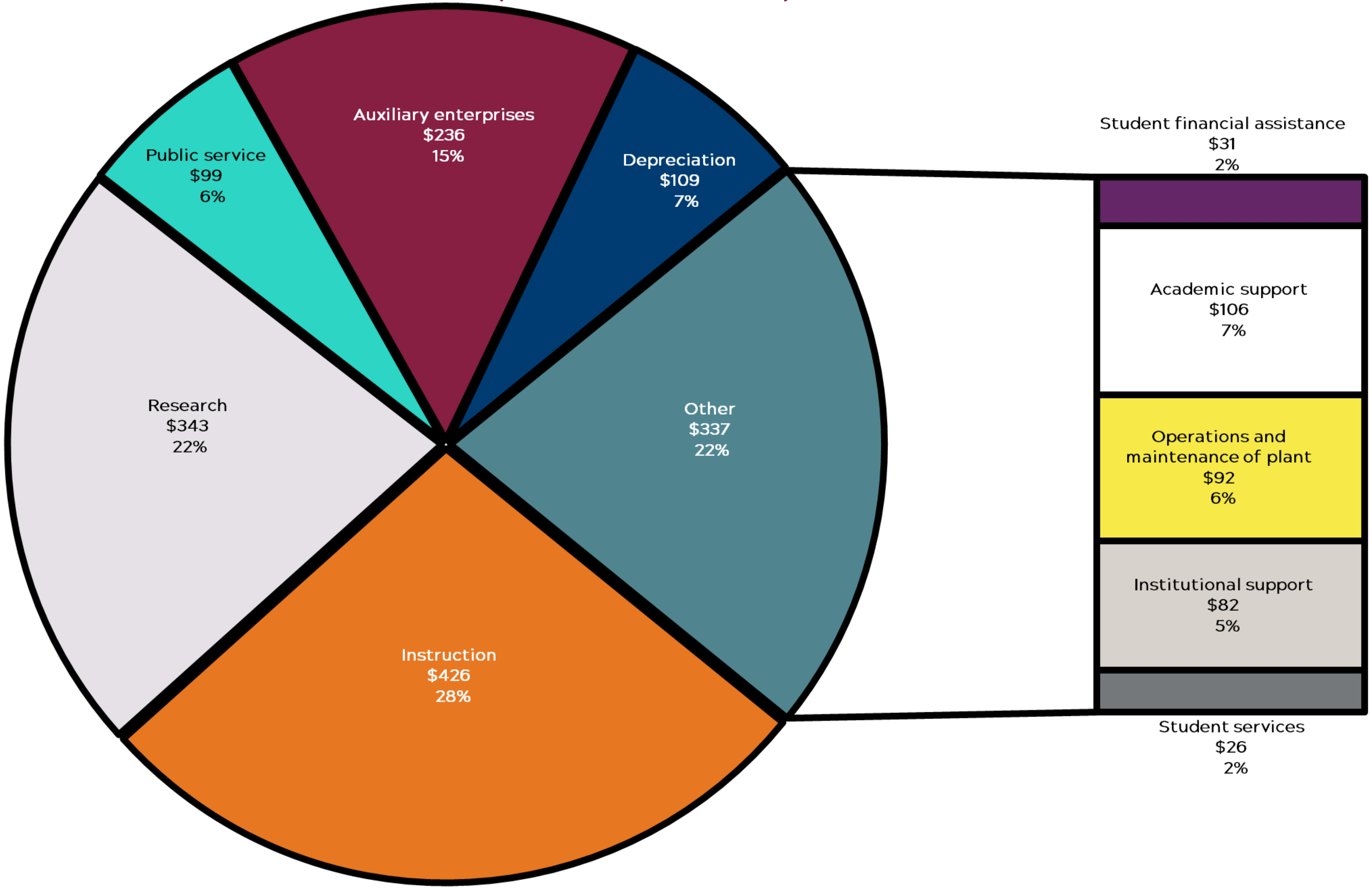
* Other revenues include gifts, investment income, interest expense on debt related to capital assets, federal Pell grants, CARES Act stabilization revenue, and other non-operating revenue.

VIRGINIA TECH

Summary of Expenses by Function - $1,550 Million

For the year ended June 30, 2020

(all dollars in millions)



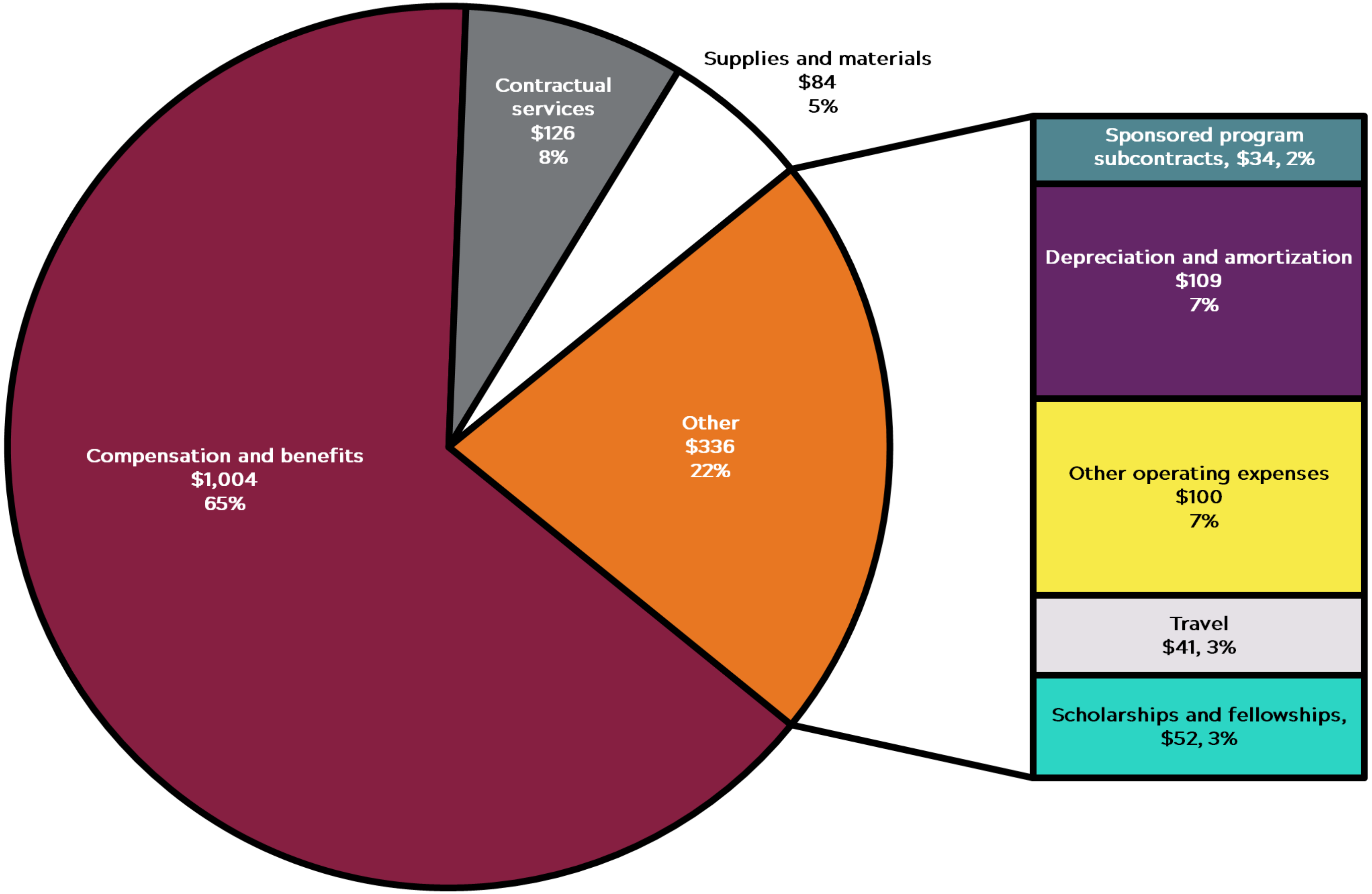
VIRGINIA TECH

Attachment F

Total Operating Expenses by Classification - $1,550 Million

for the year ended June 30, 2020

(all dollars in millions)



VIRGINIA TECH

Attachment F

GASB 87 Leases

Financial Statement Impact

As of June 30, 2020

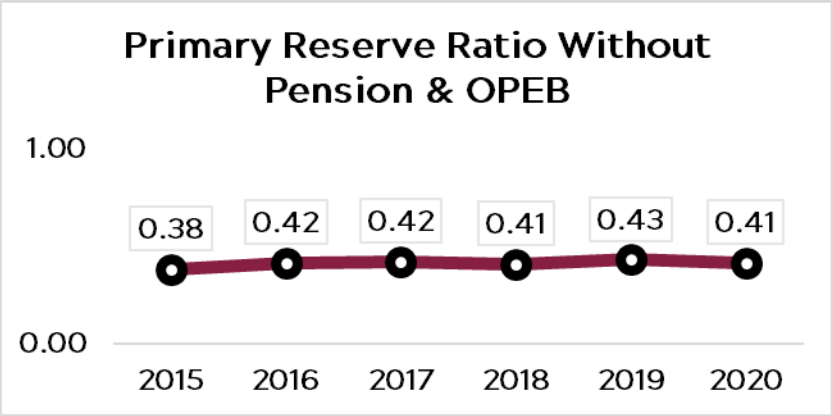
(all dollars in thousands)

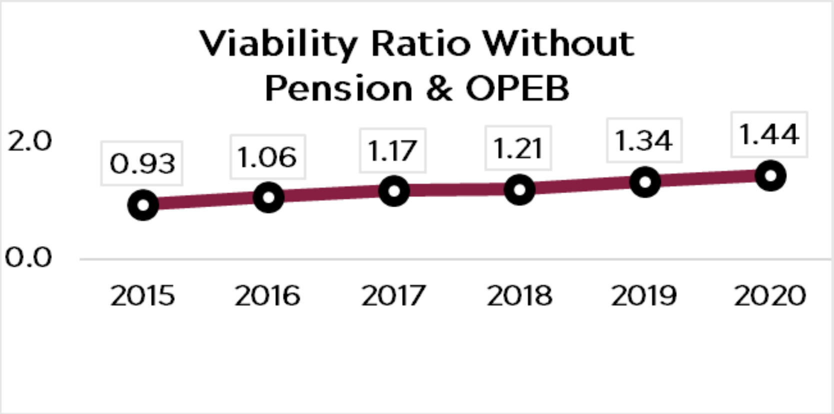
	GASB 62 Long-Term Debt, Capital Leases			GASB 87 Long-Term Debt, Long-Term Leases	
Capital lease obligations	$	75,839	Long-term lease liability (reclassified former capital lease obligations)	$	75,839
Operating lease commitments		-	Estimated long-term lease liability (recognized former operating lease commitments)		63,000
Total long-term debt, capital leases	$	75,839	Total long-term debt, long-term leases	$	138,839

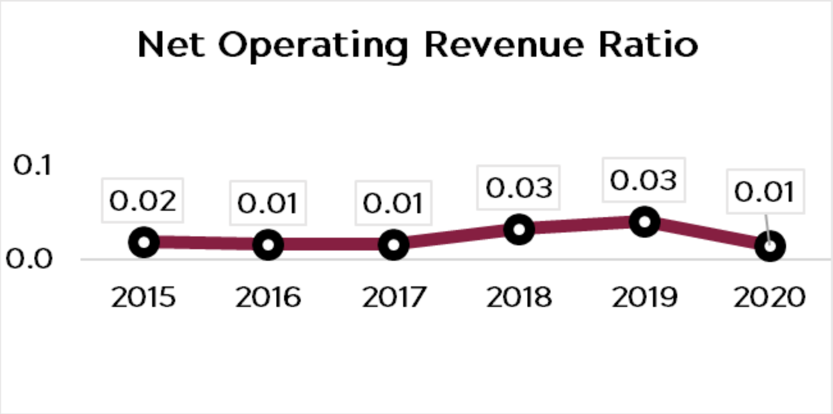
	GASB 62 Operating Lease Commitments Note Disclosure Only			GASB 87 Short-term Lease Commitments
Operating lease commitments	$	95,723	Short-term lease commitments	No Disclosure

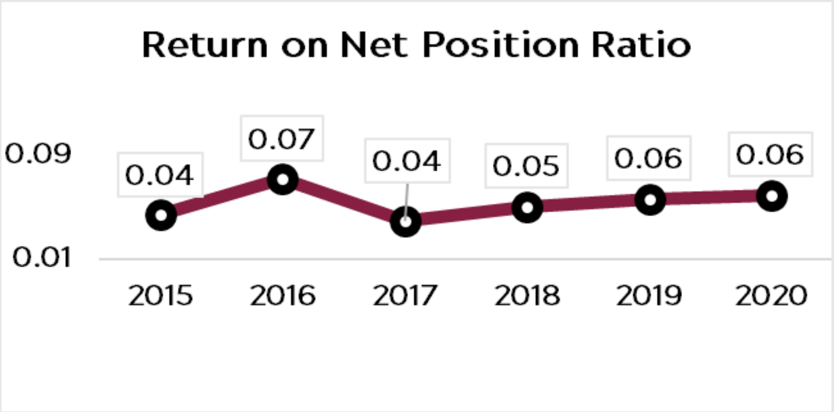
VIRGINIA TECH

Measuring the Overall Level of Financial Health









Prager, Sealy & Co., LLC; KPMG LLP; and Attain LLC 2010, Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks, Seventh Edition, 2010,
https://www.attain.com/sites/default/files/take-aways-pdf/HEAMC_Strategic%20Financial%20Analysis%20Seventh%20Edition.pdf

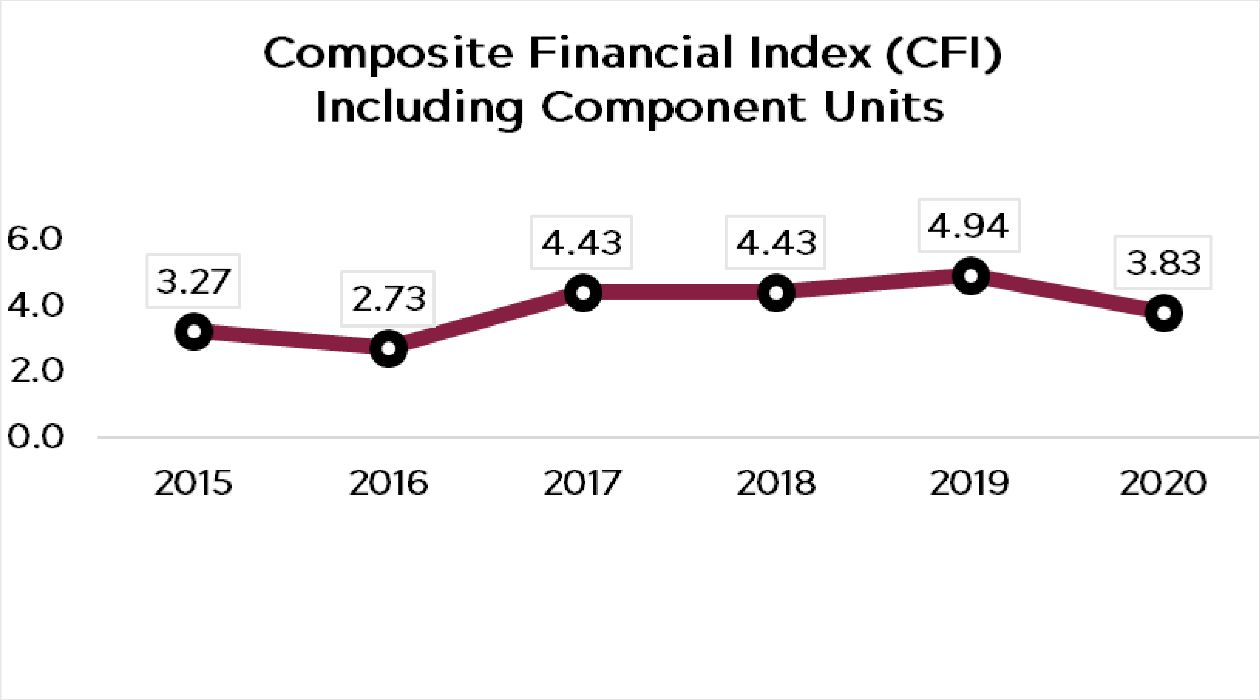
Measuring the Overall Level of Financial Health

Ratio	Definition
Primary Reserve	Snapshot of the financial strength and flexibility of an institution calculated by dividing expendable net assets by total expenses. The accepted benchmark for this ratio is 0.4.
Viability	Availability of expendable net position to cover long-term debt and indicates whether an institution can assume new debt calculated by dividing expendable net assets by long-term debt. The accepted benchmark for this ratio is 1.0 or greater.
Net Operating Revenue	Indicates whether an organization is living within its available resources calculated by dividing net income less capital revenues by noncapital revenues.
Return on Net Position	Answers whether the university is achieving a positive economic return on its investment of resources calculated by dividing change in net assets by total net assets.

Consistent with the Auditor of Public Accounts report, the impacts of Pension and Other Post Employment Benefits have been excluded.

Prager, Sealy & Co., LLC; KPMG LLP; and Attain LLC 2010, Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks, Seventh Edition, 2010,
https://www.attain.com/sites/default/files/take-aways-pdf/HEAMC_Strategic%20Financial%20Analysis%20Seventh%20Edition.pdf

Measuring the Overall Level of Financial Health



The CFI is a weighted average of the four previous financial ratios.
The accepted benchmark is 3.0 or greater.

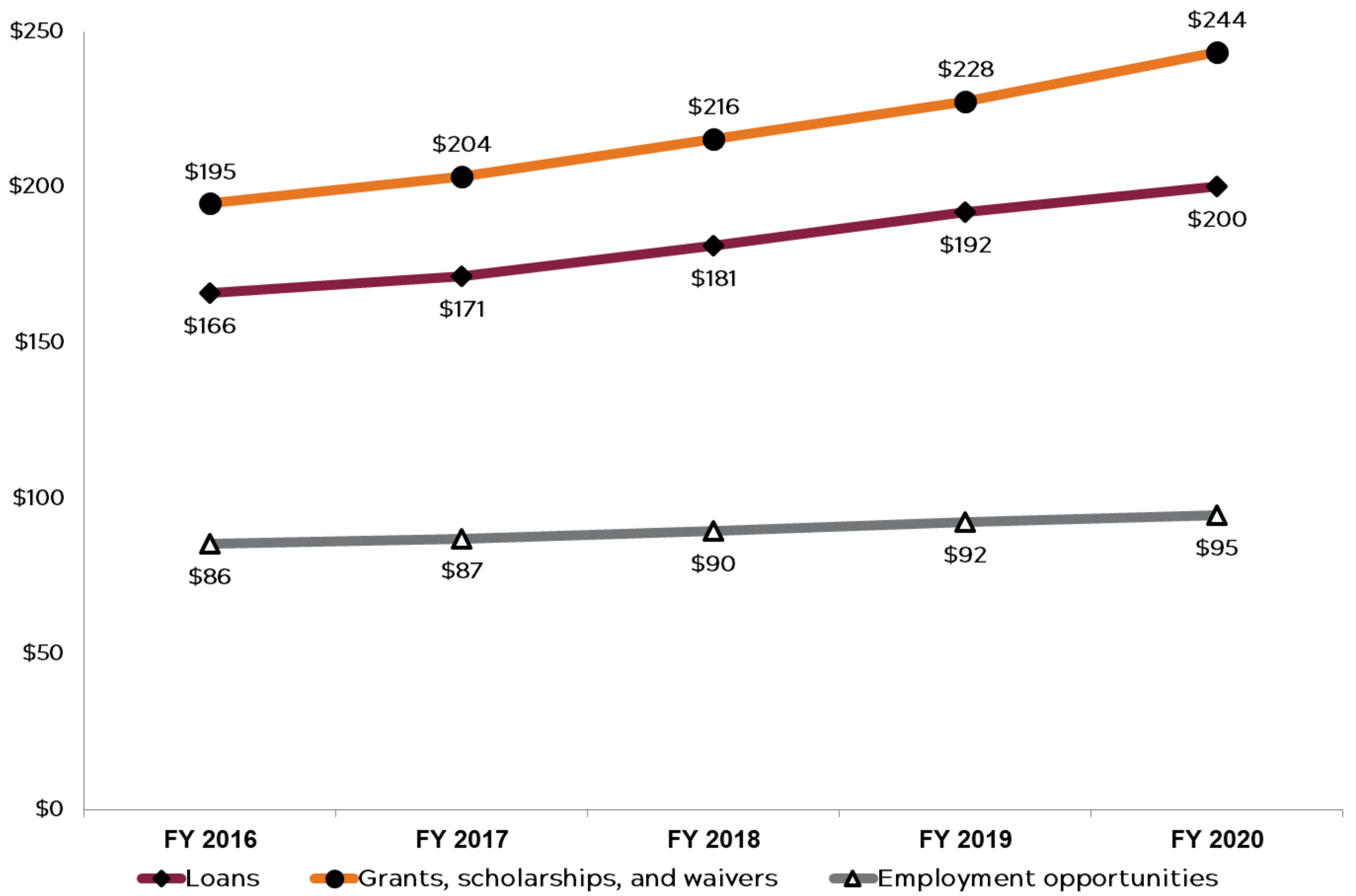
Prager, Sealy & Co., LLC; KPMG LLP; and Attain LLC 2010, Strategic Financial Analysis for Higher Education: Identifying, Measuring & Reporting Financial Risks, Seventh Edition, 2010,
https://www.attain.com/sites/default/files/take-aways-pdf/HEAMC_Strategic%20Financial%20Analysis%20Seventh%20Edition.pdf

Student Financial Aid

For the years ended June 30, 2016 - 2020

(all dollars in millions)

Attachment F



VIRGINIA TECH

Conclusion

Continued Investment in Facilities

Strong Student Demand

Moderate Undergraduate Tuition & Fees

Ranked 48th in 2019 NSF Research Ranking

Total Expenditures

FY2019	$542.0 Million
FY2020	$556.3 Million

Continued Growth in Net Position

Continued Success of Philanthropy

Update on Auditor of Public Accounts Intercollegiate Athletics Programs Report for Year Ended June 30, 2020

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

March 5, 2021

The Auditor of Public Accounts (APA) is performing certain agreed-upon procedures to evaluate whether the Schedule of Revenues and Expenses of Intercollegiate Athletics Program of the university is in compliance with National Collegiate Athletic Association (NCAA) Constitution 3.2.4.15.1, for the year ended June 30, 2020. The APA is not performing an audit of the financial statements of the Intercollegiate Athletics Programs, so no opinion will be issued. The APA is performing procedures that address internal controls, affiliated and outside organizations, Schedule of Revenues and Expenses of Intercollegiate Athletics Programs (Schedule), and separate procedures for specific revenues and expenses. So far in the APA review, no matters have been identified by the APA requiring the amounts on the Schedule of Revenues and Expenses to be adjusted.

The purpose of the Schedule is to present a summary of revenues and expenses of the intercollegiate athletics programs of the university for the year ended June 30, 2020. Total revenues of the Intercollegiate Athletics Programs for the year ended June 30, 2020 were $99.2 million with the majority of the revenues coming from the football and basketball programs. Expenses for the year were $97.5 million, resulting in an operating surplus of $1.7 million. The following attachments provide additional information regarding athletic finances:

- *Attachment A* displays the five-year trend analysis of athletic revenues and expenses. The analysis indicates an upward slope in both revenues and expenses with a deficit in fiscal years 2016 and 2017, but a surplus in the other years.

- *Attachment B* shows the five-year trend for the net income/deficit. The fiscal year 2017 deficit occurred primarily due to the decision to use funds other than gifts to fund scholarships as explained below.

- *Attachment C* offers a breakout of fiscal year 2020 net operating income by athletic program, showing how the proceeds from football and men's basketball support other athletic programs.

- *Attachment D* is the unaudited Schedule of Revenues and Expenses and footnotes for the year ended June 30, 2020.

- Attachment E is the reconciliation of cash basis accounting to the NCAA report.

As with all auxiliaries, the university requires the Athletics Department to maintain adequate fund balances or reserves necessary to protect operations from volatility of changes in athletic program revenues and to serve as a contingency fund. Any proposed use of reserve funds must be approved in advance through the budget process. In fiscal year 2017, a use of reserves was approved, in part, to cover an expected scholarship fundraising shortfall anticipated at the beginning of the fiscal year. Athletic scholarships are primarily funded by gifts, and less than 20 percent of those gifts are from endowment income, which tend to have predictable annual distributions. Therefore, the majority of scholarships are funded by revenues generated from annual fundraising campaigns, which tend to be less predictable. In addition, such gifts tend to be received mainly in the latter part of each fiscal year (between December and March). If the fundraising campaign falls short of budgeted targets, the Athletics Department must use a combination of current year operating revenues or Athletics Department reserves to make up the shortfall.

For fiscal year 2017, the Athletics Department's approved budget authorized the use of $4 million from other operating funds to cover scholarship expenses, since on July 1, 2016, only $1.7 million of cash from gifts was available for scholarships. The gift resources at that time were insufficient to cover the athletic scholarship expenses for the Fall 2017 semester. However, as the year progressed, the fundraising campaign for fiscal year 2017 exceeded the budgeted target and the cash balance held by the Virginia Tech Foundation, Inc. at June 30, 2017 to fund athletic scholarships was approximately $7.3 million.

See Attachment D for the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs for the year ended June 30, 2020.

Additional Activities related to NCAA Reporting

Subsidy Percentage

House Bill 1897 (HB1897) passed by the 2015 General Assembly prohibits the total of school funds and student fees used to support intercollegiate athletics programs from exceeding a certain percentage of athletics revenues. This calculation is called the subsidy percentage. For the subsidy percentage calculation, revenues supporting spirit groups, indirect cost charges and debt service are removed from both the total revenue and the student fees. The bill requires any school that violates the subsidy percentage cap to submit to the General Assembly a five-year plan for coming into compliance. The subsidy percentages are larger for small institutions which do not have significant ticket sales or conference distributions. For Virginia Tech, the subsidy percentage must remain below 20 percent.

The university's athletic fees are the lowest in the Commonwealth and have not been affected by the fixed percentage of fees ceiling required by the legislation. Virginia Tech has met the subsidy percentage requirement in FY2017- 19. The APA report for FY2020 is not available at the time of this report.

Rolling Average

Per the requirements of Subsection D of § 23.1-1309 of the Code of Virginia, "any percentage increase in the subsidy at an institution that complies with Subsection C shall be matched by a like percentage increase in generated revenue, except that each institution shall utilize a rolling average of the change in generated revenue and student fees over the immediately preceding five years for the purposes of such calculation." Fiscal year 2019 is the third reporting year following the effective date of the regulation, and as such, five years of data is not available to develop a five-year rolling average. The APA calculated a three-year average for fiscal year 2017 through 2019.The increase in the student fees revenue during this period was 7.5 percent, which was greater than the 5.2 percent increase in generated revenues. However, these increases are based on total revenue increases, not per student fees.

Due to the pandemic, the 2021 Virginia General Assembly amended this requirement to provide additional operational relief to institutions of higher education. Pursuant to § 4-2.01.b.11 of this act, for future reporting on fiscal year 2023 and beyond required reporting on intercollegiate athletic revenues and expenses, specifically related to the share of athletic revenues from school funds and student fees, as set out in § 23.1-1309, Code of Virginia, fiscal years 2020, 2021, and 2022 shall be excluded from the calculated five-year rolling average of the change in generated revenue and student fees also outlined in § 23.1-1309, Code of Virginia.

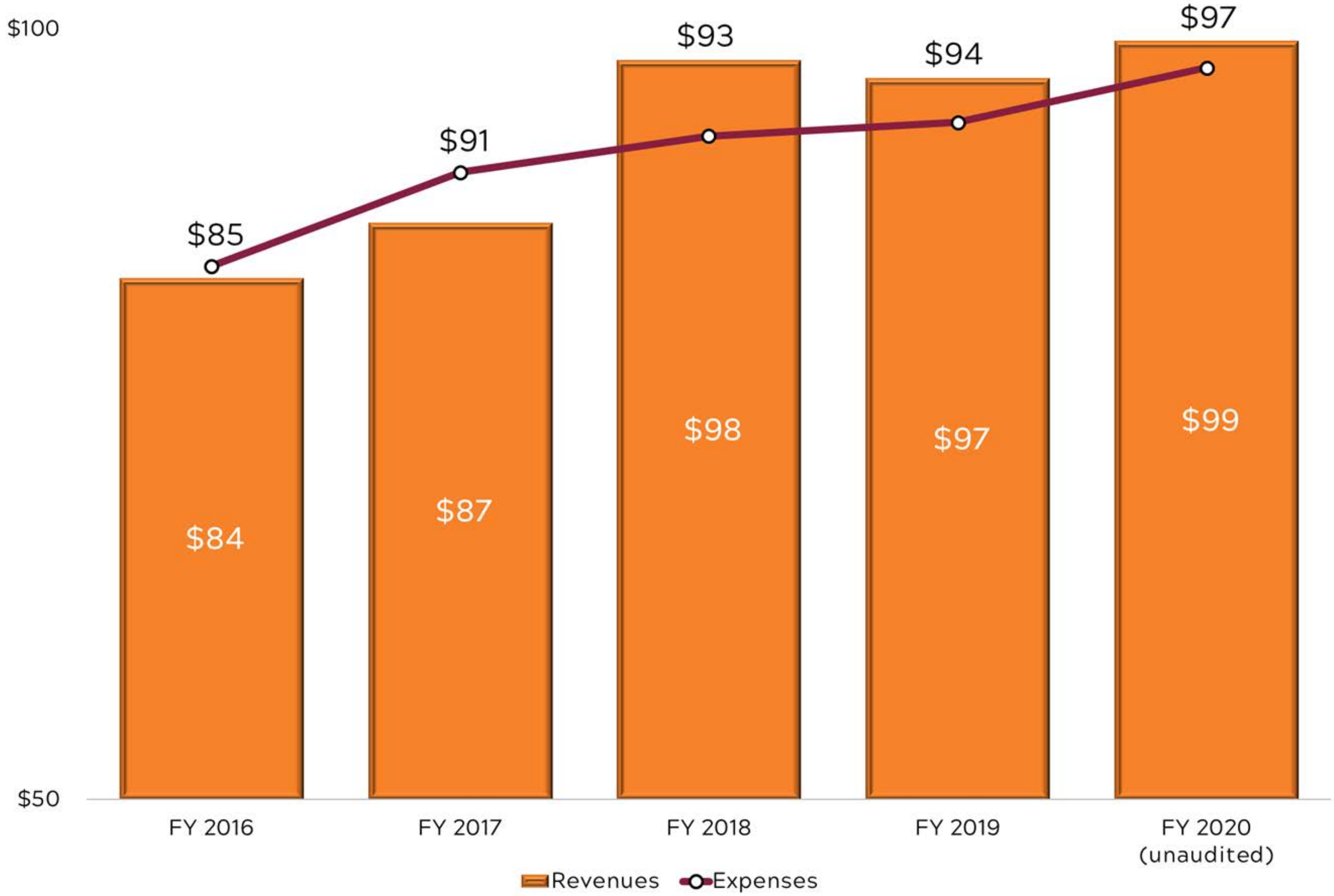
Table 1 below, displays Virginia Tech's modest increase in student athletic fees for the past five fiscal periods. Significant increase in enrollment results in larger increases to student fee revenue allocated to Athletics without substantial increases in fees assessed to students. In 2019, the athletic fee increased by $9 when compared to fiscal year 2018, the increase represents just 2.9 percent of the 7.5 percent increase in student fee revenue. The university also experienced enrollment increased by nearly 1,000 full-time students in fiscal year 2018. When considering the per student increase in the comprehensive fee and increase in enrollment, the total increase approximates the year over year increase in student fees reported in the Schedule. Significant year over year increases in enrollment can have large fluctuations in student fee revenue allocated to athletics; however, the use of this information should consider the per student increase in fee, in additional to the total student fee allocation reported in the Schedule.

Table 1: Intercollegiate Athletics Non-E&G Mandatory Intercollegiate Athletics Fees

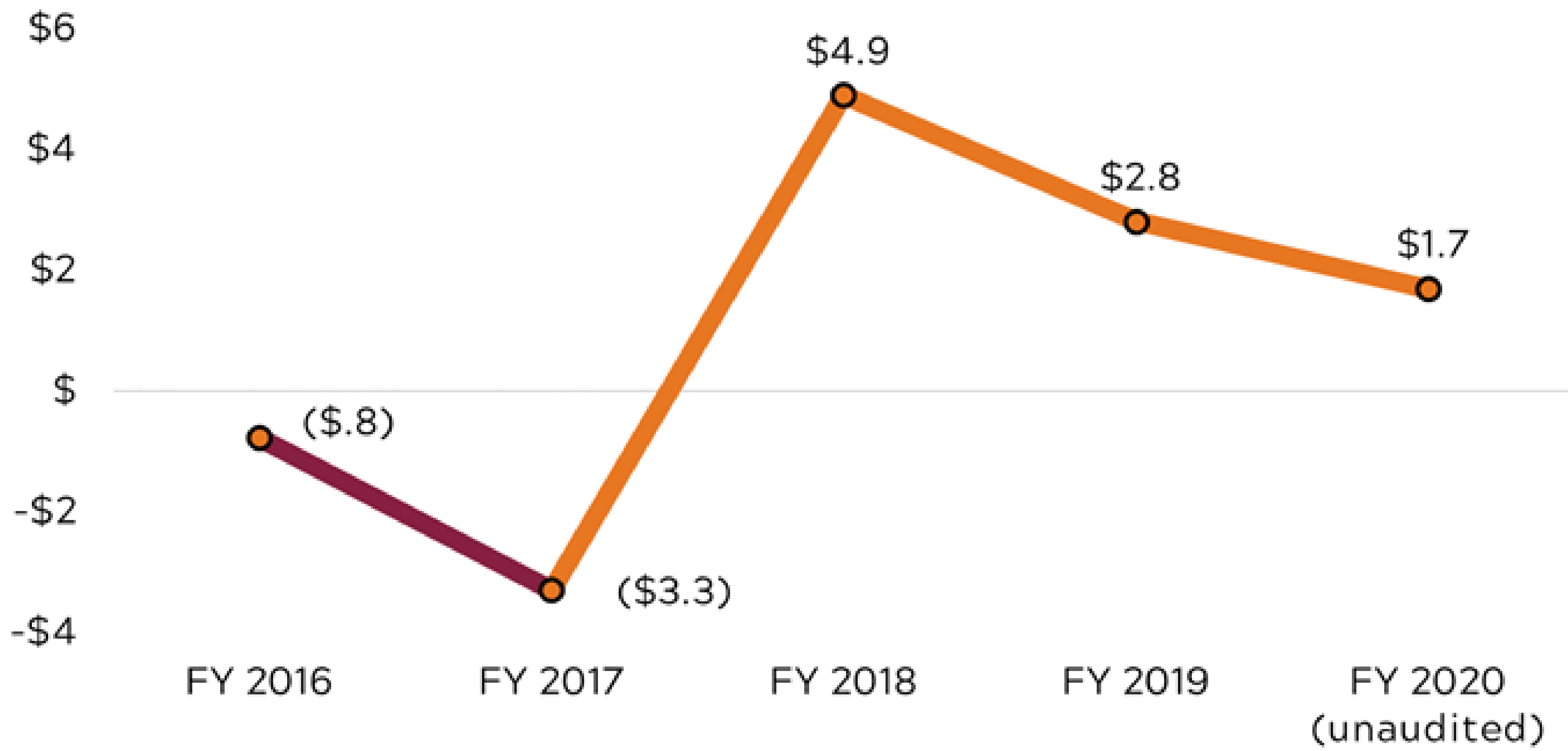
	FY2015-16	**FY2016-17**	**FY2017-18**	**FY2018-19**	**FY2019-20**
Fee per FTE student	$288	$293	$308	$317	$326
$ Increase	$6	$5	$15	$9	$9
% Increase	2.1%	1.7%	5.1%	2.9%	2.8%
Student fee revenues	$8,642,256	$8,885,874	$9,704,076	$10,275,759	$10,924,067

The APA is near completion of its review and a draft report is anticipated in the near future. The final audit report will be distributed to the Board of Visitors as soon as it is available.

Intercollegiate Athletic Programs Revenue & Expenses
FY 2016 - FY 2020
(all dollars in millions)



Intercollegiate Athletic Programs
Net Operating Income (Deficit)
FY 2016 - FY 2020
(all dollars in millions)



Intercollegiate Athletic Programs

Net Operating Income (Deficit)

for the Year Ended of June 30, 2020

Unaudited

(all dollars in millions)

	Revenue	Expenses	Net Income/Deficit
Football	$ 49.6	$ 34.3	$ 15.3
Men's Basketball	11.3	9.6	1.7
Women's Basketball	1.1	4.6	(3.5)
*Other Sports	5.7	21.0	(15.3)
**Non Program Specific	31.5	28.0	3.5
	$ 99.2	$ 97.5	$ 1.7

**Other Sports is the total of Men's Other Sports, Women's Other Sports. There are 16 other sports programs such as baseball, softball, golf, tennis, track & field, etc.*

*** Non Program Specific includes revenues and expenses that cannot be attributed to a specific sport and support the overall function of the Athletic program.*

Attachment F

Attachment D

Schedule of Revenues & Expenses
of Intercollegiate Athletic Programs
for the Year Ended of June 30, 2020
UNAUDITED

	Football	Men's Basketball	Women's Basketball	Men's Other Sports	Women's Other Sports	Non-Program Specific	Total
Operating Revenues:							
Ticket sales	$ 16,159,618	$ 2,851,727	$ 187,525	$ 1,169	$ -	$ 325	$ 19,200,363
Direct state or other government support	632	391	-	209	991	205	2,429
Student fees	-	-	-	-	2,546,885	8,377,182	10,924,067
Direct institutional support	-	-	-	-	-	-	-
Less: Transfers to institution	-	-	-	-	-	-	-
Indirect institutional support	-	-	-	-	-	-	-
Guarantees	-	-	-	10,700	1,000	-	11,700
Contributions	4,958,551	278,548	227,860	448,010	281,567	15,612,295	21,806,832
In-kind	32,886	70,166	72	11,229	21,301	13,805	149,460
Compensation and benefits provided by a third-party	-	-	-	-	-	-	-
Media rights	17,717,303	6,735,392	414,309	27,500	76,500	3,896,000	28,867,005
NCAA distributions	-	762,503	-	-	-	773,602	1,536,105
Conference distributions (non-media or bowl)	625,149	292,258	-	-	-	-	917,407
Conference distributions (bowl)	5,272,407	-	-	-	-	-	5,272,407
Program, novelty, parking, and concession sales	1,560,715	103,203	16,943	8,787	5,273	2,077	1,696,996
Royalties, licensing, advertisement and sponsorships	1,167,606	71,898	61,288	292,616	204,209	1,089,684	2,887,302
Sports camp revenues	3,274	-	-	-	-	-	3,274
Athletics restricted endowment and investment income	967,386	158,936	192,310	536,285	1,039,133	750,771	3,644,822
Other	-	-	-	76,734	66,734	964,396	1,107,864
Bowl revenue	1,165,924	-	-	-	-	-	1,165,924
Total Operating Revenues	$ 49,631,452	$ 11,325,022	$ 1,100,308	$ 1,413,237	$ 4,243,593	$ 31,480,342	$ 99,193,956

Attachment F

Attachment D

Schedule of Revenues & Expenses
of Intercollegiate Athletic Programs
for the Year Ended of June 30, 2020
UNAUDITED

	Football	Basketball	Basketball	Other Sports	Other Sports	Specific	Total
Operating Expenses:							
Athletic student aid	$ (4,565,318)	$ (839,236)	$ (792,246)	$ (3,345,854)	$ (4,932,489)	$ (1,181,500)	$ (15,656,642)
Guarantees	(1,295,000)	(746,032)	(76,000)	(13,500)	(3,535)	-	(2,134,066)
Coaching salaries, benefits, and bonuses paid by the university and related entities	(8,566,202)	(3,736,886)	(1,261,471)	(3,128,803)	(2,805,781)	-	(19,499,143)
Coaching other compensation and benefits paid by a third-party	-	-	-	-	-	-	-
Support Staff/Administrative salaries, benefits, and bonuses paid by the university and related entities	(2,291,232)	(857,714)	(501,256)	(295,029)	(268,365)	(13,024,821)	(17,238,417)
Support Staff/Administrative other compensation paid by a third-party	-	-	-	-	-	-	-
Severance payments	(223,735)	-	(26,906)	(8,109)	(38,977)	(89,978)	(387,705)
Recruiting	(847,964)	(323,806)	(204,565)	(227,729)	(249,105)	(23,716)	(1,876,885)
Team travel	(1,109,348)	(706,031)	(667,441)	(627,686)	(815,054)	(147)	(3,925,707)
Sports equipment, uniforms and supplies	(771,108)	(157,458)	(90,384)	(595,045)	(542,248)	(6,160)	(2,162,402)
Game expenses	(2,737,073)	(728,003)	(321,263)	(189,466)	(200,046)	(560,578)	(4,736,429)
Fundraising, marketing and promotions	(490,976)	(90,027)	(44,821)	(16,320)	(42,906)	(352,666)	(1,037,715)
Sport camp expenses	(16,499)	-	-	-	-	-	(16,499)
Spirit groups	(164,035)	(19,453)	(3,080)	(1,280)	(1,280)	(245,577)	(434,705)
Athletic facilities leases, and rental fees	-	-	-	(125,000)	(125,000)	(908)	(250,908)
Athletic facilities debt service	(4,078,253)	(325,849)	(325,849)	-	-	(1,194,648)	(5,924,600)
Direct overhead and administrative expenses	(2,193,676)	(495,701)	(49,695)	(337,721)	(266,951)	(3,992,277)	(7,336,020)
Indirect cost paid to the institution by athletics	(97,922)	-	-	-	-	(5,208,562)	(5,306,485)
Indirect institutional support	-	-	-	-	-	-	-
Medical expenses and insurance	(235,147)	(45,355)	(46,768)	(250,452)	(265,350)	(521,255)	(1,364,327)
Memberships and dues	(2,010)	(685)	(1,225)	(11,792)	(9,721)	(32,152)	(57,585)
Student-Athlete meals	(855,208)	(164,520)	(68,803)	(380,793)	(328,710)	(69,009)	(1,867,043)
Other operating expenses	(2,117,730)	(356,981)	(95,170)	(281,447)	(233,447)	(1,587,171)	(4,671,946)
Bowl expenses	(1,304,343)	-	-	-	-	-	(1,304,343)
Bowl expenses- Coaching Compensation/Bonuses	(302,650)	-	-	-	-	-	(302,650)
Total Operating Expenditures	$ (34,265,429)	$ (9,593,738)	$ (4,576,944)	$ (9,836,026)	$ (11,128,964)	$ (28,091,124)	$ (97,492,222)
Excess (Deficiency) of Revenues Over (Under) Expenditures for the Year	$ 83,896,881	$ 20,918,760	$ 5,677,252	$ 11,249,264	$ 15,372,557	$ 59,571,466	$ 1,701,734

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenses of Intercollegiate Athletic Programs has been prepared on the accrual basis of accounting. The purpose of the Schedule is to present a summary of revenues and expenses of the intercollegiate athletic programs of the University for the year ended June 30, 2020. The Schedule includes those intercollegiate athletics revenues and expenses made on behalf of the University's athletics programs by outside organizations not under the accounting control of the University. Because the Schedule presents only a selected portion of the activities of the University, it is not intended to and does not present either the financial position, changes in fund balances, or cash flows for the year then ended. Revenues and expenses directly identifiable with each category of sport presented are reported accordingly. Revenues and expenses not directly identifiable to a specific sport are reported under the category "Non-Program Specific."

2. AFFILIATED ORGANIZATIONS

The University received $25,451,654 from the Virginia Tech Foundation, Inc. Approximately $15,656,642 of these funds were used for grant-in-aid scholarships for student-athletes. These amounts received are included in the accompanying Schedule as follows: $12,011,820 is included in the Contributions line item and $3,644,822 is included in the Athletics Restricted Endowment and Investment Income line item.

3. LONG-TERM DEBT

In October 2001, a $26,285,000 note was issued for the Athletic Department. This note was issued for the South End Zone addition to Lane Stadium. Part of the original debt issuance was refinanced in February 2011 with an $11,540,000 note that will be repaid through 2027 and has an outstanding balance of $7,625,000. The remaining original debt issuance was repaid with private fund raising and operating revenues during 2020.

In May 2004, a $52,715,000 revenue bond was issued for the Athletic Department. This bond was issued for the West Side Expansion to Lane Stadium which was completed in 2006. The majority of this debt was refinanced in November 2012 with a $32,365,000 note. This note has an outstanding balance of $21,380,000 and will be repaid with private fund raising and operating revenues through 2029. The remaining original debt issuance was repaid with private fund raising and operating revenues during 2014.

In November 2009, an $8,705,000 note was issued for the Athletic Department. This note was issued for the Hahn Hurst Basketball Practice Center. Part of the original debt was refinanced in November 2016 with a $5,385,000 note that will be repaid through 2030 and has an outstanding balance of $5,385,000.

The remaining original debt issuance was repaid with private fund raising and operating revenues during 2020.

In October 2015, a $510,000 revenue bond was issued for the Athletic Department. This bond was issued for the Indoor Practice Facility. This note has an outstanding balance of $510,000 and will be repaid with general operating revenues through 2035.

In August 2016, a $31,509,000 internal loan was issued for the Athletic Department. This loan was issued for improvements to the Baseball Stadium and Rector Field House. This note has an outstanding balance of $29,286,000 and will be repaid with general operating revenues through 2035.

A summary of future principal and interest commitments for fiscal years subsequent to June 30, 2020 is presented as follows:

FY Ending June 30,	Principal	Interest	Total
2021	$ 4,112,000	$ 1,843,000	$ 5,955,000
2022	4,294,000	1,655,000	5,949,000
2023	4,355,000	1,461,000	5,816,000
2024	4,542,000	1,272,000	5,814,000
2025	4,950,000	1,113,000	6,063,000
2026-2030	23,771,000	3,305,000	27,076,000
2031-2035	18,162,000	771,000	18,933,000
	$ 64,186,000	$ 11,420,000	$ 75,606,000

4. UNIVERSITY ADMINISTRATION FEE

As with all auxiliary enterprises, the University charges the Athletic Department an administrative fee. During the fiscal year, the Department paid $5,306,485 to the University. This amount is included on the Indirect Cost Paid to the Institution by Athletics line item, and includes $97,922 in Football and $5,208,562 in the Non-Program Specific category.

5. CAPITAL ASSETS

Capital assets consisting of buildings, infrastructure, and equipment are stated at appraised historical cost or actual cost where determinable. Construction in progress (CIP) is capitalized at actual cost as expenses are incurred. All gifts of capital assets are recorded at fair market value as of the donation date.

Equipment is capitalized when the unit acquisition cost is $2,000 or greater and the estimated useful life is one year or more. Software is capitalized when the acquisition and/or the development costs exceed $100,000. Renovation costs are capitalized when expenses total more than $100,000, the asset value significantly increases, or the useful life is significantly extended. Routine repairs and maintenance are charged to operating expense in the year the expense is incurred.

Depreciation is computed using the straight-line method over the useful life of the assets. The useful life is 40 to 60 years for buildings, 10 to 50 years for infrastructure and land improvements, and 3 to 30 years for fixed and movable equipment.

A summary of changes in capital assets follows for the year ending June 30, 2020 (all dollars in thousands):

	Beginning Balance	Additions	Retirements	Ending Balance
Depreciable capital assets				
Buildings	$ 206,289	$ 3,303	$ -	$ 209,592
Moveable equipment	7,775	5,905	85	13,595
Software	313	-	-	313
Fixed equipment	12,963	138	-	13,101
Infrastructure	20,454	93	-	20,547
Total depreciable capital assets, at cost	247,794	9,439	85	257,148
Less accumulated depreciation				
Buildings	$ 58,557	$ 4,577	$ -	$ 63,134
Moveable equipment	5,654	1,225	235	6,644
Software	275	10	-	285
Fixed equipment	4,867	635	-	5,502
Infrastructure	17,264	663	-	17,927
Total accumulated depreciation	86,617	7,110	235	93,492
Total depreciable capital assets, Net of accumulated depreciation	161,177	2,329	(150)	163,656
Non-depreciable capital assets				
Construction in progress	5,184	13,375	3,124	15,435
Total non-depreciable capital assets	5,184	13,375	3,124	15,435
Total capital assets, net of accumulated depreciation	$ 166,361	$ 15,704	$ 2,974	$ 179,091

Intercollegiate Athletic Programs
Reconciliation of Cash to NCAA Report
For the year ended June 30, 2020
(all dollars in millions)

	Revenues	Expenses	Net Income/Deficit
Cash Basis Per BOV Financial Performance Report	$ 66.9	$ 75.9	$ (9.0)
Accounts Receivable FY20			
ACC revenues	4.2		4.2
IMG Learfield revenues	4.5		4.5
NCAA Adjustments FY20			
Athletic Scholarships	15.7	15.7	-
Foundation Athletic Expenses	2.7	2.7	-
Complimentary/Contract tickets	2.1	2.1	-
Apparel Contract	0.9	0.9	-
ACC Officials	0.7	0.7	-
Other accruals	1.5	(0.5)	2.0
NCAA report	$ 99.2	$ 97.5	$ 1.7

Auditor of Public Accounts Draft Report on Intercollegiate Athletics Programs

KEN MILLER, VICE PRESIDENT FOR FINANCE

MARCH 21, 2021

NCAA Annual Report Overview

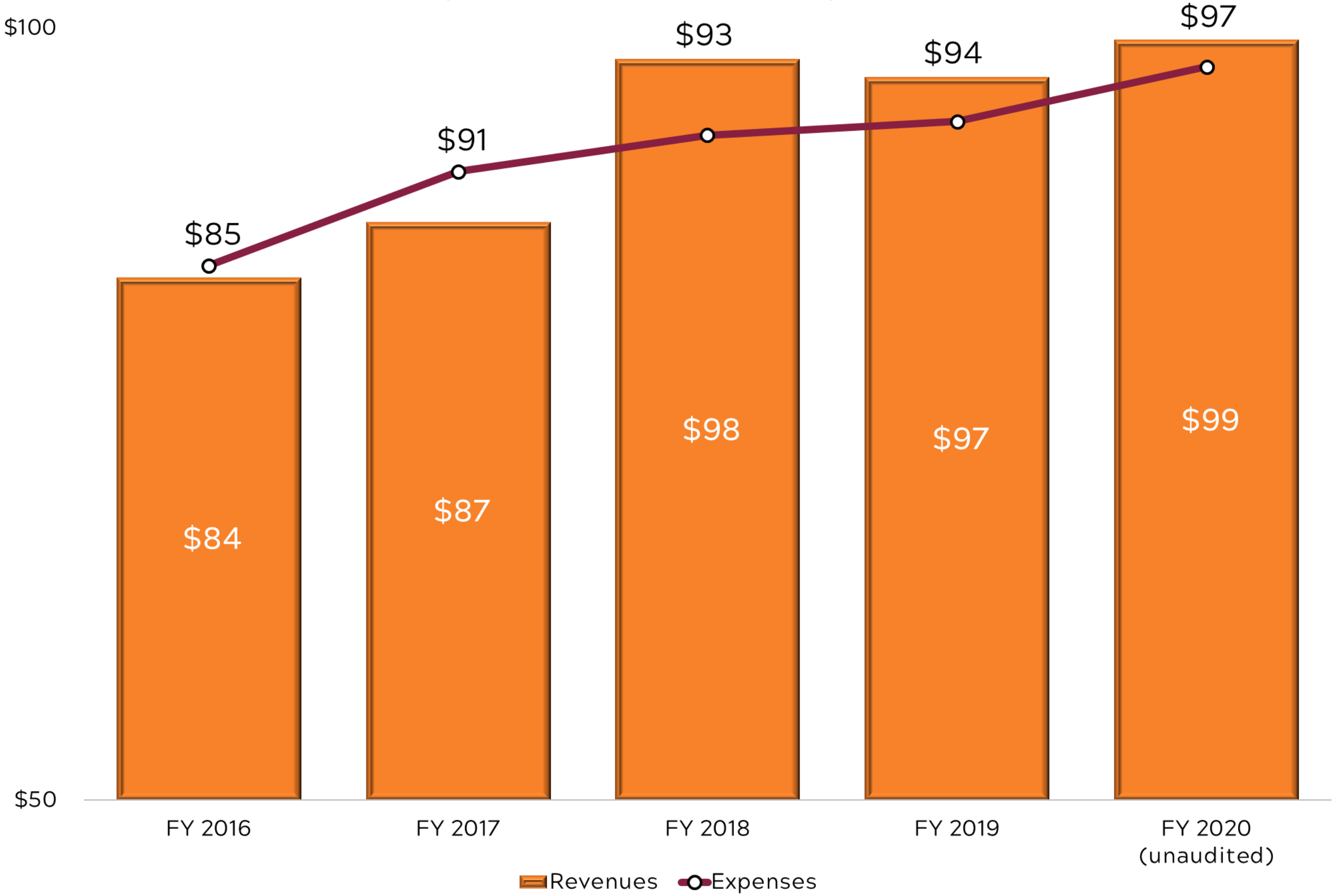
- National Collegiate Athletic Association (NCAA) constitution requires an annual Schedule of Revenues and Expenses of Intercollegiate Athletics Program (Schedule).
- Auditor of Public Accounts (APA) performs certain agreed-upon procedures to evaluate the university's Schedule complies with NCAA rules.
- APA review is in progress and the final report will be provided to the BOV.
  - The university is not aware of any matters identified by the APA requiring adjustments to the Schedule.
- NCAA report differs from the cash basis quarterly financial performance report as it is accrual basis and includes revenues and expenditures for items paid by outside parties (e.g., Virginia Tech Foundation).

Attachment F

Intercollegiate Athletic Programs Revenues & Expenses

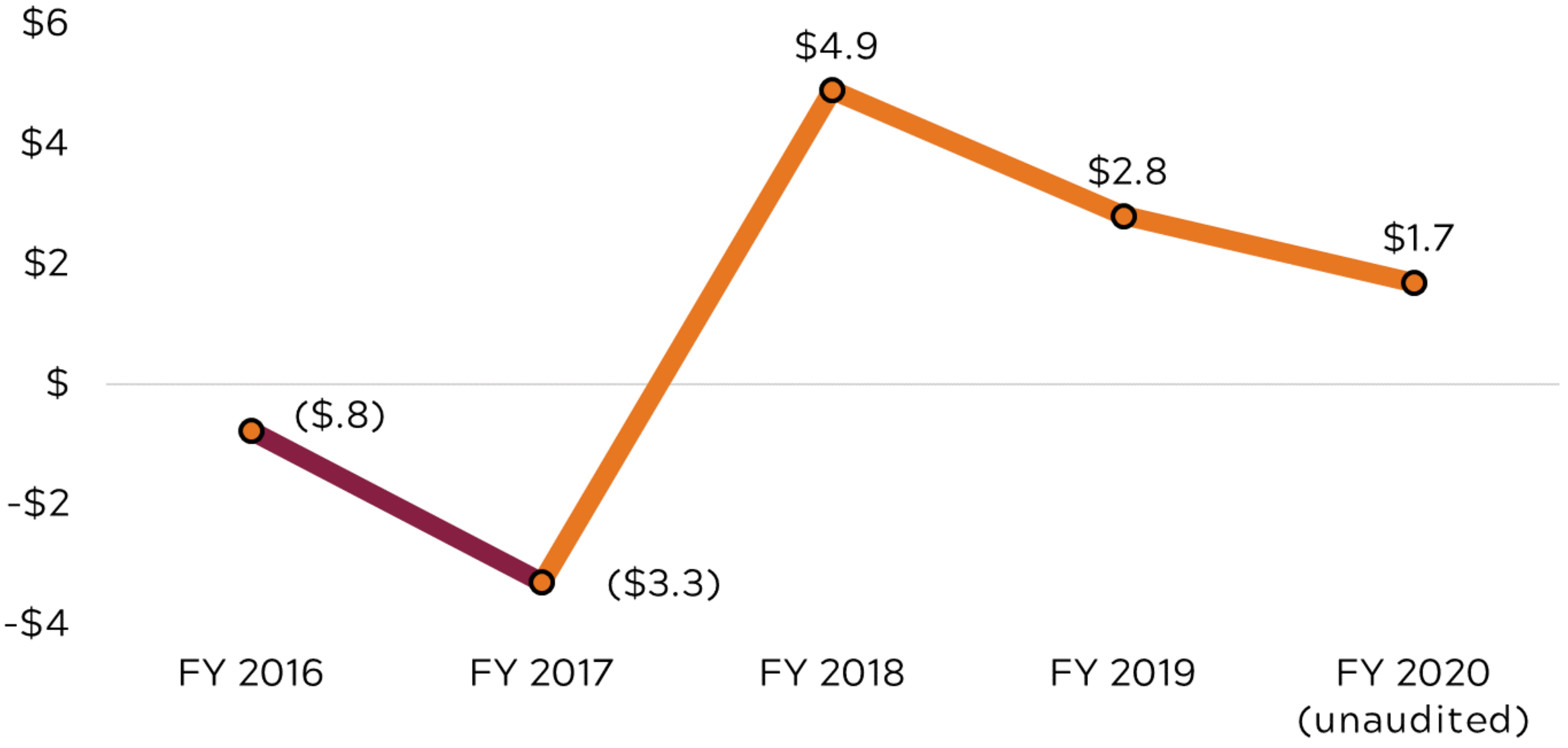
FY 2016 - FY 2020

(all dollars in millions)



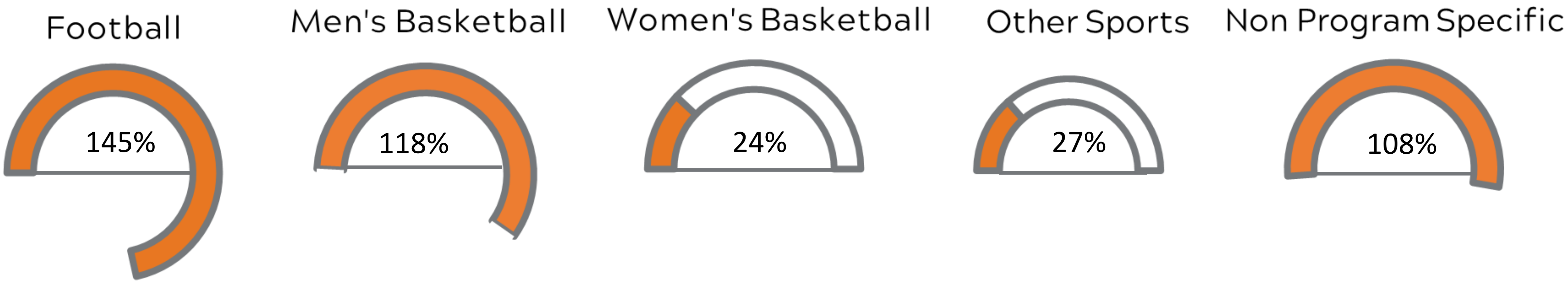
Intercollegiate Athletic Programs
Net Operating Income (Deficit)

FY 2016 - FY 2020
(all dollars in millions)



Attachment F

Intercollegiate Athletic Programs
Net Operating Income (Deficit)
FY 2020 Unaudited



	Revenue	Expenses	Net Income/Deficit
Football	$ 49.6	$ 34.3	$ 15.3
Men's Basketball	11.3	9.6	1.7
Women's Basketball	1.1	4.6	(3.5)
*Other Sports	5.7	21.0	(15.3)
**Non Program Specific	31.5	28.0	3.5
	$ 99.2	$ 97.5	$ 1.7

**Other Sports is the total of Men's Other Sports, Women's Other Sports. There are 16 other sports programs such as baseball, softball, golf, tennis, track & field, etc.*

***Non Program Specific includes revenues and expenses that cannot be attributed to a specific sport and support the overall function of the Athletic program.*

VIRGINIA TECH.

Intercollegiate Athletic Programs
Reconciliation of Cash to NCAA Report

FY 2020
(all dollars in millions)

	Revenues		Expenses		Net Income/Deficit	
Cash Basis Per BOV Financial Performance Report	$	66.9	$	75.9	$	(9.0)
Accounts Receivable FY20						
ACC revenues		4.2				4.2
IMG Learfield revenues		4.5				4.5
NCAA Adjustments FY20						
Athletic Scholarships		15.7		15.7		-
Foundation Athletic Expenses		2.7		2.7		-
Complimentary/Contract tickets		2.1		2.1		-
Apparel Contract		0.9		0.9		-
ACC Officials		0.7		0.7		-
Other accruals		1.5		(0.5)		2.0
NCAA report	$	99.2	$	97.5	$	1.7

Discussion of Future Agenda Topics and Closing Remarks

ED BAINE

CHAIR, FINANCE AND RESOURCE MANAGEMENT COMMITTEE