

Committee Minutes

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

Virginia Tech Newport News Center

November 13-14, 2022

Joint Open Session with the Buildings and Grounds Committee

November 13, 2022

Board Members Present: Ed Baine, Sharon Brickhouse Martin, Anna Buhle – Graduate Student Representative, Shelley Butler Barlow, David Calhoun, Sandy Cupp Davis, Carrie Chenery, Holli Drewry – Administrative and Professional Faculty Representative, Greta Harris, Brad Hobbs, Anna James, Tish Long, Melissa Nelson, Chris Petersen, Jamal Ross – Undergraduate Student Representative, Jeff Veatch, Robert Weiss – Faculty Representative, Serena Young – Staff Representative

Virginia Tech Personnel: Mac Babb, Whit Babcock, Callan Bartel, Laura Belmonte, Linsay Belshe, James Bridgeforth, Bob Broyden, Brock Burroughs, Cyril Clarke, Al Cooper, David Crotts, John Cusimano, Corey Earles, Jeff Earley, Alisha Ebert, Kari Evans, Mark Gess, Emily Gibson, Suzanne Griffin, Rebecca Halsey, Kay Heidbreder, Mary Helmick, Patrick Hilt, Tim Hodge, Travis Hundley, Frances Keene, Chris Kiwus, Sharon Kurek, Evans Lusuli, Rob Mann, Meghan Marsh, Elizabeth McClanahan, Nancy Meacham, Liza Morris, Justin Noble, Kim O'Rourke, Mark Owczarski, James Perkins, Charlie Phlegar, Kevin Pitts, Menah Pratt, Julia Ross, Tim Sands, Amy Sebring, Lexi Simmers, Dan Sui, Don Taylor, Dwyn Taylor, Jon Clark Teglas, Rob Viers, Tracy Vosburgh, Michael Walsh, Lisa Wilkes

Guests: Jack Leff – Virginia Tech Grad Student, Jeff Mitchell – Mitchell Law Firm, Kimberly Moore – Dogwood Residential, Margaret Nagai-Singer – Virginia Tech Grad Student, Harmony Tripp – CMG Leasing

- * 1. **Review and Acceptance of the Annual Report on University Debt Ratio and Debt Capacity:** The Committees received for acceptance a report on the university's debt ratio and debt capacity. At the conclusion of fiscal year 2021-22, outstanding long-term debt of the university totaled \$547.6 million with a debt ratio of 3.45 percent of operating expenditures. The university proposes the continuation of the six percent cap on the debt ratio for future years.
- * 2. **Resolution to Adopt the 2022 Student Life Village Master Plan:** The Committees reviewed for approval a resolution to adopt the 2022 Student

* Requires full Board approval

Discusses Enterprise Risk Management topic(s)

+ Discusses Strategic Investment Priorities topic(s)

Life Village Master Plan. The university has prepared the Student Life Village master plan to guide the physical development of a new residential district in supplement to the 2018 Campus Master Plan, Beyond Boundaries 2047: The Campus Plan. The plan for the Student Life Village sets forth a long-range vision that builds off the goals, objectives, and aspirations of the master plan and the university's strategic plan, The Virginia Tech Difference: Advancing Beyond Boundaries. The planning process for the Student Life Village included engagement with campus executive leadership, a broad range of constituents including students, and was shaped by the technical expertise of campus stakeholders. The plan incorporates analysis of residential program needs, land use, landscape, building massing, scale, and siting. Additionally, the plan evaluated and incorporated layers of infrastructure including mobility and accessibility, utilities and stormwater, technology, and safety. The resolution seeks adoption of the plan as a supplement to the previously adopted 2018 Campus Master Plan.

The Committees recommended the Resolution to Adopt the 2022 Student Life Village Master Plan to the full Board for approval.

There being no further business, the meeting adjourned at 10:28 a.m.

Open Session

November 14, 2022

Board Members Present: Ed Baine, Brad Hobbs, Anna James, Tish Long

Virginia Tech Personnel: Beth Armstrong, Callan Bartel, Bob Broyden, John Cusimano, Jeff Earley, Alisha Ebert, Guru Ghosh, Luisa Havens Gerardo, Debbie Greer, Lindsey Haugh, Kay Heidbreder, Jim Hillman, Tim Hodge, Matt Holt, Elizabeth Hooper, Rob Mann, Elizabeth McClanahan, Nancy Meacham, Charlie Phlegar, Tim Sands, Amy Sebring, Lexi Simmers, Dan Sui, Rob Viers, Tracy Vosburgh, Michael Walsh, Melinda West

Guests: Ellen Rangers – Virginia Tech Grad Student

1. **Motion to Reconvene in Open Session**
2. **Welcome and Opening Remarks:** The Committee Chair welcomed the attendees and gave opening remarks.

- * Requires full Board approval
- # Discusses Enterprise Risk Management topic(s)
- + Discusses Strategic Investment Priorities topic(s)

The Chair held a moment of silence in response to the tragedy at the University of Virginia.

The Chair acknowledged John Cusimano, University Treasurer and Associate Vice President for Finance for the Virginia Tech Foundation, for his years of service. The November Board Meeting was his last Virginia Tech Board Meeting as he is retiring at the end of the year.

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 23, 2022 Meeting

c. Annual Write-off of Delinquent Accounts: As of June 30, 2022, the amount of write-offs of delinquent accounts totaled \$529,580 which represents 0.05 percent of the 2021 annual operating revenues of \$1.2 billion. The current year write-off is consistent with the total write-off amounts in recent years.

* **d. Approval of Pratt Fund Program and Expenditures 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 2021-2022, the College of Engineering had total expenditures of \$1,063,724 and the Department of Animal Nutrition had total expenditures of \$878,575.

* **e. Approval of Resolution on Ratification on Lease Activities Approved by the University:** The university approves and the Board of Visitors ratifies lease activities below the capital project threshold according to the process the Board of Visitors approved at the June 2021 meeting. The university-approved lease portfolio had an ending balance of \$56.8 million at June 30, 2022, with \$26.5 million attributable to leases with the Virginia Tech Foundation.

The Committee approved the items on the Consent Agenda and recommended the Pratt Fund Program and Expenditure Report and the Resolution on Ratification of Lease Activities Approved by the University to the full Board for approval.

- * Requires full Board approval
- # Discusses Enterprise Risk Management topic(s)
- + Discusses Strategic Investment Priorities topic(s)

4. **Update on Advancement:** University Advancement provided a report on their fundraising efforts including the campaign.

* 5. **Approval of Resolution to Create a New University-Related Corporation and Affiliation Agreement:** The Committee reviewed for approval a resolution to create a new university-related corporation and Affiliation Agreement in Switzerland to replace the existing foundation which is being dissolved. The primary purpose of the new affiliated corporation is to perform management services in support of fulfilling Virginia Tech's mission in offering experiential learning opportunities for undergraduate and graduate students engaged in semester and summer programs at the Steger Center.

The Committee recommended the Resolution to Create a New University-Related Corporation and Affiliation Agreements to the full Board for approval.

* 6. **Approval Resolution to Loan Funds to the New University-Related Corporation:** The Committee reviewed for approval a resolution authorizing the university to loan working capital up to \$250,000 to the university-related Swiss Corporation. These loans would provide initial capitalization and up to three months of expenditures to finance operations.

The Committee recommended the Resolution for Authority to Loan Funds to the New University-Related Corporation to the full Board for approval.

* 7. **Approval of Revised Authorization of General Banking Resolution:** The Committee reviewed for approval an authorization of general banking resolution. This resolution authorizes the President, Executive Vice President and Chief Operating Officer, or the Vice President for Finance, and University Treasurer, or their designees, to transact the day-to-day banking duties on behalf of the university.

The Committee recommended the Revised Authorization of General Banking Resolution to the full Board for approval.

+ 8. **Annual Report on Investments and Quasi-Endowments:** The Committee received a report on university investments and quasi-endowments, investment performance and related benchmarks, estimated payouts for fiscal year 2023, and planned use of such funds. The university has two investment pools: a short to intermediate-term pool managed within the

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Discusses Enterprise Risk Management topic(s)

+ Discusses Strategic Investment Priorities topic(s)

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, 2022, the market value of university funds invested in the short to intermediate-term pool was \$564.6 million and in the Foundation was \$513.6 million. The short-term university investment income for fiscal year 2023 is estimated to be approximately \$1.1 million and the long-term investment income for fiscal year 2023 is estimated to be approximately \$22.3 million. The university's investment income is budgeted for restricted and unrestricted purposes to support scholarships, professorships, graduate student assistantships, auxiliary enterprises, the Virginia Tech Carilion School of Medicine, the Innovation Campus, one-time or limited recurring commitments for strategic institutional goals and initiatives, and building adequate operating reserves. This includes the strategic milestone of growing net assets by \$20 million per year.

- #+** 9. **Annual Report on Research Finances and Resources:** The Committee received a comprehensive annual report on research finances and resources highlighting university research development and expenditures, proposal trends, and an overview of Link, License, and Launch. This report also included an overview of the Enterprise Risk landscape and mitigation strategies.
- #+** 10. **Annual Report on the University's Student 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 \$541.4 million to \$574.0 million in fiscal year 2022.
- *+** 11. **Approval of Revisions to the 2022-28 Six-Year Plan:** The Committee reviewed for approval the revisions to the 2022-2028 Six-Year Plan. The Higher Education Opportunity Act of 2011 established goals and objectives for higher education in Virginia, and outlined an annual planning process. This process requires submission of six-year academic, financial, and enrollment plans for the future three biennia. The focus of the plan,

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Discusses Enterprise Risk Management topic(s)

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submitted each odd-year, is the first biennium of the planning period, and even-year submissions may revise these plans as necessary.

The university developed the revised Six-Year Plan for submission to the state on October 1, 2022. This report provides an overview of the Six-Year Plan process, key assumptions, and substantive revisions to the original plan submitted last year.

The Committee recommended the Revisions to the 2022-28 Six-Year Plan to the full Board for approval.

- * **12. Approval of Year-to-Date Financial Performance Report (July 1, 2022 – September 30, 2022):** The Committee reviewed for approval the Year-to-Date Financial Performance Report for July 1, 2022 to September 30, 2022. For the first quarter, budget adjustments were made to reflect revisions to projected revenues and expenditures. The Tuition and Fee budget was increased by \$2.5 million due to increases in graduate and undergraduate enrollments offset by a decrease for the Virginia Military Survivor program. Adjustments to the auxiliary budget include a \$24.2 million carryover for outstanding commitments and obligations.

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 discuss any future agenda topics.

There being no further business, the meeting adjourned at 11:00 a.m.

- * Requires full Board approval
- # Discusses Enterprise Risk Management topic(s)
- + Discusses Strategic Investment Priorities topic(s)

Joint Open Session Agenda

**FINANCE AND RESOURCE MANAGEMENT COMMITTEE
AND BUILDINGS AND GROUNDS COMMITTEE**

**Sunday, November 13, 2022
9:00 a.m.**

Solitude Room of the Inn at Virginia Tech and Skelton Conference Center

	<u>Agenda Item</u>	<u>Reporting Responsibility</u>
+ #	1. Review and Acceptance of the Annual Report on University Debt Ratio and Debt Capacity	Ken Miller Bob Broyden
* +	2. Resolution to Adopt the 2022 Student Life Village Master Plan	Bob Broyden Frances Keene

*** Requires full Board approval**

Discusses Enterprise Risk Management topic(s)

+ Discusses Strategic Investment Priorities topic(s)

*** Requires full Board approval**

Discusses Enterprise Risk Management topic(s)

+ Discusses Strategic Investment Priorities topic(s)

Open Session Agenda
FINANCE AND RESOURCE MANAGEMENT COMMITTEE
8:45 a.m.
Solitude Room, The Inn at Virginia Tech
November 14, 2022

<u>Agenda Item</u>	<u>Reporting Responsibility</u>
1. Motion to Reconvene in Open Session	Anna James
2. Welcome and Opening Remarks	Ed Baine
3. Consent Agenda	Ed Baine
a. Approval of Items Discussed in Closed Session	
b. Approval of Minutes of the August 23, 2022 Meeting	
c. Annual Write-off of Delinquent Accounts	
* d. Approval of Pratt Fund Program and Expenditures Report	
* e. Approval of Resolution on Ratification of Lease Activities Approved by the University	
# 4. Update on Advancement	Charlie Phlegar
* 5. Approval of Resolution to Create a New University-Related Corporation and Affiliation Agreement	Ken Miller
* 6. Approval of Resolution for Authority to Loan Funds to the New University-Related Corporation	Ken Miller
* 7. Approval of Revised Authorization of General Banking Resolution	Ken Miller
+ 8. Annual Report on Investments and Quasi-Endowments	Ken Miller John Cusimano Tim Hodge
#+ 9. Annual Report on Research Finances and Resources	Dan Sui
#+ 10. Annual Report on the University's Student Financial Aid Resources	Tim Hodge Luisa Havens Gerardo
*+ 11. Approval of Revisions to the 2022-28 Six-Year Plan	Ken Miller Tim Hodge
* 12. Approval of Year-to-Date Financial Performance Report (July 1, 2022 – September 30, 2022)	Tim Hodge Bob Broyden
13. Discussion of Future Agenda Topics and Closing Remarks	Ed Baine

* **Requires full Board approval**

Discusses Enterprise Risk Management topic(s)

+ **Discusses Strategic Investment Priorities topic(s)**

CONSENT AGENDA

Attachment F

- a. Approval of Items Discussed in Closed Session
- b. Approval of Minutes of the August 23, 2022 Meeting
- c. Annual Write-offs of Delinquent Accounts
- * d. Pratt Fund Program and Expenditures Report
- * e. Approval of Resolution on Ratification of Lease Activities Approved by the University

**Accounts Receivable and the Write-off of Delinquent Accounts
For the Fiscal Year Ended June 30, 2022**

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

September 20, 2022

Overview

Current accounts receivable are generated by several components as part of the annual operating activities of the university. Student accounts receivable and the receivables generated through the sponsored research program represent the largest components of the total receivables. Current and noncurrent notes receivable are comprised of both federal and institutional student loans administered by the university. To properly account for and control these assets, the university uses a combination of centralized and decentralized systems.

The Bursar's Office is responsible for the centralized accounts receivable system operation and monitoring the activities of the decentralized operations through reviews of reports and discussions with personnel who have been delegated the responsibility for billing and collecting accounts. The Bursar's Office is also responsible for managing the collection process for all delinquent accounts.

The Controller's Office consolidates information from the receivable systems on a quarterly basis and reports to senior management and the State Comptroller. The quarterly report uses a combination of narratives, tables, and graphs to report receivables, analyze trends, and identify areas where emphasis or action is needed. The Controller's Office is responsible for the implementation of corrective action to ensure that receivables are properly managed.

Composition and Aging of the Receivables

Accounts receivable: Attachment A provides the composition of the current gross receivables at June 30, 2022, with comparative data for the previous year. Attachment B provides a graph for the aging analysis of the gross receivables at June 30, 2022, with comparative data for the previous three years. In addition, the total current receivables write-offs for these four years are overlaid on this graph to demonstrate the small proportion of write-offs to total receivables.

Notes receivable – from students: Federal and Institutional Loans (issued by Virginia Tech from gifts and donated funds designated to be used for loans) to students require the execution of a promissory note. These loans receivable are repaid over 10 or more years after a student's last enrollment at the university and the amount due in the next 12 months is classified as a current notes receivable for the university's financial statements.

Attachment A also provides the composition of the total gross federal and institutional student loan receivables at June 30, 2022, with comparative data for the previous year.

Federal loans receivable will continue to decrease in future years with the wind down of the Perkins loan program required by the federal government.

Collection Efforts and Write-offs

Because of the nature of the accounts receivables, their impact on the university's operating budget, and the university's assertive policy for collecting delinquent accounts, the annual write-off of uncollectible accounts is relatively small. The average annual write-off for accounts receivable for the past three years is \$418,595. **The fiscal year 2022 write-off total of \$529,580 represents only 0.05 percent (less than one tenth of one percent) of the annual operating revenues¹ per the audited financial statements for fiscal year 2021.**

Various techniques are used for collecting delinquent accounts receivables depending on the customer and type of account. For example, students must pay past due amounts before they are allowed to enroll for the next school term. Other delinquent accounts are placed with commercial collection agencies and the State Attorney General's Office for collection. The State Comptroller provides guidance on collection policies and procedures, and the university generally complies with the State Comptroller's recommendations, except where improved practices have been implemented under the Restructuring Act.

Accounts Receivable Written Off at June 30, 2022

As authorized by a resolution passed by the Board of Visitors on August 13, 1976, the Vice President for Finance and the Associate Vice President for Finance and University Controller periodically review the university's accounts and notes receivable to determine those delinquent accounts that are deemed uncollectible. Subsequently, the accounts are written off the university's records in accordance with generally accepted accounting practices. However, such accounts are not discharged or forgiven (with limited exceptions such as bankruptcies, death, etc.), and the university continues to track these accounts and sometimes collects portions of these accounts after being written off.

Normally, accounts are written off at the close of the fiscal year. For the fiscal year ended June 30, 2022, the accounts receivable written off totaled \$529,580. The increase in write-offs of \$188,441 over the prior year is primarily due to an increase of \$146,977 in Student Account write-offs caused by impacts of the COVID-19 pandemic. Medical and financial obstacles led to student resignations mid-term, causing financial aid reductions and balances due. There was also a related increase in failed payment plans, as students faced hurdles created by the pandemic. There was also an increase of \$34,145 in Equine write-offs. See Attachment C for a summary of the accounts receivables written off at June 30, 2022, with comparative data for the two previous fiscal years.

For each accounts receivable written off, appropriate collections procedures were utilized. Further collection efforts were not justified for various reasons such as bankruptcies, inability to locate the debtor, and cost versus benefit for small receivable amounts.

¹ Operating revenues for FY21 of \$1,162,250,000 was used for this calculation.

As shown in Attachment D, the \$529,580 write-off total consists of 812 customers with an average account value of \$652. In fact, of the total number of accounts written off, 56.77 percent (461) were valued at less than \$100, and these low dollar accounts represent only 3.72 percent of the total dollar value of the write-offs.

Notes Receivable – From Students Written Off at June 30, 2022

The total notes receivable written off at the close of fiscal year 2022 included \$5,143 in recoveries of the institutional student loan portfolio. Institutional student loans are subject to the same collection techniques as other university receivables. For each loan written off, appropriate collection procedures were utilized. The notes receivable write-off consists of four loans that we received payment for that were previously written off. Institutional student loans are most often awarded to students with financial need who have exhausted other avenues of financial aid. Since these are long-term loan programs issued to borrowers with limited resources, the university generally has allowed more time before deeming the loan uncollectible and subsequently writing these amounts off.

Federal notes receivable are issued from funds received from the federal Departments of Education and Health and Human Services over many previous years for the Perkins and Health Professions Student Loan programs, and from required matching contributions from the university. Again, the same collection procedures are followed for these loans. When loans are deemed uncollectible, federal regulations require the Perkins loans to be assigned and returned to the Department of Education for additional collection efforts and final resolution. During the fiscal year, Virginia Tech assigned 249 Perkins Loans totaling \$663,600 to the Department of Education as required for the wind down of the program.

State Management Standards

The university's Management Agreement under the Restructured Higher Education Financial and Administrative Operations Act includes several financial and administrative performance standards. The university must achieve compliance with all of these performance standards to retain the financial benefits provided under the Management Agreement. There are two management standards related to accounts receivable and both are calculated annually and reported to the state biennially. The two standards are:

- a. A four quarter average past due rate of 10 percent or less on receivables 121 days or more past due as a percentage of all current receivables.
- b. An average past due rate of 10 percent or less on Federal student loans.

The university is currently in compliance with both standards. As of June 30, 2022, the average past due rate on current receivables 121 days or more past due is 0.86 percent for the applicable four quarters and the Federal Perkins Student Loan default rate is 0.06 percent.

Composition of Gross Accounts and Notes Receivable
As of June 30, 2021 and 2022
(Dollars in Thousands)

	June 30, 2022		June 30, 2021	
	Receivable Balance	Percent	Receivable Balance	Percent
<u>Accounts Receivable:</u>				
Student Accounts	\$ 4,711	5.3%	\$ 4,918	7.2%
Sponsored Programs	65,941	74.5%	47,642	70.0%
Electric Service	912	1.0%	758	1.1%
Parking Service	114	0.1%	94	0.1%
Telecommunications (CNS)	5	0.0%	32	0.0%
CPE and IVTSCC ¹	875	1.0%	309	0.5%
Veterinary Medicine	721	0.8%	321	0.5%
Equine Medical Center	756	0.9%	712	1.0%
Short Term Loans/Notes	2	0.0%	9	0.0%
Other Receivables ²	14,506	16.4%	13,252	19.6%
Total Accounts Receivables	\$ 88,543	100.0%	\$ 68,047	100.0%
 <u>Notes Receivable</u>				
Federal Loans - Perkins & HPSL ³	\$ 5,365	81.6%	\$ 7,663	84.9%
Institutional Loans	1,210	18.4%	1,360	15.1%
Total Notes Receivable	\$ 6,575	100.0%	\$ 9,023	100.0%

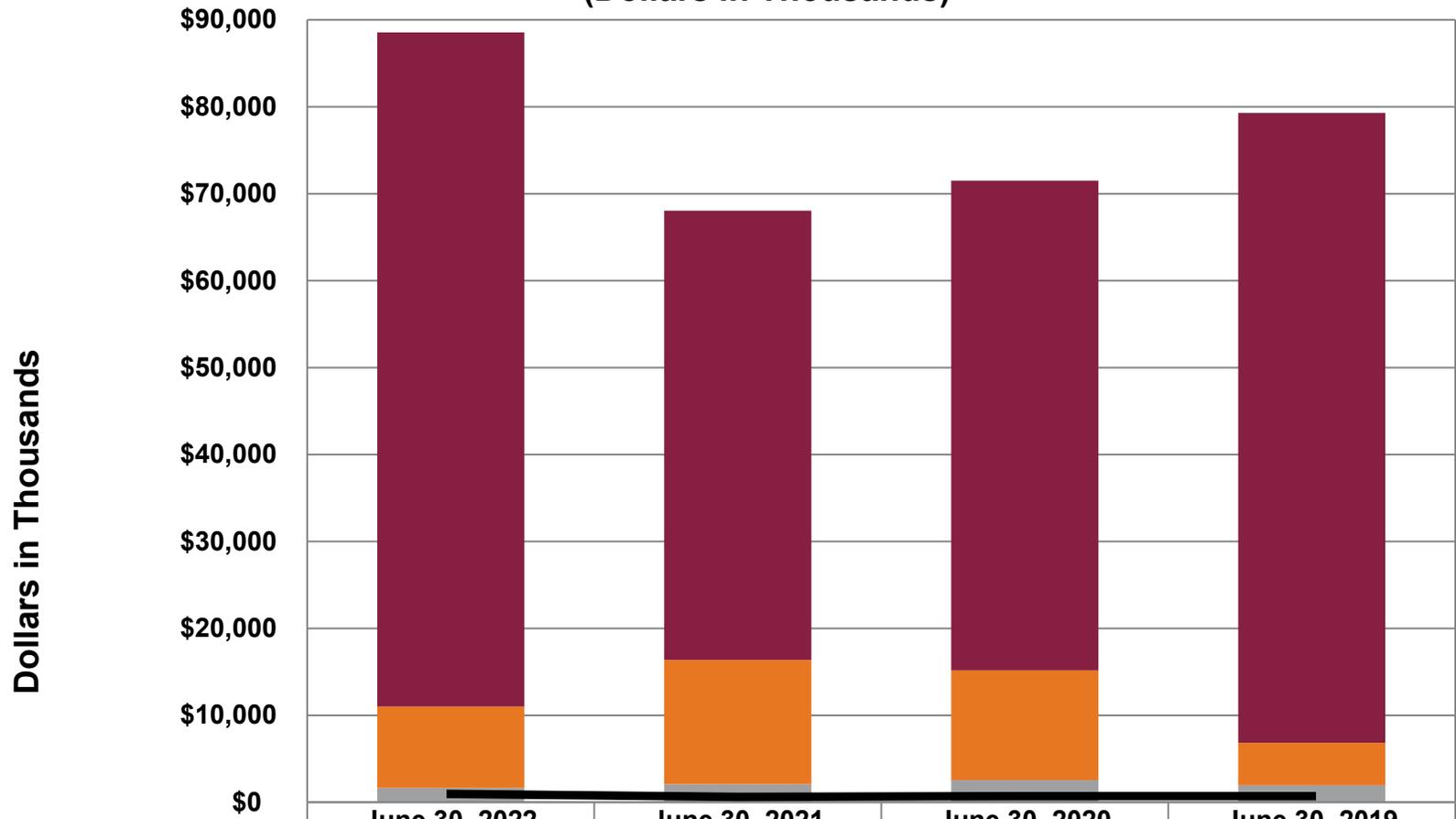
¹ Continuing and Professional Education / Inn at Virginia Tech & Skelton Conference Center

² One-time receivables are included in Other Receivables category

\$1,444 Athletics

³ Health Professions Student Loan

**Aging of Current Gross Accounts Receivable
From June 30, 2019 to June 30, 2022
(Dollars in Thousands)**



	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Receivables Not Past Due	\$77,553	\$51,683	\$56,334	\$72,435
1 - 120 Days Past Due	\$9,346	\$14,285	\$12,636	\$4,888
121 to Over 1 Year Past Due	\$1,644	\$2,079	\$2,536	\$1,956
Total Gross Receivables	\$88,543	\$68,047	\$71,506	\$79,279
Write-Offs	\$530	\$341	\$385	\$384

Current Accounts Receivable Write-Offs for June 30, 2022 with Comparison to 2021 and 2020
(In whole dollars)

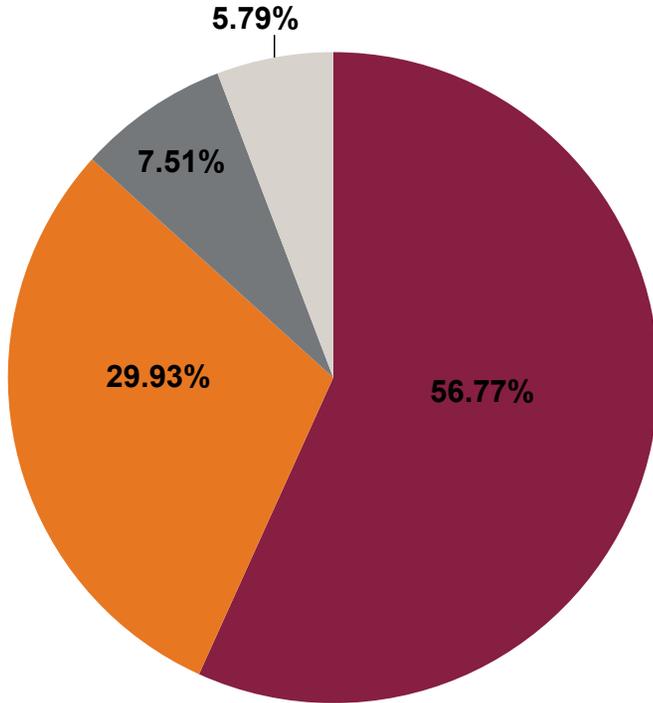
<u>Accounts Receivable</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Three Year Average</u>
Student Accounts	\$ 294,305	\$ 147,328	\$ 203,309	\$ 214,981
Sponsored Programs	-	-	19,495	6,498
Electric Service	30,742	16,320	15,673	20,912
Parking Services	19,064	22,605	27,874	23,181
CPE and IVTSCC ¹	-	-	708	236
Veterinary Medicine	44,355	39,419	52,726	45,500
Equine Medical Center	68,064	33,919	15,154	39,046
Short Term Loans/Notes	-	554	1,375	643
Other Receivables	73,050	80,994	48,751	67,598
Total Write-Offs	\$ 529,580	\$ 341,139	\$ 385,065	\$ 418,595

¹ Continuing and Professional Education / Inn at Virginia Tech & Skelton Conference Center

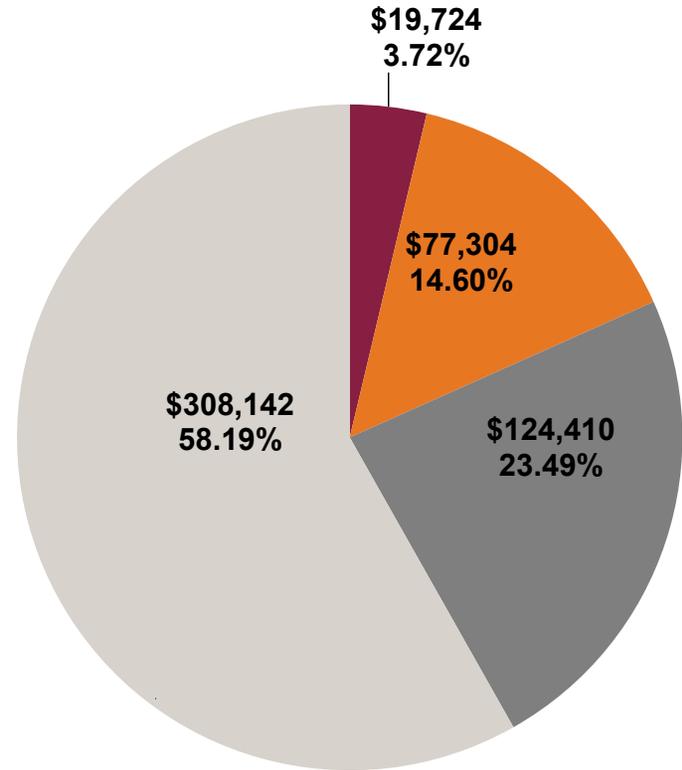
Stratification of Write-Offs for Fiscal Year 2022

Total Number of Accounts = 812

Total Dollar Value = \$529,580
Average Dollar Value = \$652



■ \$0-\$99 ■ \$100-\$999
■ \$1,000-\$2,999 ■ > \$3,000



■ \$0-\$99 ■ \$100-\$999
■ \$1,000-\$2,999 ■ > \$3,000

UPDATE ON ADVANCEMENT

CHARLIE PHLEGAR
VICE PRESIDENT FOR ADVANCEMENT

Authority to Create a New University-Related Corporation

KEN MILLER, VICE PRESIDENT FOR FINANCE

NOVEMBER 14, 2022



New University-Related Corporation *VT SWISS SA*

- Benefits

- Promotes the interdisciplinary study of Europe in its entirety
- Exposes and equips students with knowledge and skills through teaching, learning, mentorship, and experiential learning programs by engaging with scholars and policy makers in Switzerland and throughout the whole of Europe
- Advance the scholarship and global reach of the university by organizing research symposia during summer months when academic programs are not in session
- Supports fulfilling university's mission in offering experiential learning opportunities



New University-Related Corporation *VT SWISS SA*

- Challenges

- University exercised the termination clause in The Olivio Ferrari Foundation Management Services Agreement effective December 31, 2022
- The program requires local oversight and administration of facilities and operations
- Regulatory requirements that accompany employment and contracts for operations in Riva San Vitale, Switzerland



Responsible Oversight

- Board of Directors will be composed of employees from the Virginia Tech Foundation, Virginia Tech, as well as affiliated Swiss Citizen(s) with residency status in Switzerland
- Chaired by the Vice President for Outreach and International Affairs
- Governed by an Affiliation agreement
- The Office of VP for Outreach and International Affairs will:
 - Oversee the operations and activities of the new corporation
 - Oversee the financial performance of the new corporation with advice and counsel from the Vice President for Finance

Authority to Create a New University-Related Corporation

Recommendation:

That the resolution to support the establishment of the Swiss Corporation, VT Swiss SA, as a university-related corporation and the affiliation thereof with the university, at the President's discretion, be approved.

 November 14, 2022

Authority to Loan Funds to New University-Related Corporation

KEN MILLER, VICE PRESIDENT FOR FINANCE

NOVEMBER 14, 2022



New University-Related Corporation *VT SWISS SA*

- Benefits
 - Capitalizes new Swiss corporation to provide management services at the Steger Center for International Scholarship.
 - Supports fulfilling university's mission in offering experiential learning opportunities.
- Challenges
 - Requires operations outside of the United States.
- Opportunities
 - Use nongeneral funds to loan entities owned or controlled in whole or in part or directly or indirectly by the university as allowed under Higher Education Restructuring Act.



Basic Loan Considerations and Requirements

- Made in accordance with established university procedures for authorizing internal loans to operating units;
- Initial capitalization requirement and up to three months of planned operating expenses;
- Will not carry an interest rate;
- Repayment on the university's loan(s) will occur no later than at the conclusion of the management services agreement with the new related corporation;
- University departments requiring third party administration are responsible for repayment if at the end of the Management Services Agreement with the affiliated entity costs are disallowed or funds unrecoverable; and
- Loan would be underwritten by the university's research overhead funds, a nongeneral fund revenue source.

Responsible Oversight

- VP for Finance, in coordination with the VP for Outreach and International Affairs, will finalize loan terms, authorize specific advances, and may alter the terms as necessary in the future to achieve the objectives of the research initiatives.
- The Office of VP for Outreach and International Affairs will:
 - Oversee the financial performance of the Center,
 - Review documentation of ongoing operating expenditures,
 - Adjust the working capital loan(s) to minimize the funds advanced, and
 - Ensure repayment of the working capital advance(s) prior to termination of the agreement.



Authority to Loan Funds to New University-Related Corporation

Recommendation:

That the resolution authorizing the university to loan working capital up to \$250,000 to a university-related Swiss Corporation, VT Swiss SA, be approved.

November 14, 2022

Resolution on General Banking Authority

KEN MILLER, VICE PRESIDENT FOR FINANCE

NOVEMBER 14, 2022



General Banking Authority

- Authorizes the President, the Executive Vice President and Chief Operating Officer, the Vice President for Finance, and the University Treasurer
 - To open bank accounts, issue checks drawn against said accounts, and transfer funds against said accounts
 - To designate one or more other university officers, agents, or employees to open bank accounts, issue checks drawn against said accounts, and transfer funds against said accounts



General Banking Authority

- Authorizes establishment of decentralized bank accounts with local authorized signers when the university primary operating bank does not have branch office in proximity across the state
- Provides effective management the university's various bank accounts including administration of electronic funds transfer



General Banking Authority

- Changes from prior resolution
 - Updates the position title of the Executive Vice President and Chief Operating Officer
 - Addition of the Vice President for Finance as an authorized officer



General Banking Authority

Recommendation:

That the resolution on general banking authority be approved.

November 14, 2022



Annual Report on Investments and Quasi-Endowments
FINANCE AND RESOURCE MANAGEMENT COMMITTEE

October 18, 2022

Background

Since July 1, 2006, the university has had the authority to invest its resources in a wide array of financial securities. Consequently, the university has implemented an investment program to ensure prudent levels of liquidity, fully utilize its resources by maximizing investment earnings, and comply with applicable state laws and university policies.

As part of the university's investment program, the university manages two investment pools. The first pool is the short to intermediate-term investment strategies pool, composed of university operating funds from generated cash flow. All investment activities for these funds are managed by the investment management firms of Standish Mellon and Merganser. The investments in this pool are subject to the *Investment of Public Funds Act* (§ 2.2-4500). The second investment pool is the long-term investment strategies pool, which consists of the university's remaining resources. These remaining resources include endowment principal and income funds, gifts, all other nongeneral fund reserves and balances, and local funds held by the university. The university invests these funds in a broader array of assets in the Virginia Tech Foundation (VTF) Endowment under Section § 23.1-2604 of the Code of Virginia and the *Uniform Prudent Management of Institutional Funds Act* (§ 64.2-1100 et seq.).

Since 2015, the program has made efforts to optimize the allocation between its two investment pools by moving cash and cash equivalents into long-term investments at the VTF. Consequently, cash and cash equivalents now comprise 54 percent of total cash and investments compared to 85 percent in 2015. This shift is a direct result of prudently managing the university's available funds to increase investments and build financial capacity for the future. Consequently, net investments in the VTF endowment pool have grown by \$412 million during this period from 15 percent of the total cash and investments in fiscal year 2015 to 46 percent of the total on June 30, 2022.

In fiscal year 2022, the university experienced a moderate increase in cash and investment balances of \$75 million, bringing the total balance at June 30 to \$1.1 billion. The increase reflects the university's consistent progress towards strengthening cash and investment balances and improves our comparisons to peers shown later in the report.

Attachments A and B provide additional information about the university's cash and investments. Attachment A shows the changes in cash and investments between fiscal years 2015 and 2022 and the growth of long-term investments in the VTF endowment. Attachment B shows the components of the university's cash and investment balances as of June 30, 2022, and includes information related to the investment vehicles and the durations of the investments. It also identifies which pools contain auxiliary system funds

and separates the other types of investments with unique restricted purposes, such as unspent bond proceeds, custodial funds, federal loan programs, and deferred compensation.

The remainder of this report will detail the university's investment activities which are authorized and guided by the enabling legislation and further guided by the university's *Policy Governing the Investment of University Funds*, approved by the Board of Visitors' Finance and Resource Management Committee on June 3, 2019. This report will also provide an overview of the university's approach to managing its investment pool allocations, its overall liquidity strategy, and its strategy for using long-term investments to achieve university strategic goals and milestones. This year's report includes a summary of recent changes in the investment composition of the VTF Endowment pool that resulted in an increased 10-year payout projection with immaterial change to downside risk.

Liquidity Strategy and the Short to Intermediate-Term Investment Strategies Pool

As part of the university's investment program, the Investment Management Team (IMT), comprised of the University Treasurer, Associate Vice President for Finance and University Controller, and the Associate Vice President for Budget and Financial Planning, are responsible for developing recommendations regarding the university's overall investment strategies and to provide ongoing monitoring, assessment, and adjustments to the investment program during the fiscal year to achieve the university's overall investment strategies. The IMT presents recommendations to the Vice President for Finance, who approves the annual allocation decisions to ensure a prudent level of liquidity to fund current operations. The Vice President for Finance coordinates these decisions with the Executive Vice President and Chief Operating Officer. The IMT manages the university's total liquidity position with a combination of internal and external liquidity. Currently, the IMT targets the level of total liquidity prescribed in the *Virginia Tech Liquidity Management Procedures* of 90 days. This target consists of 45 days of internal liquidity and 45 days of external liquidity, where each day of liquidity equals the university's annual budget divided by 365.

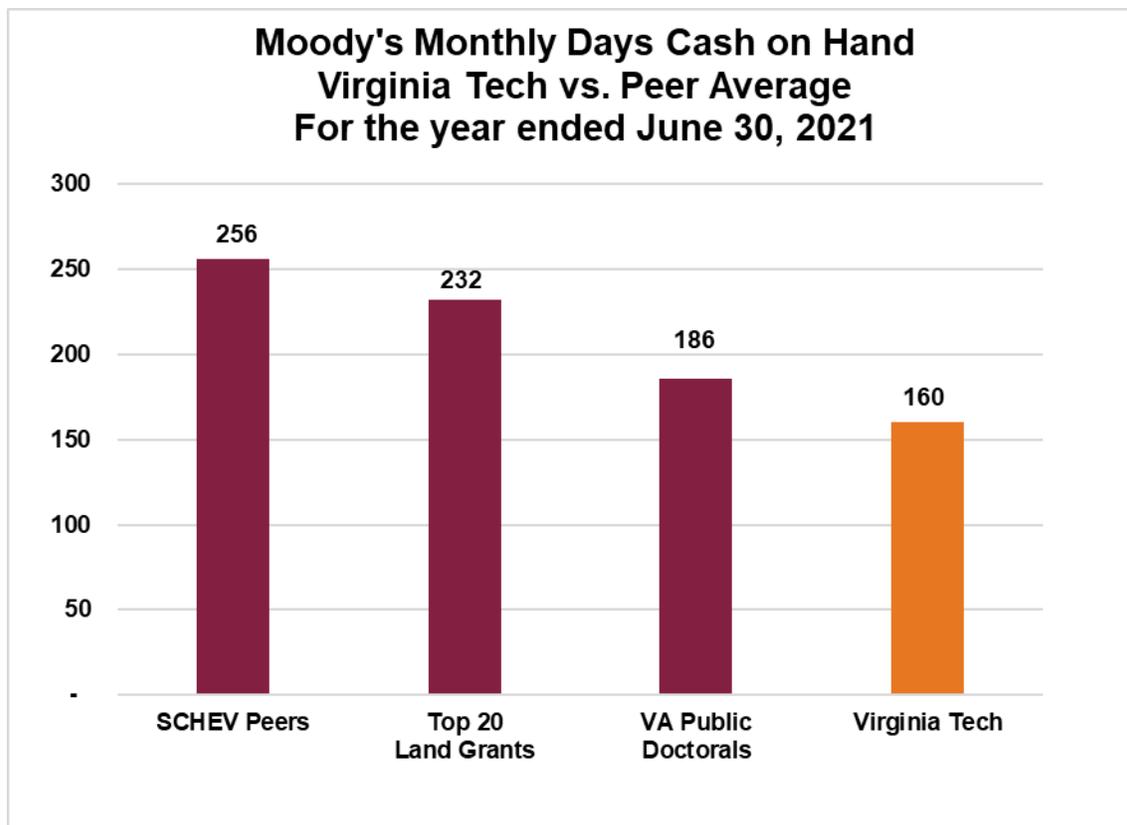
The university's internal liquidity is comprised of bank balances in the primary Wells Fargo Demand Deposit Account (DDA) and investments in the short to intermediate-term investment strategies pool with external managers Standish Mellon and Merganser. The investment objectives of the pool are to yield the highest investment return while ensuring the safety of principal, availability to meet the university's daily cash flow needs, and compliance with the *Investment of Public Funds Act* (§ 2.2-4500).

Lines of Credit from Wells Fargo, Truist, and The First Bank & Trust are the external liquidity component of the university's total liquidity. These lines of credit allow the university to cost-effectively leverage limited resources, pursue its long-term investment strategy, and meet its operating obligations. Current Board of Visitors approval authorizes external lines of credit up to the greater of \$200 million or 45 days of liquidity.

See Attachment C for information for short to intermediate-term investment pools performance for the most recent fiscal year and longer-term periods.

Peer Comparison: Moody's Monthly Days Cash on Hand

The university's internal liquidity contributes significantly to the university's Monthly Days Cash on Hand as measured by the Moody's rating agency. The metric represents the number of days the university could cover operating expenses from unrestricted cash and investments that could be liquidated within 30 days. Increasing the university's internal liquidity beyond the 45 days internal liquidity target strengthens the university's credit profile and improves the university's peer comparison. The following chart provides comparisons of the university's Moody's Monthly Days Cash on Hand to select peer groups.



Source: Moody's Days Cash on Hand 6/30/2021 for reporting institutions.

Virginia Tech Foundation and the Long-Term Investment Strategies Pool

The university places its long-term investment strategies in the VTF endowment pool. The university tracks and reports these funds separately from the private gifts and endowments typically received and invested by the VTF. The VTF invests these funds under an agency agreement approved by the Board of Visitors on August 31, 2009. This placement meets the requirements of the *Uniform Prudent Management of Institutional Funds Act* (§ 64.2-1100) and the university's investment policy. See Attachment C for the

VTF endowment pool performance for the most recent fiscal year and longer-term periods.

Increasing the Risk and Return profiles of the VTF Endowment Portfolio

The VTF Investment Committee recently reviewed the risk and return profiles of the consolidated endowment fund and its benchmarking peers. Following the review, the Committee concluded that the endowment could implement a prudent increase in its risk-adjusted returns and asked staff to review the 1) endowment's benchmarking peer group, 2) options for increasing the risk-adjusted return profile of the endowment, and 3) downside implications of a higher-risk profile.

Following the review, staff recommended that the VTF endowment adopt "All Non-profit Colleges and University Endowments between \$500 million - \$3 billion", as defined by Cambridge Associates, as its benchmarking peer group. Staff also recommended investing more of the endowment in private, illiquid investments, increasing expected future returns with an immaterial increase in the endowment's risk profile. The VTF Investment Committee approved the peer group recommendation and the proposal to increase allocations to private, illiquid investments. The VTF Investment Committee requested staff meet with university leadership to review the endowment's new risk and return profiles to ensure acceptance.

After receiving a detailed review of the changes to the VTF endowment's risk and return profiles, the university agreed it was prudent to improve the forecasted 10-year endowment payout with no material change in the endowment's downside risk by increasing the endowment's ownership of private, illiquid assets. The VTF has fully implemented the new allocation and benchmarking peer group into its endowment investment policies.

Utilization of Investment Income

Funds invested in the endowment pool managed by the VTF consist of true endowments, quasi-endowments, and unrestricted investments. As of June 30, 2022, the market value of university funds invested in the long-term investment strategies pool managed by the VTF was \$513.6 million. See Attachment D for additional information on the purpose of these various true and quasi-endowments and the restrictions on these funds.

The university has designed its investment program to generate recurring supplemental revenue streams to advance university goals. Accordingly, the university has developed two sets of principles regarding using these funds that are consistent with state guidance and accounting principles and maximize support for university programs.

The first set of overarching principles relates to the goal of supporting major university goals, such as reducing the need for increases in tuition and fees, building adequate operating reserves (including the strategic plan milestone of growing net assets by \$20 million per year), and investing in strategic academic programs and initiatives. This set of

principles also emphasizes the preservation of capital and building capacity to preserve and enhance the university's purchasing power over time.

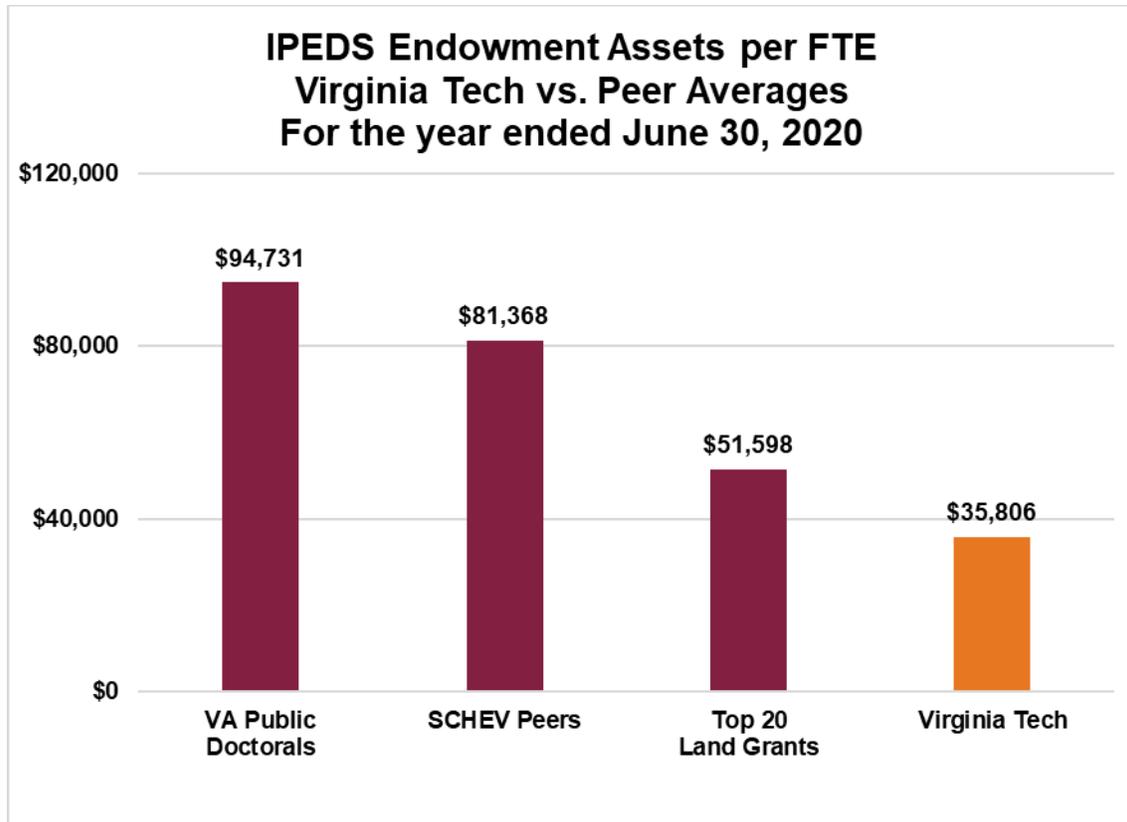
The second set of overarching principles relates to the appropriate allocation of investments based on the restricted or unrestricted nature of funds in the university's long-term investment strategies. In the case of restricted funds or funds associated with an operational activity clearly defined in the university's program structure, the university apportions the associated earnings to those purposes or programs. The case of the university's true endowments, quasi-endowments, and funds from specific programs such as auxiliary enterprises best demonstrate this practice.

Alternatively, in the case of non-auxiliary unrestricted funds, the earnings will be allocated to a resource pool available for allocation to strategic institutional goals and initiatives. These allocations will be made primarily as one-time or limited recurring commitments and will rarely be used to provide ongoing support to a strategic activity. Currently, the earnings from the unrestricted university funds are fully committed to banking fees, scholarships, VTCSOM, and Innovation Campus.

See Attachment E for more information on the university's utilization of the earnings on the invested funds based on their restricted or unrestricted character.

Peer Comparison: IPEDS Endowment Assets per FTE Enrollment

The university's endowment assets contribute to the International Postsecondary Education Data System (IPEDS) Average Endowment Assets per FTE Enrollment ratio. This metric provides an enrollment-adjusted look at the university's endowment assets compared to peer institutions. Increasing the university's endowment assets strengthens the university's credit profile, provides annual resources for strategic priorities, and improves the university's peer comparison. The following chart provides comparisons of the university's IPEDS Endowment Assets per FTE Enrollment to select peer groups.

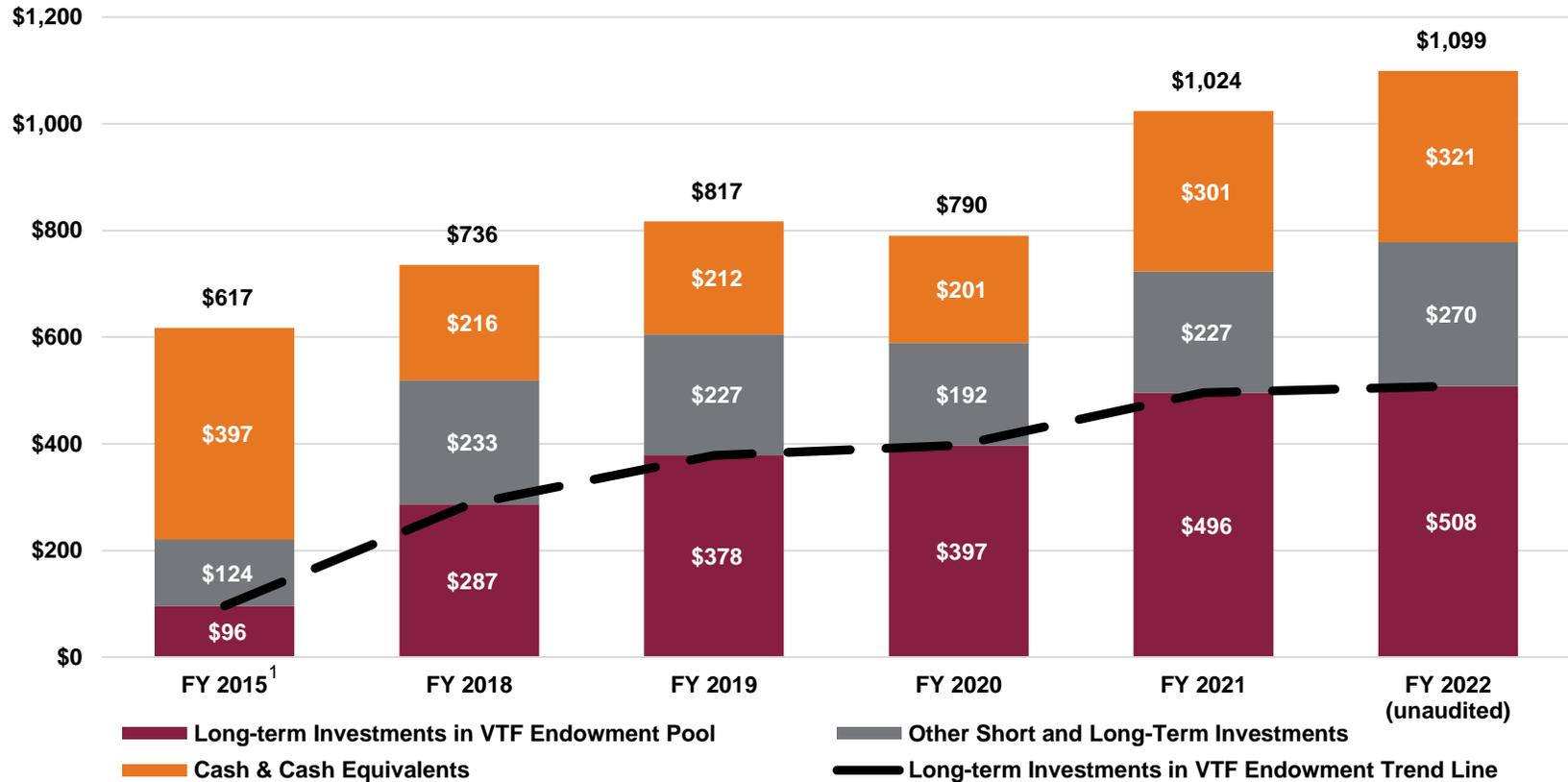


Source: Integrated Postsecondary Education Data System (IPEDS) Average Endowment Assets per FTE Enrollment 6/30/2020 for reporting institutions.

Conclusion

The university has implemented an investment program designed to promote the attainment of the university's goals, such as keeping down tuition and fees, growing unrestricted net assets by \$20 million a year, and investing in strategic academic programs. The investment program helps achieve these goals through a liquidity strategy that incorporates external lines of credit and expert management of internal funds, and through the prudent deployment of investment earnings as one-time or limited recurring commitments to strategic goals and objectives. Additionally, the investment program aims to strengthen the university's cash and investment balance comparisons to peer groups. Recent changes to the VTF endowment asset allocations should serve to further these goals and help build on a strong foundation that supports the university's spending power, financial stability, and bond rating.

Total Cash and Investments
For the years ended June 30, 2015 and June 30, 2018-2022
all dollars in millions



¹Base year for the university's strategy to move cash and cash equivalents into long-term investments at VTF.

University Cash and Investment Balances
at June 30, 2022
all dollars in millions

		Cash & Cash Equivalents	Long-Term Investments	Total Cash & Investments
Wells Fargo	Main Operating Bank	\$ 88.0	\$ -	\$ 88.0
Standish Mellon ¹	90-Day Cash Manager	209.4	36.5	245.9
Merganser ¹	1-3 Year Credit Manager	0.4	230.3	230.7
VTF Endowment ¹	Long-Term Investment Pool	5.7	507.9	513.6
Operating and Long-Term Investments		303.5	774.7	1,078.2
Other ²	Miscellaneous Restricted	17.8	3.2	21.0
Total Investments³		\$ 321.3	\$ 777.9	\$ 1,099.2

¹Includes Auxiliary System Funds.

²Includes Unspent Bond Proceeds, Agency Funds, Deferred Compensation, etc.

³Unaudited.

**Short, Intermediate and Long-Term Investment Strategies Performance Report
at June 30, 2022**

	1-Year	3-Year	5-Year	10-Year	Inception
Standish Mellon General Account: ¹	0.07%	0.51%	1.01%	0.60%	0.71%
<i>FTSE 3-Month US T-Bill</i>	0.19%	0.61%	1.09%	0.62%	0.68%
Merganser General Account: ¹	-3.29%	0.47%	1.24%	1.12%	1.98%
<i>BofAML 1-3 Yrs Gov/Corp</i>	-3.62%	0.31%	1.09%	1.04%	1.76%
VTF Endowment: ¹	-3.54%	4.68%	4.95%	7.52%	N/A
<i>CEF Benchmark</i> ²	-15.71%	2.54%	4.41%	6.26%	N/A

¹Performance is net of investment manager fees.

²65% Global Equities, 20% U.S. Fixed Income, and 15% Global Real Estate.

True Endowments

True endowments are funds received from a donor with the restriction that the principal is not expendable. This allows for the gift to have an impact over a longer period than if it were spent all at once. Endowments may also come with stipulations regarding usage. As a result, an endowment payout may be restricted to a specific purpose such as a scholarship, professorship, or program.

Rolls Royce Endowments

The Rolls Royce Endowments are true endowments created by the Commonwealth in 2010 as part of the incentive package to recruit the company to Virginia. The endowment is restricted to support chaired professorships and graduate students in Engineering. The total investment and cash endowment value of the Rolls Royce Endowments as of June 30, 2022 was \$13.1 million.

Pouring Rights Scholarship

The Pouring Rights Scholarship is a true endowment established according to the terms of the 2012 Coca-Cola Pouring Rights contract. The funds are restricted for scholarships. The total investment and cash endowment value as of June 30, 2022 was \$0.3 million.

Quasi-Endowments

Quasi-endowments represent university funds designated by the Board of Visitors rather than a donor. They carry the same intent to provide ongoing income from a long-term investment; however, the governing board retains the authority to repurpose such funds and to remove funds from the quasi-endowment asset category at any time.

Pratt Estate

The \$11 million restricted gift from John Lee Pratt in 1977 supports Animal Nutrition and the College of Engineering. This fund was established as a quasi-endowment by the Board of Visitors in the 1970s and reaffirmed on June 4, 2018 for its restricted purpose. The total investment and cash endowment value of the Pratt Estate funds as of June 30, 2022 was \$45.2 million.

Donaldson Brown Scholarship

During the 1940s, the late Mr. Donaldson Brown made gifts to the university designated for student loans or scholarship. In 1992, the funds were focused to provide scholarships. The Board of Visitors reaffirmed/designated the fund as a quasi-endowment on June 4, 2018 designated for scholarships consistent with the terms of the gift. The endowment value as of June 30, 2022 was \$0.9 million.

Nationwide Scholarship

A 2014 settlement agreement with Nationwide Life Insurance Company related to student medical insurance premiums included the establishment of a scholarship fund in their name from any residual or unclaimed funds. The Board of Visitors authorized this fund as a quasi-endowment on June 4, 2018 designated for scholarships. The total investment and cash value as of June 30, 2022 was \$9.2 million.

Chinese Endowed Geosciences Scholarship

In 2002, the Department of Geological Sciences established a scholarship fund to support Chinese graduate students from funds provided by the People's Republic of China. The total investment and cash endowment value as of June 30, 2022 was \$0.1 million.

Gloria Smith Professorship

In August 2000, the university approved an allocation from the Athletic Department's Sugar Bowl proceeds to serve as a base that would provide ongoing support for the Gloria Smith professorship. The professorship, named in honor of the late Gloria D. Smith, a counselor and advocate of minority students on campus before her retirement, is awarded for a period of two years to an outstanding faculty member who contributes significantly to the growth and development of minority students, student-athletes, and scholarly pursuits. The Board of Visitors authorized this fund as a quasi-endowment on June 4, 2018 designated for the professorship. The total investment and cash endowment value as of June 30, 2022 was \$0.4 million.

Licensing & Trademark Scholarship

Over the last two decades, the University's Licensing & Trademark agreements have created one-time resources that have been invested to create ongoing income for scholarships. The Board of Visitors authorized this fund as a quasi-endowment on June 4, 2018 designated for scholarships. The endowment value as of June 30, 2022 was \$15.3 million.

Multicultural Affairs Scholarship

In August 2000, the university approved an allocation from the Athletic Department's Sugar Bowl proceeds to serve as a base that would provide ongoing support for scholarships for Multicultural Affairs. The Board of Visitors authorized this fund as a quasi-endowment designated for scholarships on June 4, 2018. The value as of June 30, 2022 was \$0.1 million.

Student Health Insurance Fund

In 1997, the university received a stock conversion settlement from Trigon when the company went public. The Board of Visitors authorized this fund as a quasi-endowment

on June 4, 2018 to support the health care insurance program, including the administration of student insurance programs. The value as of June 30, 2022 was \$0.4 million.

Unrestricted Investments

Unrestricted investments consist of university nongeneral fund reserves, balances, and local funds. These investments are meant to create a revolving set of resources generating an annual, recurring revenue stream to make one-time or limited recurring commitments to pursue the university's strategic goals. The total investment and cash value of these other university funds as of June 30, 2022 was \$428.6 million.

2022-23 Utilization of Investment Income
all dollars in thousands

Description	Utilization	2022-23 Estimate	
		Short/Intermediate-Term Investment Pool	Long-Term Investment Pool
True Endowments			
Rolls Royce Endowment	Engineering Chaired Professorships & Grad Students		\$569
Pouring Rights Endowment	Scholarships		14
Donor Restricted Quasi-Endowments			
Pratt Estate Funds	Animal Nutrition & Engineering programs		2,083
Donaldson Brown Endowment	Scholarships		39
Nationwide Scholarship Fund	Scholarships		396
BOV Designated Quasi-Endowments			
Chinese Endowed Geosciences Scholarship	Scholarships		4
Gloria Smith Professorship	Professorship support		15
Licensing & Trademark Scholarship	Scholarships		689
Multicultural Affairs Scholarship	Scholarships		6
Student Health Insurance Fund	Support student health insurance program		17
Unrestricted Investments			
State Escrow ¹	Support E&G Programs, subject to state appropriation	\$44	
Auxiliary Enterprises	Auxiliary operations, maintenance reserve program, help to limit increases to comprehensive fees	(137)	4,586
Other University Funds	Banking fees, Scholarships, VTCSOM, and Innovation Campus	1,154	14,170
Total University Investment Income		\$1,061	\$22,588

¹Reflects amount estimated to be returned to E&G Programs. Escrowed to the Commonwealth but has not been appropriated.

Annual Report on Investments and Quasi-Endowments

KEN MILLER, VICE PRESIDENT FOR FINANCE

JOHN CUSIMANO, UNIVERSITY TREASURER

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

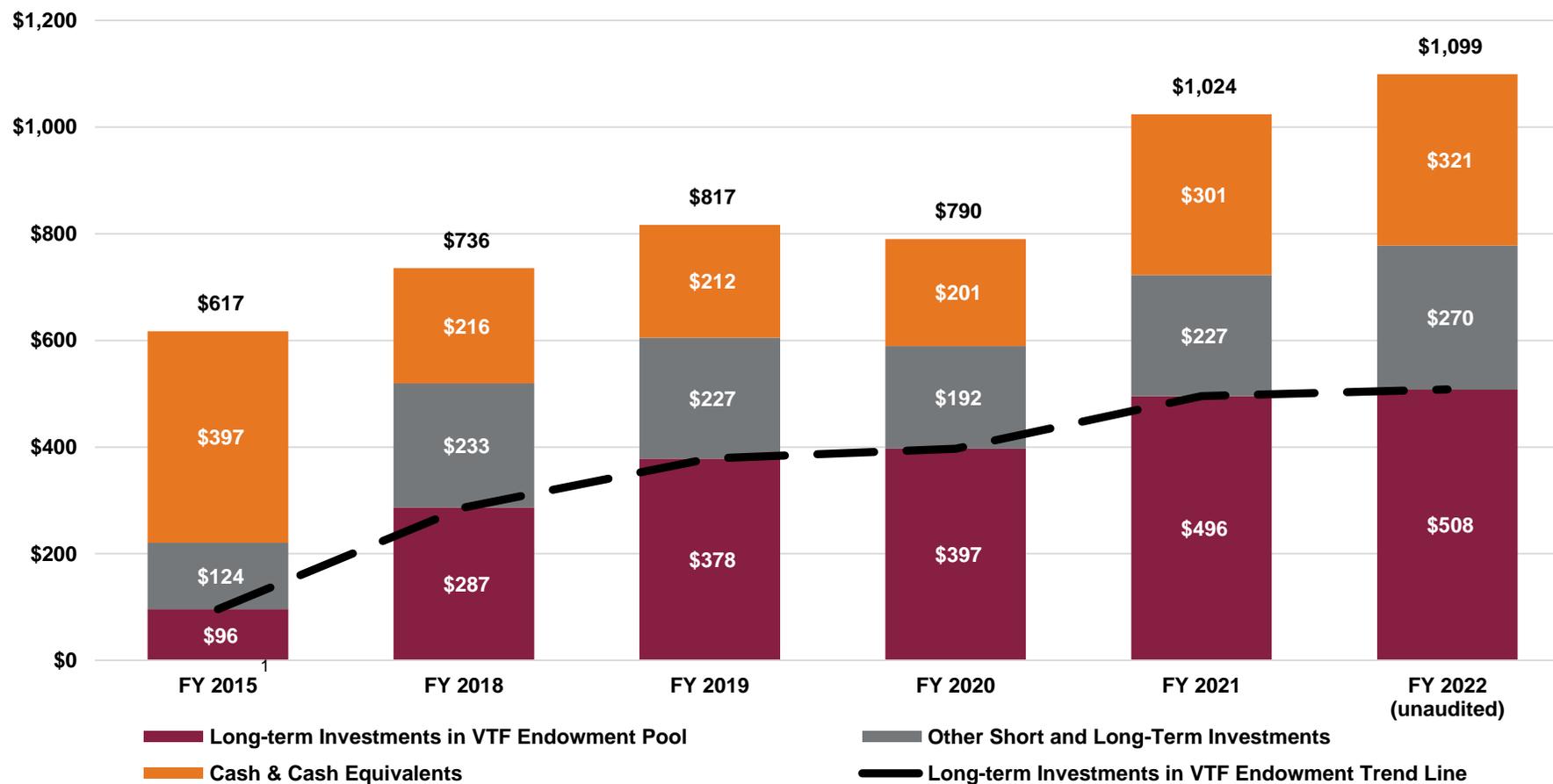
NOVEMBER 14, 2022

Annual Report on Investments and Quasi-Endowments

- The Investment Policy aims to ensure prudent levels of liquidity and maximize investment earnings.
- There are two investment pools:
 - Short to intermediate-term strategies invested with Standish Mellon and Merganser.
 - Long-term strategies invested with the VT Foundation endowment.
- Liquidity targets: 45 days internal liquidity and 45 days external liquidity.
- Two key principles for allocating earnings:
 - Return designated or restricted earnings to their respective programs to pursue current and future activities.
 - Deploy unrestricted earnings¹ for one-time or limited recurring commitments to pursue strategic initiatives, and to build capacity by growing unrestricted net assets by \$20 million per year to achieve the strategic plan milestone.

¹Earnings on E&G funds must be escrowed with the Commonwealth of Virginia in accordance with the management agreements of the Restructuring Act and are used to support the E&G budget once appropriated by the commonwealth in the following year.

Total Cash and Investments For the years ended June 30, 2015 and June 30, 2018-2022 *all dollars in millions*



¹Base year for the university's strategy to move cash and cash equivalents into long-term investments at VTF.

University Cash and Investment Balances
at June 30, 2022

all dollars in millions

		Cash & Cash Equivalents	Long-Term Investments	Total Cash & Investments
Wells Fargo	Main Operating Bank	\$ 88.0	\$ -	\$ 88.0
Standish Mellon ¹	90-Day Cash Manager	209.4	36.5	245.9
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VTF Endowment ¹	Long-Term Investment Pool	5.7	507.9	513.6
	Operating and Long-Term Investments	303.5	774.7	1,078.2
Other ²	Miscellaneous Restricted	17.8	3.2	21.0
	Total Investments³	\$ 321.3	\$ 777.9	\$ 1,099.2

¹Includes Auxiliary System Funds.

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Short, Intermediate and Long-Term Investment Strategies Performance Report at June 30, 2022

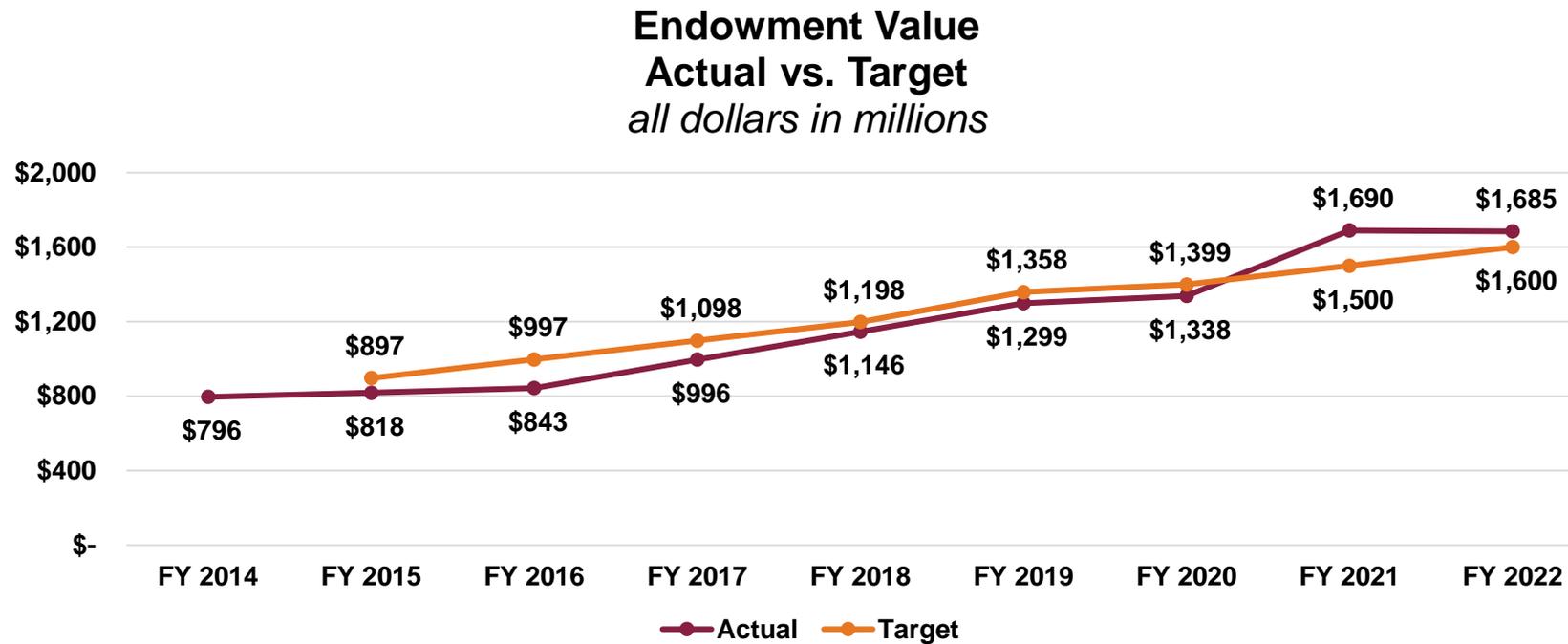
	1-Year	3-Year	5-Year	10-Year	Inception
Standish Mellon General Account: ¹	0.07%	0.51%	1.01%	0.60%	0.71%
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¹Performance is net of investment manager fees.

²65% Global Equities, 20% U.S. Fixed Income, and 15% Global Real Estate.

Double the Endowment by 2022

- Achieved a key university goal to double the endowment by 2022



Recent Endowment Changes

Organizational Structure

- Endowment growth vs. growth of resources.
- The VT Foundation has reviewed different endowment models and industry best practices to determine a path forward.

Endowment Risk Tolerance

- Peer review – performance is now measured against a larger, more aggressive peer group of endowments in the \$500M – \$3B range.
- Seek top-quartile performance – the allocation to higher-risk investments will be increased to potentially achieve higher returns.

2022-23 Utilization of Investment Income

Attachment F

all dollars in thousands

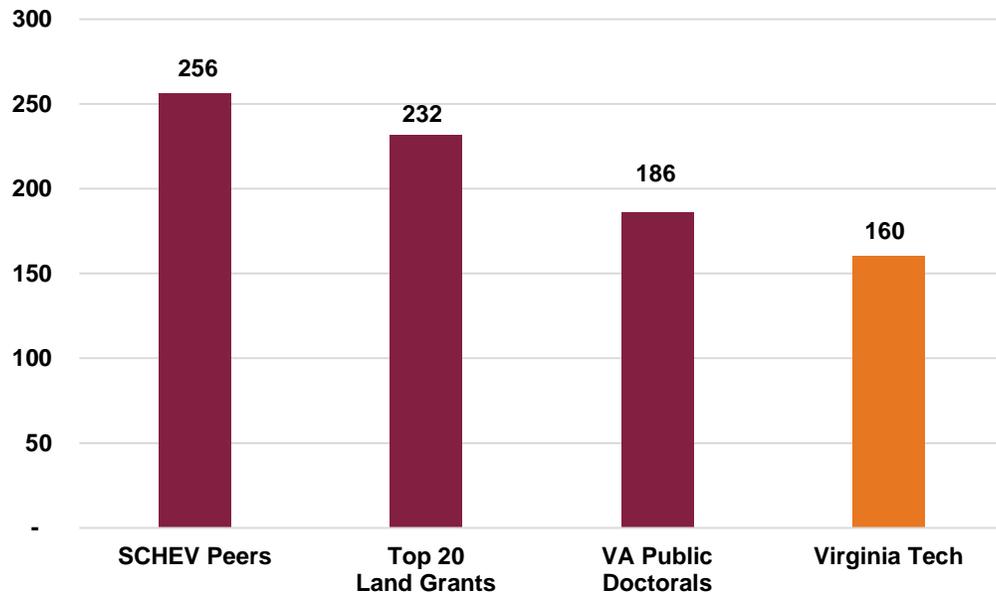
2022-23 Estimate

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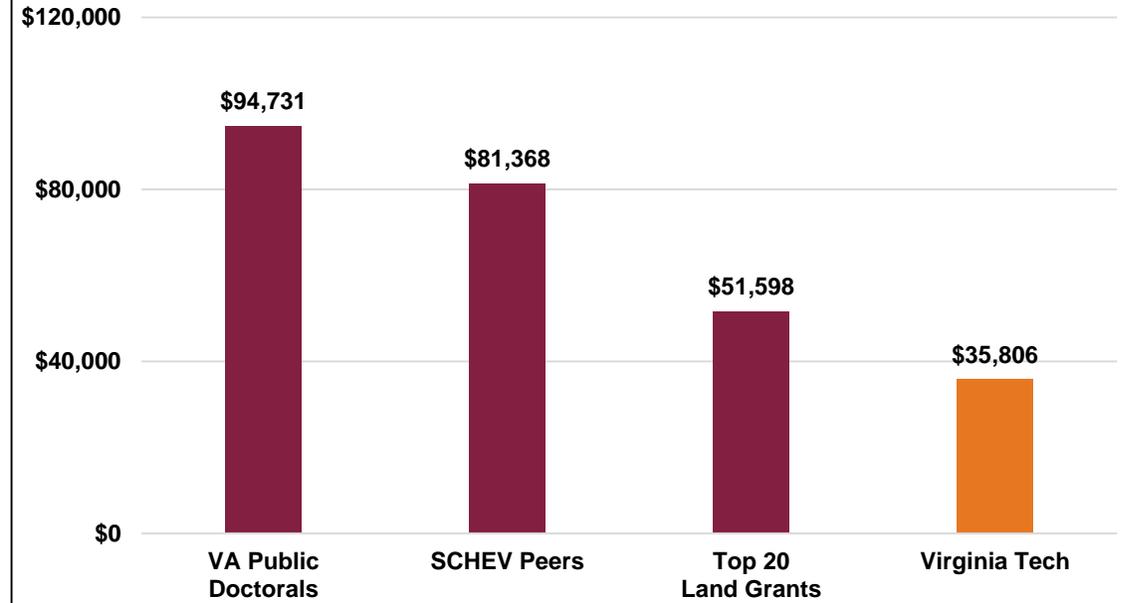
¹Reflects amount estimated to be returned to E&G Programs. Escrowed to the Commonwealth but has not been appropriated.

Cash and Investments Benchmarking

**Moody's Monthly Days Cash on Hand
Virginia Tech vs. Peer Average
For the year ended June 30, 2021**



**IPEDS Endowment Assets per FTE
Virginia Tech vs. Peer Averages
For the year ended June 30, 2020**



Sources:

Moody's Monthly Days Cash on Hand 6/30/2021 for reporting institutions.

Integrated Postsecondary Education Data System (IPEDS) Average Endowment Assets per FTE Enrollment 6/30/2020 for reporting institutions.

Summary

- The Investment Policy aims to ensure prudent levels of liquidity and maximize investment earnings.
- Changes in the VTF Endowment investment strategy have increased the projected 10-year payouts with minimal increase in risk profile.
- The university's investment pools generate income that supports achieving the university's strategic goals and initiatives.

DISCUSSION



Office of Research and Innovation

Finance and Resource Management Committee

Dan Sui

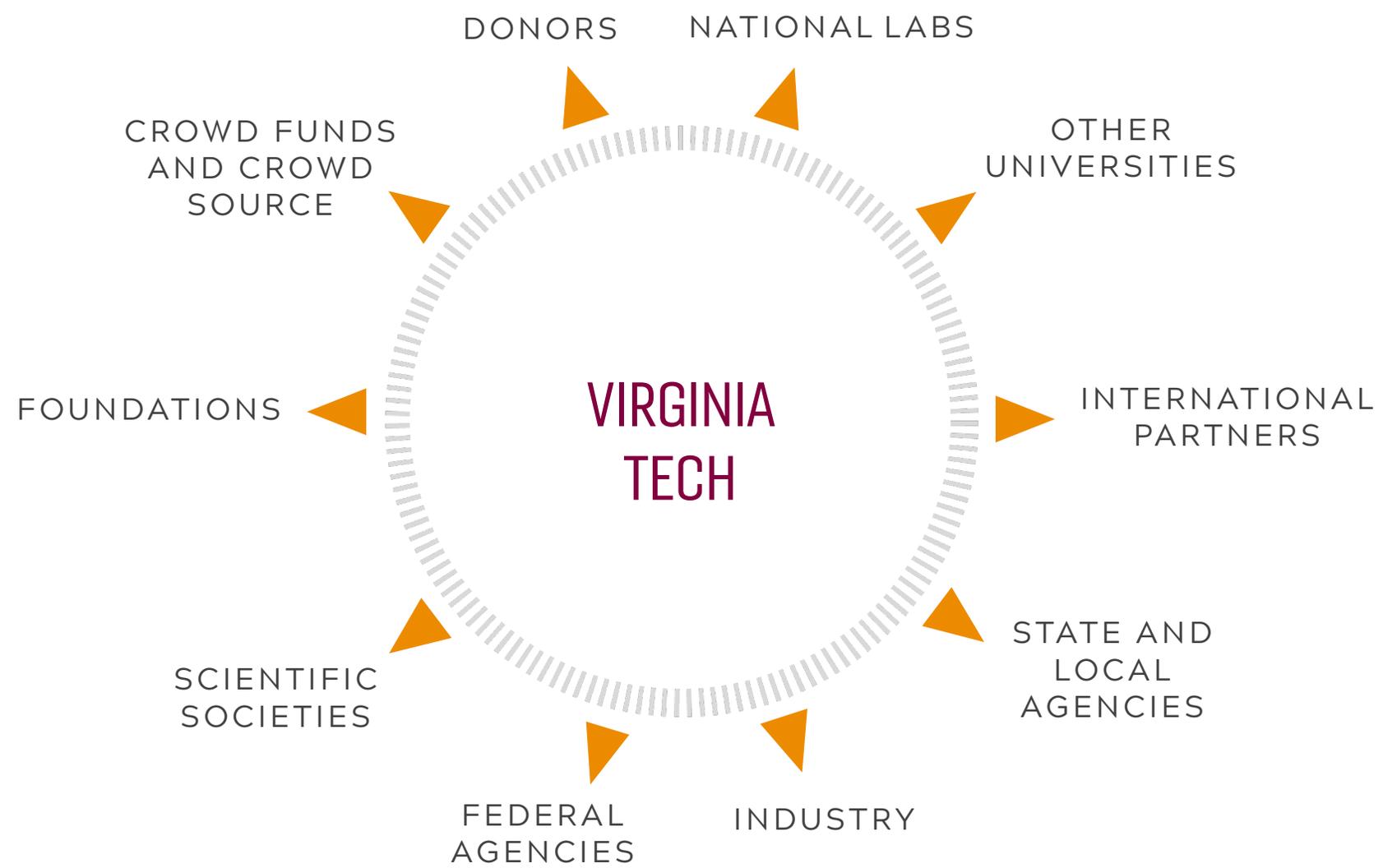
Senior Vice President,
Office of Research and Innovation

November 2022



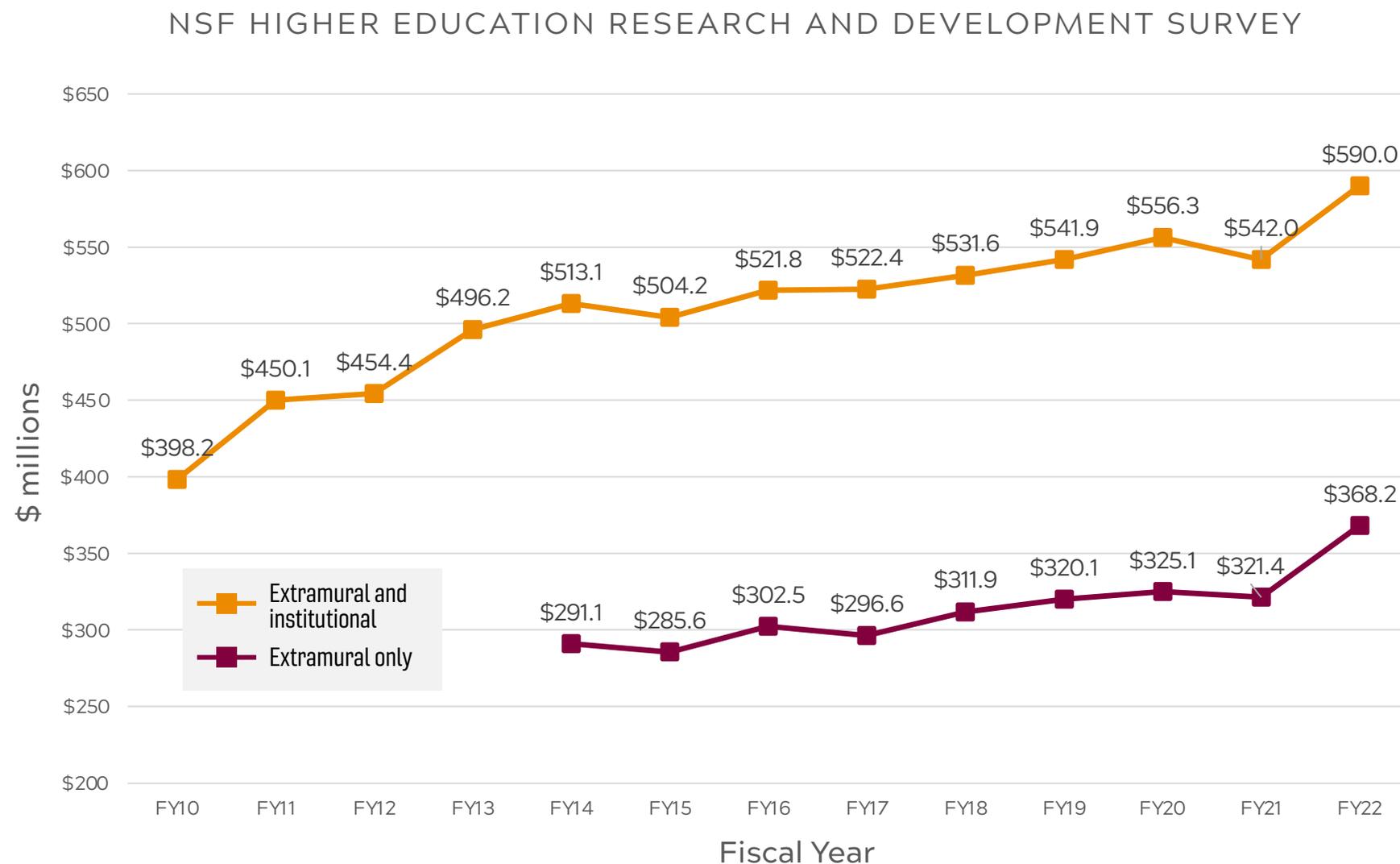
RESEARCH AND INNOVATION
VIRGINIA TECH.

Research development: 360-degree partnerships



Research expenditures

Research expenditures rebounded strongly from FY21.

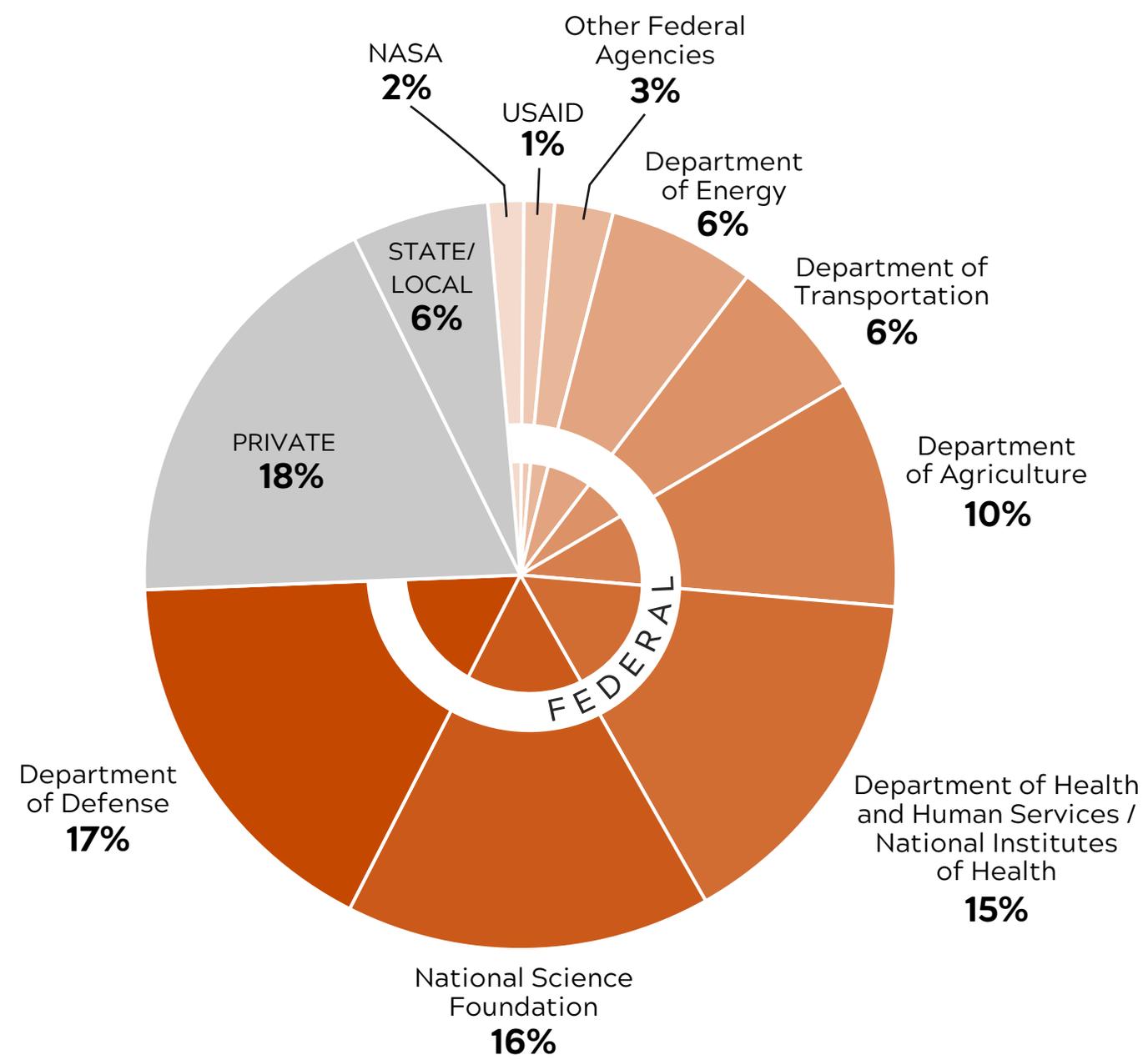


Note: FY22 values are estimates. Final values will be available in January 2023.

Balanced portfolio

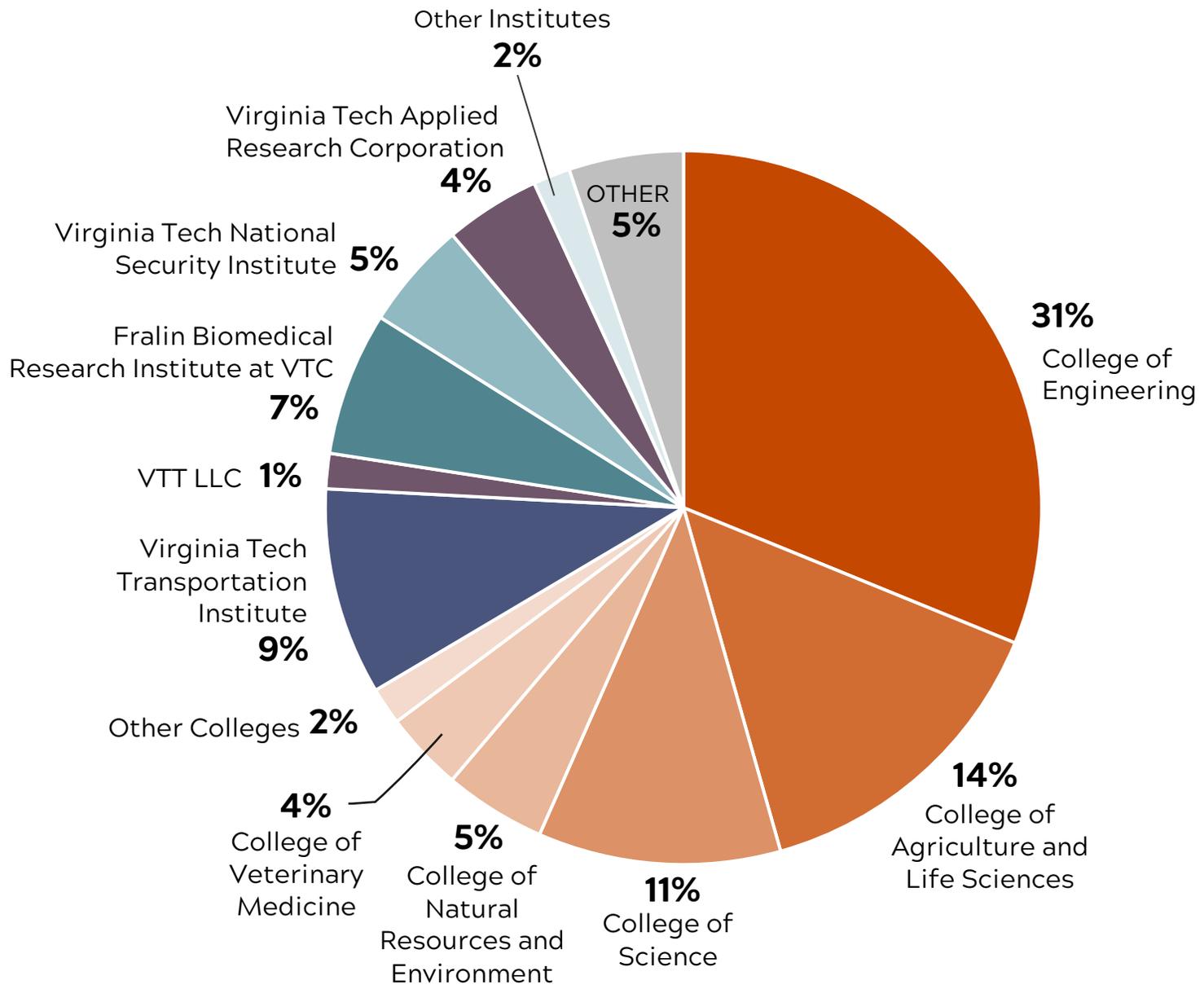
Virginia Tech's sponsored research portfolio has support from a broad number of agencies.

- Health and Human Services expenditures increased 27% from 2021.



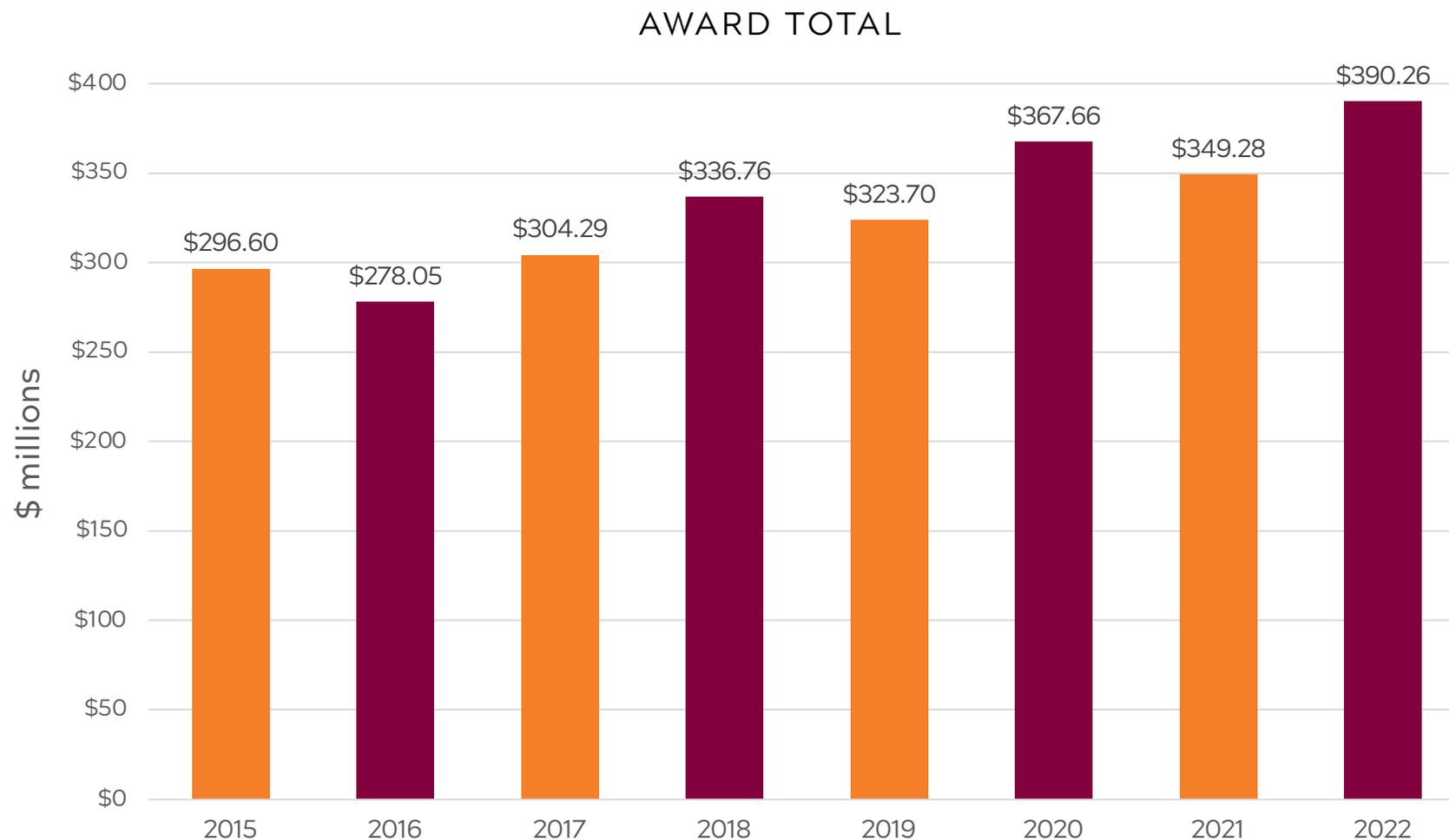
Extramural funding across Virginia Tech

Faculty and researchers in colleges and institutes are actively engaged in sponsored research programs.



Award trends

Total award amount is up in 2022, indicating continued future success. Average award size is 25% larger than in recent years.



LINK + LICENSE + LAUNCH

- With support by **LINK**, a partnership between Advancement and Research & Innovation, for FY2022 the university received \$81 million in organizational philanthropic giving (30% of total giving for the year), including \$69 million from corporations and \$12 million in private foundations
- **LICENSE + LAUNCH** key metrics surpass annual targets to historic levels:
 - 29 license deals (up 7%)
 - 169 invention disclosures (up 20%)
 - 10 startups created based on Virginia Tech intellectual property (up 43%)

Enterprise Risk Management: Competitive Growth

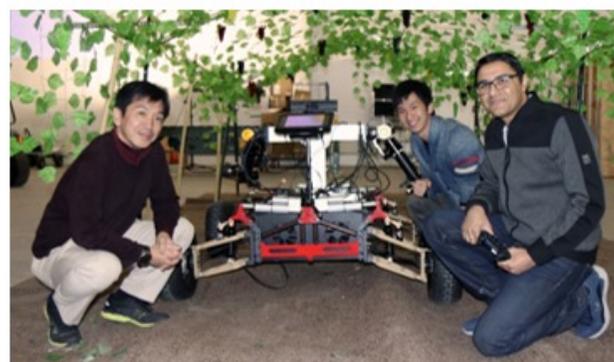
Grow and diversify the research portfolio by prioritizing strengths and focusing on emerging areas for competitive growth.



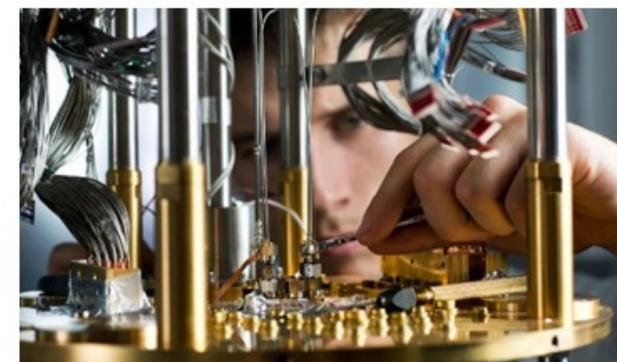
THE HEALTH FRONTIER



THE SECURITY FRONTIER



THE A.I. FRONTIER



THE QUANTUM FRONTIER

Key takeaways

- Research expenditures and awards are on an upward trajectory after pandemic-related declines in 2021.
- Key areas, including health research, had significant growth in FY22.
- Targeted support breeds success, including LINK-LICENSE-LAUNCH's connection with industry and research development support for large proposals and awards.



RESEARCH AND INNOVATION
VIRGINIA TECH™

University Support for Student Financial Aid
FINANCE AND RESOURCE MANAGEMENT COMMITTEE

October 10, 2022

Consistent with prior years, the university is providing the Finance and Resource Management Committee of the Board of Visitors with an update on the university's Student Financial Aid program. This annual report provides an overview of the types of student financial assistance programs available at the university, sources of funding for these programs, and a review of the institutional undergraduate aid programs that are controlled or influenced by the university.

This report is an integral part of the information flow to the Board of Visitors to assist in the assessment and approval of the university's tuition and fee rate proposals.

Funding Environment

Virginia Tech is experiencing an ongoing shift in the types of resources available to support its instructional programs. These changes are driven by a combination of increasing costs, the requirement to maintain the quality and integrity of the instructional programs, enrollment growth to support additional students, increasing competitiveness for students in high demand, and the level of state financial support.

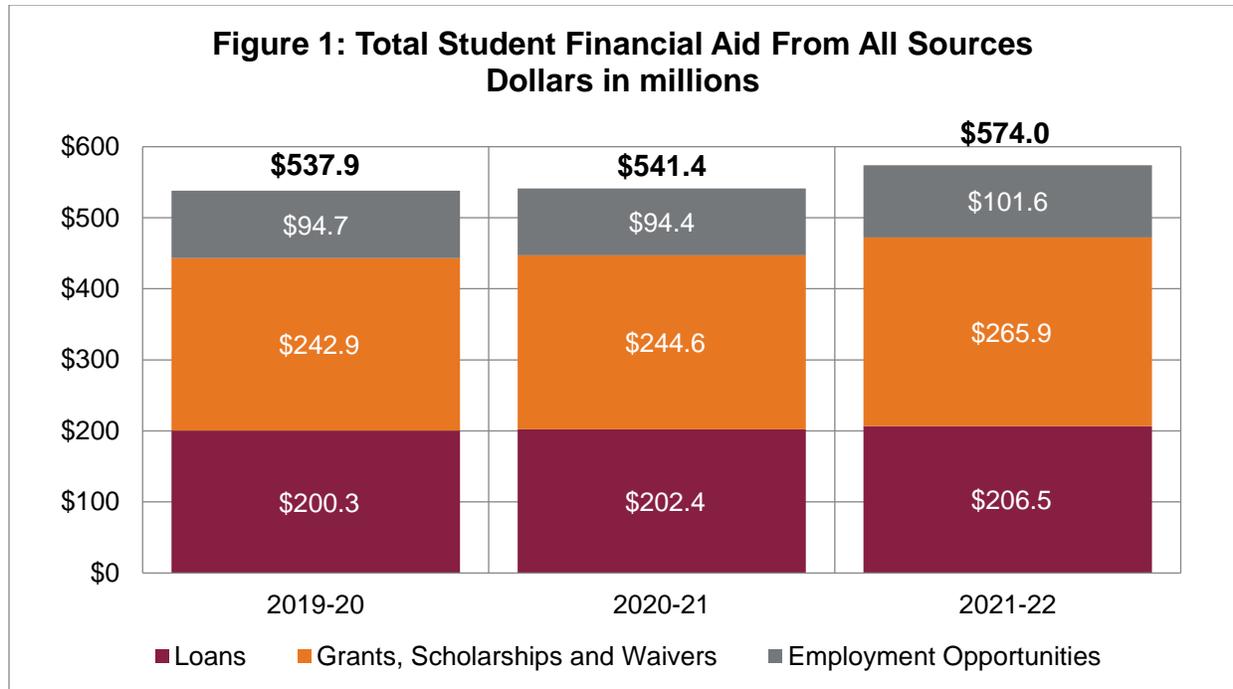
The state-funded share of support per student is impacted by the many cost-drivers competing for state resources including mandatory cost increases such as health care benefits, enrollment growth of Virginia resident students, and inflation; as a result, increases in tuition and fees were increasingly relied upon to support the university's instructional activities. In this environment, the role of student financial assistance of all types has become a more central element of financial planning in the university's efforts to ensure access and affordability. Financial aid programs are critical to support those goals, as well as promoting the recruitment, retention, and graduation of students. The university's financial aid efforts seek to ensure that qualified students can access a Virginia Tech education and help to promote a diverse and inclusive community in support of the university's goals and objectives.

Understanding the shift in the cost of education from the state to the student over time, the university has proactively focused its efforts to increase support for student financial aid. These efforts are specifically designed to ensure access and affordability and meet the goals of the university as described in its Management Agreement with the commonwealth and support broader affordability goals.

Types of Student Financial Aid

The university facilitates a multifaceted scholarship and financial aid program that provides assistance to undergraduate students through grants and scholarships, employment opportunities, loans, and payment strategies. Graduate students are supported through graduate assistantships, which provide tuition remission and a stipend

in exchange for university service. Fund sources for this assistance are varied as are their accompanying eligibility protocols. For fiscal year 2021-22, total aid reached \$574.0 million, as seen in Figure 1 below.



Financial assistance to students is provided in the four main categories of grants and scholarships, employment, loans, and payment options:

1. **Grants and Scholarships** provide aid based on academic or extracurricular achievement, or financial need, and require no exchange of service. Some of these are need-based, while others are merit-based. No repayment is expected.

Need-based awards are offered to students who demonstrate financial need as determined by federal and institutional standards. Such standards involve the computation of the cost of attendance including estimated books and supplies, transportation, personal expenses, and room and board whether on or off campus, in addition to tuition and required fees. From this total cost of attendance, the university subtracts the Expected Family Contribution (standardized through the Free Application for Federal Student Aid, the FAFSA), and any outside aid the student has obtained from sources other than the university to determine the student's financial need.

Non-need-based awards may be merit-based and offered to students who demonstrate exceptional aptitude and academic and/or extracurricular achievement.

2. **Employment** includes wage employment, student work-study opportunities at the undergraduate level, and graduate assistantships at the graduate level. In 2021-22, 31 percent (11,693) of Virginia Tech students participated in an employment opportunity.

Federal Work-Study – provides eligible students a financial aid allotment and a wage employment position. This program is subsidized by the federal government and is supported in part by the university. Federal Work Study (FWS) participants are employed both on and off-campus; gaining valuable work experience along with financial assistance. Award amounts, generally between \$1,500 and \$2,500 are based on a student's Free Application for Federal Student Aid (FAFSA) filing. In 2021-22, 522 students participated in FWS programs; 513 at the undergraduate level and 9 at the graduate/professional level.

Wage employment opportunities – provide university employment to students based upon individual qualifications subject to departmental needs and resources. The university employed 7,901 students in wage positions during 2021-22; 6,673 at the undergraduate level and 1,228 at the graduate/professional level.

Assistantships – offer tuition remission, health insurance, and a stipend in return for the student's (typically graduate-level) effort through research, service, or teaching. This funding supports both the graduate student and the university's programs. The university employed 3,951 individual graduate students, or 3,428 full-time equivalent students, as graduate assistants in administrative, teaching, and research positions in 2021-22. This represents 71 percent of the full-time graduate student population.

3. **Loans** are offered through institutional, federal, and private lenders and provide financial assistance. These loans have repayment requirements. Loans may be subsidized or unsubsidized.

Subsidized loans: generally from the federal government, carry a lower interest rate, and do not accrue interest or require payment during qualifying enrollment and deferment periods.

Unsubsidized loans: generally accrue higher, market-based interest rates from the date the loan is disbursed, and may not require repayment during qualifying enrollment and deferment periods.

4. **Payment Options** include prepaid tuition plans offered by the Commonwealth of Virginia (such as tax-sheltered savings plans) and the Budget Tuition Plan operated by the university. The Budget Tuition Plan is an installment payment plan which provides students and families the opportunity to spread the cost of tuition and fees over the course of the semester.

The university is involved in the administration and distribution of each of these types of financial aid. Many programs are administered outside of the university, and students

arrive with financial aid arrangements (which are generally termed “outside aid” in this report) that the university facilitates on their behalf. Other programs are developed within the institution.

Sources of Funding for Grants and Scholarships

A wide range of resources support grants and scholarships including federal, state, institutional, and outside aid. These sources are described below and a trend of annual expenditures of each category is detailed in Table 1.

Federal Support comes from the federal government and is provided through Pell Grants and Federal Supplemental Educational Opportunity (FSEOG) support. These programs are administered by, and flow to the student through, the university. The appropriations for these programs are often congressionally approved and, in the case of Pell Grants, follow the student to their university. In 2021-22, the university also allocated additional federal support through the American Rescue Plan Act of 2021 in response to the COVID-19 pandemic; these one-time special resources are excluded from Table 1 and detailed in Table 7 later in this report.

State Support is provided by the commonwealth from the state General Fund in several ways. The bulk of the commonwealth’s appropriation is directed to the university in support of Virginia resident undergraduate need-based scholarships. Funding is also appropriated to support graduate student assistantships. Additionally, the commonwealth directs a small portion of funding to the university to fund students in the Soil Sciences and students participating in the Multicultural Affairs and Opportunities Program. Other state funding may flow to the university on behalf of students, and is not under the university’s control.

Institutional Support is the area of financial aid that the university can impact directly, providing financial assistance in the form of scholarships and grants at the undergraduate level and assistantships at the graduate level. Institutional support comes through six main categories: unfunded scholarships, Tuition & Fee Revenue Used for Financial Aid, internal resources, codified waivers, graduate tuition remission, and private funding. In 2021-22, institutional support provided \$73.3 million to 13,666 undergraduate students; an average of \$5,360 per student.

Unfunded Scholarships: Section §23-1-612 of the Code of Virginia authorizes institutions of higher education to create need-based scholarships through the remission of tuition and fees up to certain limits at both the student and institutional level. These programs are supported by the tuition budget and are reflected in the net tuition revenue collected by the university.

Tuition & Fee Revenue Used for Financial Aid: the 2014 General Assembly session added language in Section §4-5.01 b.1.a of the Appropriation Act that authorizes institutions of higher education to create nongeneral fund appropriations for student financial assistance, as follows: (i) funds derived from in-state student tuition will not subsidize out-of-state students, (ii) students

receiving these funds must be making satisfactory academic progress, (iii) awards made to students should be based primarily on financial need, and (iv) institutions should make larger grant and scholarship awards to students taking the number of credit hours necessary to complete a degree in a timely manner. These programs are supported by the tuition budget and are reflected in the net tuition revenue collected by the university.

Internal Resources: some institutional support is available from specific resources. Given the public nature of much of the university's resources, the university is limited in its ability to generate resources for flexible scholarship support. Examples of this type of support are revenue from Virginia Tech license plate sales and net revenues from licensing and trademark activities.

Codified Waivers: while the university is generally unable to waive student charges, codified waivers are specific programs that are enacted in the Code of Virginia that authorize the waiver of charges to support specific groups targeted by the commonwealth. These waivers are mandated by the Commonwealth while the cost is absorbed by the university. Mandated waivers include:

- Dependents and spouses of military personnel such as members of the United States Armed Forces or Virginia National Guard who were killed or severely disabled in action,
- Surviving spouses and children of Virginia public safety personnel such as law-enforcement officers, campus police officers, and firefighters killed or disabled in the line of duty,
- Senior citizens with income less than \$23,850 per year, as long as tuition paying students are not displaced.

Because the costs of these programs are managed by the institution, these programs are considered institutional support. The university also supports graduate students on assistantship through the waiver of the nonresident differential (the difference in the tuition rate between resident and nonresident graduate students) as authorized by the Appropriation Act for significantly employed graduate students.

Graduate Tuition Remission: the most common source of support for graduate students is the graduate assistantship. An assistantship is comprised of a stipend, health insurance, and graduate tuition remission. Assistantships support teaching, research, or other service within the university. The university funds a portion of the graduate tuition remission program, as do grants and contracts tied to specific externally sponsored activities, primarily research.

Private Funding: University Advancement supports the vision of Virginia Tech by raising private resources for student scholarships and endowments. These privately-funded scholarships resources are received, managed, and disbursed by the Virginia Tech Foundation on behalf of the institution. While some resources are managed by the university, the university's individual colleges and

departments are responsible for awarding a significant portion of the private support and administering restricted scholarships to eligible students based upon donor intent. Utilization of these departmentally administered resources is detailed later in this report.

Outside Aid is aid which normally comes with a student from private external parties. This could include private organizations, nonprofit organizations, businesses, governmental entities, international organizations, and other special-interest groups. The university does not control this fund source but works to facilitate and coordinate the delivery of such support. Often these awards are tied to academic progress eligibility which the university may monitor on behalf of the awarding entity.

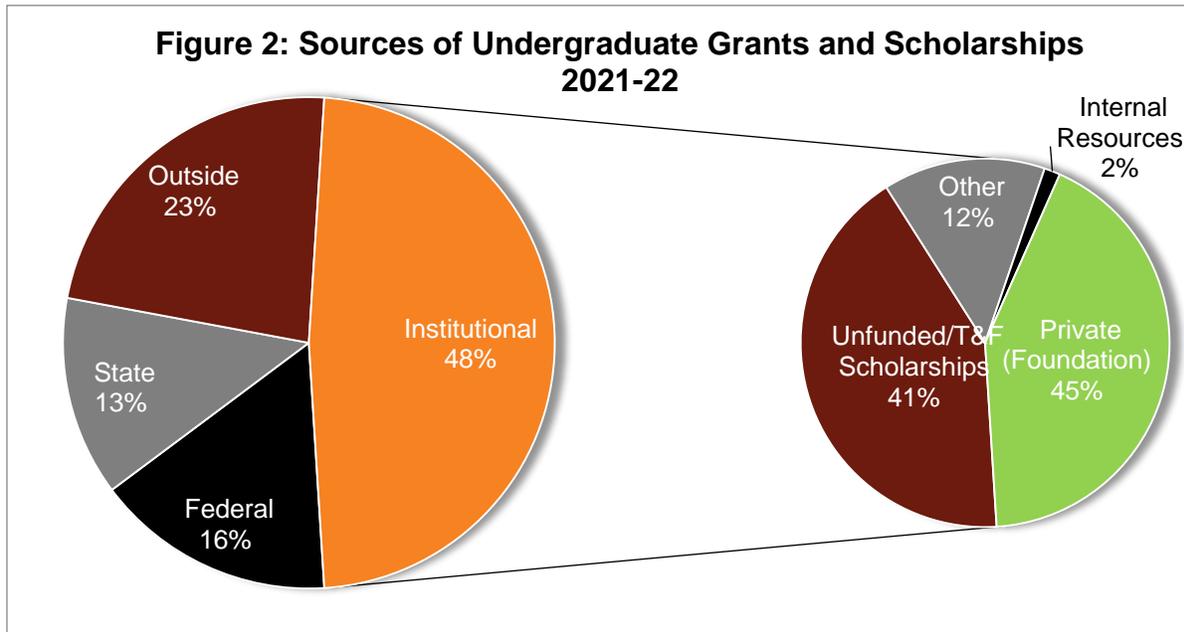
Table 1: Grants, Scholarships, & Waivers
(Dollars in Millions)

	2019-20	2020-21	2021-22
<u>Undergraduate</u>			
Federal	\$21.2	\$23.1	\$23.7
State	17.9	18.3	19.8
Institutional			
Unfunded/T&F Scholarships	25.1	26.2	30.6
Internal Resources	1.4	1.3	1.8
Other ⁽¹⁾	7.3	7.9	10.3
Private (Foundation)	27.4	28.5	30.6
<i>Subtotal Institutional</i>	61.2	63.9	73.3
Outside	36.9	35.1	34.7
<i>Subtotal Undergraduate</i>	\$137.2	\$140.4	\$151.5
<u>Graduate</u>			
Graduate Tuition Remission			
Institutional	\$62.2	\$61.6	\$67.1
State	5.1	5.1	5.1
Sponsored Grants & Contracts	18.0	18.0	21.0
Private	0.8	0.4	0.6
<i>Subtotal Tuition Remission</i>	86.1	85.1	93.8
Graduate Aid			
Professional Program Discounting	1.5	1.7	1.7
Other ⁽¹⁾	5.9	5.9	6.8
Private	3.8	3.7	4.0
Outside	8.4	7.8	8.2
<i>Subtotal Graduate Aid</i>	19.6	19.1	20.7
<i>Subtotal Graduate</i>	105.7	104.2	114.5
Total Grants, Scholarships, & Waivers	\$242.9	\$244.6	\$266.0

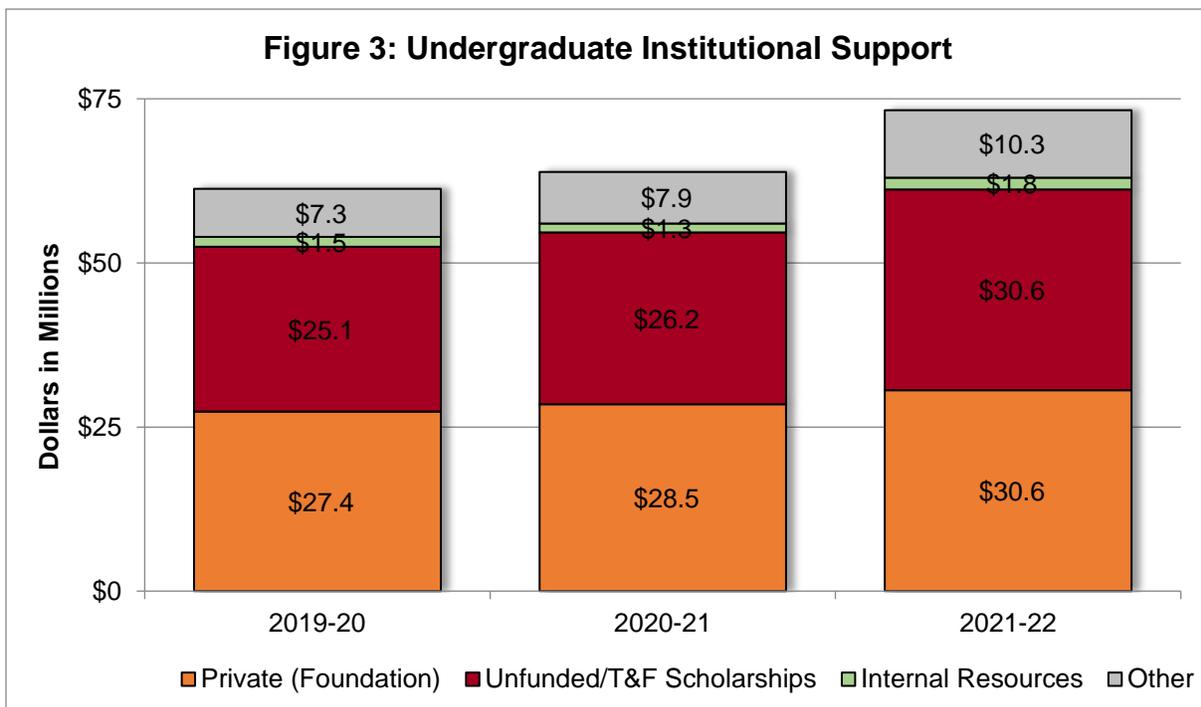
(1) Includes waivers codified in the Code of Virginia and educational benefits for employees.

Undergraduate Scholarships

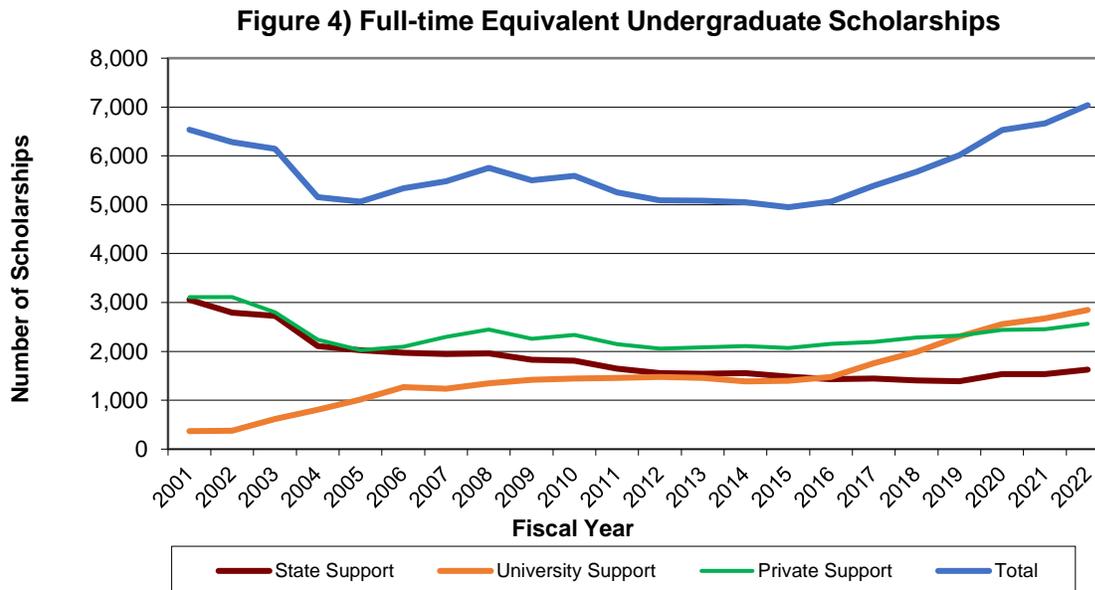
Of the sources of undergraduate scholarships and grants, 48 percent are derived from institutional sources, as seen in Figure 2.



Institutional resources to support undergraduate student financial aid awards have increased over time, as seen in Figure 3.



In recent years, the university has been able to make measured progress in the total number of Full-Time Equivalent number of awards budgeted for undergraduates. Moving forward, the university intends to continue to exert additional emphasis on raising additional funds to further increase the university's capacity to help with student affordability. Figure 4 displays the trend of this scholarship analysis from these budgeted sources.



Uses of Funds

The university leverages institutional support to advance access and affordability and has also created several innovative, very successful programs. Two major undergraduate Grant and Scholarship programs, which the university committed to as part of the Higher Education Restructuring Act, are:

Funds for the Future –This is an important university undergraduate financial aid program, designed to assist returning students with financial need by mitigating increases in tuition and required fees based on level of family income. For students from low to middle-income families, the Funds for the Future program provides pricing predictability and the mitigation of annual increases while avoiding the institutional risk and potential for overpricing inherent in “fixed-price” models. The program was enhanced in 2019-20 by extending protection of 100 percent of tuition and fee increases to all families with financial need with less than \$100,000 of income. Table 2 shows the number of resident and nonresident students receiving this aid in 2021-22. Recent tuition freezes in 2019-20 and 2020-21 have reduced the need for the tuition increase protection provided by this aid program.

Table 2: 2021-22 Funds for the Future Award Recipients

Family Income (AGI)	VA Residents		Non-Residents		Total FFF Program	
	No. Awards	Dollar Amount	No. Awards	Dollar Amount	No. Awards	Dollar Amount
\$0-99,999	3,218	\$1,456,060	561	647,473	3,779	2,103,533

Virginia Tech Grant – In addition to protecting students with financial need from tuition and required fee increases, the university has also been methodically working to expand its total aid program, with the goal of reducing unmet need. Additional funds have been allocated to this program annually with the goal of reducing unmet need at a measured pace over time.

Other programs that have been designed to offset the costs of attendance, achieve enrollment goals, and recognize academically talented students include:

- Presidential Scholarship Initiative to assist low-income and first-generation Virginia students with significant financial need;
- VT Scholars award to recruit academically talented students and advance university first generation enrollment goals;
- Emerging Leaders Scholarship for participants in the Corps of Cadets;
- Presidential Campus Enrichment Grants and Alumni Presidential Scholar Program that serve both students with need and students who demonstrate merit to achieve university enrollment goals;
- Scholarships to defray a portion of a student's costs to study at the Steger Center for International Scholarship; and
- Scholarship support to help offset the higher costs of study abroad programs.

These programs help address the commitment to access and affordability that the university undertook as part of the Restructured Higher Education Financial and Administrative Operations Act initiative. Further, these programs have been well-received by students, families, and the commonwealth and help to advance strategic goals.

Trends in Student Indebtedness

Loans

The university continues to monitor students' borrowing behavior. Table 3 below displays the average borrower debt of the graduation class at Virginia Tech and nationally for the past 5 years, as well as the percentage of each class who carried student loan debt upon graduation. Comparison data shows that approximately 47% graduates of the Top 20 Land Grants had student debt with similar average levels to Virginia Tech. Of those who did graduate with debt, the average was \$32,054. Though the use of student loans remains a personal decision, the university provides students and parents with information and counseling to understand the benefits and responsibilities of student loan

resources. The university has enhanced aid and loan counseling programs in an effort to help reduce student debt.

Table 3: Loan Statistics of Virginia Tech Graduates

Class of:		2018	2019	2020	2021	2022
VT	\$	30,221	31,494	33,312	31,762	32,054
	%	49%	48%	48%	47%	47%
Top 20 Land Grants	\$	26,927	27,271	27,779	27,971	28,839
	%	50%	49%	47%	47%	47%

Default Rate

Virginia Tech's 2019 cohort default rate for the Federal Direct Loan (FDL) and Federal Family Education Loan (FFEL) programs was 0.5 percent, compared with a 0.8 percent average default rate among the university's peer group. While default rates are linked to the national economy, Virginia Tech has consistently had a default rate below the national average, as seen in Table 4 below.

Table 4: Cohort Default Statistics of Virginia Tech Borrowers

	2017	2018	2019*
National Peer Average	2.7%	2.1%	0.8%
VT	1.6%	1.2%	0.5%

**The Department of Education notes that FY 2019 cohort default rates were significantly impacted by the pause on federal student loan payments that began March 13, 2020. During the pause, borrowers with ED-held student loans were not required to make any payments, and no borrowers with ED-held loans entered default.*

Net Price

When all available financial aid resources are applied to the overall Cost of Attendance (including tuition and fees, room and board, books, travel, and other costs), a "Net Price" can be derived to represent the remaining cost to the student. Due to various discounting strategies across institutions, the Net Price can be a helpful comparison point of the choice faced by students and their families. The National Center for Educational Statistics (NCES) compiles Net Price data across five student income categories. Table 5 below compares the university's net price with national and state peers for a first year full-time Virginia undergraduate (or resident student within another state). This analysis finds that while the university remains competitive in terms of the average Cost of Attendance (sticker price), the university has an opportunity to enhance the net price competitiveness for low and middle-income students. As a result, the university is working diligently to make progress.

Table 5: Comparison of Net Price for In-State Undergraduates

	Cost of Attendance (Sticker Price)	Average Net Price by Income (2020-21 Data)				
		\$0-30,000	\$30,001-48,000	\$48,001-75000	\$75,001-\$110,000	\$110,001+
Virginia Tech	27,755	11,740	13,739	18,113	24,065	26,726
National Peer Average	33,765	8,574	10,466	14,603	20,665	25,288
Advantage (Disadvantage)	6,010	(3,166)	(3,273)	(3,510)	(3,400)	(1,438)
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Virginia Tech	27,755	11,740	13,739	18,113	24,065	26,726
Select VA Doctorals	37,849	6,283	6,746	12,627	19,209	31,783
Advantage (Disadvantage)	10,094	(5,457)	(6,993)	(5,486)	(4,856)	5,057
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VT In-state Student Count per Category		1,849	1,054	1,310	1,415	3,607

Unmet Need

A student's need is determined using the federal Free Application for Federal Student Aid (FAFSA). This calculation begins with the cost of attendance (tuition, fees, room, board, books and travel), subtracts the expected family contribution (EFC) along with any aid provided (including loans), and the remaining amount is considered "unmet need". While external factors such as student family income significantly effect this calculation, reducing the percentage of unmet need over time is a goal of the university's student financial aid program. Table 6 below displays the unmet need of resident and nonresident undergraduates over time.

Table 6: Trend of Unmet Need

	2019-20	2020-21	2021-22
Virginia Undergraduate	\$6,332	\$7,311	\$7,714
% Average Unmet Need	33.3%	36.8%	37.1%
Nonresident Undergraduate	\$11,884	\$12,748	\$13,467
% Average Unmet Need	41.6%	44.1%	44.9%

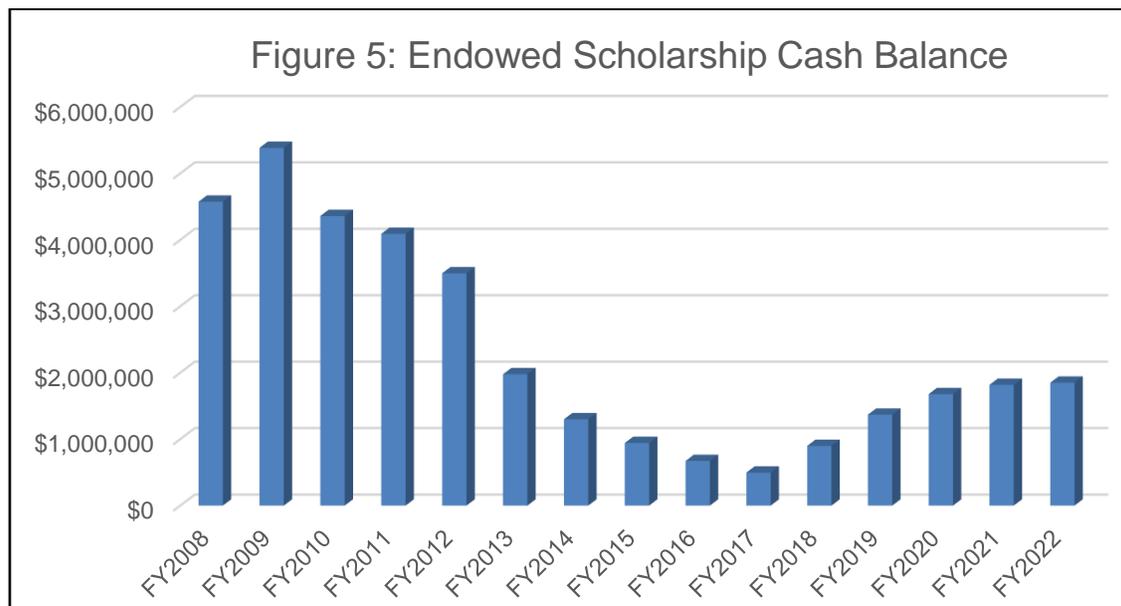
Utilization of Private Support

University colleges and departments are responsible for awarding and administering much of the university's private support for student financial aid. In past years, the university provided an annual report to the Committee to outline endowment scholarship utilization and scholarship expenditure plans. Over the years, unspent endowment

scholarship balances had accumulated due to lack of oversight of departmental allocations, leading to a remediation strategy to ensure maximum utilization of departmentally allocated private scholarships. Due the success of these actions, and the significant reduction in unspent balances, pertinent information from the prior report is now incorporated into this report to provide one comprehensive report on Student Financial Aid.

The Office of the Vice Provost for Enrollment and Degree Management provides guidance to scholarship-managing units through procedures, reports, and data analysis. Each college's annual expenditure plan of endowed scholarships is reviewed and approved to ensure that these resources are utilized effectively. Enrollment and Degree Managements efforts have resulted in enhanced utilization and significant reductions in unallocated cash balances. To continue this success, the Office of University Scholarships and Financial Aid provides an annual management report to the Vice President of Finance to affirm scholarship utilization and the status of funding.

Figure 5 below displays the trend of accumulated departmental private scholarship cash balances. The university believes that the year-end cash balances are at acceptable levels, and will continue to monitor performance in future years to ensure that the cash balances remain at acceptable levels and that resources are used to advance the strategic enrollment goals of each college.



2021-22 COVID-19 Pandemic Federal and State Support

On March 10, 2021, Congress approved the American Rescue Plan Act (ARPA), a third major pandemic relief package. The ARPA provided Virginia Tech a direct allocation of \$49.7 million through the Higher Education Emergency Relief Fund III (HEERF III). Similar to the CARES Act, the first pandemic relief package, the ARPA required institutions to distribute at least half of the HEERF allocation as financial aid grants to students. The

remaining resources were available to offset institutional expenses incurred as a result of the pandemic.

Virginia Tech automatically awarded grants to students who met the following criteria:

- Undergraduate, graduate, or professional student enrolled for the fall 2021 semester at least half time as defined by the University Registrar;
- FAFSA was on file for the 2021-22 academic year with a valid Expected Family Contribution (EFC); and
- Expected Family Contribution (EFC) from the FAFSA of less than \$30,000.

Students were awarded the following amounts based on their EFC:

- Undergraduate students who had an EFC less than \$5,847 received a grant of \$2,500;
- Graduate and professional students who had an EFC less than \$5,847 received a grant of \$2,000;
- Undergraduate students who had an EFC greater than or equal to \$5,847 and less than or equal to \$19,999 received a grant of \$1,500;
- Graduate and professional students who had an EFC greater than or equal to \$5,847 and less than or equal to \$19,999 received a grant of \$1,000; and,
- Undergraduate, graduate, and professional students who had an EFC greater than or equal to \$20,000 and less than or equal to \$29,999 received a grant of \$1,000.

Additionally, all students were allowed to apply for a HEERF III emergency grant through an online application process. The university also allocated HEERF III grants for students enrolled for the Winter Session, the Spring Semester, assistance with Meal Plan increases, and to Doctor of Veterinary Medicine students who experienced billing issues related to adjusted clinical rotation schedules during COVID.

Current Events

The university continues to explore opportunities with the state to provide student financial aid to meet the university and the Commonwealth's goals of enrolling traditionally underserved and underrepresented students. Based on substantial investment in higher education from the Commonwealth during the 2022 General Assembly session, the Executive Committee of the Board approved a one-time scholarship for in-state students to offset the 2022-23 tuition increase. For the 2023 General Assembly session, the university included the following executive budget requests to advance access and affordability:

- **Increase Need-Based Student Financial Aid** (\$20.7M) – request would address the significant shortfall in financial aid support for resident undergraduates as compared to other Virginia Doctoral institutions.
- **Support Growth in Virginia Military Survivors Dependent Education Program** (\$7.2M) request will address significant unanticipated growth in mandatory VMSDEP waivers due to an eligibility change in 2019 that led to enhanced visibility and utilization of the program.

An increase in state support for student financial aid, however, will not fully bridge the gap between the university's long-term access and affordability goals and available resources. The university will also need to continue to explore all possible opportunities to enhance access and affordability for Virginia undergraduates through increased institutional sources, with an emphasis on private fundraising. Feedback received during the August Board Retreat is informing the university's refinement of financial aid goals as part of the Advancing Beyond Boundaries Strategic Plan.

In addition to supporting resident student financial need, the university's scholarship program is integral to the achievement of enrollment targets, particularly of nonresident undergraduates. This enrollment strategy is designed to provide net resources to the institution to allocate towards support of resident students and university strategic initiatives. Aid to attract and retain students in targeted disciplines is a focus.

The university will continue to work to assist students and families with managing the cost of education in the future. For 2021-22, 11,805 Virginia Tech undergraduate students (40 percent of the university's undergraduate full-time population) were determined to have financial need. This plan ties into the university's commitment in its Management Agreement to increase support for need-based student financial aid to help ensure access and affordability.

The university has increased its institutional funding of student financial aid each year since expanding the program in 2001-02, primarily through the use of unfunded scholarships. While the university has been leveraging the unfunded scholarship authority to expand need-based aid, the use of unfunded scholarships has legal and practical limits. As a result, it is critical that the university work to expand funding from other sources in the future, especially by increasing private fundraising and endowed scholarships, as well as advocating for increased state and federal support opportunities.

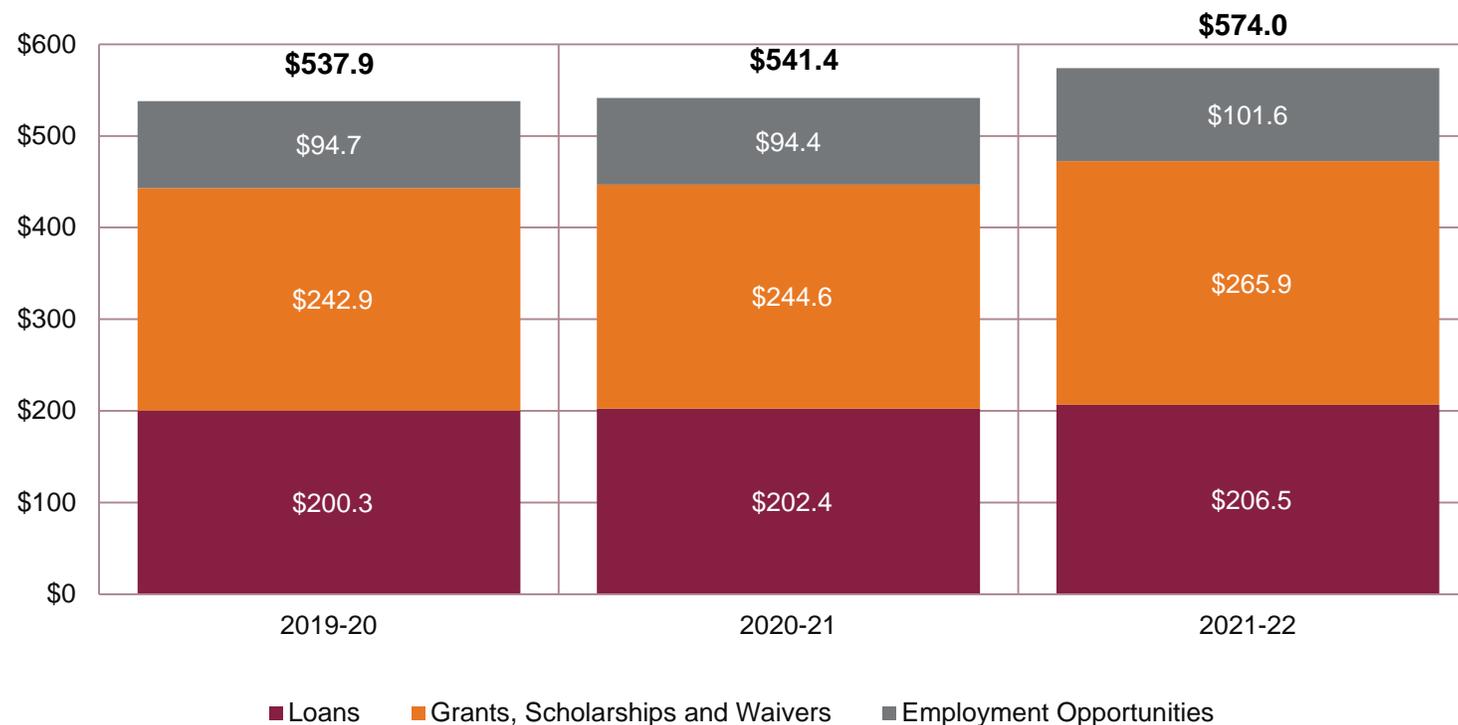
ANNUAL REPORT ON THE UNIVERSITY'S STUDENT FINANCIAL AID RESOURCES

TIM HODGE, ASSOCIATE VICE PRESIDENT FOR BUDGET
AND FINANCIAL PLANNING

NOVEMBER 14, 2022

Student Financial Aid at Virginia Tech

Figure 1: Total Student Financial Aid From All Sources
Dollars in millions



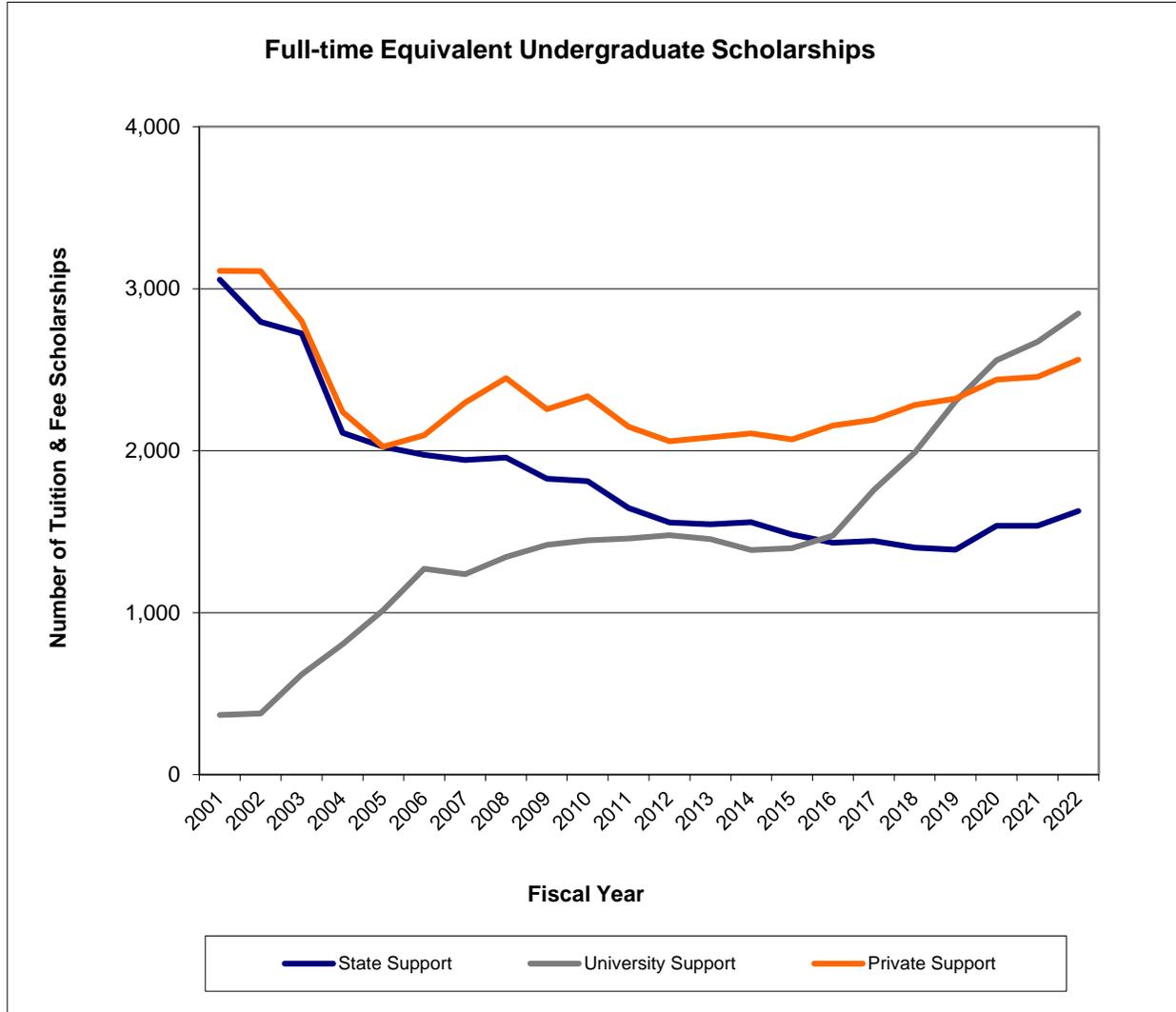
Undergraduate Grants and Scholarships

(Dollars in Millions)

	2019-20	2020-21	2021-22
<u>Undergraduate</u>			
Federal	\$21.2	\$ 23.1	\$23.7
State	17.9	18.3	19.8
Institutional			
Unfunded Scholarships	25.1	26.2	30.6
Internal Resources	1.4	1.3	1.8
Other ⁽¹⁾	7.3	7.9	10.3
Private (Foundation)	27.4	28.5	30.6
<i>Subtotal Institutional</i>	61.2	63.9	73.3
Outside	36.9	35.1	34.7
<i>Total Undergraduate</i>	\$137.2	\$ 140.4	\$151.5

(1) Includes waivers codified in the Code of Virginia and educational benefits for employees.

Analysis of the Purchasing Power of Undergraduate Scholarship Fund Sources



Examples of university-funded scholarship priorities include:

Virginia Tech Grant: reduction of unmet need

Presidential Scholarship Initiative: “full-ride” with enhanced advising and support for underrepresented and first-generation Virginians

College Access Collaborative: for underrepresented Virginians in the K-12 pathway program

Beyond Boundaries: matches private giving in support of underrepresented and high-achieving students

Enrollment Management Scholarships: support strategic enrollment goals, including underrepresented and academically talented students

Funds for the Future: Mitigating Tuition Increases

- For 2021-22, all families with need and income up to \$99,999 Adjusted Gross Income were eligible for 100% coverage of tuition and fee increases
- Includes Virginia and non-resident undergraduates
- Effectively guarantees tuition and fee levels to first year of eligibility

Family Income	VA Residents		Non-Residents		Total	
	#	\$	#	\$	#	\$
\$0-99,999	3,218	\$1,456,060	561	\$647,473	3,779	\$2,105,553

Average Debt Per Borrower and Percentage of Students Graduating with Debt

Class of:		2018	2019	2020	2021	2022
VT	\$	30,221	31,494	33,312	31,762	32,054
	%	49%	48%	48%	47%	47%
Top 20 Land Grants	\$	26,927	27,271	27,779	27,971	28,839
	%	50%	49%	47%	47%	47%

National data produced from the Common Data Set

Net Price Comparisons

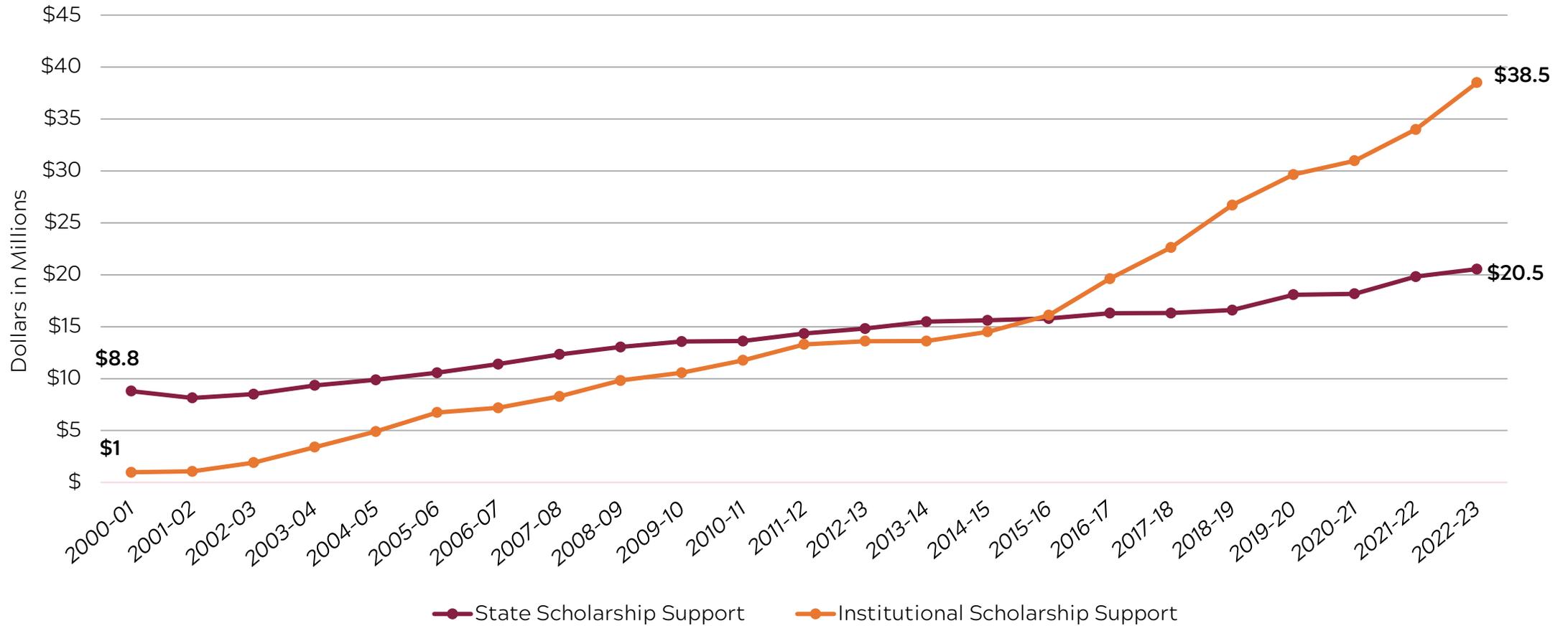
- Net price is the cost remaining after financial aid has been applied to the total cost of attendance (tuition, fees, room and board, and other expenses)
- The university remains competitive with “sticker” price, but has an opportunity to enhance the “net” price competitiveness for resident students from low- to middle-income families

Net Price of In-State Undergraduates - From IPEDS						
	Cost of Attendance (Sticker Price)	Average Net Price by Income (2020-21 Data)				
		\$0-30,000	\$30,001-48,000	\$48,001-75,000	\$75,001-110,000	\$110,001+
Virginia Tech	\$ 27,755	\$ 11,740	\$ 13,739	\$ 18,113	\$ 24,065	\$ 26,726
National Peer Average	33,765	8,574	10,466	14,603	20,665	25,288
Advantage (Disadvantage)	6,010	(3,166)	(3,273)	(3,510)	(3,400)	(1,438)
Virginia Tech	27,755	11,740	13,739	18,113	24,065	26,726
Select VA Doctorals*	37,849	9,224	8,785	13,507	20,747	32,758
Advantage (Disadvantage)	10,094	(2,516)	(4,954)	(4,606)	(3,319)	6,032
VT In-state Student Count per Category		1,849	1,054	1,310	1,415	3,607

*This includes the University of Virginia and the College of William & Mary.

Undergraduate Student Financial Aid

State and Institutional Undergraduate Scholarship Support



Current Events

- Significant state support approved in 2022 led to Board approval of a one-time scholarship for in-state students to offset the 2022-23 tuition increase
- After the fall BOV retreat, the university is updating the goal for affordability.
- The university is advocating for additional **state support** for student financial aid
 - The university asked the state for additional financial aid for in-state students (a significant request) as well as to support unanticipated growth in the Virginia Military Survivors Dependent Education Program
- University continues to work to identify additional **institutional** funding for student financial aid.
- The university must renew emphasis on expanding support through **private** philanthropy.

DISCUSSION

REVIEW AND APPROVAL OF THE 2022 – 2028 SIX-YEAR PLAN

KENNETH E. MILLER, VICE PRESIDENT FOR FINANCE

TIM HODGE, ASSOCIATE VICE PRESIDENT FOR
BUDGET AND FINANCIAL PLANNING

NOVEMBER 14, 2022

Background

Six-Year Plan is a requirement of the Higher Education Opportunity Act of 2011
Three components of Six-Year Plan:

1. *Academic plan*
 - *Strategies that advance the university's strategic plan*
 - *Support the state's objectives*
2. *Financial Plan*
 - *Estimated costs*
 - *Potential revenues and reallocations*
3. *Enrollment Plan*
 - *SCHEV 2B enrollment plan*

Six-Year Planning Process

- *Board review of primary elements of plan in June 2022*
- *Initial Submission to state on July 11, 2022*
- *July/August review by:*
 - *Secretaries of Education and Finance*
 - *Directors of Department of Planning and Budget and SCHEV*
 - *Staff of House Appropriations and Senate Finance Committees*
- *September/October:*
 - *Feedback from state and opportunity for university to respond*
 - *Plan serves as starting point for Executive Budget development*
- *November:*
 - *Board of Visitors approves final plan*

2022-28 Academic Plan and Financial & Operating Plan

Attachment F

- *Strategic focus rooted in university's Beyond Boundaries Strategic Plan*
- *Maintains current undergraduate enrollment levels*
- *Includes the state's compensation program*
- *Plans for increased affordability through additional student financial aid*
- *Proposes new General Fund for strategic university initiatives*
- *Reflects projected state cost assignments, unavoidable cost increases, and fringe benefits*

Enrollment Planning Considerations



- *Undergraduate enrollment managed at 30,000 while future plans remain under consideration.*

Goals:

- *Provide access to public education in the Commonwealth*
- *Ensure affordability for Virginia undergraduates*
- *Attracting talented and diverse students to Virginia*
- *Support experiential and employment-based learning with hybrid delivery of instruction*
- *Expand disciplines that support state workforce*
- *Achieving economies of scale that support strategic initiatives while mitigating cost increases*
- *Support for expansion of graduate enrollment, including professionally oriented programs*

University Division

Academic Strategies

(Dollars in Millions)

	Original		Revised	
	2022-23	2023-24*	2022-23	2023-24*
<u>Academic Initiatives</u>				
<i>Advance regional, national, and global impact</i>	\$4.0	\$5.2	\$4.0	\$5.2
<i>Elevate the Ut Prosim difference</i>	3.0	5.5	1.7	4.2
<i>Be a destination for talent</i>	2.3	2.7	2.3	2.8
<i>Ensure institutional excellence</i>	1.3	1.8	1.4	1.8
Subtotal Academic Initiatives	\$10.6	\$15.2	\$9.4	\$14.0

*2023-24 is cumulative of 2022-23 costs

University Division

Operating Initiatives

(Dollars in Millions)

Attachment F

<u>Operating Initiatives</u>	Original		Revised	
	2022-23	2023-24*	2022-23	2023-24*
<i>Increase faculty salaries</i>	\$12.1	\$24.6	\$23.3	\$47.3
<i>Increase university staff salaries</i>	1.5	3.1	5.2	10.5
<i>One-time bonus for state employees</i>	-	-	5.3	-
<i>Operations & maintenance for new facilities</i>	2.1	6.0	2.2	5.1
<i>Additional financial aid</i>	2.1	4.2	9.1	4.6
<i>Nongeneral fund for current operations</i>	2.0	3.8	6.5	7.8
Subtotal Operating Initiatives	19.8	41.7	51.6	75.3
Total University Division Initiatives	\$30.4	\$56.9	\$61.0	\$89.3

*2023-24 is cumulative of 2022-23 costs

University Division

General Fund Requests

(Dollars in Millions)

General Fund Requests	Original		Revised	
	2022-23	2023-24*	2022-23	2023-24*
<i>Mitigate/avoid In-state tuition increases</i>	\$4.6	\$9.6	-	\$12.2
<i>Increase need-based student financial aid for Virginia undergraduates</i>	1.0	2.0	-	20.7
<i>Improve affordable access to medical education (VTCSOM)</i>	-	-	-	26.4
<i>Advance research frontiers</i>	3.8	7.5	-	3.8
<i>Equalize support for Unique Military Activities</i>	0.4	0.8	-	-
<i>Support growth in VMSDEP waivers</i>	-	-	6.0	7.2
<i>Provide operations & maintenance funding for projects coming on-line</i>	-	-	-	1.0
Total University Division General Fund Requests	\$9.8	\$19.9	\$6.0	\$71.3

*2023-24 is cumulative of 2022-23 costs

University Division

Nongeneral Fund Revenue Planning

- *Key components are tuition and fee revenue estimates for first biennium of plan*
- *Six-Year Plan does not recommend or commit to specific set of rates. Tuition and fee rates remain authority of Board of Visitors*
- *Tuition and Fee figures are **planning placeholders** that begin a discussion about how the university and commonwealth can partner to advance goals*

	2023-24
Tuition & E&G Fees	
<i>In-state Undergraduate</i>	4.9%
<i>Out-of-state Undergraduate</i>	3.9%
<i>In-state Graduate</i>	2.9%
<i>Out-of-state Graduate</i>	2.9%
Mandatory Non-E&G Fees (Comprehensive Fee)	3.9%

Cooperative Extension & Agriculture Experiment Station Strategies

Attachment F

(Dollars in Millions)

Financial and Operating Initiatives	Original		Revised	
	2022-23	2023-24*	2022-23	2023-24*
<i>Increase faculty and staff salaries</i>	\$0.1	\$0.2	\$3.3	\$6.8
<i>One-time bonus for state employees</i>	-	-	0.8	-
<i>Operations & maintenance for new facilities</i>	0.7	0.8	0.7	0.8
<i>Nongeneral fund for current operations</i>	0.3	0.7	0.5	1.0
Subtotal Financial and Operating Initiatives	\$1.1	\$1.7	\$5.3	\$8.6

*2023-24 is cumulative of 2022-23 costs

Cooperative Extension & Agriculture

Experiment Station

General Fund Requests

(Dollars in Millions)

	Original		Revised	
	2022-23	2023-24*	2022-23	2023-24*
<u>General Fund Requests</u>				
<i>Mitigate Impact of Inflationary Increases on Operations</i>	\$0.9	\$1.2	-	\$1.0

This request is in addition to the continued phase-in of the agency’s “Building Resiliency” initiative funded by the 2022 General Assembly.

*2023-24 is cumulative of 2022-23 costs

Next Steps

- *Plans were submitted to state on July 11, 2022*
- *Iterative feedback took place in September and October, resulting in no substantive revisions requested by state.*
- *Plans served as basis of university budget submissions for consideration in Executive Budget amendments.*
- *Initiatives will serve as basis of university's funding advocacy efforts in 2023 General Assembly session.*

DISCUSSION

FINANCIAL PERFORMANCE REPORT

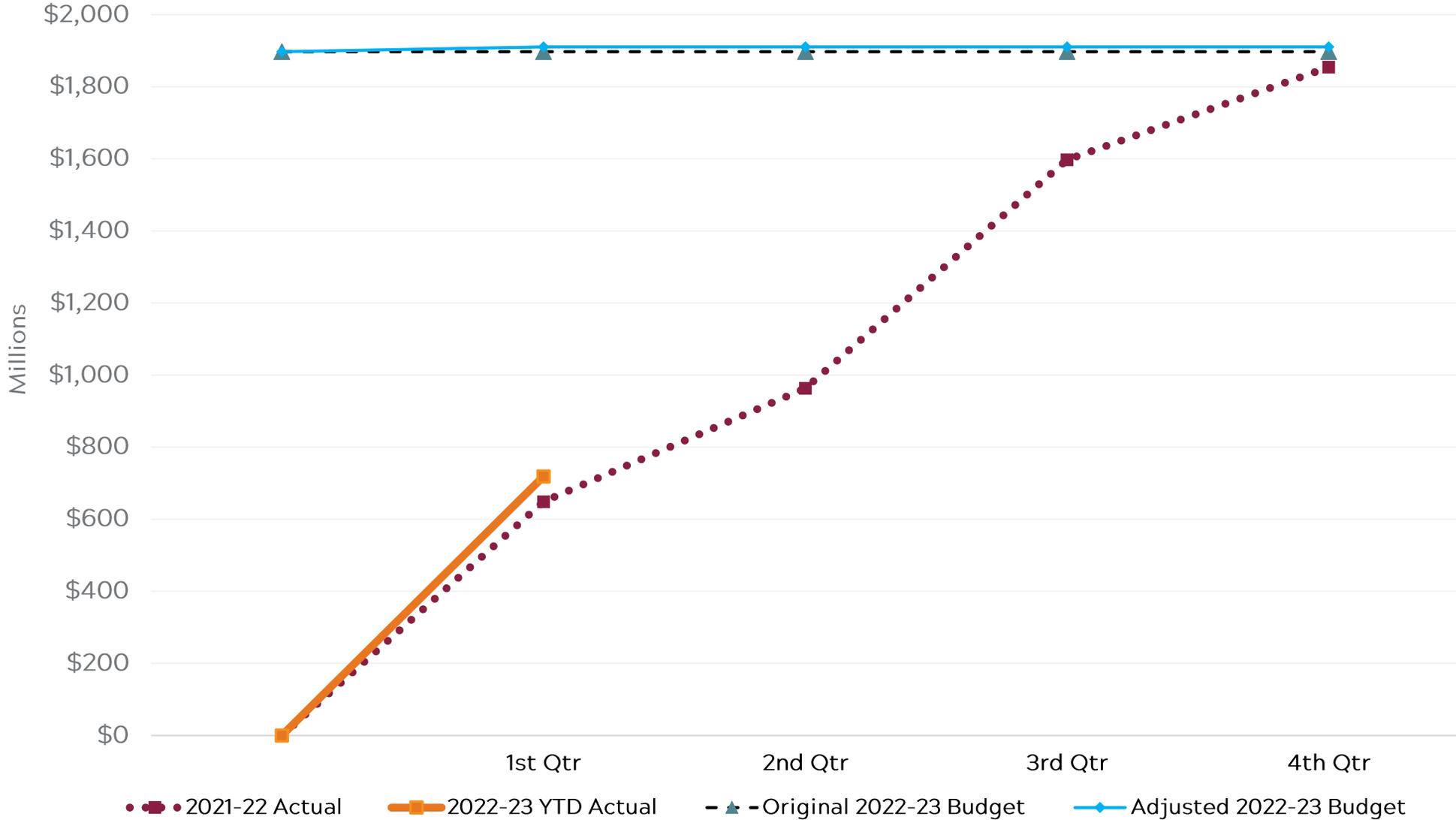
July 1, 2022 - September 30, 2022

TIM HODGE, ASSOCIATE VICE PRESIDENT FOR
BUDGET AND FINANCIAL PLANNING

BOB BROYDEN, ASSOCIATE VICE PRESIDENT FOR
CAMPUS PLANNING AND CAPITAL FINANCING

NOVEMBER 14, 2022

OPERATING REVENUES



1ST QUARTER 2022-23

Annual Budget Changes

Education and General

- \$2.5 million increase in Tuition and Fee budget comprised of \$5.1 million increase for graduate enrollment, \$2.1 million increase for undergraduate enrollment, \$0.4 million increase for summer session, and decreased (\$3.2) million for Virginia Military Survivor program and (\$1.8M) to enhance scholarship budgets.

Sponsored Programs

- \$1.0 million increase for Historical Horse Racing revenue.

Auxiliary Enterprises

- \$24.2 million carryover of outstanding commitments and obligations.
- Recreational Sports: \$2.0 million expense budget for War Memorial Hall maintenance projects
- Dining Services: \$2.0 million revenue and expense budget for Dietrick Plaza Project

Financial Performance

Educational and General, Sponsored Programs, and Student Financial Aid

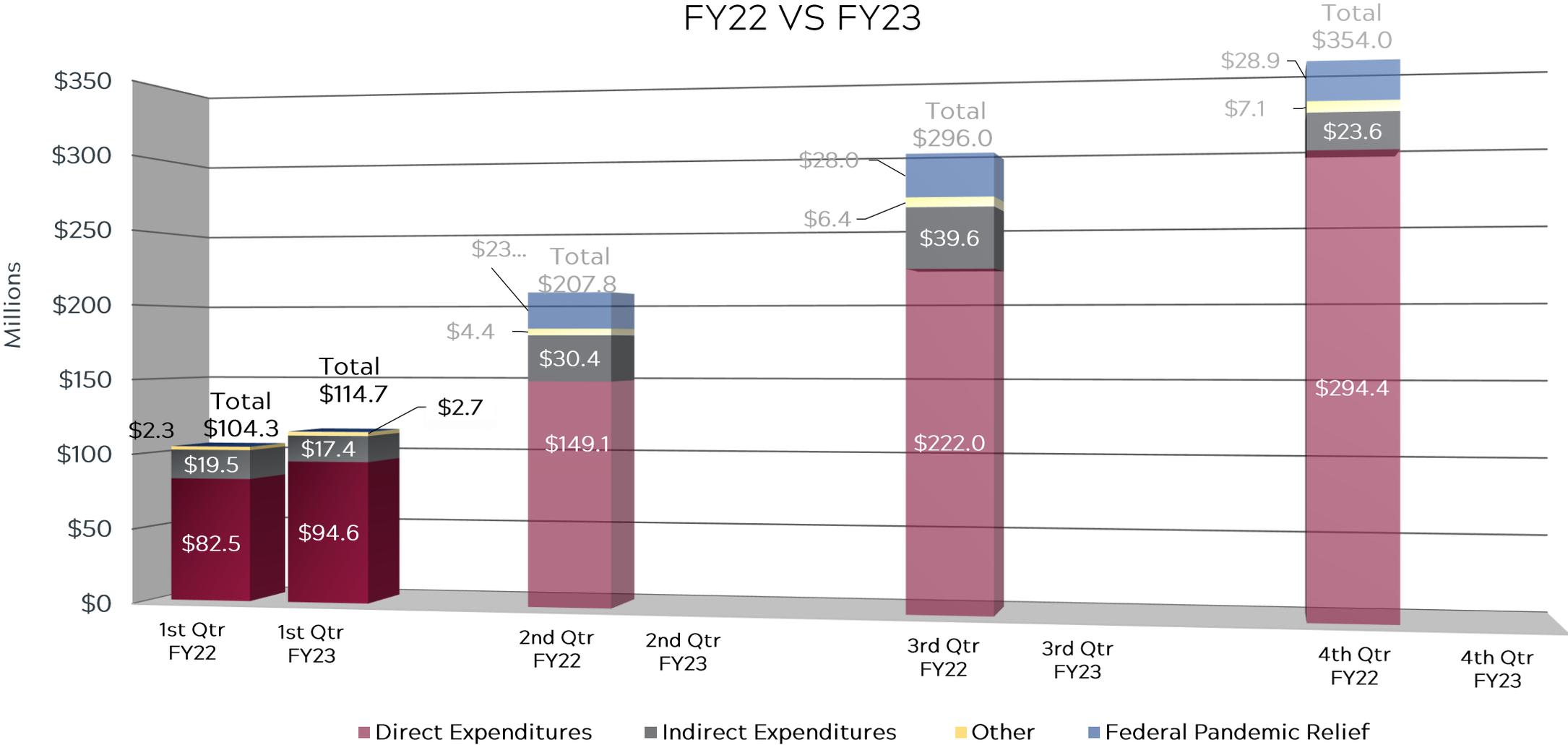
- No significant issues to report.

Auxiliary Enterprise

- Electric Services: \$1.2 million lower than project projected electrical consumption
 - 2nd quarter adjustment is in development

SPONSORED PROGRAM EXPENDITURES

FY22 VS FY23



CAPITAL PROGRAM



Capital Outlay Total Program

**Total
Budget**
\$ in Thousands

**Total
Expenditures**
\$ in Thousands

4 th Quarter End	Total Projects = 27	\$1,204,921	\$507, 162
	Closed Five Projects	(110,575)	(24,042)
	MR Close-Out Fiscal Year 2022	(37,824)	(38,100)
	Fiscal Year 2023 1 st Qtr. Expenditures		59,862
	MR Fiscal Year 2023	29,928	
	Supplement Equipment for Workforce Development	9,124	
	Supplement ADA & Code Compliance	7,300	
	Supplement Mitchell Hall for Construction	237,000	
	Add Building Envelope Improvements	47,200	
	Add Planning: Relocate Hampton Roads AREC	500	
1 th Quarter Ended	Total Projects = 24	\$1,387,574	\$504,882



6
Design



10
Construction

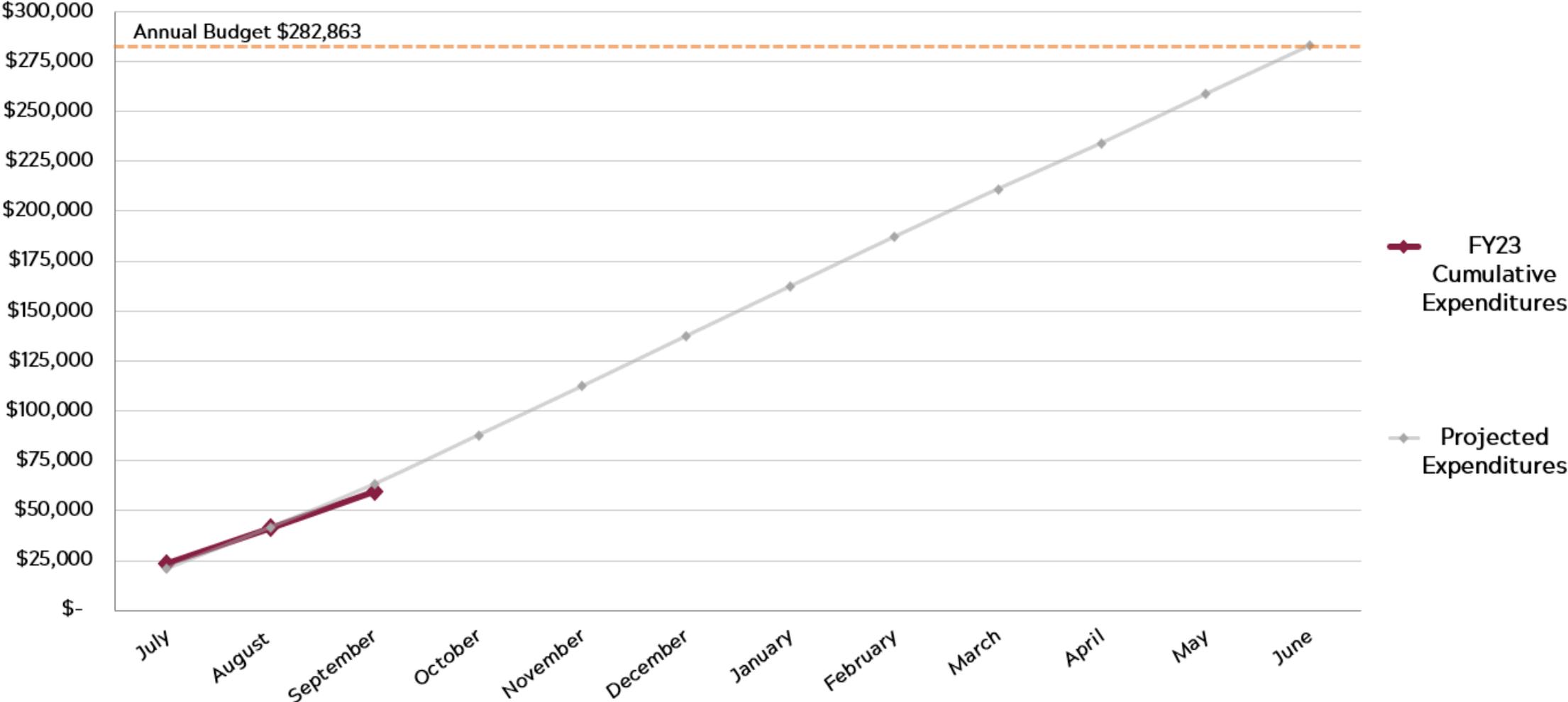


3
Equipment



5
Closeout

ACTIVITY THROUGH SEPTEMBER 30, 2022



TIMING FOR CONSTRUCTION PRICING Attachment F



**Spending on
Projects in design
phase through
September 30,
2022-
\$8,939,000**

PROJECTS COMING ONLINE

Attachment F

2022

- ❖ OCT: Livestock & Poultry Research Facilities, Phase I

2023

- ❖ MAR: Dietrick Renovation
- ❖ APRIL: Data & Decision Sciences Building
- ❖ JULY: Corps Leadership & Military Sciences Building
- ❖ AUG: New Upper Quad Residence Hall

2024

- ❖ MAR: Hitt Hall
- ❖ APRIL: Innovation Campus-Academic Building
- ❖ APRIL: Undergraduate Science Lab

Spending on projects in construction phase through September 30, 2022 - \$247,047,000

APPROVAL OF YEAR-TO-DATE FINANCIAL PERFORMANCE REPORT

Attachment F

July 1, 2022 - September 30, 2022

RECOMMENDATION

That the report of income and expenditures for the University Division and the Cooperative Extension/Agricultural Experiment Station Division for the period of July 1, 2022 through September 30, 2022 and the Capital Outlay report be approved.

November 14, 2022