

Committee Minutes

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

The Inn at Virginia Tech

June 8, 2021

Open Session

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

Virginia Tech Personnel: Callan Bartel, James Bridgeforth, Bob Broyden, Al Cooper, John Cusimano, Corey Earles, Jeff Earley, Kari Evans, Bryan Garey, Kay Heidbreder, Tim Hodge, Elizabeth Hooper, Jack Leff, Elizabeth McClanahan, Nancy Meacham, Scott Midkiff, Ken Miller, Terri Mitchell, Kim O'Rourke, Mark Owczarski, Charlie Phlegar, Dwayne Pinkney, Chris Rahmes, Tim Sands, Tracy Vosburgh, Melinda West, Chris Yianilos

1. **Motion to Reconvene in Open Session:** Motion for open session.
2. **Welcome and Opening Remarks:** The Committee began the meeting by welcoming Elizabeth McClanahan, recently appointed Chief Executive Officer of the Virginia Tech Foundation, as she participated in her first Finance and Resource Management Committee meeting in this role.
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 March 21, 2021 Meeting**
 - * c. **Approval of Resolution Extending the Delegation of Authority for Athletics Employees:** This resolution extends the President's special, time-limited emergency authority to take exceptional measures to reduce expenditures, originally approved by the Board of Visitors on June 2, 2020, through December 31, 2021, and is applicable only to employees of the Athletics Department.
 - d. **Report on Actions Taken Under the Delegation of Authority and Policy 4240 and the Corresponding Financial and Programmatic Impacts:** The

Committee received an update on the actions taken under the delegation of authority and policy 4240 and the corresponding financial and programmatic impacts. There have been no actions taken since the quarterly update provided at the March 2021 Finance and Resource Management open session meeting.

- * e. **Approval of 2021-22 Pratt Fund Budgets:** 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 2021-22, the College of Engineering proposes expenditures of \$995,944 and the Department of Animal Nutrition proposes expenditures of \$966,545.

- * f. **Approval of 2021-22 Hotel Roanoke Conference Center Commission Budget:** The Hotel Roanoke Conference Center Commission was established by resolutions adopted by Virginia Tech and the City of Roanoke, under Commonwealth of Virginia enabling legislation. The enabling legislation provided that the Commission shall annually prepare and submit to both the City of Roanoke and Virginia Tech a proposed operating budget showing its estimated revenues and expenses for the forthcoming fiscal year, and, if the estimated expenses exceed the estimated revenues, the portion of the unfunded balance is to be borne by each participating party for the operation of the conference center. The funds for Virginia Tech total \$80,000 for the fiscal year 2021-22 and will come from the Fralin endowment which was established to assist with the project.

- * g. **Approval of Revision to the Resolution to Amend Delegation of Authority for Selected Faculty Personnel Actions:** This revision to the Resolution to Amend Delegation of Authority for Selected Faculty Personnel Actions adds that the Board of Visitors retains approval of appointments of Provost and Vice Presidents to the original resolution approved by the Board at the November 16, 2020 Board Meeting.

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

The Committee approved the items on the Consent Agenda and recommended the Resolution Extending the Delegation of Authority for Athletics Employees, 2021-22 Pratt Fund Budgets, 2021-22 Hotel Roanoke Conference Center Commission Budget, Revision to the Resolution to Amend Delegation of Authority for Selected Faculty Personnel Actions, and Notification of Provisions

of the Appropriation Act Relating to Indebtedness of State Agencies to the full Board for approval.

- * 4. **Resolution for Approval of Revision to Policy 12005, Policy on Commemorative Tributes:** The Committee reviewed for approval the Resolution for Approval of Revision to Policy 12005, Policy on Commemorative Tributes. The revision clarifies guidelines for commemorative namings to minimize exceptions and adhere to sound practice and provides a clear and transparent approval process for the naming, renaming, or removal of names of buildings and other internal or exterior/land spaces as the university evolves.

The Committee recommended the Resolution for Approval of Revision to Policy 12005, Policy on Commemorative Tributes to the full Board for approval.

- * 5. **Approval of Resolution for Approval Process for Leases Under Governmental Accounting Standards Board Statement No. 87:** The Committee reviewed for approval a resolution authorizing the approval process for leases under Governmental Accounting Standards Board Statement No. 87. The new standard eliminates the distinction between operating and capital leases in favor of a distinction between short-term and long-term leases. Any lease that exceeds 12 months and has a present value of at least \$50,000 is considered a long-term lease and is recorded as an intangible right-to-use asset with a corresponding long-term liability reflected accordingly on the balance sheet. Under this new reporting standard, most university leases will be recognized as a long-term lease and added to the long-term liabilities. The resolution authorizes the university to administer new and renewal leases which do not exceed the current dollar value threshold for capital projects in the Management Agreement or transfer ownership of property to the university.

The Committee recommended the Resolution for Approval Process for Leases Under Governmental Accounting Standards Board Statement No.87 to the full Board for approval.

- * 6. **Approval of Resolution for Authority to Loan Funds to Virginia Tech Innovations Corporation and Its Subsidiary(ies):** The Committee reviewed for approval a resolution for authority to loan funds to Virginia Tech Innovations Corporation and its subsidiary(ies). This resolution requests that the Board of Visitors authorize, at the President's discretion, the negotiation and execution of service agreements and promissory notes or loan agreements as outlined to continue the university's commitment to the expansion of the research enterprise by providing working capital for sponsored programs carried out in foreign countries.

The Committee recommended the Resolution for Authority to Loan Funds to Virginia Tech Innovations Corporation and Its Subsidiary(ies) to the full Board for approval.

- * 7. **Update on the Development of the 2022-28 Six-Year Plan and Approval of Related Strategies:** The Committee received an update on the development of the 2022-28 Six-Year Plan and reviewed for approval the related strategies under consideration for inclusion in the plans that would advance shared goals. The Six-Year Plan proposals will be submitted to the state on July 1 with final plan submission on October 1 and will primarily inform state funding requests for fiscal years 2023 and 2024.

The Committee recommended the Strategies Related to the Development of the 2022-28 Six-Year Plan to the full Board for approval.

- * 8. **Approval of 2021-22 Faculty Compensation Plan:** The Committee reviewed for approval the 2021-22 Faculty Compensation Plan. The report defined the qualification criteria for teaching and research faculty and administrative and professional faculty, provides guidance on the authorized and actual salary averages for full-time teaching and research faculty positions, and requires board approval.

The commonwealth approved a 5.0 percent faculty salary increase, effective June 10, 2021. Merit actions resulting from this process were developed in the spring of 2021, consistent with the 2021-22 Faculty Compensation Plan. Salary adjustments related to this process will be recognized in faculty paychecks on July 1, 2021 for calendar employees and on September 1, 2021 for academic year employees.

To maintain the university's standing relative to the 50th percentile of the Top 20 Land Grant peers, the higher levels of competing offers offered to key faculty, and to minimize the high cost of turnover, the university will continue to explore opportunities to improve the competitiveness of Virginia Tech faculty compensation. Because the current state salary process is effective June 10, 2021, no additional merit process is currently planned for 2021-22.

The Committee recommended the 2021-22 Faculty Compensation Plan to the full Board for approval.

- 9. **Financial Actions for Staff Compensation:** The Committee received an overview of the financial actions related to staff compensation. During the 2021 session of the General Assembly, lawmakers approved an amended biennial budget which included several compensation actions impacting both classified

and university staff. These state-mandated compensation actions include a 5.0 percent across-the-board increase for Classified Staff, and an average of 5.0 percent increase for University Staff, comprised of a 3.0 percent base increase and 2.0 percent variable merit-based increase.

- *◆ 10. **Approval of 2021-22 University Operating and Capital Budgets:** The Committee reviewed for approval the 2021-22 University Budgets. The University Budgets are comprised of the Operating and Capital Budgets.

Operating Budget: For 2021-22, the recommended internal budget for all operations is \$1.74 billion. This is an increase of \$104.7 million, approximately 6.4 percent, over the adjusted 2020-21 budget. For 2021-22, the university's total General Fund allocation is estimated to be approximately \$337.2 million, an increase of \$24.4 million from the 2020-21 adjusted budget. The overall change in the budget includes an increase of \$34.8 million attributable to the Educational and General programs and \$74.6 million of projected growth in Auxiliary Enterprises. The significant growth of \$74.6 million or 26.5 percent over the adjusted 2020-21 budget in Auxiliary Enterprises is primarily due to removal of temporary financial impacts of COVID-19 implemented during 2020-21.

The Auxiliary Enterprise budget includes the four Auxiliary System budgets (Dormitory and Dining Hall System, Electric Service Utility System, University Services System, and Athletic Facilities System) in accordance with the resolutions authorizing and securing revenue bonds. General Fund revenues will provide \$309.3 million in support for the instructional, research, and extension programs, \$25.0 million for student financial assistance, and \$2.9 million for the Unique Military Activities program. The university's Educational and General budget will be \$974.0 million in 2021-22. The total 2021-22 Auxiliary Enterprise revenue budget is \$355.9 million. The projected annual budget for Financial Assistance for Educational and General Programs (primary sponsored projects) is \$355.7 million, an increase of \$0.5 million or 0.1 percent higher than the adjusted 2020-21 budget.

Capital Budget: The capital outlay program for 2021-22 is comprised of 18 Educational and General projects and 8 Auxiliary Enterprise projects for a total of 26 projects. The total multi-year capital program for 2021-22 includes approximately \$1.097 billion of authorizations with an annual expenditure budget of approximately \$147 million for 2021-22.

The Committee recommended the 2021-22 University Operating and Capital Budgets to the full Board for approval.

- * 11. **Approval of Year-to-Date Financial Performance Report (July 1, 2020 – March 31, 2021):** The Committee reviewed for approval the Year-to-Date Financial Performance Report for July 1, 2020 – March 31, 2021. For the third quarter, budget adjustments were made to reflect revisions to projected revenues and expenditures.

The Educational and General and Auxiliary Enterprises are experiencing expense savings due to timing and the impact of the essential spending order in response to the COVID-19 pandemic. Additional adjustments are anticipated in the fourth quarter of fiscal year 2021 to further align the budget for additional financial impacts of the pandemic.

Through the quarter ending March 31, 2021, \$68.1 million was expended for Educational and General capital projects, and \$54.7 million was expended on Auxiliary Enterprises capital projects. Cumulative capital outlay expenditures through the quarter ending March 31, 2021 totaled \$122.8 million.

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

12. **Discussion of Future Agenda Topics and Closing Remarks:** The Chair requested input on future agenda topics.

There being no further business, the meeting adjourned at 11:43 a.m.

* **Requires full Board approval.**

◆ **Discusses Enterprise Risk Management topic(s).**

Motion to Reconvene in Open Session

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

June 8, 2021

WHEREAS, the Finance and Resource Management Committee of the Board of Visitors of Virginia Polytechnic Institute and State University has convened a closed meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act; and

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

NOW, THEREFORE, BE IT RESOLVED, that the Finance and Resource Management Committee of the Board of Visitors of Virginia Polytechnic Institute and State University hereby certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements by Virginia Law were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the closed meeting were heard, discussed or considered by the Finance and Resource Management Committee.

Welcome and Opening Remarks

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CHAIR, FINANCE AND RESOURCE MANAGEMENT COMMITTEE

Consent Agenda

- a. *Approval of Items Discussed in Closed Session*
- b. *Approval of Minutes of the March 21, 2021 Meeting*
- * c. *Approval of Resolution Extending the Delegation of Authority for Athletics Employees*
- d. *Report on Actions Taken Under the Delegation of Authority and Policy 4240 and the Corresponding Financial and Programmatic Impacts*
- * e. *Approval of 2021-22 Pratt Fund Budgets*
- * f. *Approval of 2021-22 Hotel Roanoke Conference Center Commission Budget*
- * g. *Approval of Revision to the Resolution to Amend Delegation of Authority for Selected Faculty Personnel Actions*
- * h. *Notification of Provisions of the Appropriation Act Relating to Indebtedness of State Agencies*

*Requires full Board approval

Items Discussed in Closed Session

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

June 8, 2021

Resolutions to Approve Appointment to Professor Emeritus/a Status:

Recommendation: That the Committees approve the seven resolutions to emeritus/a status as submitted.

Resolution to Approve Appointments to Endowed Chairs, Professorships, or Fellowships:

Recommendation: That the Committees approve the resolution to endowed chairs, professorships, or fellowships as submitted.

Resolution to Approve Research Leaves:

Recommendation: That the Committees approve three requests for research leaves as submitted.

2020-21 Promotion, Tenure, and Continued Appointments:

Recommendation: That the Committees approve the 2020-21 Promotion, Tenure, and Continued Appointment Program as submitted.

Approval of 2021-22 Faculty Salary Program:

Recommendation: That the Committees approve the 2021-22 Faculty Salary Program as submitted.

Ratification of Personnel Changes Report:

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

Committee Minutes

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

The Inn at Virginia Tech

March 21-22, 2021

Open Session

March 21, 2021

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

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

Guests: Henri Gendreau (Roanoke Times)

1. **Welcome and Opening Remarks:** The Committee began the meeting by recognizing John Dooley, Chief Executive Officer of the Virginia Tech Foundation, who is retiring this summer after almost 40 years of service to the university and the Foundation. Dr. Dooley has made a significant impact on the university and worked tirelessly to further its land grant mission, as well as serving his local communities, and for that we wish to thank him for his service to Virginia Tech.
2. **Consent Agenda:** The Committee considered for approval and acceptance the items listed on the Consent Agenda.
 - a. Approval of Minutes of the November 16, 2020 Meeting
 - b. Update on University Debt Restructuring Initiatives: The Committee received an update on the university's debt restructuring initiatives.

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

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

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

4. **Update on University's Cost Efficiencies:** The Committee received an update on university cost efficiencies. This update provided an analysis of the university's cost structure as compared to peer institutions across several established cost benchmarks and highlighted recent university efficiency initiatives.
5. **Report on Actions Taken Under the Delegation of Authority and Policy 4240 and the Corresponding Financial and Programmatic Impacts:** The Committee received a report on the actions taken under the Delegation of Authority and Policy 4240 and the related financial and programmatic impacts.

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

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

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

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

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

- *◆ 8. **Resolution for Approval of Tuition and Fee Rates for 2021-22:** The Committee reviewed for approval the proposed tuition and fee rates for 2021-22. The 2004 General Assembly authorized “The Board of Visitors . . . of institutions of higher education may set tuition and fee charges at levels they deem to be appropriate for all resident student groups based on, but not limited to, competitive market rates...” The Committee received an overview of the unavoidable cost drivers of tuition and fee rates, including faculty and staff compensation, state-mandated healthcare rate increases, and student financial aid support. For 2021-22, the university proposes a 2.9 percent increase in tuition and mandatory educational and general (E&G) fee rates, reduced to a 2.1 percent increase with one-time relief provided by the state for in-state and out-of-state undergraduate students and graduate students, and for Virginia Tech Carilion School of Medicine students.

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

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

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

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

The university recommends an increase of \$90 or 4.2 percent to total comprehensive fees for a total of \$2,244 for in-state and out-of-state

undergraduate and graduate students. An average 3.3 percent increase in room and board on the Blacksburg campus is recommended.

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

- * 9. **Approval of 2021-22 Compensation for Graduate Assistants:** The Committee reviewed for approval the proposed 2021-22 schedule of stipends and support for the health insurance program for graduate students. To be competitive in the recruitment and retention of high-quality graduate students, it is important for the university to provide compensation packages that are comparable with those offered by peer institutions. Stipends proposed for 2021-22 are consistent with the 5.0 percent increase in the state approved employee compensation plan. The key components of the graduate student compensation package include competitive stipends, tuition assistance, and health insurance.

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

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

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

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

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

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

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

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

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

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

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

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

Closed/Open Session

March 22, 2021

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

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

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

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

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

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

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

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

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

Joint Open Session with the Buildings and Grounds Committee

March 22, 2021

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

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

Guests: Henri Gendreau (Roanoke Times)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- * **Requires full Board approval.**

*Report on Actions Taken Under the Delegation of Authority and Policy 4240 and the Corresponding Financial and Programmatic Impacts **

***There have been no actions taken since the update provided at the March 2021 Finance and Resource Management open session meeting.**

Summary of Changes

The resolution revising the Policy on Commemorative Tributes:

- States explicitly that the policy also includes the naming of external and land spaces such as gardens, lawns, and plazas. Clarifies that a land-adjacent space will not assume the naming convention of the building physically situated next to the land.
- Defines eligibility for honorary naming of buildings (when there is no philanthropic component) - generally reserved for university presidents.
- Introduces provisions for the renaming or removal of building names. Proposals must include justification, research, and ample information to make an informed recommendation and will be considered on a case-by-case basis.

Guiding Principles for Revisions

- Necessity for clear guidelines for commemorative namings to minimize exceptions and adhere to sound practice.
- Necessity for a clear and transparent approval process for the naming, renaming, or removal of names of buildings and other internal or exterior/land spaces as the university evolves.

Recommendation

RECOMMENDATION:

That the resolution approving Revision 8 of Policy 12005, Policy on Commemorative Tributes be approved, effective immediately.

June 8, 2021

Approval Process for Leases Under Governmental Accounting Standards Board Statement No. 87

KEN MILLER, VICE PRESIDENT FOR FINANCE

JUNE 8, 2021



VIRGINIA TECH.TM



POLICY CHANGES UNDER STATEMENT NO. 87

Attachment G

- The traditional distinction between a capital lease and an operating lease is erased.
- The replacement classifies leases as short-term or long-term.
- Like capital leases, long-term leases are recognized as long-term debt liabilities.
- The threshold for a long-term lease is lower than had been for a capital lease.

CAPITAL LEASE VS LONG-TERM LEASE

Attachment G

Capital Lease Criteria

- 1) A transfer of ownership of the asset at the end of the term
- 2) An option to purchase the asset at a discounted price at the end of the term
- 3) The term of the lease is greater than or equal to 75 percent of the useful life of the asset
- 4) The present value of the lease payments is greater than or equal to 90 percent of the asset's fair market value

Long-term Lease Criteria

- 1) Lease term is longer than 12 months
- 2) Present value is \$50,000 or greater

FINANCIAL IMPACTS

Attachment G

Balance Sheet

- estimated to add approximately \$79M of long-term debt liabilities, or a 15 percent increase

Debt Ratio and Debt Burden

- estimated to add approximately 110 basis points to the ratio

Credit Ratings

- not expected to impact credit ratings of the university

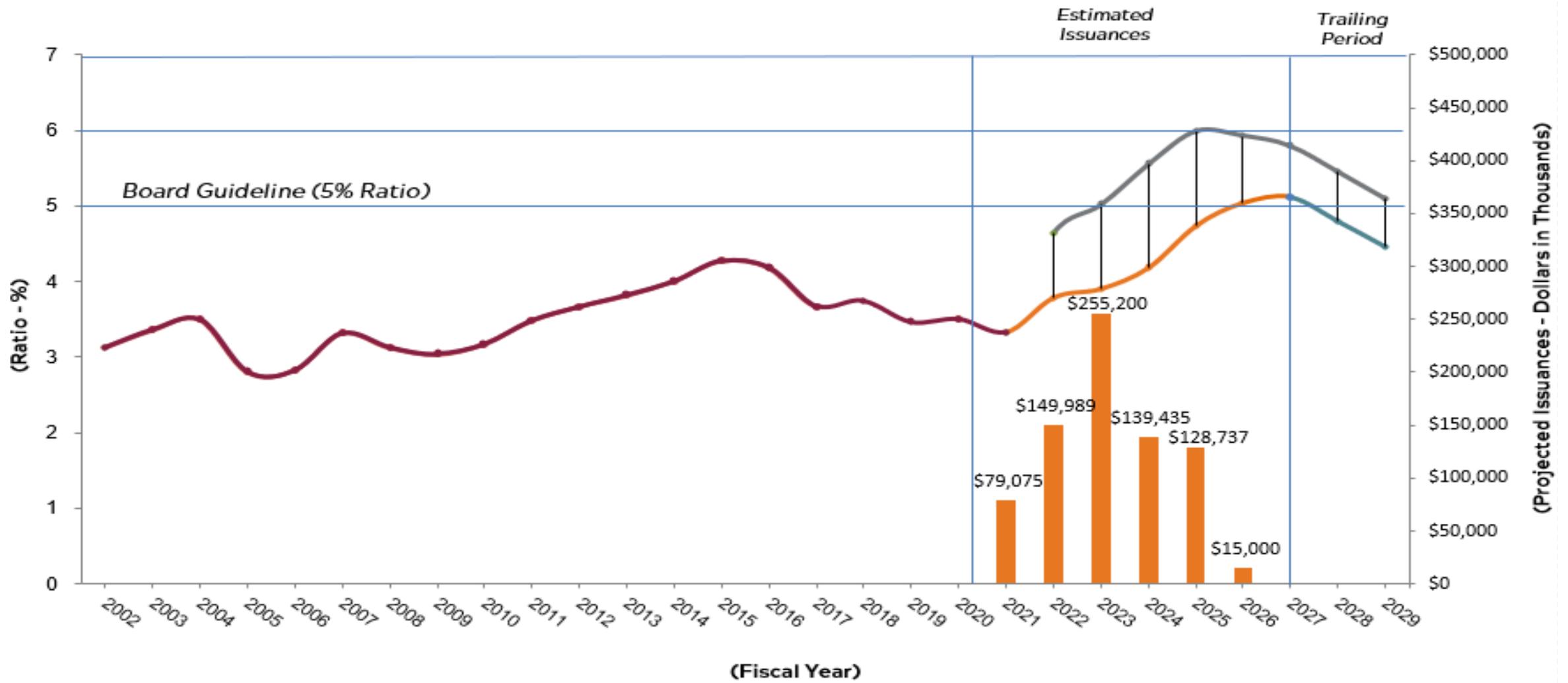
Balance Sheet

Estimated Long-Term Lease Obligations as of 7/1/2021 (dollars in thousands)			
	VTF	Other Entities	Grand Total
	Dollars (\$)	Dollars (\$)	Dollars (\$)
Value			
<i>Former capital leases¹</i>			
Greater than \$500k	\$ 68,856	\$ 3,478	\$ 72,334
Less than \$500k	182	-	182
Total former capital leases	\$ 69,038	3,478	\$ 72,516
<i>Former operating leases²</i>			
Greater than \$500k	\$ 37,186	\$ 30,564	\$ 67,750
Less than \$500k	5,585	6,055	11,640
Total former operating leases	\$ 42,771	\$ 36,619	\$ 79,390
Total value of long-term leases	\$ 111,809	\$ 40,097	\$ 151,906
% of Grand Total	73.6%	26.4%	100.0%
	Number	Number	Number
Number			
<i>Former capital leases¹</i>			
Greater than \$500k	9	1	10
Less than \$500k	1	0	1
Total former capital leases	10	1	11
<i>Former operating leases²</i>			
Greater than \$500k	13	8	21
Less than \$500k	22	31	53
Total former operating leases	35	39	74
Total number of long-term leases	45	40	85
% of Grand Total	52.9%	47.1%	100.0%

¹Approved by the Board of Visitors

²Approved by management

DEBT RATIO TREND WITH GASB STATEMENT NO. 87 Attachment C



Maroon = Actual Debt Burden Ratio Blue = Trailing Period Debt Burden Ratio Bars = Planned Issuances
 Orange = Projected Debt Burden Ratio Gray = Projected Impact of GASB 87

Source: Restructuring Management Performance Metrics; 2020 Data.

Projected ratios for fiscal years 2021 and beyond include the estimated impact of revisions to GASB 87 on governmental lease accounting.



LEASE APPROVAL PROCESS PRINCIPLES

Attachment G

Traditionally, the Board of Visitors approved capital leases and university administration approved operating leases

Maintain appropriate levels of approvals for leases based on these concepts:

- present value of the lease payments
- transfer of ownership

CRITERIA FOR BOARD OF VISITORS APPROVAL

Attachment G

Dollar Value

- present value is equal to or greater than the threshold for capital projects, currently \$3M

Ownership Transfer

- property ownership transfer to lessee or includes a bargain purchase option

Annual Ratification

- university administers leases with a present value equal to or greater than \$50 thousand

Leases below these Thresholds

- university administers all other leases

APPROVAL PROCESS FOR LEASES UNDER GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT 87

RECOMMENDATION

The Board of Visitors authorizes management to implement the proposed approval processes for leases, ratifies \$79 million of long-term leases to be recognized as of July 1, 2021, and authorizes the university to administer new and renewal leases which do not exceed the current dollar value threshold for capital projects in the Management Agreement or transfer ownership of property to the university.

June 8, 2021

Authority to Loan Funds to Virginia Tech Innovations Corporation and Its Subsidiary(ies)

KEN MILLER, VICE PRESIDENT FOR FINANCE

JUNE 8, 2021



Virginia Tech Innovations Corporation (VTIC)

- Benefits
 - Promotes the welfare of the university by developing emerging technologies and furthering research.
 - Parent and guiding organization for nonprofit subsidiaries and for-profit spinoff organizations that embark technologies and furthering research.
- Challenges
 - Sponsored projects require operations outside of the United States.
 - Federal regulations surrounding the transfer and disbursement of funds often require cost reimbursement making advancement of working capital difficult.
- 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;
- Up to three months of planned operating expenses per grant;
- Will not carry an interest rate;
- Repayment on the university's loan(s) will occur no later than at the conclusion of the individual grant or contract;
- Department requiring third-party, in-country operations is responsible for repayment if at the end of the award or through an audit certain costs are disallowed or unallocable to the grant fund(s); 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 Research and Innovation 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 Sponsored Programs will:
 - oversee the financial performance of corresponding projects;
 - review documentation of ongoing expenditures;
 - adjust the working capital loan(s) to minimize the funds advanced, and
 - ensure repayment of the working capital advance(s) prior to closing the corresponding project(s).



Authority to Loan Funds to Virginia Tech Innovations Corporation and Its Subsidiary(ies)

Recommendation:

That the resolution authorizing the university to loan three months working capital up to \$2.5 million to VTIC/VTIC subsidiary(ies) be approved.

June 8, 2021

Update on the Development of
the 2022-28 Six-Year Plan and
Approval of Related Strategies

KEN MILLER, VICE PRESIDENT FOR FINANCE

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

JUNE 8, 2021



Six-Year Plan

- Component of the Higher Education Opportunity Act of 2011
- Includes academic, financial, and enrollment plans for the next three biennia, with focus on the first biennium
- Initial submission due July 1
- State and the university will finalize in October 2021
- Six-Year Plan begins a discussion with the commonwealth:
 - Outline of the university's planned progress towards shared goals supporting the state's Virginia Plan for Higher Education
 - Positions the university to seek state support during the Executive Budget development process each fall

Major Elements Under Consideration for Inclusion in University Six-Year Plan

Virginia Tech Strategic Plan	Six-Year Plan		State Plan for Higher Education
	Nongeneral Fund Academic Strategies	General Fund Requests	
<i>1) Advance Regional, National, and Global Impact</i>	<p>Leverage crosscutting strengths in high-impact research frontiers to facilitate recruitment of talented and diverse mid-career faculty and bolster retention of fast-rising early-career faculty.</p> <p>Advance evidence-based, student-centered learning programming for undergraduates, with an emphasis on experiential learning opportunities.</p> <p>Expand graduate enrollment in high-demand disciplines to support the commonwealth's workforce needs, specifically the Tech Talent Investment Program.</p>	<p>Research support for frontier areas (could include infectious disease, transportation, security, biomedical, and quantum computing, among other areas).</p>	Transformative
<i>2) Elevate the UT Proxim Difference</i>	<p>Advance academic and administrative efficiencies, leading to reduced time-to-degree and a reduction in net student cost.</p> <p>Increase student financial aid for low- and middle-income Virginians to reduce net price and expand access.</p>	<p>Lower the need for a tuition increase for Virginia residents by providing the state share of escalating costs.</p> <p>Increase Student Financial Aid support for need-based Virginia undergraduates.</p>	Equitable, Affordable, Transformative
<i>3) Be a Destination for Talent</i>	<p>Enhance competitive compensation for faculty, staff, graduate student assistantships, and wage employees to support diverse recruitment and the retention of talent, particularly among mid-career faculty.</p>	<p>Continue progress of equitable support for the Corps of Cadets.</p>	Equitable, Affordable, Transformative
<i>4) Ensure Institutional Excellence</i>	<p>Enhance institutional transformation and effectiveness through investments in technology and critical support services.</p> <p>Reimagine use of physical resources, renovate existing facilities, and support the operation and maintenance of new facilities.</p>	<p>Enhance information technology infrastructure including statewide networks</p>	Equitable, Transformative

Financial Plan

- Tuition and other institutional resources are expected to fund plan; assuming no new state support per state instructions
- General Fund requests are separate and may help expand university initiatives or lower the need for a tuition rate increase
- Plan represents the beginning of a discussion with commonwealth on opportunities for partnership, and is not a final decision about tuition or other resources
- As placeholders, the university envisions the following tuition assumptions:

FY23 & FY24 Placeholders	Resident	Nonresident
<i>Assumption of No New General Fund</i>	4.9%	2.9%

- The university’s highest priority General Fund request will be to help lower the need for an increase in resident tuition



Next Steps

- Six-Year Plan is under development
- July 1 - initial submission to state
- Summer- Virginia Tech team presents Six-Year Plan to the state officials in Richmond
- September 1 - feedback from the state
- October 1 - university response to feedback
- November - BOV review and approval of final plan

Update on the Development of the Six-Year Plan and Approval of Related Strategies

Attachment G

RECOMMENDATION

That the Board of Visitors approve the university's strategies for the development of the 2022-28 Six-Year Plan proposal to advance shared goals.

June 8, 2021

2021-22 FACULTY COMPENSATION PLAN ELEMENTS

- Authorized – Actual Salary History
- 2021-22 pay structure
- Promotion and tenure process
- Annual evaluation and salary adjustment process
- Other salary adjustments

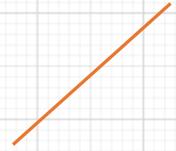
PEER SALARY BENCHMARKING

	Fall 2019	Fall 2020	Change
<u>Top 20 Land Grant Group</u>			
50 th percentile (excl. VT)	\$110,997	N/A*	-
VT Average Salary	\$105,262	\$105,167	(0.09%)
VT Rank	16 of 20	N/A	-
VT Percentile	30th	N/A	-

**IPEDS peer salary data for Fall 2020 is not yet available*

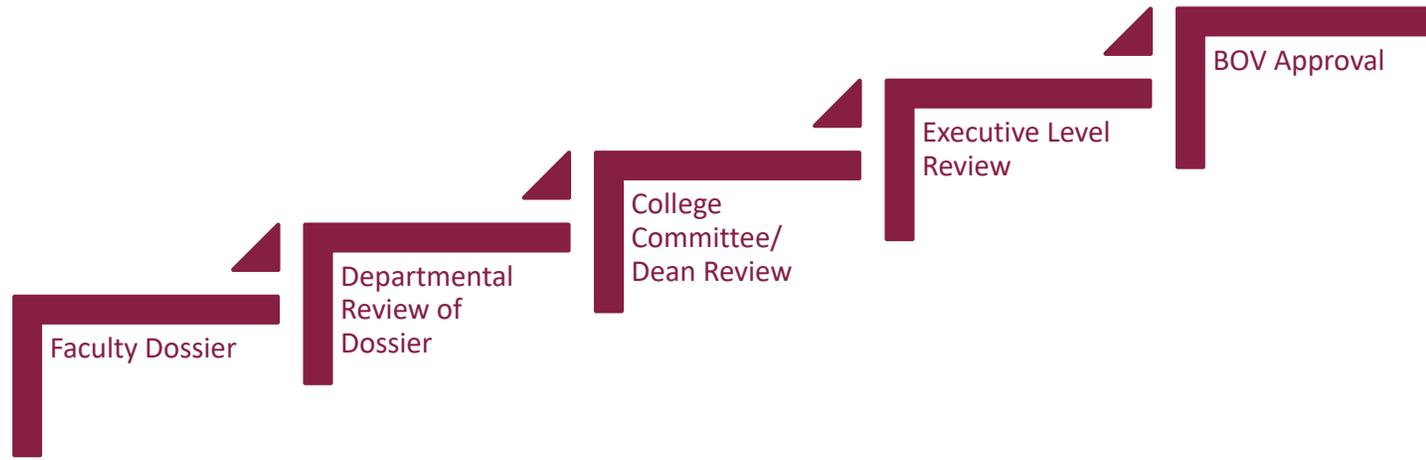
2021-22 PAY STRUCTURE

	9-Month Faculty		12-Month Faculty		Distribution of Faculty by Rank
	Entrance	Change	Entrance	Change	
Professor	\$96,455	3.25%	\$117,641	3.25%	30%
Associate Professor	73,772	3.25%	89,391	3.25%	27%
Assistant Professor	61,028	3.25%	74,232	3.25%	28%
Senior Instructor	52,341	3.25%	68,105	3.25%	3%
Advanced Instructor	46,665	3.25%	60,539	3.25%	2%
Instructor	42,771	3.25%	55,649	3.25%	10%

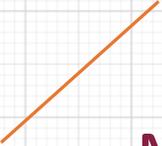


Promotion and Tenure

PROMOTION AND TENURE



- Promotion to a higher rank and appointment with tenure may be granted to faculty members on a regular faculty appointment who have demonstrated outstanding accomplishments
- Each candidate for promotion or tenure will be evaluated in light of the tripartite mission of the university: instruction, research, and outreach



Merit Review and Compensation Process

ANNUAL EVALUATION & SALARY ADJUSTMENTS

- Faculty Activity Report (FAR)
 - Teaching/Research Faculty: instructional activities, creative scholarship, outreach and service contributions, and other professional activities and recognitions
 - Administrative/Professional Faculty: activities in support of their specific job goals as they relate to the broader mission of the university
- FAR forms the basis of faculty evaluations conducted annually by departments independent of the faculty merit process

MERIT REVIEW & COMPENSATION PROCESS

- 2021-22 state-authorized faculty salary program
 - General Assembly approved a 5.0% salary increase
 - Effective June 10, 2021 (July 1 paycheck)
- The university allocated 5.0% of base Educational and General (E&G) faculty budget to each senior management area
- Two components:
 - 4.25 % pool for Faculty Merit
 - 0.75% pool for National Distinction and Outstanding Contributor
- Off-cycle adjustments are submitted for ratification to the Board of Visitors on a quarterly basis on the Personnel Changes Report

2021-22 FACULTY COMPENSATION PLAN

RECOMMENDATION

That the proposed 2021-22 Faculty Compensation Plan be approved.

June 8, 2021

2021-22 Staff Compensation Update

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

May 6, 2021

Background

The university currently operates two staff personnel systems: Classified Staff and University Staff. The Classified Staff system is defined by the Commonwealth's Virginia Personnel Act with policies established by the Virginia Department of Human Resources Management. Salary programs for Classified Staff are normally appropriated by the state.

University Staff employment policies are within the purview of the Board of Visitors. The Higher Education Restructuring Act of 2005 and the subsequent individual management agreement finalized between the university and state in 2006 conferred increased operational autonomy and flexibility to the university in certain financial and administrative functions including personnel management for employees not subject to the Virginia Personnel Act. Accordingly, individuals hired in non-faculty positions on or after July 1, 2006 are designated as "University Staff" employees.

Following several months of collaborative engagement with staff employees and managers, the university presented a package of human resources policies for University Staff to the Board of Visitors in August 2008. Under this new human resources program, the existing benefits and compensation programs were retained for University Staff. In addition, the university adopted a more flexible performance management rating system for University Staff based on the existing compensation principles for Classified Staff that were submitted to the state's Department of Human Resource Management in 2000. This modified system includes a more flexible process for differentiation between levels of performance and would become the basis for an annual merit pay program for University Staff. The Board subsequently approved the policies governing University Staff with an effective date of October 2008, and delegated authority for approval of personnel decisions affecting University Staff in accordance with these policies to the President or designee.

Since 2008, Classified Staff were provided the opportunity to convert to University Staff. Conversions, natural attrition of Classified Staff, and new hires of University Staff have resulted in a current workforce of 759 (22%) Classified Staff and 2,663 (78%) University Staff.

State Authorized Compensation Program

During the 2021 special session of the General Assembly, lawmakers approved an amended biennial budget which included compensation actions impacting both Classified and University Staff.

The table below provides an outline of these actions:

	State Increase	Basis of Increase
Classified Staff	5.0	Across-the-Board
University Staff	5.0	Discretion of the University

On March 15, 2021, the university distributed a memorandum to senior management areas outlining the parameters for both the University and Classified Staff 2021-22 compensation processes. Senior management units were expected to achieve an average increase of 5.0 percent for University Staff, and to differentiate actions to recognize individual performance. To aid campus in associating performance with salary actions, all eligible University Staff received a base 3.0% increase, with the following general recommendations for utilization of the remaining 2.0% merit pool:

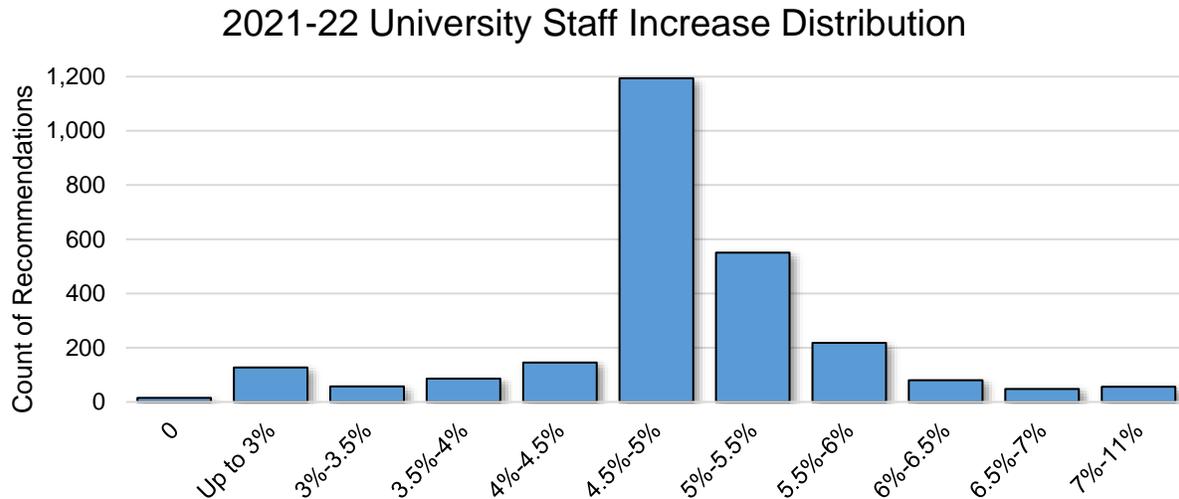
- Developing Performance: 0.0% merit, 3.0% overall
- Strong Performance: Up to 2.0% merit, 3.0%-5.0% overall
- Model Performance: 2.0%-4.0% merit, 5.0%-7.0% overall

Results of the University Staff Merit Process

In order to assess performance, staff employees undergo an annual evaluation by their manager. Those evaluations, and the employees' subsequent observed performance, serves as the basis of the recommended merit adjustment. While the overall University Staff average adjustment is 5.0%, individual recommendations varied based upon employee performance and were distributed as follows:

Performance Rating	Employee Count*	Average Recommended Increase
Unacceptable	1	0.0%
Developing	85	3.7%
Strong	2,050	4.9%
Model	439	5.6%

**Only staff hired prior to March 11, 2021 are eligible for the base or merit increase; therefore, total eligible staff are less than the total employment levels stated on page 1 of this report.*



Salary increases for both employee groups are effective June 10, 2021 and will appear in employee paychecks on July 1, 2021.

Other Staff Compensation Actions

In most years, each senior management area participates in an annual salary review for Classified and University Staff and makes salary adjustments that recognize changed job duties, changed skill or competency levels, proactive retention actions, or adjustments for salary compression or market competitiveness. However, due to the ongoing COVID-19 pandemic, this process did not occur in 2020-21.

To support work-related expenses such as childcare and parking costs, effective January 1, 2020 the university began to provide an annual supplement of \$500 for all full-time benefitted employees who make an annual salary of \$35,500 or less.

Plans for the Future

The university will continue to examine compensation for all employees in an effort to ensure that Virginia Tech remains a competitive employer able to recruit and retain talented employees who provide exemplary service in all positions across campus. This will include an annual assessment of the minimum hiring salary and analysis of market position to support competitive pay for non-faculty roles at the university.

2021-22 Staff Compensation Update

- Since 2006, the University has operated two staff personnel systems:

Classified Staff	University Staff
Governed by Virginia Personnel Act and policies developed by Virginia Department of Human Resources	Governed by human resources policies adopted by the Board of Visitors in August 2008
Compensation programs are initiated by the Commonwealth	Compensation programs are consistent with state approved programs
University may not supplement or implement additional programs	University may supplement or implement additional programs
Hired prior to July 1, 2006	Hired on July 1, 2006 and after, or have converted from Classified Staff
22% of staff workforce	78% of staff workforce

2021-22 Staff Compensation Update

- The 2021 General Assembly approved an amended biennial budget with the following compensation actions:

	State Increase	Basis of Increase
<i>Classified Staff</i>	5.0%	<i>Across-the-board</i>
<i>University Staff</i>	5.0%	<i>Discretion of University</i>

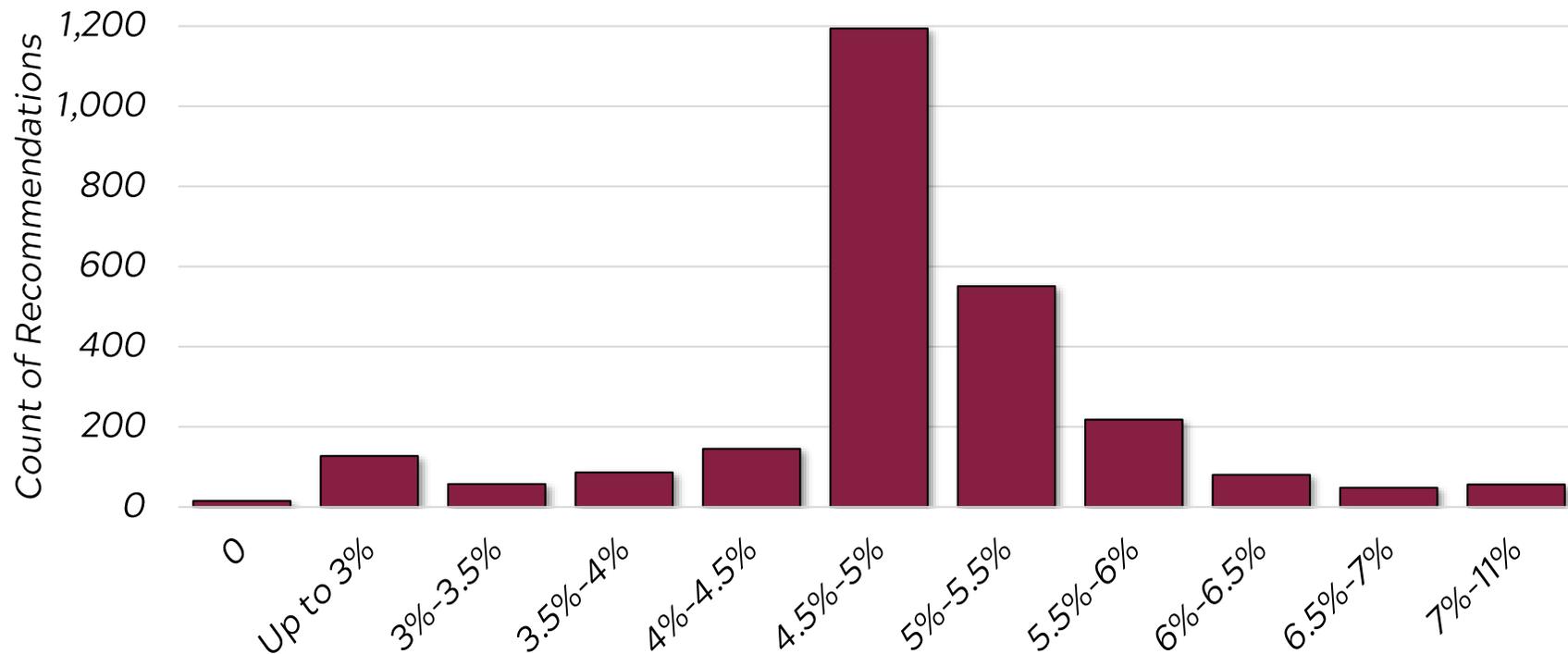
- University implemented the University Staff program in 2 components:
 - 3.0 percent base increase
 - 2.0 percent merit-based increase (variable)
- Merit process designed to differentiate and recognize performance



2021-22 University Staff Compensation Program

Average Increase:
5.0%

2021-22 University Staff Increase Distribution



Increases are effective June 10, 2021 and will appear in employee paychecks on July 1, 2021.

DISCUSSION

2021-22 OPERATING AND CAPITAL BUDGETS

DWAYNE PINKNEY, SENIOR VICE PRESIDENT AND CHIEF
BUSINESS OFFICER

TIM HODGE, ASSOCIATE VICE PRESIDENT FOR BUDGET AND
FINANCIAL PLANNING

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

JUNE 8, 2021

OPERATING BUDGET

2021-22 Operating Budget

(Dollars in Millions)

	2020-21 Adjusted Budget	2021-22 Proposed Budget	Change	
			\$	%
<u>Educational and General</u>				
University Division	\$848.0	\$878.4	\$30.4	3.6%
CE/AES Division	91.2	95.6	4.4	4.8%
Subtotal	<u>\$939.2</u>	<u>\$974.0</u>	<u>\$34.8</u>	<u>3.7%</u>
Auxiliary Enterprises	\$281.3 (a)	\$355.9	\$74.6	26.5%
Financial Assistance for E&G Programs (Sponsored Programs)	355.2	355.7	0.5	0.1%
Student Financial Assistance	36.5	38.3	1.9	5.2%
All Other Programs (including UMA)	21.0	13.9	(7.1) (b)	(33.7%)
Total	<u>\$1,633.2</u>	<u>\$1,737.9</u>	<u>\$104.7 *</u>	<u>6.4%</u>

(a) FY21 Auxiliary Enterprise budget is net of COVID-19 impacts.

(b) Decreased due to one-time funds received in FY21.

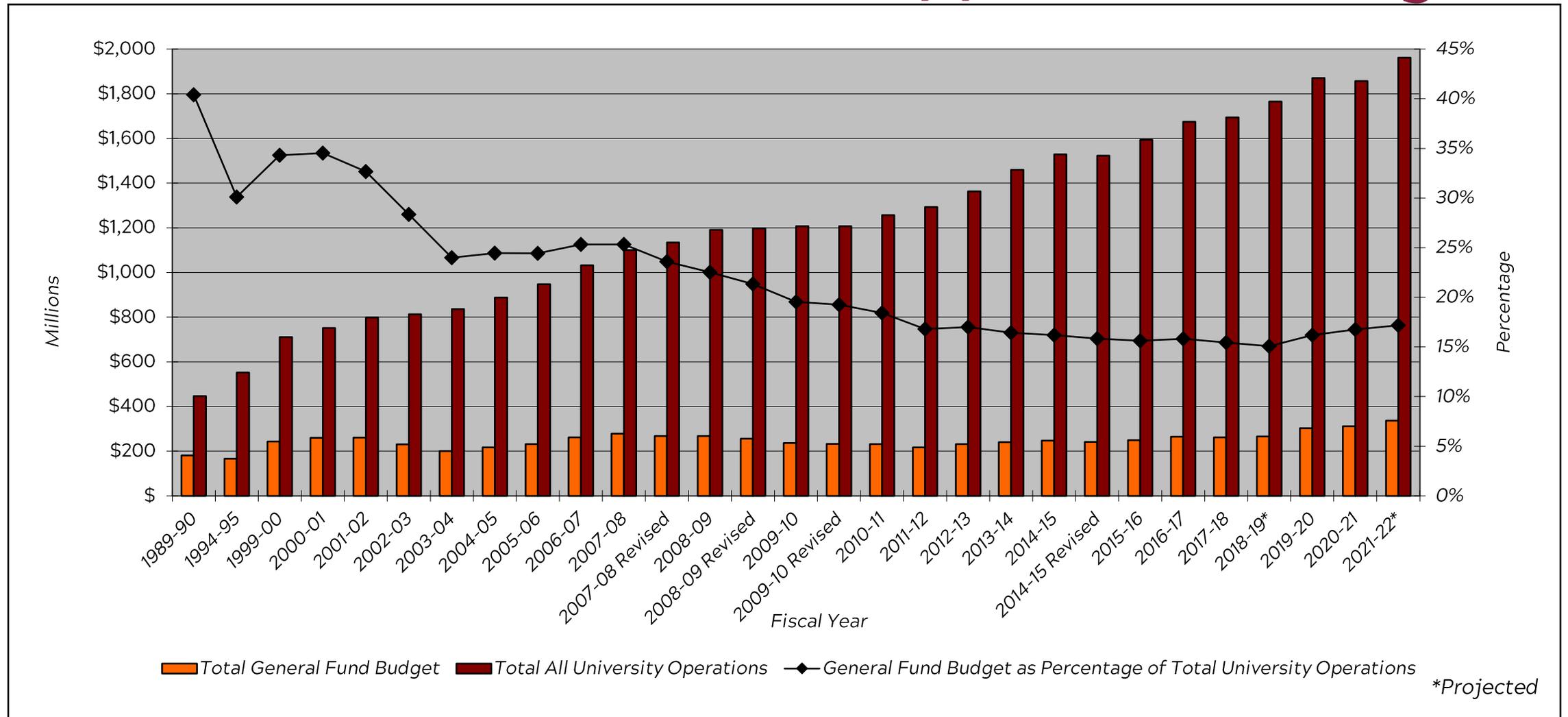
*numbers may vary slightly due to rounding

2021-22 Annual Change in University Division - Educational and General Budget

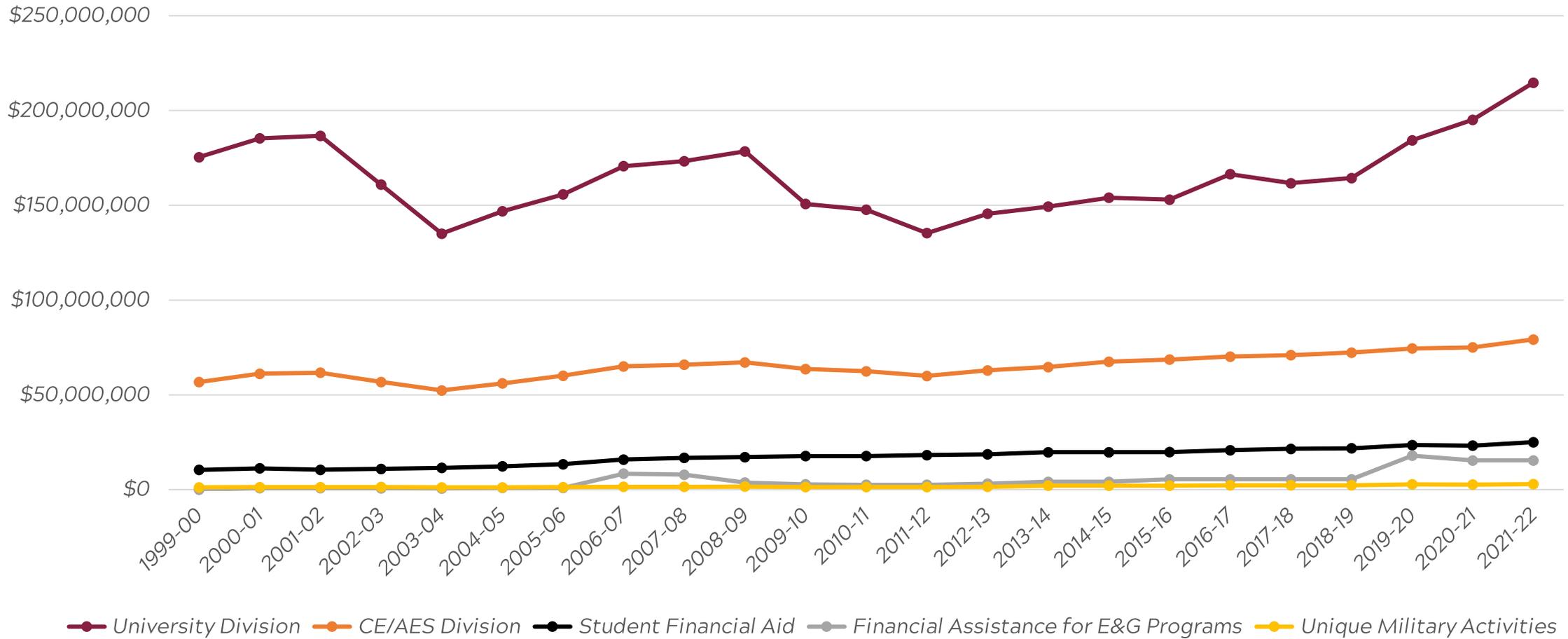
(Dollars in Millions)

	Adjusted Budget	Proposed Budget		
			\$	%
<u>University Division (E&G)</u>				
General Fund	\$197.1	\$214.7	\$ 17.6	8.9%
Tuition and Fees	603.1	619.8	16.7	2.8%
All Other Income	42.5	43.9	1.4	3.3%
CARES Revenue	5.3	-	(5.3)	-100.0%
Subtotal	\$848.0	\$878.4	\$30.4	3.6%

Historical General Fund Support Percentages



General Fund Support by Program



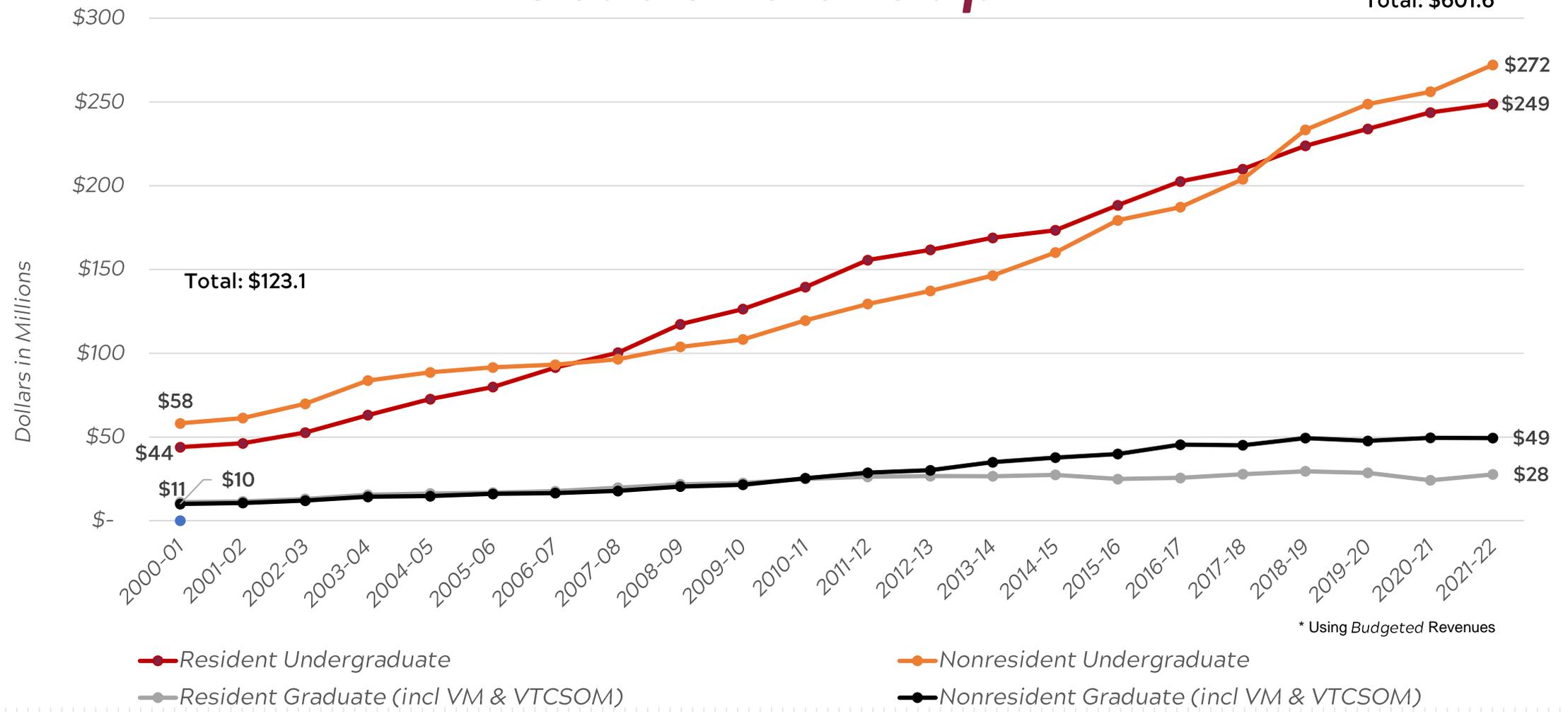
*Projected

2021-22 Educational and General Budget Components

(Dollars in Millions)

	University Division	CE/AES Division	Total
Educational and General Budget			
General Fund	\$214.7	\$79.2	\$293.9
Tuition and Fees	619.8	-	619.8
Federal Funds	-	15.6	15.6
Other	43.9	0.8	44.7
Total Educational and General	\$878.4	\$95.6	\$974.0
Percent of Total			
General Fund	24.4%	82.8%	30.2%
Tuition and Fees	70.6%	0.0%	63.6%
Federal Funds	0.0%	16.4%	1.6%
Other	5.0%	0.8%	4.6%
Total Percentage	100.0%	100.0%	100.0%

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



2021-22 Components of Financial Assistance for E&G Programs

(Dollars in Millions)

	2020-21 Adjusted Budget	2021-22 Proposed Budget	Change	
			\$	%
General Fund	\$5.4	\$5.4	-	0.0%
Commonwealth Cyber Initiative	10.0	10.0	-	0.0%
Nongeneral Fund				
Sponsored Grants and Contracts	254.1	254.1	-	0.0%
Other*	85.7	86.2	0.5	0.6%
Subtotal	\$355.2	\$355.7	\$0.5	0.1%

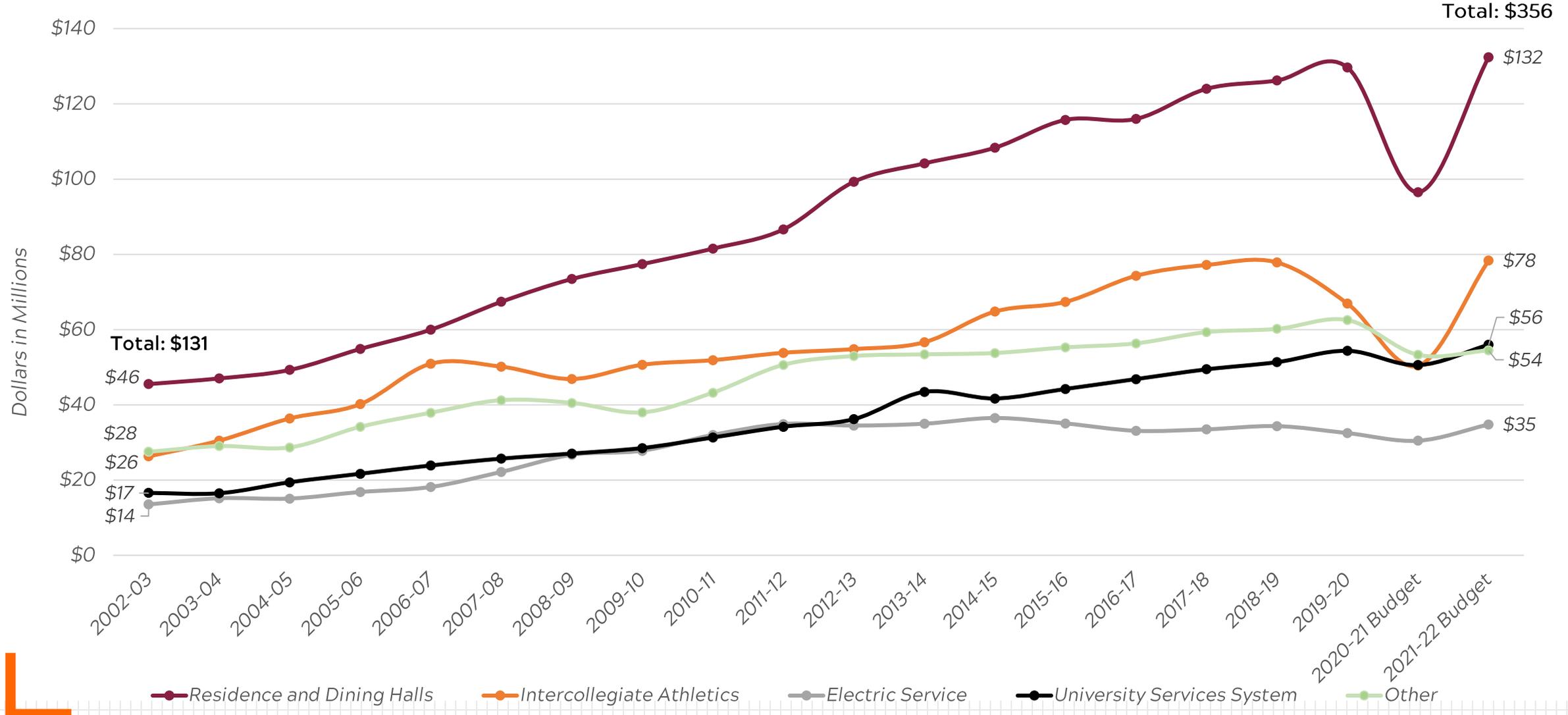
*Comprised primarily of Overhead, Eminent Scholars, and Enterprise Fund for distance learning

Undergraduate Student Financial Aid

State and Institutional Undergraduate Scholarship Support



Auxiliary Enterprise Revenue Trend by Unit



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



2021-22 Key Auxiliary Enterprise Revenue Budget Changes

(Dollars in Millions)

	2020-21	2020-21	2021-22	Change	
	Original Budget	Adjusted Budget	Proposed Budget	(Adjusted to Proposed)	
				\$	%
<i>Residence and Dining Hall System</i>	\$ 130.3	\$ 96.5	\$ 132.4	\$ 35.9	37.2%
<i>Intercollegiate Athletics</i>	74.7	50.4	78.3	27.9	55.4%
Subtotal	\$ 205.0	\$ 146.9	\$ 210.7	\$ 63.8	43.4%

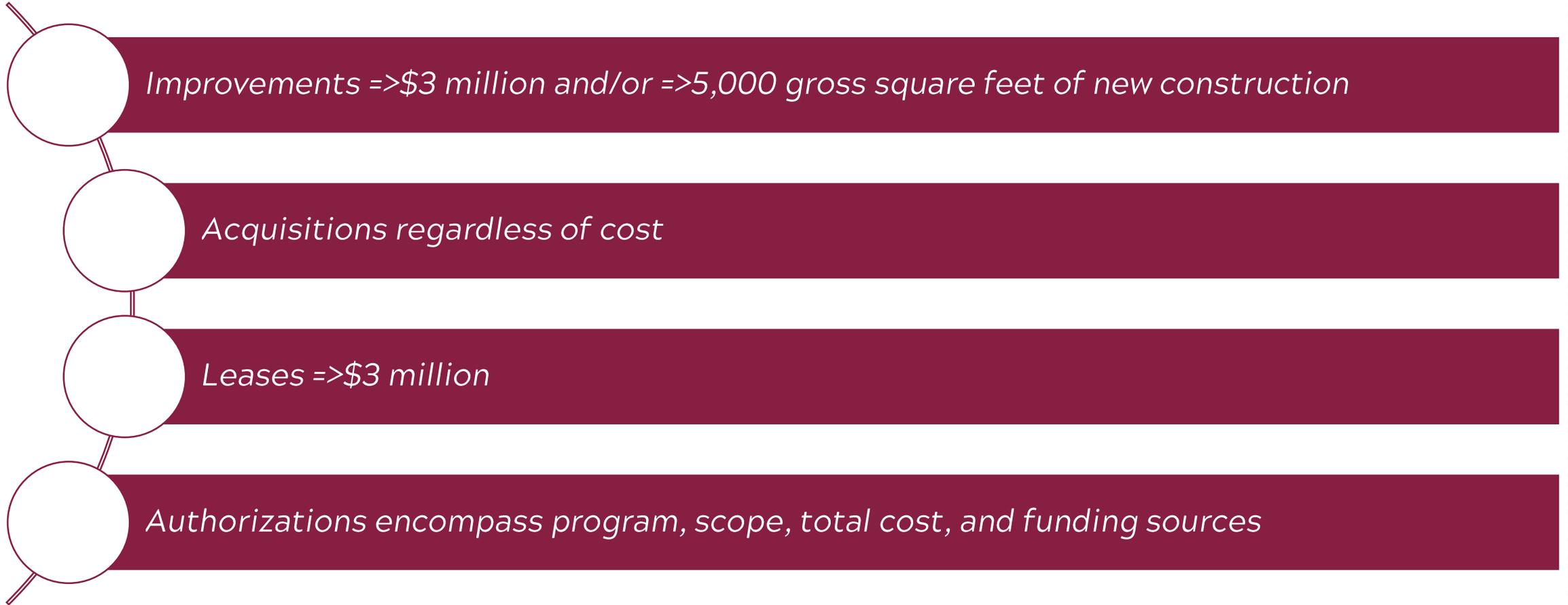
Compensation Plan

- The university is planning the following compensation programs to be effective on June 10, 2021 consistent with the state authorized compensation program:
 - 5.0% merit and distinction program for T&R and A/P Faculty
 - 5.0% University Staff program (3.0% base and 2.0% merit pool)
 - 5.0% Classified Staff program (across-the-board as mandated by the State).
 - 5.0% Stipend increase for graduate students (effective August 10, 2021)
 - Promotion and Tenure
- State minimum wage increase to \$11.00 per hour effective January 1, 2022

CAPITAL BUDGET

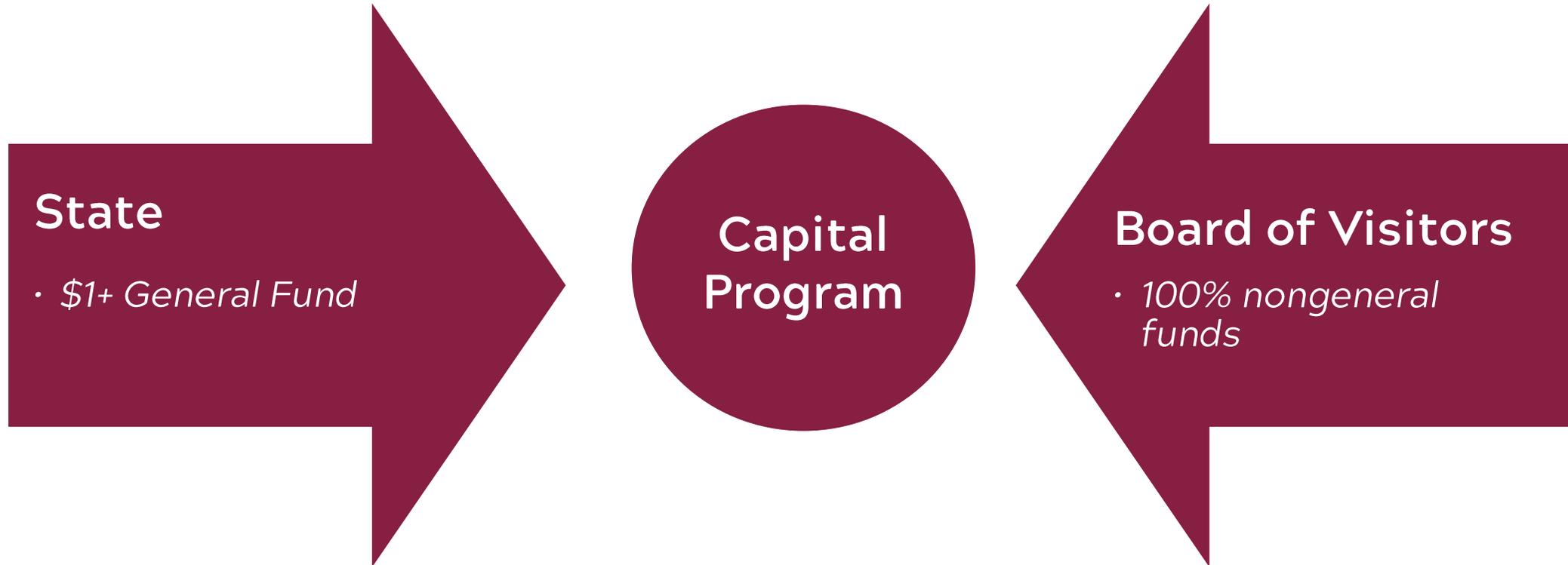
CAPITAL PROJECT AUTHORIZATION LEVELS

Attachment G



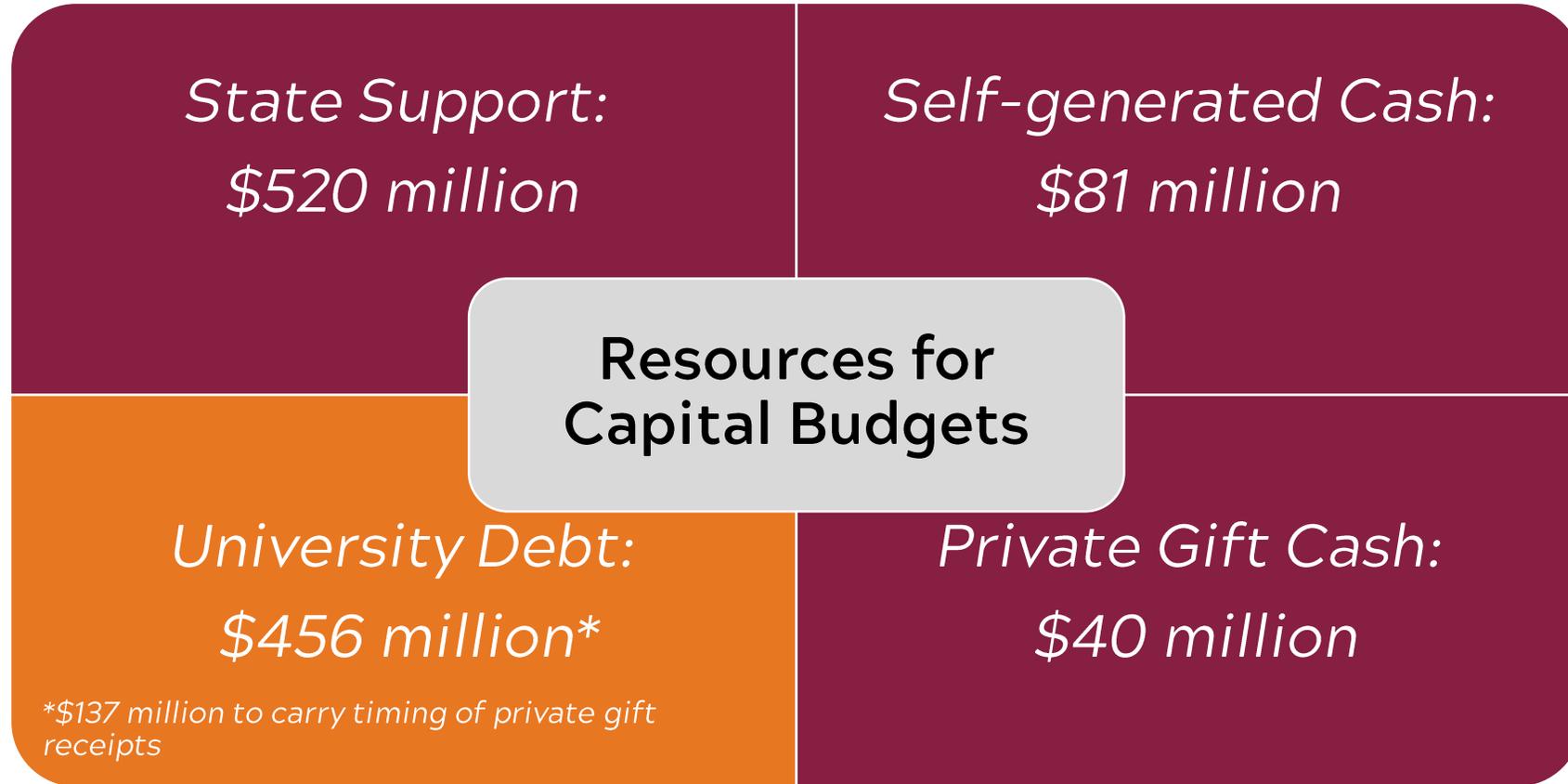
CAPITAL PROJECT AUTHORIZATION PROVIDERS

Attachment G



CAPITAL AUTHORIZATION FUND SOURCES

Attachment G



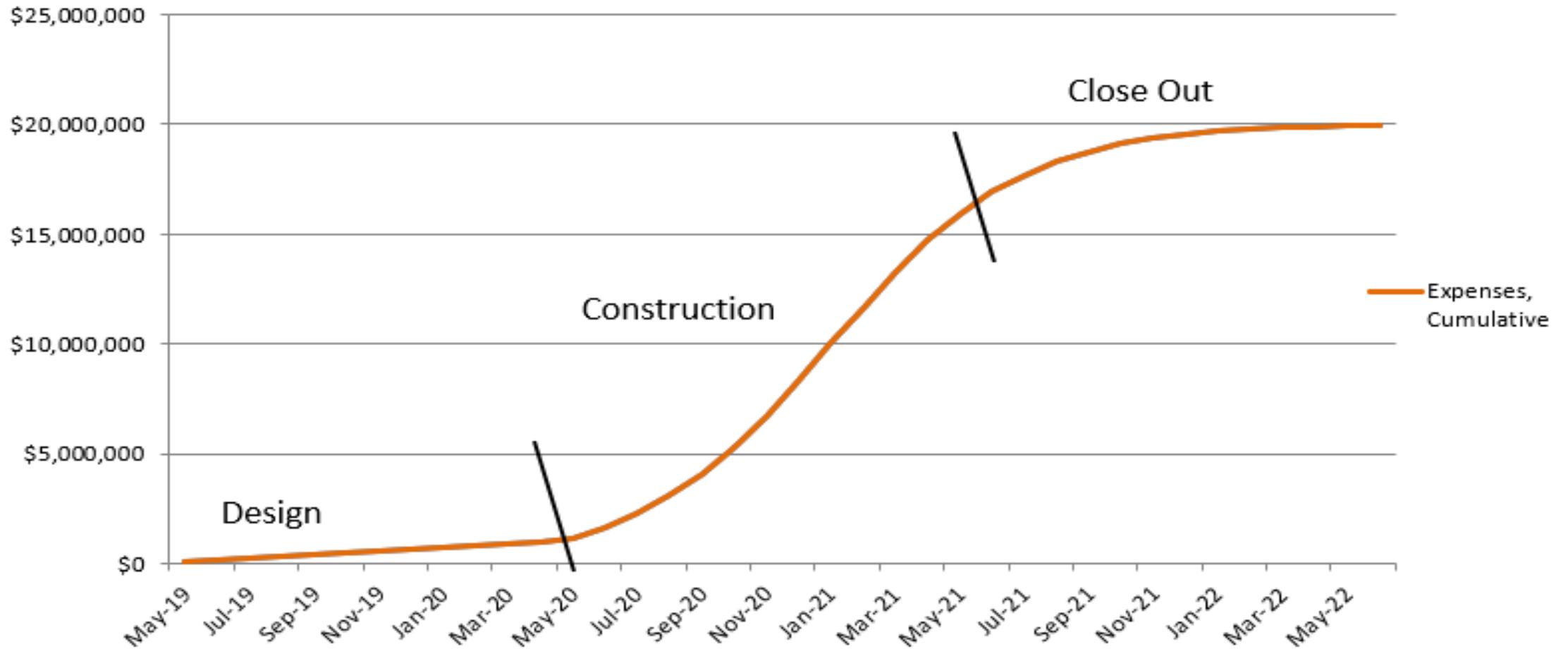
FISCAL YEAR 2022 CAPITAL PROJECTS

Attachment G

<i>End FY21</i>	<i>30</i>
<i>Projects closed June 30th</i>	<i>- 4</i>
<i>New projects effective July 1st</i>	<i>0</i>
<i>Start FY22</i>	<i>26</i>

- *10 in design*
- *9 in construction*
- *4 in close-out*
- *3 in equipment support*

ESTIMATING CAPITAL PROJECT SPEND RATE



Most sensitive to construction start dates

FISCAL YEAR 2022 CAPITAL BUDGET Attachment C

(Dollars in Millions)

FY22 starting total capital budget

\$1,097

Less project to-date expenditures as of June 30th

- 278

Budget available for FY22

\$819

Estimated capital expenditures for FY22

\$147

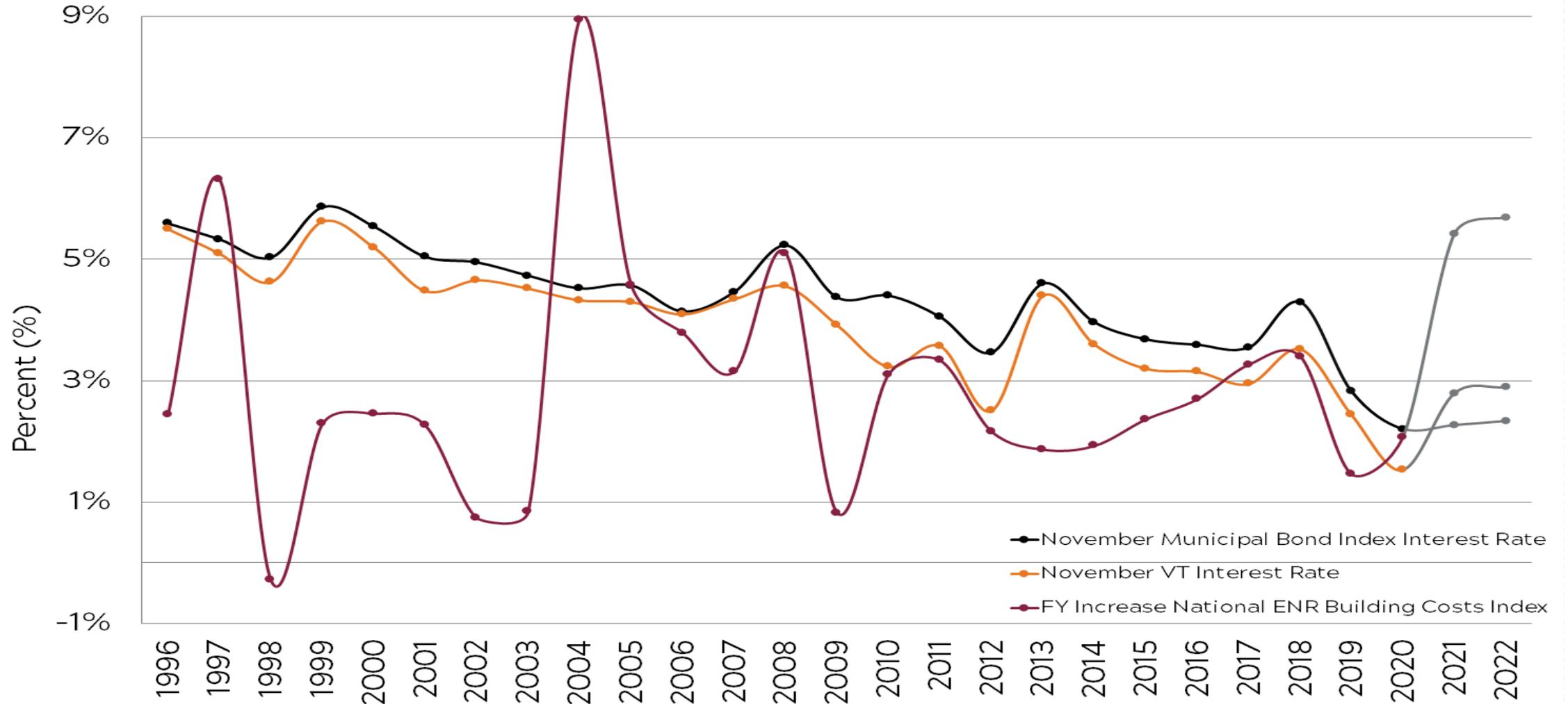
FISCAL YEAR 2022 BUDGET SENSITIVITY

Attachment G

- *Innovation Campus-Academic Building, Foundations Package* August 2021
- *Undergraduate Science Laboratory Building* September 2021
- *Hitt Hall & New Dining Center* October 2021
- *Dietrick First Floor and Plaza Renovation* October 2021
- *Innovation Campus-Academic Building, Building Package* February 2022
- *Student Wellness Improvements* March 2022

ESCALATION AND INTEREST RATES Attachment G

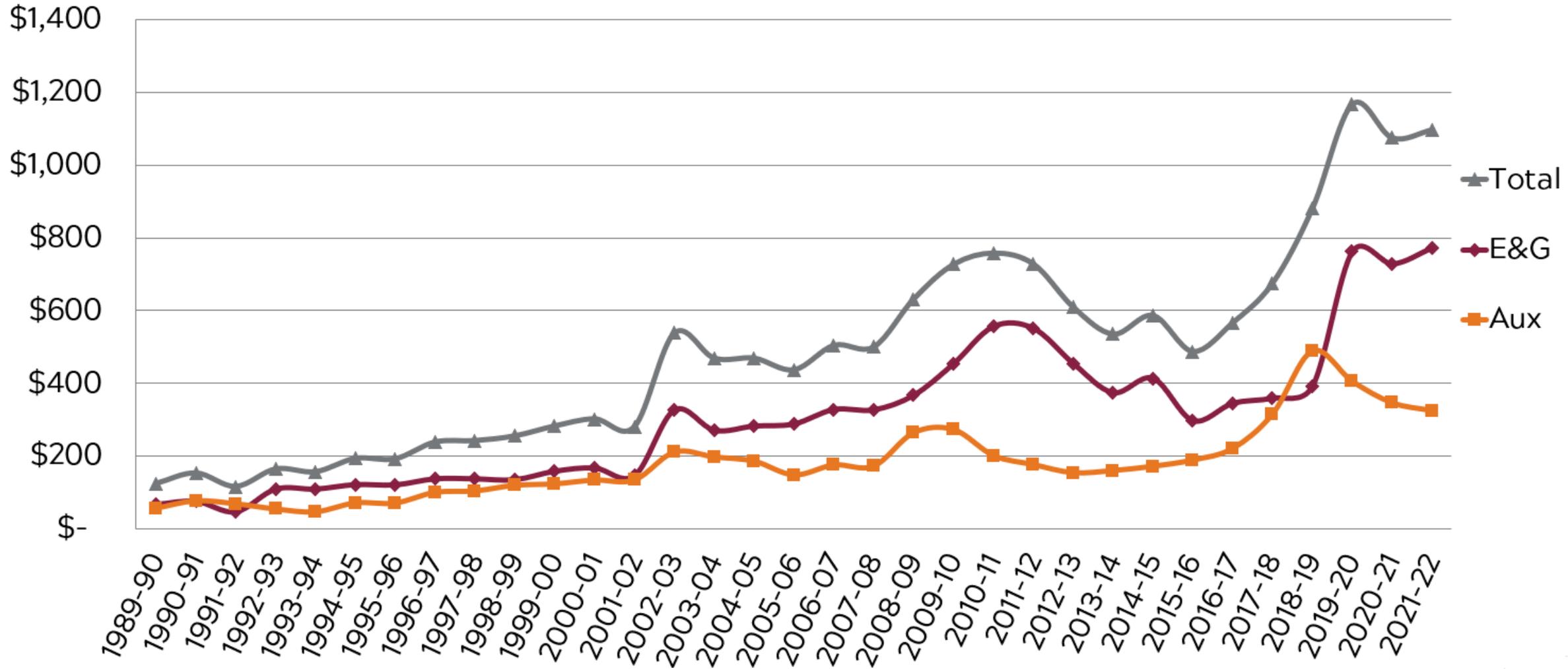
Each project budget escalated to the mid-point of construction during development



TREND OF TOTAL CAPITAL PROGRAM

Attachment G

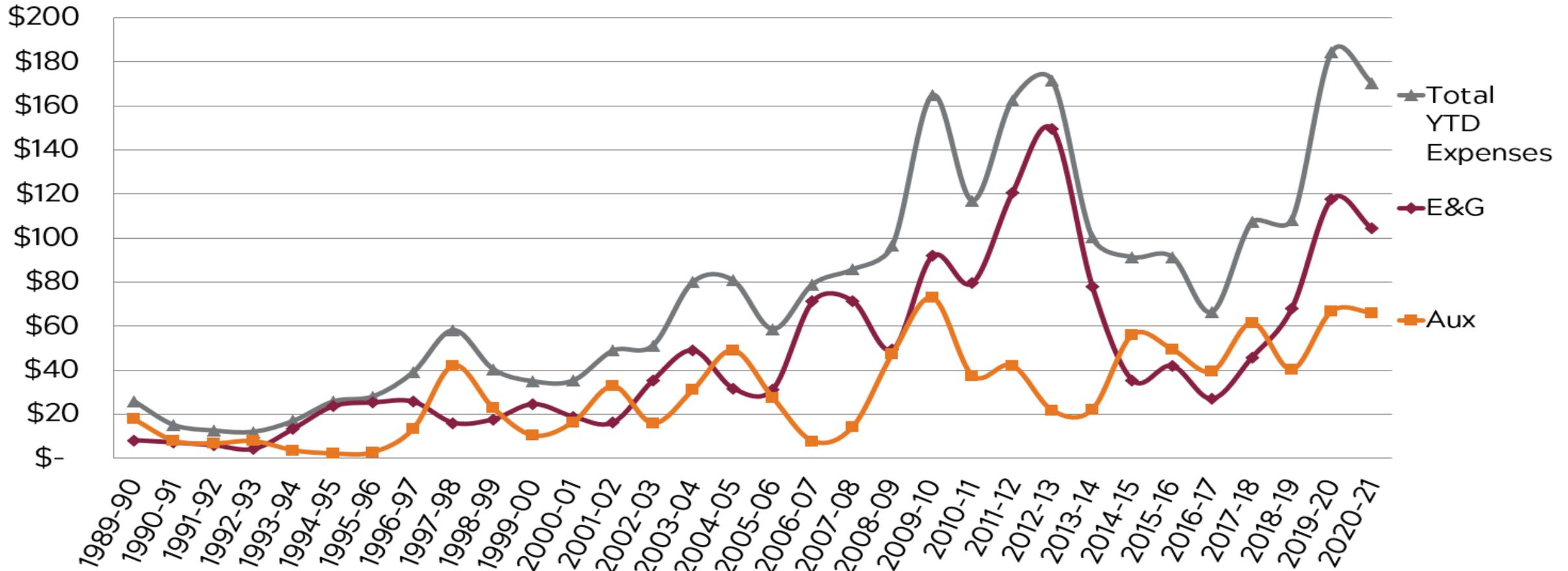
Fiscal Year 1990 - Fiscal Year 2021



TREND OF TOTAL CAPITAL PROGRAM EXPENDITURES

Attachment G

Fiscal Year 1990 - Fiscal Year 2021



APPROVAL OF 2021-22 UNIVERSITY OPERATING AND CAPITAL BUDGETS Attachment G

RECOMMENDATION

That the proposed 2021-22 Operating and Capital Budgets, as displayed on Schedules 1, 2, and 3 be approved.

JUNE 8, 2021

FINANCIAL PERFORMANCE REPORT

July 1, 2020 - March 31, 2021

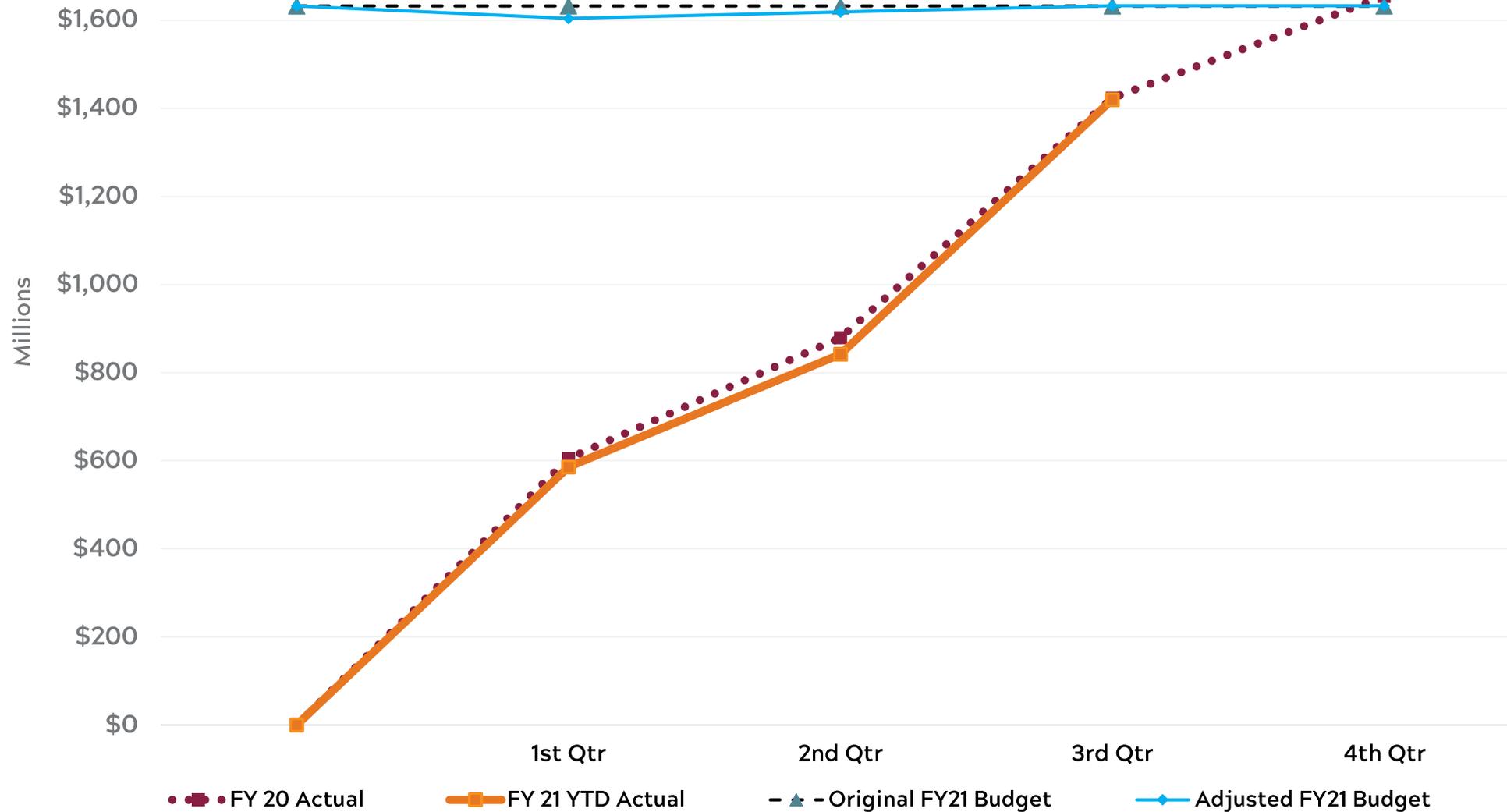
TIM HODGE, ASSOCIATE VICE PRESIDENT FOR
BUDGET AND FINANCIAL PLANNING

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

JUNE 8, 2021



Operating Revenues



COVID-19 Impact on Auxiliary Enterprises

As of March 31, 2021

	As of 12/31/2020	3rd Quarter COVID Adjustment	Subtotal	Federal Assistance	Total as of 3/31/2021
Revenue	(91,413,416)	(1,211,473)	(92,624,889)	9,712,674	(82,912,215)
Expenses	28,198,599	4,253,242	32,451,841	-	32,451,841
Rsv Draw/(Addition)	63,214,817	(3,041,769)	60,173,048	(9,712,674)	50,460,374

Next Steps

- During 4th quarter continue to refine financial impacts on Auxiliary Enterprises due to pandemic.
- Align funding solutions based on June 30, 2021 estimated impact.

Annual Budget Changes

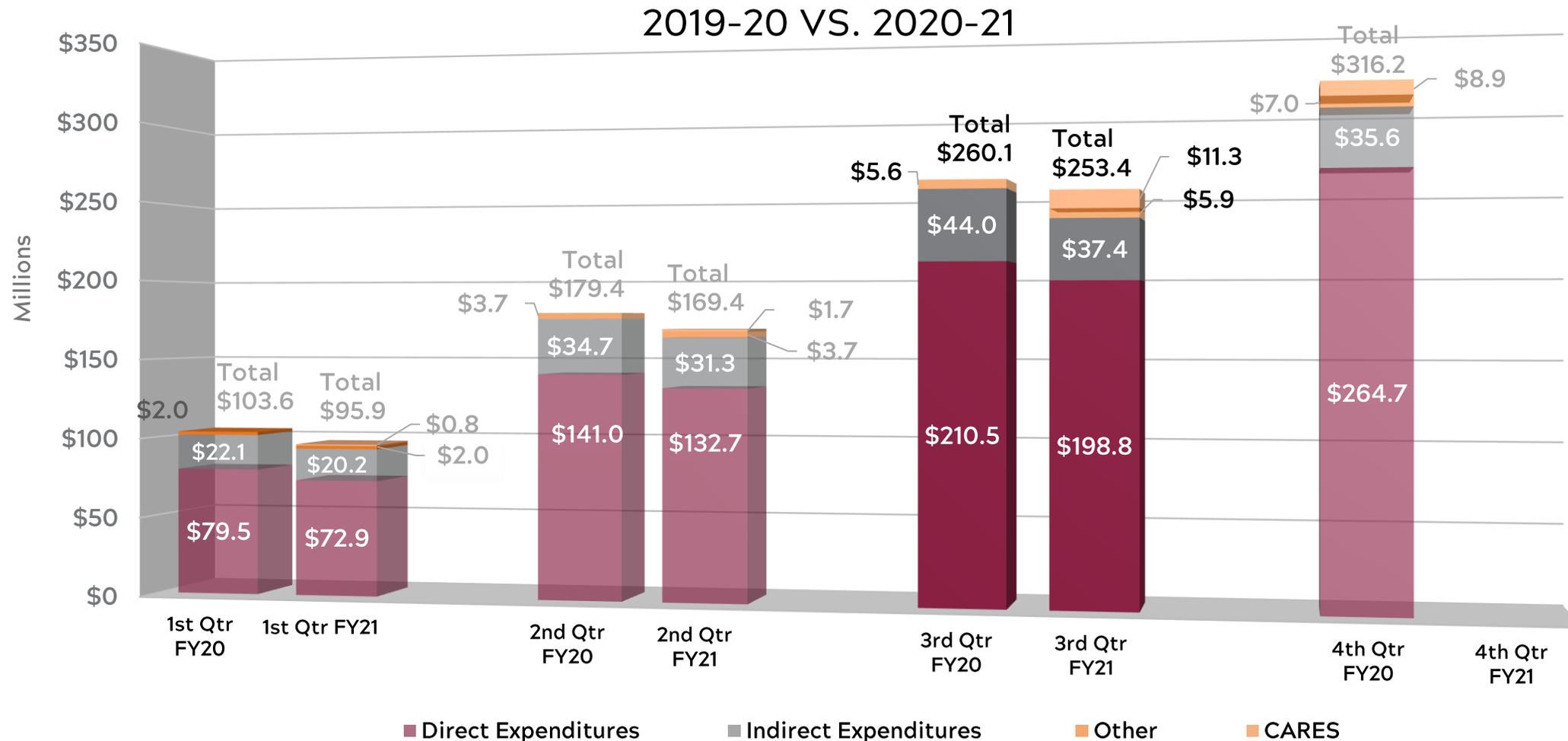
Minor updates to the annual budget during the third quarter:

- E&G: \$2.8 million increase program fees and application fees. All Other Income increased \$0.5 million for higher than projected milk sales.
- Auxiliary: Residential & Dining \$1.5 million for facility related projects. Parking \$2.8 million expense and \$4.4 million transfer for capital project related activities.

Financial Performance

- Small revenue variances:
 - E&G: Lower than projected revenues in continuing education programs and animal cancer care programs.
 - Residence and Dining Halls: Slight restoration of spring revenues due to meal plan sales and on-campus occupancy
- E&G and Auxiliary: Expenditures lower than projected due to timing and the impact of the essential spending order in response to the COVID-19 pandemic.

Sponsored Programs Expenditures



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

CAPITAL PROGRAM

CAPITAL OUTLAY TOTAL PROGRAM

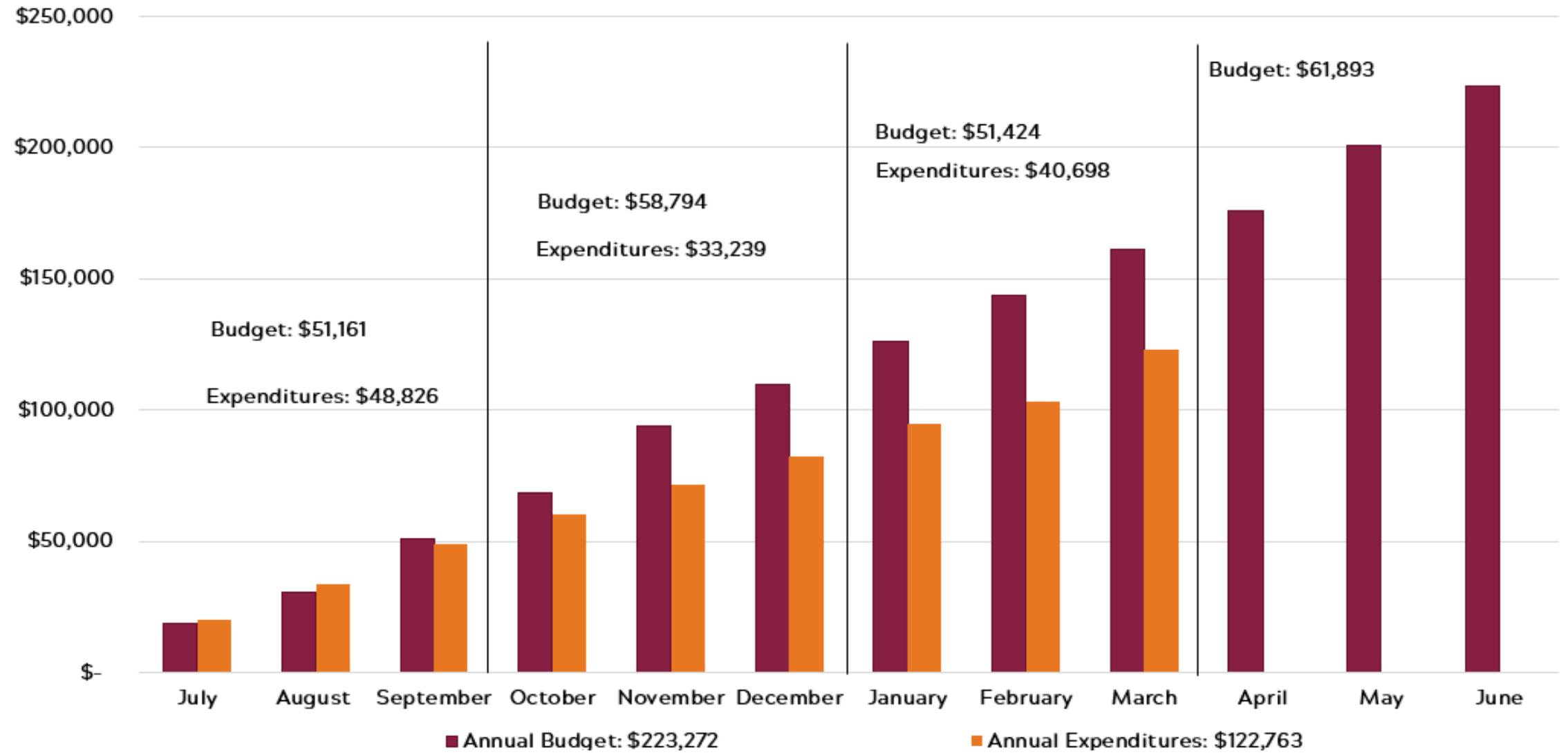
Attachment G

	1 st Quarter Ended	2 nd Quarter Ended	3 rd Quarter Ended	4 th Quarter Pending
 Design	16	16	12	
 Construction	8	6	9	
 Closeout	5	7	8	
Total Projects	29	29	29	
Total Budget (\$ in Thousands)	\$1,067,751	\$1,074,751	\$1,074,751	
Total Expenditures (\$ in Thousands)	\$268,331	\$301,570	\$342,268	

ACTIVITY THROUGH MARCH 31, 2021

Attachment G

Dollars in Thousands



TIMING FOR CONSTRUCTION PRICING

Attachment G

▪ <i>New Upper Quad Residence Hall</i>	<i>June 2021</i>	} \$174,400,000
▪ <i>Innovation Campus-Academic Building, Foundations Package</i>	<i>June 2021</i>	
▪ <i>Undergraduate Science Laboratory Building</i>	<i>September 2021</i>	
▪ <i>Hitt Hall</i>	<i>October 2021</i>	
▪ <i>Dietrick First Floor and Plaza Renovation</i>	<i>October 2021</i>	
▪ <i>Innovation Campus-Academic Building, Building Package</i>	<i>February 2022</i>	
▪ <i>Student Wellness Improvements</i>	<i>March 2022</i>	
▪ <i>Life, Health, Safety, Accessibility & Code Compliance</i>	<i>June 2022</i>	
▪ <i>Randolph Hall Replacement</i>	<i>June 2023</i>	

CONSTRUCTION SPENDING THROUGH Attachment G

MARCH 31, 2021

	<i>Expenditures \$ in Thousands</i>	<i>Expected Occupancy</i>
▪ <i>Creativity and Innovation District LLC</i>	<i>\$ 34,254</i>	<i>July 2021</i>
▪ <i>Holden Hall Renovation</i>	<i>22,008</i>	<i>January 2022</i>
▪ <i>Maintenance Reserve</i>	<i>17,361</i>	<i>On-going</i>
▪ <i>Chiller Plant, Phase II</i>	<i>8,970</i>	<i>September 2021</i>
▪ <i>Data and Decision Science Building</i>	<i>3,362</i>	<i>April 2023</i>
▪ <i>Corps Leadership & Military Science Building</i>	<i>1,503</i>	<i>July 2023</i>
▪ <i>Livestock & Poultry Research Facilities, Ph. I</i>	<i>471</i>	<i>May 2022</i>
▪ <i>Construct Seafood AREC</i>	<i>261</i>	<i>November 2021</i>
<hr/> <i>Construction Expenditures Through March 31, 2021</i>	<hr/> <i>\$88,190</i>	

KEY PROGRAM POINTS

Attachment G

Portfolio Balance

- is improved, less heavy with projects in planning

Materials Pricing

- are spiking and anticipated to continue through the calendar year as supply is short of demand

Master Planning for Student Life Village

- negotiating a service agreement

APPROVAL OF YEAR-TO-DATE FINANCIAL PERFORMANCE REPORT

Attachment G

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, 2020 through March 31, 2021 and the Capital Outlay report be approved.

JUNE 8, 2021

Discussion of Future Agenda Topics and Closing Remarks

ED BAINE

CHAIR, FINANCE AND RESOURCE MANAGEMENT COMMITTEE