

Committee Minutes

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

Solitude Room, The Inn at Virginia Tech

November 17-18, 2019

Joint Open Session with the Buildings and Grounds Committee

Board Members Present: Ed Baine, Shelley Barlow, Sharon Brickhouse Martin, John Ferris – Faculty Representative, Greta Harris, C.T. Hill, Anna James, Ryan King – Graduate Student Representative, Tish Long, Melissa Nelson, Chris Petersen, Mehul Sanghani, Tamarah Smith – Staff Representative, Dennis Treacy, Horacio Valeiras, Jeff Veatch, Preston White

Virginia Tech Staff: Kim Akers, Bob Broyden, Cyril Clarke, Van Coble, Denny Cochrane, Al Cooper, Joe Crane, John Cusimano, Karen DePauw, Jon Deskins, John Dooley, Alisha Ebert, Kevin Foust, Lance Franklin, Ron Fricker, Elaine Gall, Bryan Garey, Mark Gess, Alan Grant, Rebekah Gunn, Kay Heidbreder, Pat Hilt, Tim Hodge, Nathan King, Chris Kiwus, Brian Kubecki, Sharon Kurek, Jamie Lau, Rob Mann, Steve McKnight, Nancy Meacham, Scott Midkiff, Ken Miller, Liza Morris, Sally Morton, Saied Mostaghimi, Heidi Myers, April Myers, Justin Noble, Kim O'Rourke, Mark Owczarski, Patty Perillo, Charlie Phlegar, Dwayne Pinkney, Ellen Plummer, Menah Pratt-Clarke, Frank Shushok, Kayla Smith, Ken Smith, Don Taylor, Dwyn Taylor, Jon Clark Teglas, Tracy Vosburgh, Lisa Wilkes, Paul Winistorfer

- * 1. **Approval of Resolution for the Athletics Weight Room Renovation and Expansion:** The Committees reviewed for approval a Resolution for the Athletics Weight Room Renovation and Expansion. This project is an important element for student-athlete recruitment and enhancement of the student-athlete experience with state-of-the-art spaces for weight training, team meeting space, and an updated graphics package. The project scope includes approximately 22,520 gross square feet with a 17,640 gross square foot renovation of the first two floors of the Merryman Center and a 4,880 gross square foot expansion of the second floor team meeting rooms.

The estimated construction value is \$3.31 million plus associated soft costs for design, administration, and inspection. The total project budget is \$4.5 million. A funding plan has been developed to support the entire expected cost of the project which calls for private gifts restricted or designated for the project. Athletics has obtained commitments sufficient to cover the entire expected costs of the project.

The university is ready to move forward with this project, with expected construction bids occurring in December 2019 and occupancy expected in August 2020.

This request is for authorization to move forward with the Athletics Weight Room Renovation and Expansion project with an expected construction value of \$3.31 million renovation and expansion plus associated soft costs, including existing design expenditures, for a total project budget not to exceed \$4.5 million.

The Committees recommended the Resolution for the Athletics Weight Room Renovation and Expansion to the full Board for approval.

There being no further business, the meeting adjourned at 5:29 p.m.

Closed Session

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

Virginia Tech Staff: Kay Heidbreder, Nancy Meacham, Ken Miller, Charlie Phlegar, Dwayne Pinkney, Tim Sands

1. **Motion for Closed Session:** Motion to begin closed session.
2. **Ratification of Personnel Changes Report:** The Committee met in closed session to review and ratify the quarterly Personnel Changes Report. The report included new faculty appointments and adjustments in salaries for select faculty through the quarter ending September 30, 2019.

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

Open Session

Board Members Present: Ed Baine, Shelley Barlow, John Ferris – Faculty Representative, Anna James, Tish Long, Melissa Nelson, Madelynn Todd – Undergraduate Student Representative, Dennis Treacy, Horacio Valeiras, Preston White

Virginia Tech Staff: Beth Armstrong, Callan Bartel, Bob Broyden, John Cusimano, John Dooley, Alisha Ebert, Lance Franklin, Elaine Gall, Bryan Garey, Debbie Greer, Rebekah Gunn, Dee Harris, Tim Hodge, Chris Kiwus, Sharon Kurek, Robin McCoy, Steve McKnight, Nancy Meacham, Scott Midkiff, Ken Miller, Terri Mitchell, Justin Noble, Kim O'Rourke, Mark Owczarski, Charlie Phlegar, Dwayne Pinkney, Tim Sands, Ken Smith, Brad Sumpter, Don Taylor, Dwyn Taylor, Tracy Vosburgh, Will Walton, Dan Ward, Jennifer Wayne, Lisa Wilkes, Chris Wise

1. **Motion to Reconvene in Open Session:** Motion to begin open session.
2. **Opening Remarks**
3. **Consent Agenda:** The Committee considered for approval and acceptance the items listed on the Consent Agenda.

- a. Approval of Items Discussed in Closed Session

- b. Approval of Minutes of the August 26, 2019 Meeting

- c. Annual Write-off of Delinquent Accounts: As of June 30, 2019, the amount of write-offs of delinquent accounts totaled \$384,279 which represents 0.03 percent of the 2018 annual operating revenues of \$1.01 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 2018-19, the College of Engineering had total expenditures of \$997,259 and the Animal Nutrition had total expenditures of \$925,088.

- * e. Approval of Resolution to Appoint University Commissioner to the Hotel Roanoke Conference Center Commission: The resolution seeks approval to appoint the Senior Vice President and Chief Business Officer as a representative of the university on the Hotel Roanoke Conference Center Commission.

The Committee approved the items on the Consent Agenda and recommended the Pratt Fund Program and Expenditures Report and the Resolution to Appoint University Commissioner to the Hotel Roanoke Conference Center Commission to the full Board for approval.

4. **Annual Report on Research:** The Committee received an annual report on research which provided an in-depth review of research expenditures including a

breakdown of extramural research expenditures from different perspectives. The presentation also provided trends in licensing revenue and expenditures and long-term strategies for Virginia Tech to achieve research growth.

5. **Update on Advancement:** University Advancement provided a quarterly report on their fundraising efforts including an update on the Boundless Impact campaign that was officially announced during the October kick-off with two goals of \$1.5 billion and alumni engagement of 22% by 2022.

Over the next year there will be eight regional campaign kick-off events with the first being in the greater D.C metro area on Dec. 4 and the remaining seven completed by June 30, 2020. Advancement will provide the event locations and schedule and requests Board participation to regional events near your home base. The sesquicentennial will start in September 2021 and run through September 2022.

6. **Annual Report on Investments and Quasi-Endowments:** The Committee received a report on university investments, investment performance and related benchmarks, estimated payouts for fiscal year 2020, and planned use of such funds. The university has two investment pools: a short to intermediate-term pool managed within the university and a long-term pool managed by the Virginia Tech Foundation, Inc. The report shows the purposeful growth of funds invested in the endowment pool managed by the foundation to increase investment balances.

As of June 30, 2019, the market value of university funds invested in the short to intermediate-term pool was \$381.5 million and in the foundation was \$382.2 million. The short-term university investment income for fiscal year 2020 is estimated to be approximately \$7.4 million and the long-term university investment income for fiscal year 2020 is estimated to be approximately \$16.2 million. The university's investment income is budgeted for restricted and unrestricted purposes to support scholarships, professorships, graduate student assistantships, auxiliary enterprises, and the Virginia Tech Carilion School of Medicine, one-time or limited recurring commitments for strategic institutional goals and initiatives, and building adequate operating reserves (including the strategic plan milestone of growing net assets by \$20 million per year).

7. **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. The university continues to work proactively to ensure access and affordability. The amount of total student financial aid awarded increased \$25.5 million in fiscal year 2018 to \$511.9 million in fiscal year 2019.

8. **Financial Overview of Enrollment Variance Fall 2019:** The Committee received an overview of the financial impact of the Fall 2019 enrollment variance. The total enrollment variance for Fall 2019 resulted in an actual net increase of 479 students over the original budgeted amount. This net increase in undergraduate enrollment resulted in a \$0.8 million variance in the Educational and General Budget, after netting additional expenditures against the additional revenues. Similarly, additional expenditures to obtain housing contracts from the Inn at Virginia Tech and the local Holiday Inn, plus additional other expenditures to support student counseling, resulted in auxiliary expenditures exceeding the additional revenues achieved from enrollment growth by \$4.6 million. This current year drawdown of auxiliary reserves will be repaid in future years.

- * 9. **Approval of Increase to Authorized Commercial Paper Program:** The Committee reviewed for approval an increase to the Authorized Commercial Paper Program from \$50 million to \$120 million. The increase is needed given the size and scope of the university's strategic initiatives in the greater Washington, D.C. metro area, Roanoke, and Blacksburg.

The Committee recommended the Increase to Authorized Commercial Paper Program to the full Board for approval.

10. **Annual Report on University Debt Ratio and Debt Capacity:** The Committee received for acceptance a report on the university's debt ratio and debt capacity. At the conclusion of fiscal year 2018-19, outstanding long-term debt of the university totaled \$478 million with a debt ratio of 3.44 percent. The university proposed the continuation of the five percent cap on the debt ratio for future years and the Committee affirmed its support for continuation of the five percent internal debt ratio target.

- * 11. **Review and Approval of the 2020-2029 Six-Year Plan:** The Committee reviewed for approval the 2020-2026 Six-Year Plan. The focus of the plan, submitted each odd-year, is the first biennium of the planning period, and even-year submissions may revise these plans as necessary.

The plan includes tuition and fee increase placeholders for multiple scenarios based on various levels of General Fund support by the Commonwealth, reflecting the university's continued moderation of rate increases. While the plan includes these placeholders for planning purposes, it does not commit to a rate at this time; the Board retains the authority for approving the final tuition and fee rates.

A new component of the 2019 Six-Year Plan development process is the opportunity to include a proposal for enhanced partnership with the state around innovative initiatives that achieve shared goals, or Institutional Partnership

Performance Agreement (IPPA). The university's Six-Year Plan was developed around the foundational strategies of affordability, enrollment management, economic development, efficiency and innovation, and accountability.

The Six-Year Plan process is an important step in positioning the university to seek state support during the Executive Budget development process each fall.

The Committee recommended the 2020-26 Six-Year Plan to the full Board for approval.

- * 12. **Approval of Year-to-Date Financial Performance Report (July 1, 2019 – September 30, 2019):** The Committee reviewed for approval the Year-to-Date Financial Performance Report for July 1, 2019 – September 30, 2019. For the first quarter, budget adjustments were made to reflect revisions to projected revenues and expenditures. The budget was increased \$9.3 million to recognize a larger freshman class. Revenues and expenses are lower than originally anticipated due to actual enrollments being lower than the expected estimated enrollment totals used to build the budgets. A second quarter adjustment is anticipated for other related items.

For the quarter ending September 30, 2019, \$30 million was expended for Educational and General capital projects, and \$14.2 million was expended on Auxiliary Enterprises capital projects. Capital outlay expenditures for the quarter ending September 30, 2019 totaled \$44.2 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 discussed possible topics for future meetings and other topics as needed.

There being no further business, the meeting adjourned at 11:48 a.m.

* **Requires full Board approval.**

**Accounts Receivable and the Write-off of Delinquent Accounts
For the Fiscal Year Ended June 30, 2019**

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

September 24, 2019

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, 2019, with comparative data for the previous year. Attachment B provides a graph for the aging analysis of the gross receivables at June 30, 2019, 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, 2019, 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 \$490,406. **The fiscal year 2019 write-off total of \$384,279 represents only 0.03 percent (less than one tenth of one percent) of the annual operating revenues¹ per the audited financial statements for fiscal year 2018.**

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, 2019

As authorized by a resolution passed by the Board of Visitors on August 13, 1976, the Vice President for Finance and Chief Financial Officer and the Assistant 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, 2019, the accounts receivable written off totaled \$384,279. The decrease in write-offs of \$340,970 over the prior year is primarily due to a decrease of \$248,422 in Student Accounts write-offs. There were several contributing factors for the decrease in write offs including fewer financial aid cancelations, fewer payment plan defaults, and fewer international sponsors not honoring their commitments to pay for their students. Additional contributing factors to the total decrease was the absence of the one exceptionally large \$50,483 Equine Medical Center account from 2018 and a decrease of \$48,358 in Other Receivables with decreased write-offs of late fees, finance charges, LCI English as a Second Language, and Biomedical Sciences Helmet Testing receivables. See Attachment C for a summary of the accounts receivables written off at June 30, 2019, with comparative data for the two previous fiscal years.

¹ Operating revenues for FY18 of \$1,099,889,000 was used for this calculation.

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.

As shown in Attachment D, the \$384,279 write-off total consists of 826 customers with an average account value of \$465. In fact, of the total number of accounts written off, 60.8 percent (502) were valued at less than \$100, and these low dollar accounts represent only 6.1 percent of the total dollar value of the write-offs.

Notes Receivable – From Students Written Off at June 30, 2019

The total notes receivable written off at the close of fiscal year 2019 included \$67,935 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 18 loans, past due 900 or more days, with an average loan balance of \$3,774. 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 allow the Perkins loans to be assigned and returned to the Department of Education for additional collection efforts and final resolution.

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, 2019, the average past due rate on current receivables 121 days or more past due is 1.26 percent for the applicable four quarters and the Federal Perkins Student Loan default rate is 1.80 percent.

Composition of Gross Accounts and Notes Receivable
As of June 30, 2018 and 2019
(Dollars in Thousands)

	June 30, 2019		June 30, 2018	
	Receivable		Receivable	
	Balance	Percent	Balance	Percent
<u>Accounts Receivable:</u>				
Student Accounts	\$ 2,663	3.4%	\$ 2,396	2.8%
Sponsored Programs	52,047	65.6%	49,324	57.7%
Electric Service	915	1.2%	880	1.0%
Parking Service	121	0.1%	92	0.1%
Telecommunications (CNS)	11	0.0%	18	0.0%
CPE and IVTSCC ¹	465	0.6%	452	0.6%
Veterinary Medicine	375	0.5%	436	0.5%
Equine Medical Center	515	0.6%	334	0.4%
Short Term Loans/Notes	5	0.0%	12	0.0%
Other Receivables ²	22,162	28.0%	31,493	36.9%
Total Accounts Receivables	\$ 79,279	100.0%	\$ 85,437	100.0%
<u>Notes Receivable</u>				
Federal Loans - Perkins & HPSL ³	\$ 12,379	87.6%	\$ 14,557	88.1%
Institutional Loans	1,751	12.4%	1,965	11.9%
Total Notes Receivable	\$ 14,130	100.0%	\$ 16,522	100.0%

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

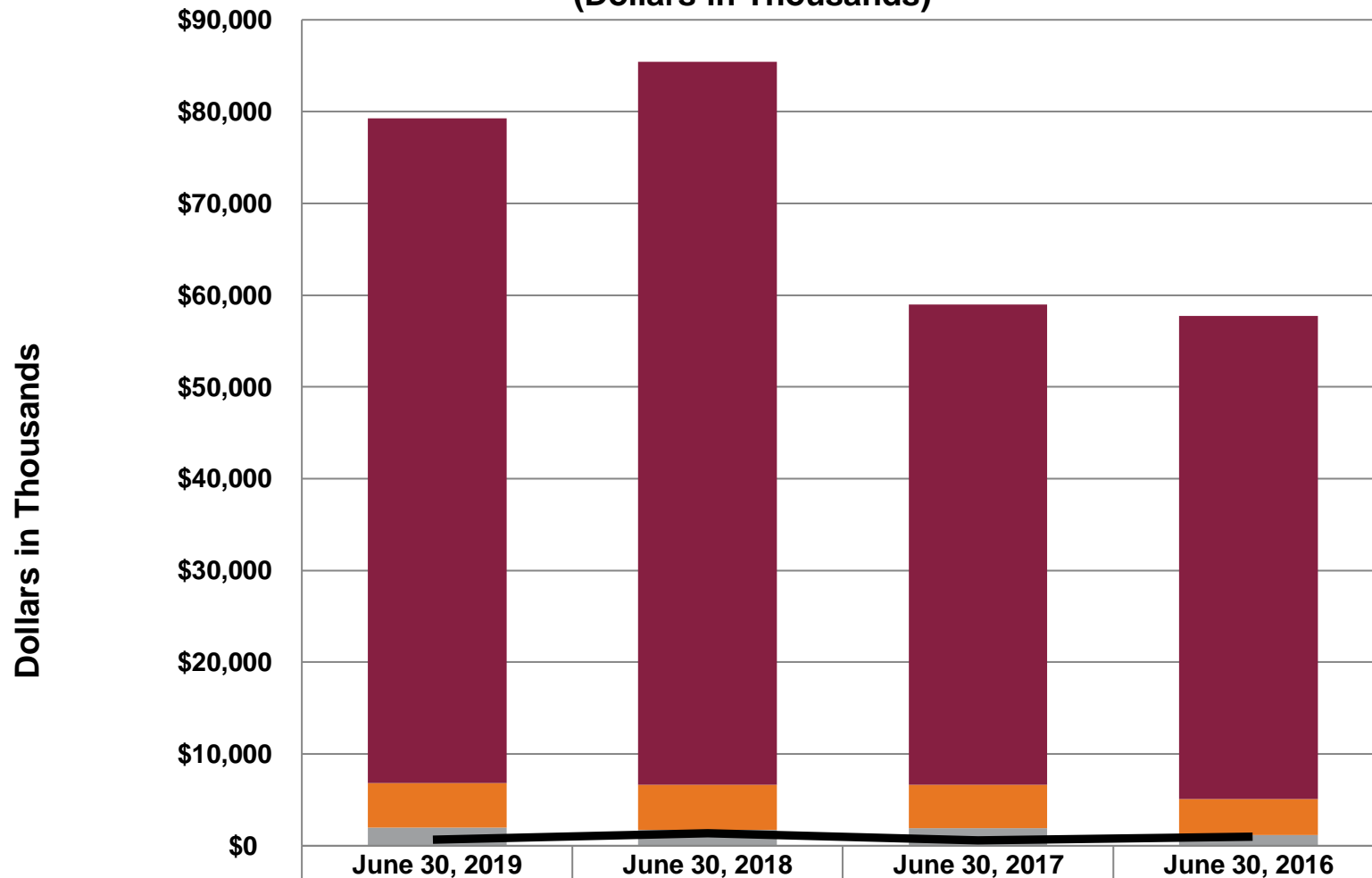
² One-time receivables are included in Other Receivables category

\$10,534 Carilion commitment toward the construction of second Fralin Biomedical Research Institute at VTC building

\$550 Legal settlement

³ Health Professions Student Loan

Aging of Current Gross Accounts Receivable
From June 30, 2016 to June 30, 2019
(Dollars in Thousands)



Receivables Not Past Due	\$72,435	\$78,797	\$52,353	\$52,618
1 - 120 Days Past Due	\$4,888	\$4,897	\$4,694	\$3,968
121 to Over 1 Year Past Due	\$1,956	\$1,743	\$1,929	\$1,152
Total Gross Receivables	\$79,279	\$85,437	\$58,976	\$57,738
Write-Offs	\$384	\$760	\$327	\$553

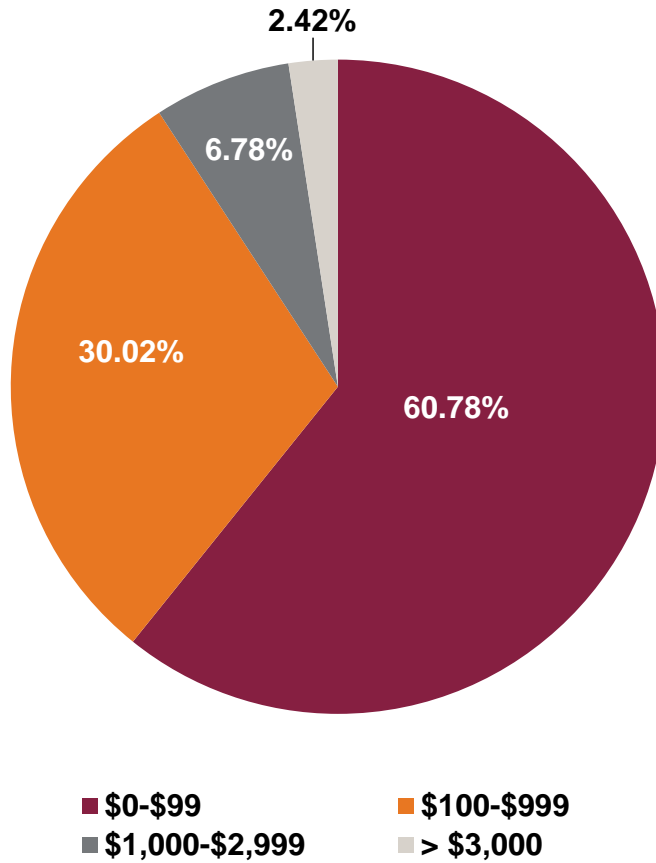
Current Accounts Receivable Write-Offs for June 30, 2019 with Comparison to 2018 and 2017
(In Whole Dollars)

Accounts Receivable	June 30, 2019	June 30, 2018	June 30, 2017	Three Year Average
Student Accounts	\$ 140,364	\$ 388,787	\$ 134,629	\$ 221,260
Sponsored Programs	66,311	64,201	-	43,504
Electric Service	16,170	12,553	10,889	13,204
Parking Services	17,545	19,007	20,198	18,917
CPE and IVTSCC ¹	-	13,312	-	4,437
Veterinary Medicine	80,021	93,765	71,397	81,728
Equine Medical Center	22,442	78,880	21,925	41,082
Short Term Loans/Notes	5	-	5,999	2,001
Other Receivables	41,421	89,779	61,616	64,272
Total Write-Offs	\$ 384,279	\$ 760,284	\$ 326,653	\$ 490,406

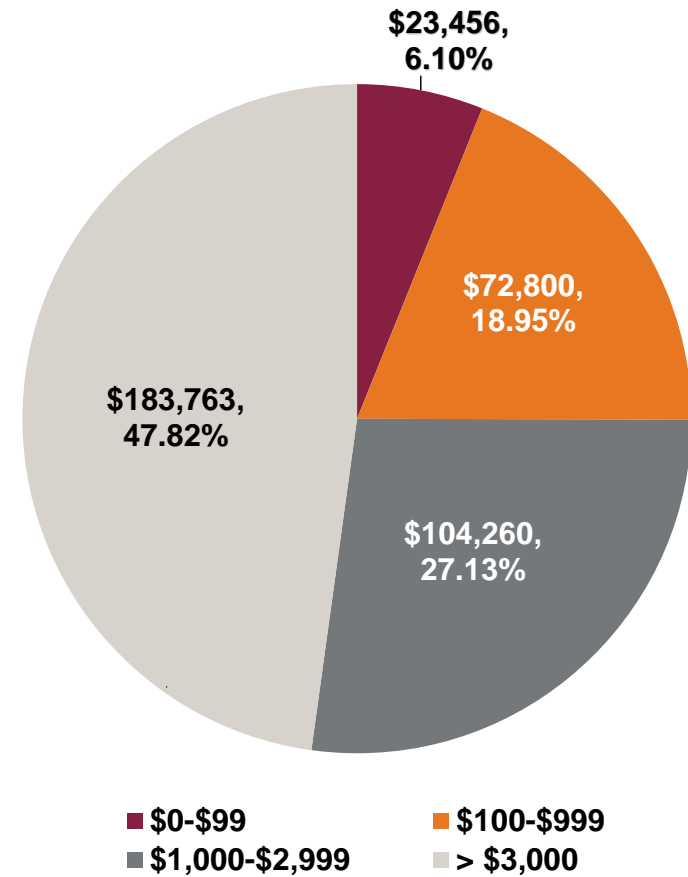
¹ Continuing and Professional Education / Inn at Virginia Tech & Skelton Conference Center

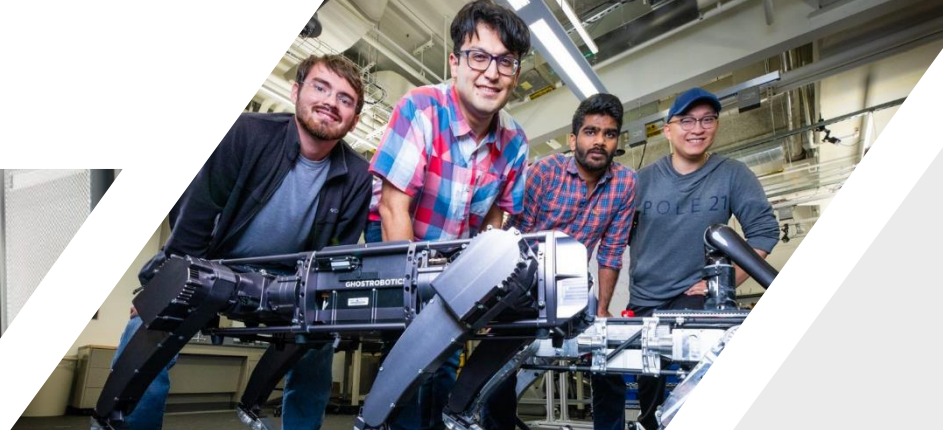
Stratification of Write-Offs for Fiscal Year 2019

Total Number of Accounts = 826



Total Dollar Value = \$384,279
Average Dollar Value = \$465

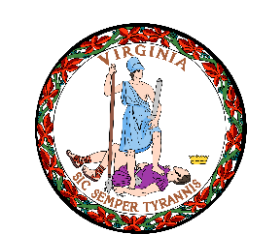




RESEARCH & INNOVATION

*FINANCE AND RESOURCE
MANAGEMENT*

NOVEMBER 18, 2019



MONSANTO



Newport News Shipbuilding
A Division of Huntington Ingalls Industries

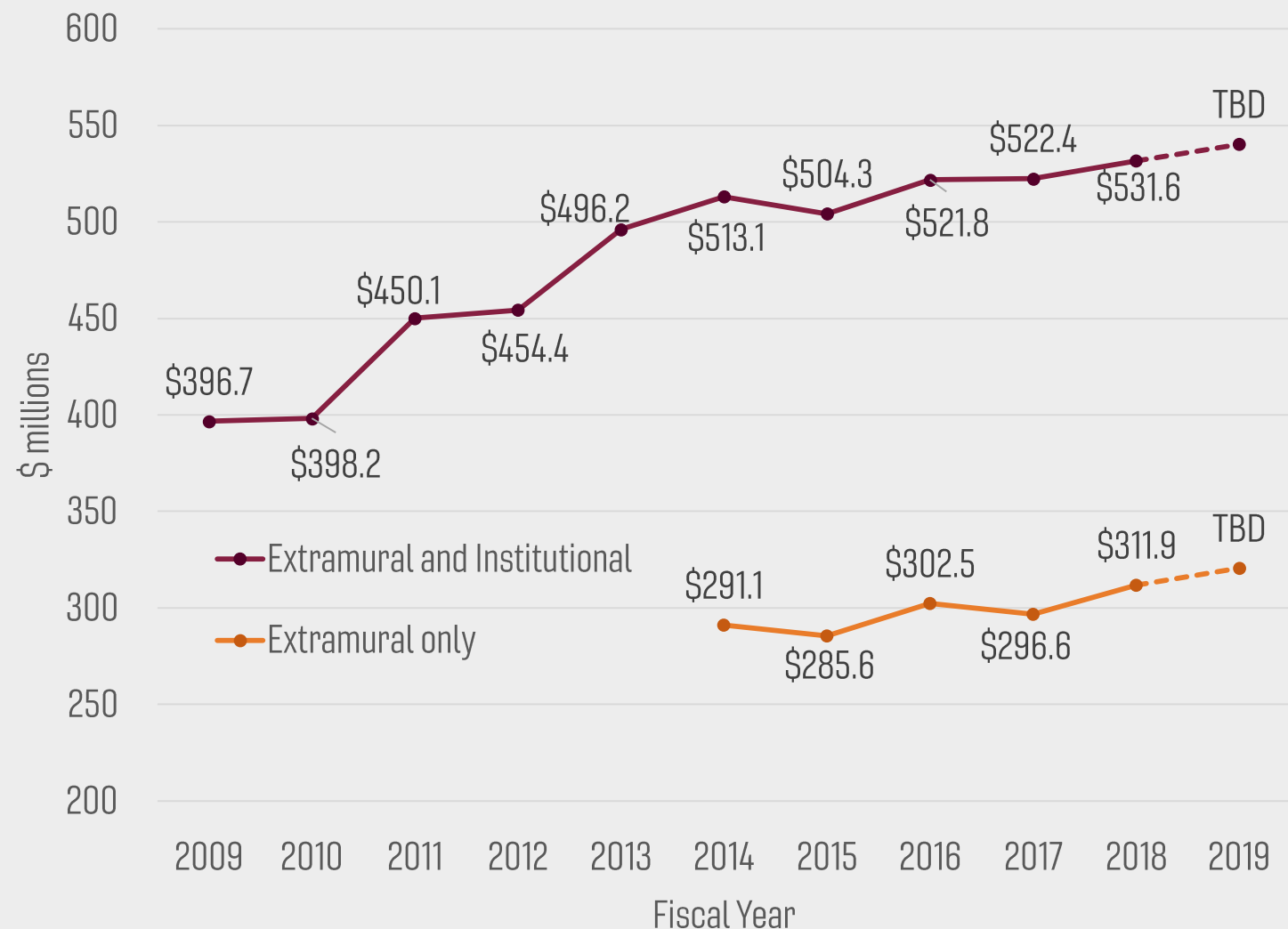
MacArthur
Foundation



VT RESEARCH IS SUPPORTED BY:

- Federal government agencies
- State and local government
- International countries and agencies
- Industry partners and consortia
- Foundations

RESEARCH EXPENDITURES



After decades of steady growth, extramural expenditures leveled off in mid 2010s.

2019 expected to show continuous growth in total and extramural research expenditures for first time in 7 years

* 2019 values coming soon

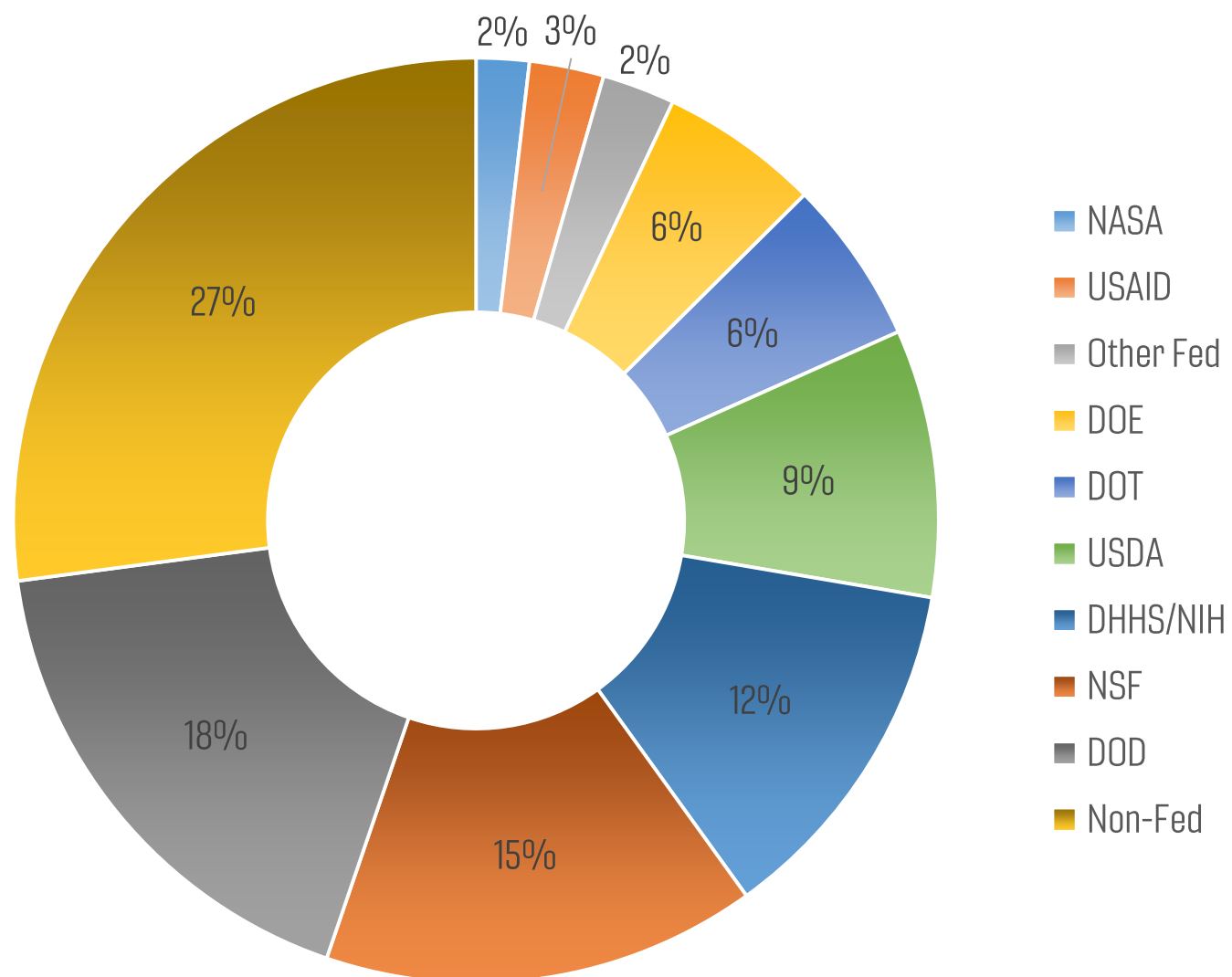
Research Expenditures by Fund Source Category
Analysis of Fiscal Years Ended June 30, 2018 and 2017
(amounts in thousands of dollars)

	Total 2018	Total 2017	Difference	
			Amount	Percent
Federal Government	\$199,897	\$186,054	\$13,843	7.4%
State & Local Government	56,479	55,771	708	1.3%
Business	43,569	40,471	3,098	7.7%
Nonprofit Organizations	7,529	7,252	277	3.8%
Institutional Funds	219,748	225,815	-6,067	-2.70%
All Other Sources	4,414	7,061	-2,647	-37.5%
Total Research Expenditures	\$ 531,636	\$ 522,424	\$ 9,212	1.76%

NSF HERD

National Science Foundation's Higher Education Research and Development Survey is annual benchmark for research funding across the country

FY 18 showed significant growth in research sponsored by industry and the federal government. This growth is expected to continue in 2019.



BALANCED PORTFOLIO

In FY19, 72% of Virginia Tech's competitive extramural funding was supported by the federal government. The largest sponsors and fastest-growing were:

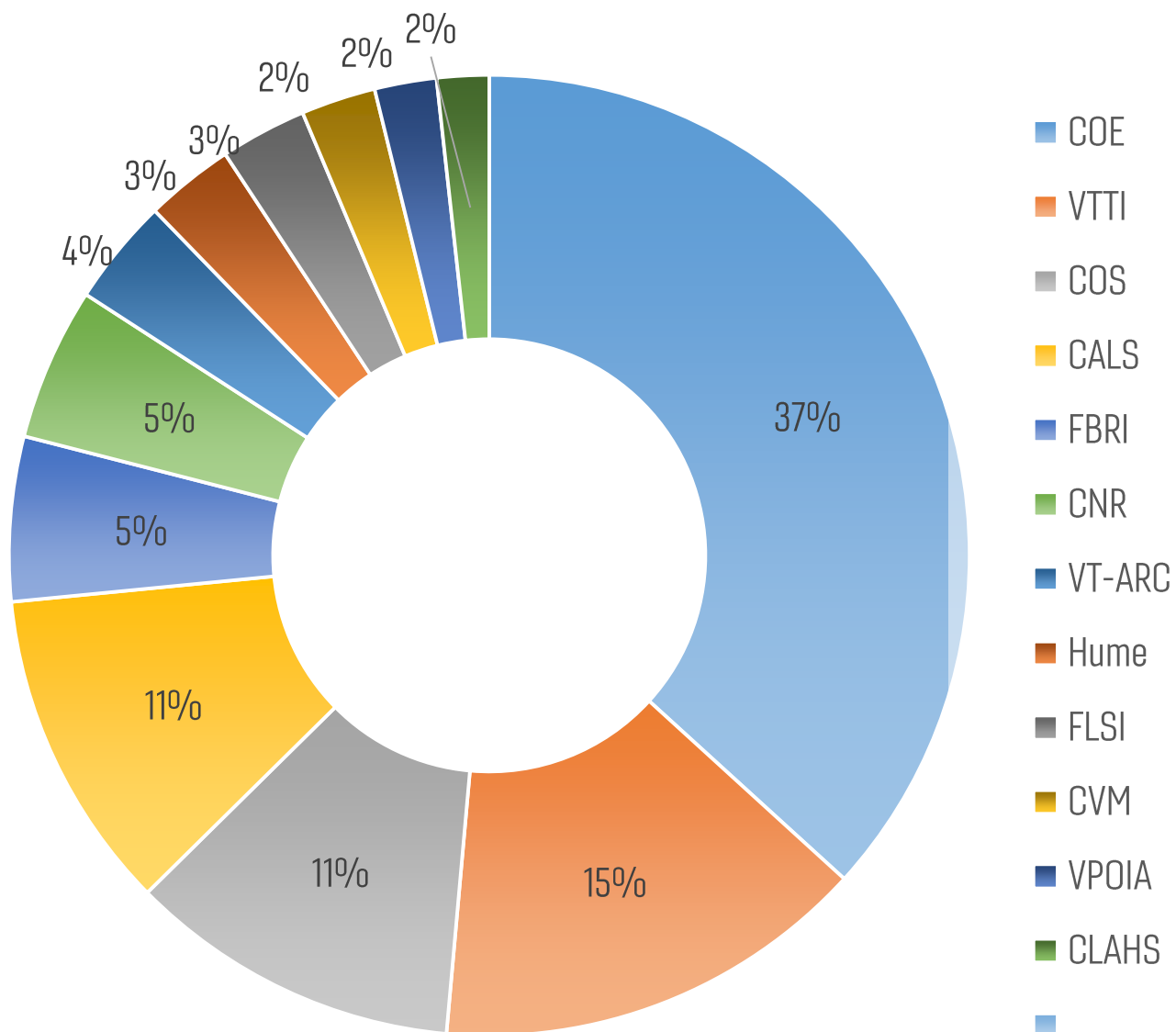
- DOD – 18%
- NSF – 15%
- NIH – 12%
- Industry/non-federal – 27%

Includes VT-ARC, VTT LLC, and Formula Agency 229

EXTRAMURAL FUNDING ACROSS VIRGINIA TECH

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

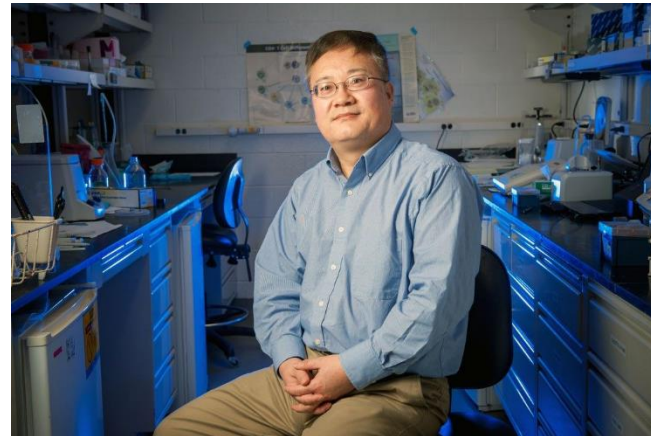
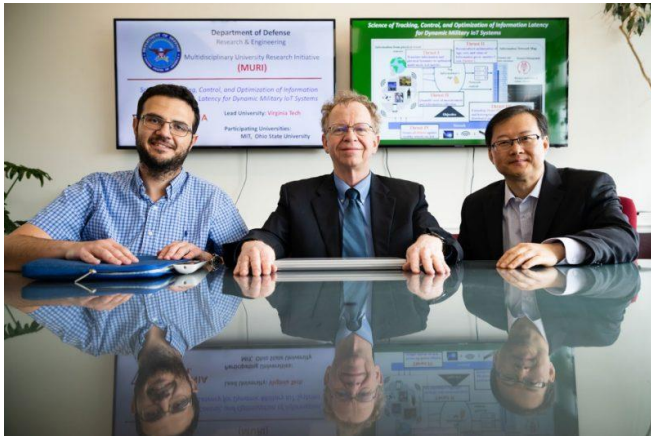
Includes VT-ARC and VTT LLC. Excludes Agency 229 Formula Funds



MAJOR RESEARCH GRANTS

FY20 has started with major grants in a variety of fields from a variety of sponsors

- \$15M from Department of Transportation to research safe automated driving
- \$2.5M from National Science Foundation to research poplar genome
- \$7.5M from Department of Defense to examine information latency
- \$3.1M from National Institutes of Health to create a universal flu vaccine



PLATFORMS FOR GROWTH

- Innovation Campus
- Commonwealth Cyber Initiative
- Fralin Life Sciences Institute
- Integrated Translational Health Research Institute
- National Security
- Restricted Research Excellence
- Tech-talent Pipeline
- VT has provided \$1M for matching funds in FY 2020



LICENSE + LAUNCH

- 18 New IP Licenses in FY2019
- 6 Tech Startups in FY2019
- \$1.5M+ VTIP License Revenue in FY2019
- 148 New Invention Disclosures Received and Processed in FY2019
- 73 Patent Applications Filed + 3 Plant Variety Patents Filed in FY2019
- 51 New Patents Awarded in FY2019
- 3 new hires in FY2019 (4 Team Members Now Onboard)
- Aligning with State Goals and TEconomy Partners report

Holistic Partnership Approach

Budget Lines for Patent and Proof of Concept Funding

Active participation in State Funding Opportunities for Tech Commercialization

Attachment F

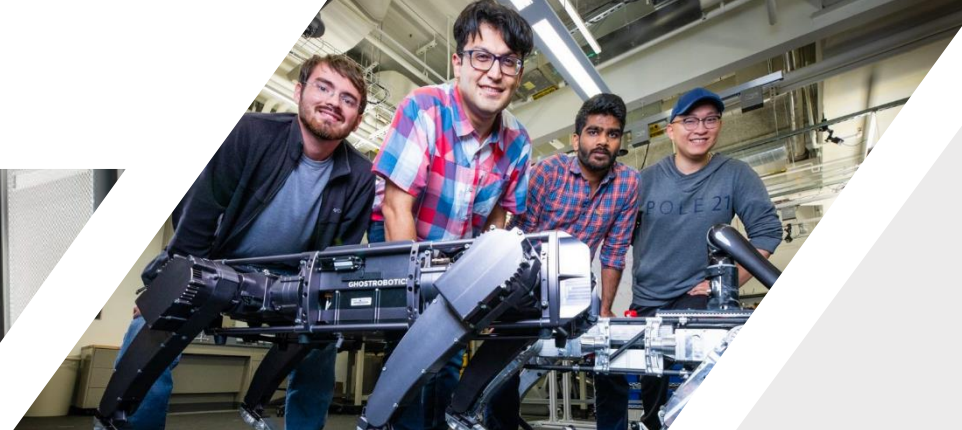


<i>DISCOVERY TO MARKET</i>		<i>SPONSORED PROGRAMS</i>		<i>SCHOLARY INTEGRITY & RESEARCH COMPLIANCE</i>	<i>ANIMAL RESOURCES & CARE</i>
<ul style="list-style-type: none">▪ Support for industry engagement and start-ups▪ Relationship management and business development▪ Licensing and ventures▪ Strategic insight and opportunity shaping		<ul style="list-style-type: none">▪ Pre-award support▪ Contract negotiation▪ Post-award support▪ Education and support▪ Partner with units across campus and foundation▪ Portfolio analysis		<ul style="list-style-type: none">▪ Ethics consultancy▪ Education and support▪ Research Integrity▪ Human Research Protection▪ Animal Care and Use▪ Biosafety▪ Conflict of Interest	<ul style="list-style-type: none">▪ Well-being of animals used in research and instruction▪ Laboratory animal facilities▪ Veterinary clinical care▪ Veterinary care oversight▪ Research support services▪ Education and training
<i>INVESTMENT INSTITUTES</i>	Fralin Life Sciences, ICSE, ICTAS, ICAT	<ul style="list-style-type: none">▪ Service-oriented support for faculty and students in all colleges▪ Convener for cross-cutting programs		<ul style="list-style-type: none">▪ Seed initiatives and multi-college centers▪ Oversee shared laboratories	
<i>THEMATIC INSTITUTES</i>	Hume, Fralin Biomedical, VTTI, VT-ARC	<ul style="list-style-type: none">▪ Externally funded R&D programs▪ Deep sponsor relationships▪ Experiential learning programs		<ul style="list-style-type: none">▪ One-of-a-kind facilities▪ Large contract vehicles▪ Time and materials contracts	
Communications & Marketing	Electronic Research Administration	Finance & Business Operations	Restricted Research & Export Control	IT & Data Management	Human Resources & Talent Development

Long-Term Strategies

- **Enhance research culture & infrastructure**
 - AAALAC certification, recognition of achievement, better partnering, budget transparency
- **Champion research, scholarship, discovery & creative expression**
 - Hire communications director, improve internal communications, provide incentives
- **Invest in strategic programs, leverage synergies and balance growth**
 - Develop strategy for investing OVPRI resources effectively, proposal development assistance, shared research facilities
- **Strengthen VT's alliances and partnerships both internally and externally**
 - Bridge disciplinary & organizational boundaries, including DAs, establish OVPRI Advisory Board, use OVPR data and alumni network to gain and share insights
- **Support knowledge creation & exchange**
 - Share OVPRI knowledge through speaker series, web content, web site, etc., build comprehensive, modular and customizable training for faculty, maximize visibility into OVPRI advances





DISCUSSION

CAMPAIGN UPDATE

BOARD OF VISITORS
FINANCE AND RESOURCE MANAGEMENT COMMITTEE

NOVEMBER 2019

CHARLES D. PHLEGAR
VICE PRESIDENT FOR ADVANCEMENT

Annual Report on Investments and Quasi-Endowments

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

November 1, 2019

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 fully utilize its resources by maximizing investment earnings, maintaining prudent levels of liquidity, and ensuring compliance 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 pool, which is composed of university operating funds from generated cash flow and all investment activities for these funds are handled directly within the university. 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. These funds are invested in a broader array of assets in the Virginia Tech Foundation Endowment in accordance with Section § 23.1-2604 of the Code of Virginia and the *Uniform Prudent Management of Institutional Funds Act* (§ 64.2-1100 et seq.).

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 Committee on June 3, 2019. This report will also provide an overview of the university's approach to managing its allocation of short-term and long-term investments, its overall liquidity strategy, and its strategy for using long-term investments to achieve university strategic goals and milestones. These strategies have contributed towards a \$200 million increase in total cash and investments since fiscal year 2015. Additionally, the composition of the cash and investments has changed - long-term investments have grown by \$384 million, including \$282 million attributable to the university's purposeful growth of investments in the Virginia Tech Foundation (VTF). This shift is a direct result of prudently managing the university's available funds to increase investments and build financial capacity for the future.

See Attachments A and B for additional information about the university's cash and investments. Attachment A shows the changes in cash and investments between fiscal years 2015 and 2019 and the growth of long-term investments. Attachment B shows the components of university's cash and investment balances as of June 30, 2019, 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, agency funds, federal loan programs, and deferred compensation.

Liquidity Strategy and the Short to Intermediate-Term Investment Pool

As part of the university's investment program, the Investment Management Team (IMT) comprised of the University Treasurer, Assistant Vice President for Finance and University Controller, and the Associate Vice President for Budget and Financial Planning, are responsible for development of 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 recommendations are presented 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 also informs the Senior Vice President and Chief Business Officer of these decisions. 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 is equal to the university's annual budget divided by 365.

The university's short to intermediate-term investment pool represents the university's internal liquidity. The university holds these funds in bank balances in the primary Wells Fargo Demand Deposit Account (DDA) and liquid investment balances with external managers Standish Mellon and Merganser. The investment objectives of this 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, BB&T, 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 BOV 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.

Virginia Tech Foundation and the Long-Term Investment Strategies Pool

The university places its long-term investments in the VTF endowment pool. These funds are tracked and reported separately from the private gifts and endowments normally received and invested by the VTF. The VTF invests these funds under an agency agreement that was 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.

Since moving to internal management during April 2008, the foundation has achieved an annualized return of 6.3% through June 2019. As shown on Attachment D, this strong performance has added \$77.4 million in value above the endowment's benchmark over the corresponding period and \$94.1 million above the endowment's peer group over the corresponding period, as measured against the Cambridge All Colleges and Universities peer universe. Consequently, the university believes that placing its long-term resources with the VTF is the best available strategy for pursuing higher risk-adjusted returns.

See Attachment C for the VTF endowment pool performance for the most recent fiscal year and longer-term periods. Attachment E includes additional information on the VTF's performance and approach to managing its endowment.

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, 2019, the market value of university funds invested in the long-term investment strategies pool managed by the VTF was \$382.2 million. See Attachment F for additional information on the purpose of these various true and quasi-endowments and the restrictions on these funds.

The university's investment program is designed to generate recurring supplemental revenue streams to advance university goals. Accordingly, the university has developed two sets of principles regarding the use of 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 that are clearly identified to an operating activity that operates separately in the university's program structure, the proportionate share of earnings will be returned to those purposes or programs. This practice is best demonstrated in the case of the university's true endowments, quasi-endowments, and funds that come from specific programs such as auxiliary enterprises.

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.

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

Finally, Attachment H is provided to put the university's liquidity in perspective with respect to several of its peers plus the University of Virginia. Peer bond ratings are included in the chart for enhanced comparability. The cash on hand calculation presented in Attachment H is provided by Moody's® and shows the number of days of budget that can be supported by liquid cash on hand. This chart shows Virginia Tech ranking low among its peers and demonstrates the need for the university to continue improving in its financial position. A strong balance sheet is important for supporting the university's debt rating which lowers the cost of borrowing.

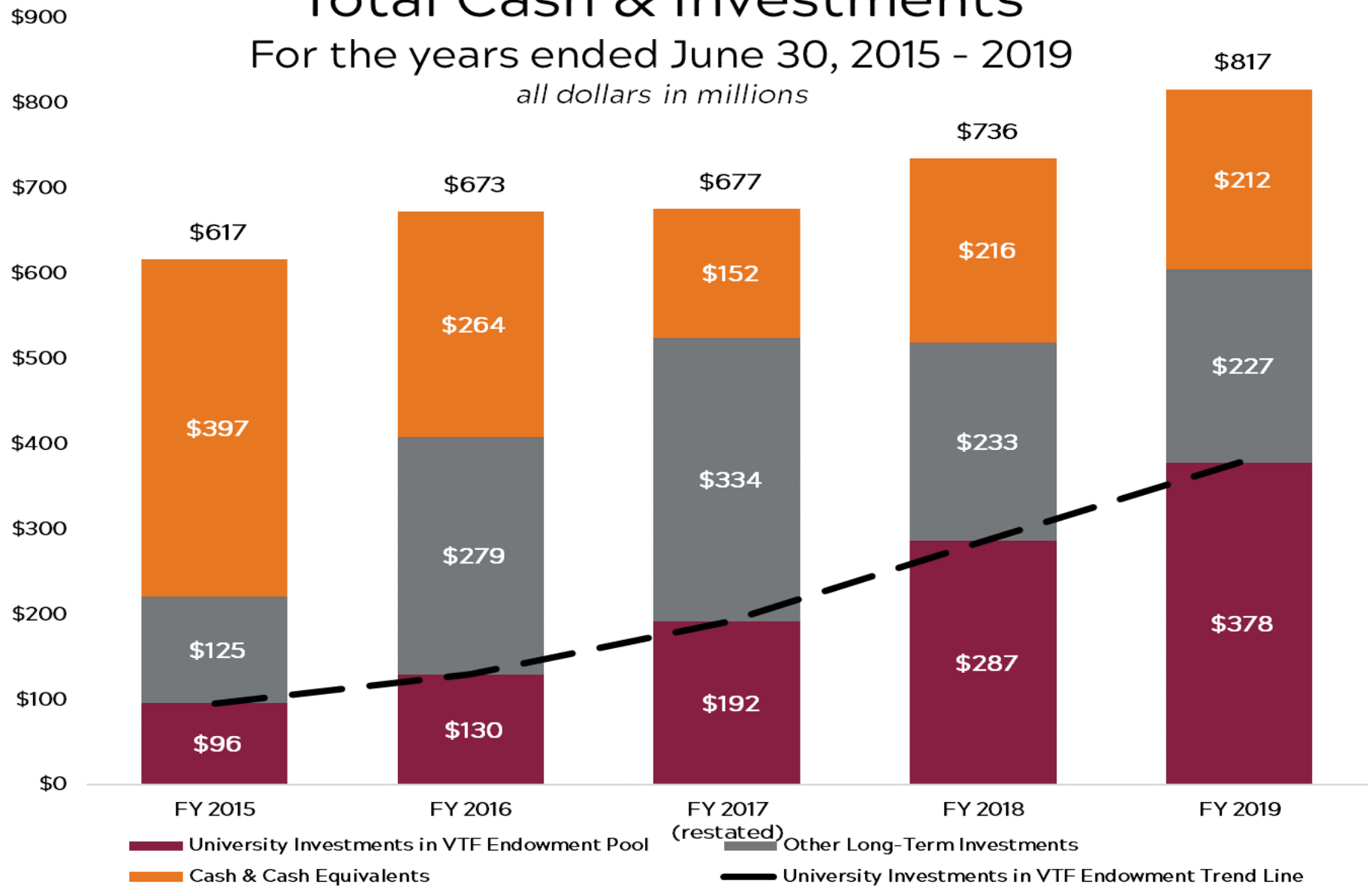
Conclusion

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 investment 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. The net effect of these activities has led to increased investment balances whose earnings will preserve and enhance the university's spending power, financial stability, and bond rating.

Total Cash & Investments

For the years ended June 30, 2015 - 2019

all dollars in millions



University Cash and Investment Balances at June 30, 2019

all dollars in millions

		Cash & Cash Equivalents	Long-Term Investments	Total Cash & Investments
Wells Fargo	Main Operating Bank	\$ 37.9	\$ -	\$ 37.9
Standish Mellon ¹	90-Day Cash Manager	147.0	31.0	178.0
Merganzer ¹	1-3 Year Credit Manager	1.0	164.6	165.6
VTF Endowment ¹	Long-Term Pool	3.8	378.4	382.2
Operating & Long-Term Investment Strategies		189.7	574.0	763.7
Other ²	Miscellaneous Restricted	22.0	31.1	53.1
	Total Investments	\$ 211.7	\$ 605.1	\$ 816.8

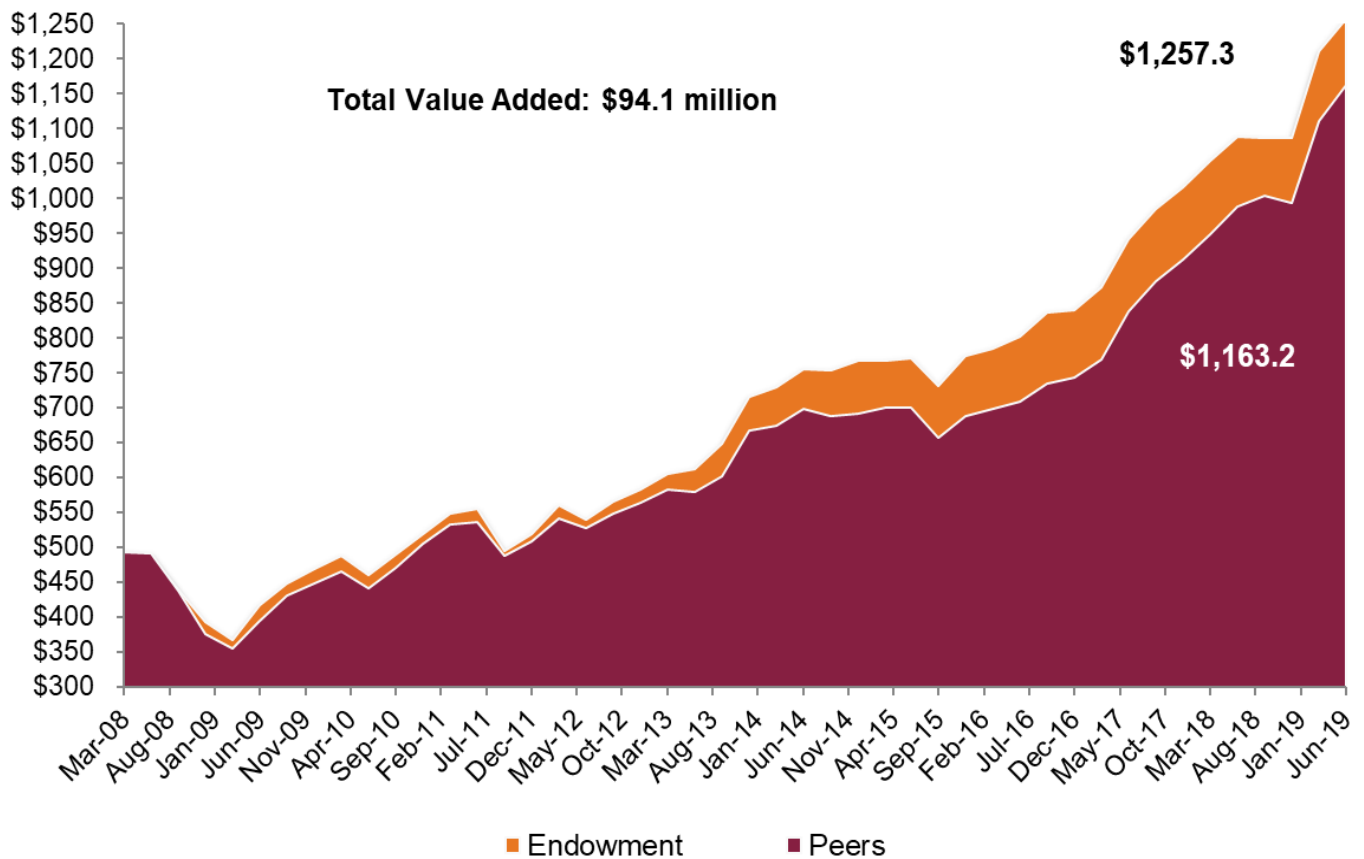
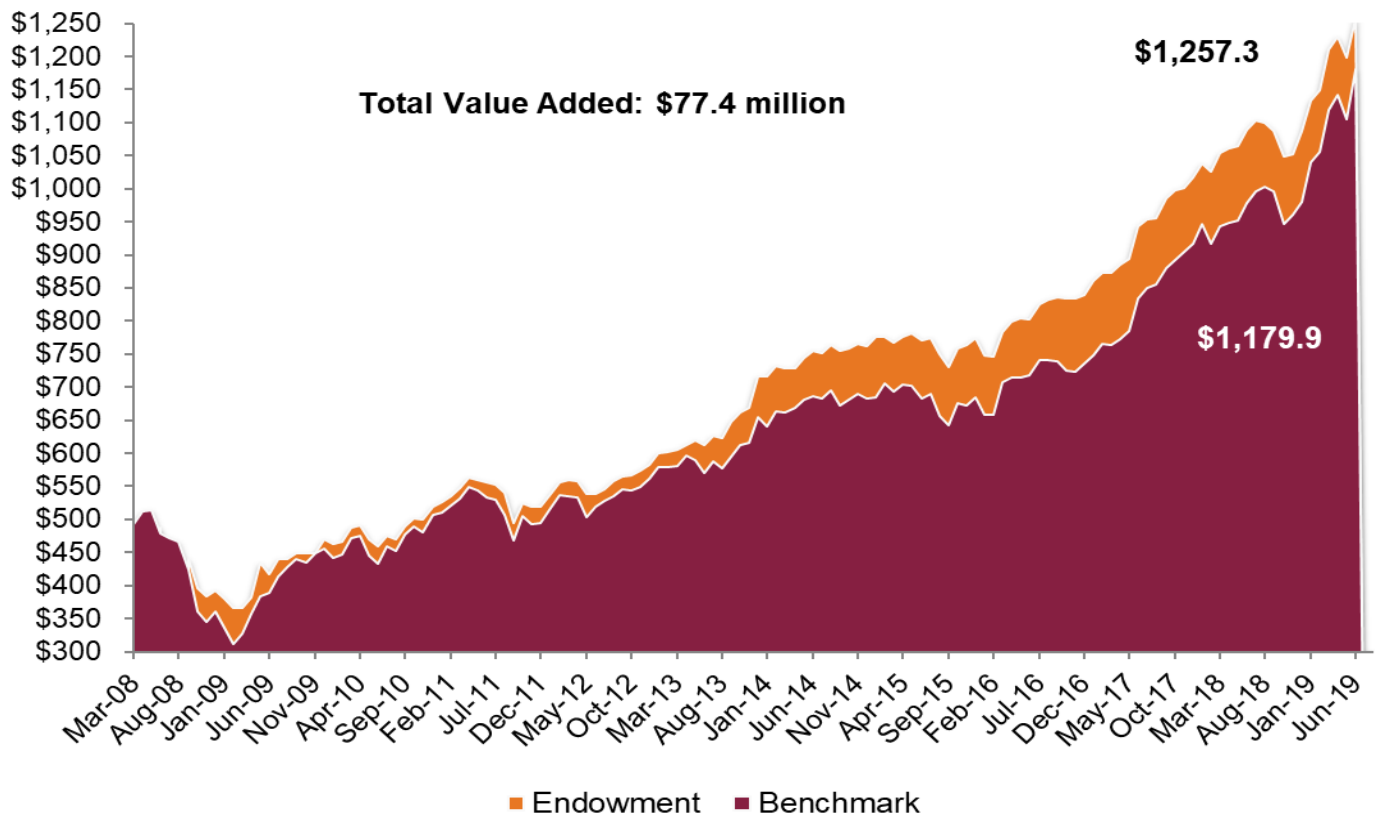
¹Includes Auxiliary System Funds

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

Short, Intermediate, and Long-Term Investment Performance Report at June 30, 2019

	1-Year	3-Year	5-Year	10-Year
Standish Mellon General:	2.2%	1.4%	0.9%	0.5%
Standish Mellon Systems:	2.2%	1.4%	0.9%	0.5%
<i>BofAML 91-Day Treasury</i>	2.3%	1.4%	0.9%	0.5%
Merganzer (General & System):	4.9%	2.0%	1.7%	1.9%
<i>BofAML 1-3 Yrs Gov/Corp</i>	4.3%	1.6%	1.5%	1.6%
VTF Endowment	3.4%	7.7%	5.5%	9.0%
<i>CEF Benchmark¹</i>	7.0%	8.6%	5.6%	8.7%

¹60% All Country World Index; 30% Bloomberg Barclays Global Aggregate Index; and
10% Global Financial Times Stock Exchange National Association of REITs

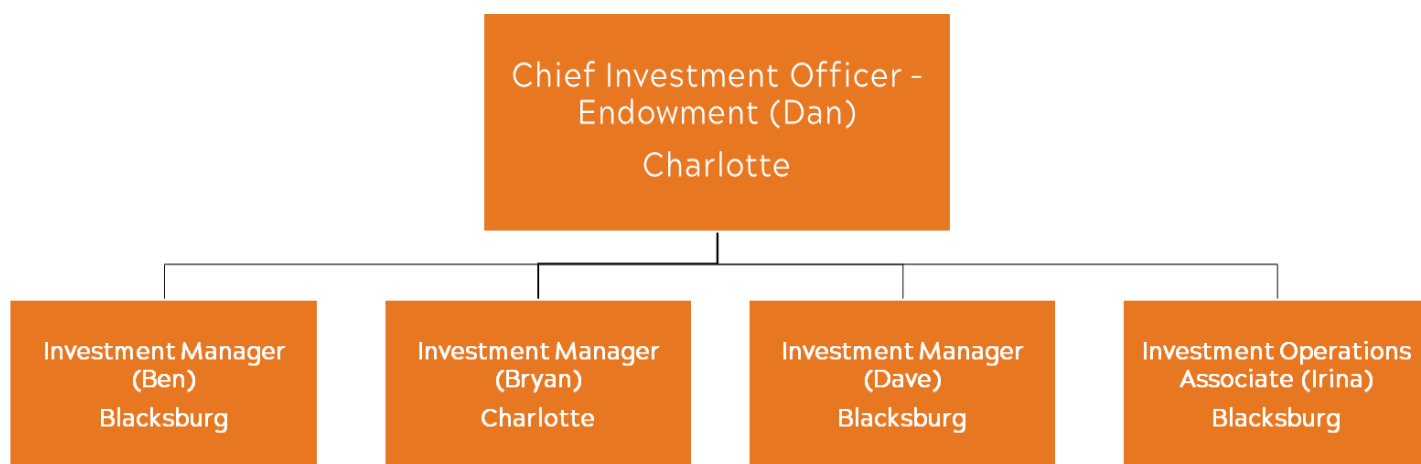


VTF Core Beliefs

The VTF believes that cash flows and the valuation paid for those cash flows drive equity returns; that valuations are mean-reverting over long periods; that collateral and covenants are key to any debt investment; in excelling at the variables that they can control; in investing and doing business ethically; in not making errors of commission; in not allowing psychological biases to impact decision making; that risk is permanent impairment of capital and failure to meet investment objectives, rather than volatility; that they will make mistakes, but process is key to long-term success; and in investing for the long-term and in being contrarian.

Discussion on Fiscal Year 2019 Endowment Performance

The endowment's 3.4% return for the fiscal year underperformed against the benchmark return of 7.0%. The biggest detractors were the lack of exposure to falling interest rates and an overweight to emerging markets. The largest contributor for the year was the endowment's co-investment program. Over the next one to two years, the key area of focus will be the implementation of the endowment's strategic plan.



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 endowment value of the Rolls Royce Endowments as of June 30, 2019 was \$13.6 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 endowment value as of June 30, 2019 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 endowment value of the Pratt Estate funds as of June 30, 2019 was \$46.5 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, 2019 was \$0.8 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 value as of June 30, 2019 was \$9.1 million. Unclaimed funds of \$2.75 million were made available for investment in 2018-2019.

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, 2019 was \$0.4 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 endowment value as of June 30, 2019 was \$0.3 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, 2019 was \$0.1 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 endowment value as of June 30, 2019 was \$0.1 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, 2019 was \$13.4 million.

Unrestricted Investments

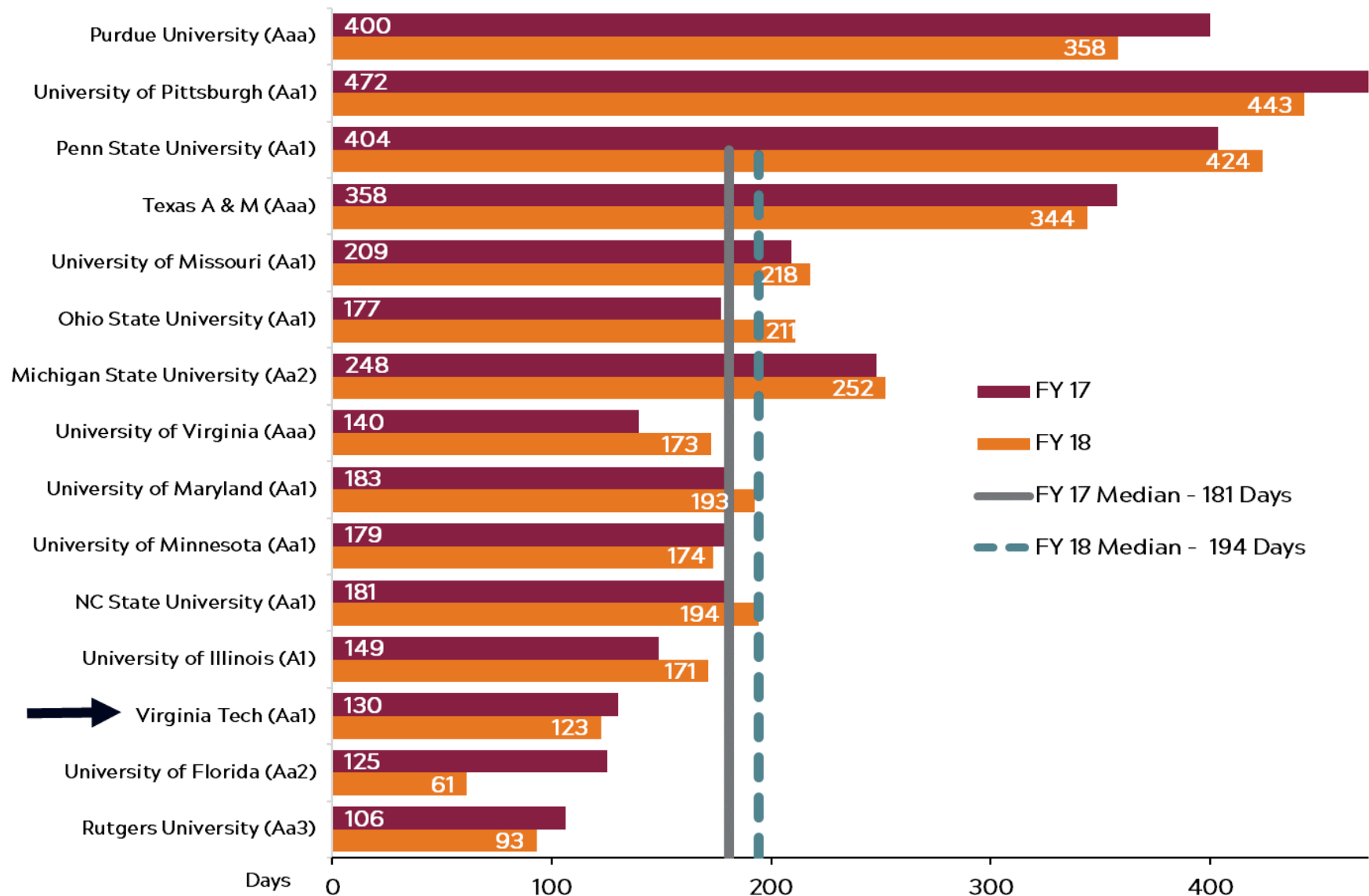
Unrestricted investments consist of university nongeneral fund reserves, balances, and local funds. These investments are meant to create a revolving set of resources generating an annual, recurring revenue stream to make one-time or limited recurring commitments to pursue the university's strategic goals. The value of these other university funds as of June 30, 2019 was \$297.3 million.

2019-20 Utilization of Investment Income

all dollars in thousands

Description	Utilization	2019-20 Estimated Earnings	
		Short-Term Investments	Long-Term Investments
True Endowments			
Rolls Royce Endowment	Engineering Chaired Professorships & Grad Students		\$571
Pouring Rights Endowment	Scholarships		12
Donor Restricted Quasi-Endowments			
Pratt Estate Funds	Animal Nutrition & Engineering programs		1,969
Donaldson Brown Endowment	Scholarships		35
Nationwide Scholarship Fund	Scholarships		383
BOV Restricted Quasi-Endowments			
Chinese Endowed Geosciences Scholarship	Scholarships		4
Gloria Smith Professorship	Professorship support		12
Licensing & Trademark Scholarship	Scholarships		573
Multicultural Affairs Scholarship	Scholarships		4
Student Health Insurance Fund	Support student health insurance program		17
Unrestricted Investments			
State Escrow	Support E&G Programs, subject to state	\$1,977	
Auxiliary Enterprises	Auxiliary operations, maintenance reserve	2,109	4,169
Other University Funds	program, help to limit increases to comprehensive VTCSOM, banking fees, scholarships and university initiatives	3,327	8,399
Total University Investment Income		<u>\$7,413</u>	<u>\$16,148</u>

FY 2017 and FY 2018 Monthly Days Cash on Hand



Annual Report on Investments and Quasi-Endowments

KEN MILLER, INTERIM VICE PRESIDENT FOR FINANCE
JOHN CUSIMANO, UNIVERSITY TREASURER
DAN WARD, CIO-VT FOUNDATION ENDOWMENT
TIM HODGE, ASSOCIATE VICE PRESIDENT FOR BUDGET
AND FINANCIAL PLANNING

NOVEMBER 18, 2019



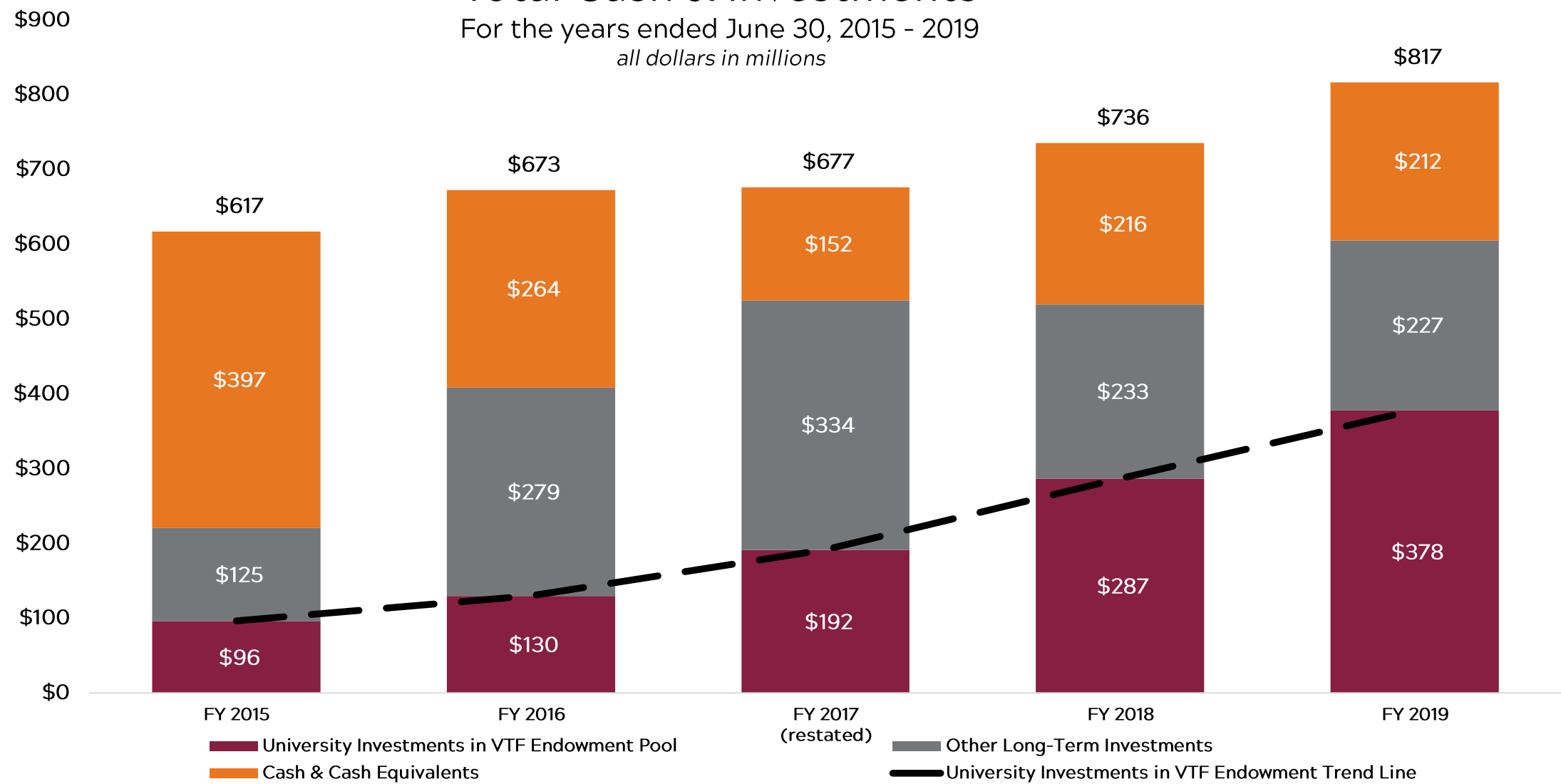
Annual Report on Investments and Quasi-Endowments

- The Investment Policy aims to maximize investment earnings and ensure prudent levels of liquidity
- There are two investment pools:
 - Short to intermediate-term investment of university operating funds: must meet Public Funds Act requirements
 - Long-term investment strategies of endowments and non-general fund reserves: Virginia Tech Foundation Endowment
- Current liquidity targets:
 - 45 days of internal liquidity through short-term investments
 - 45 days of external liquidity through lines of credit
- Two key principles for the allocation of 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, or 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.

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all dollars in millions



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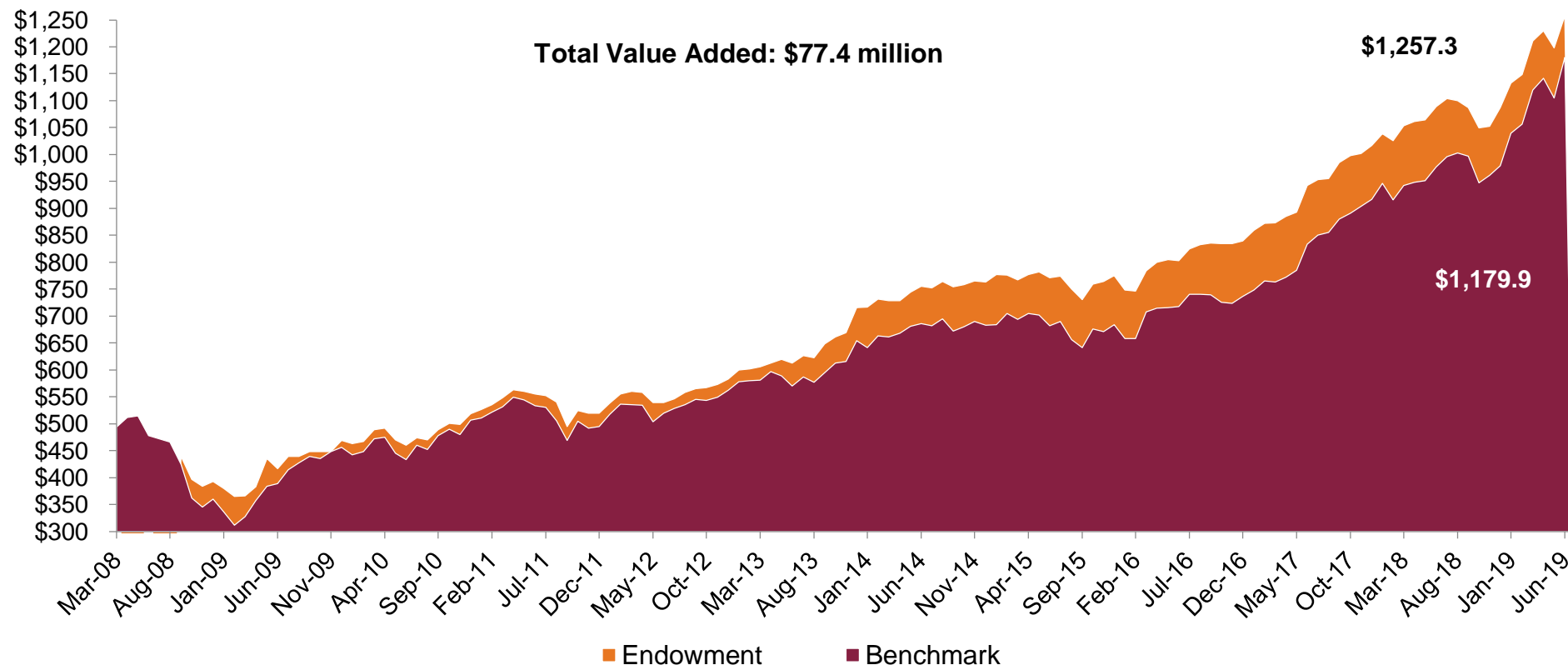
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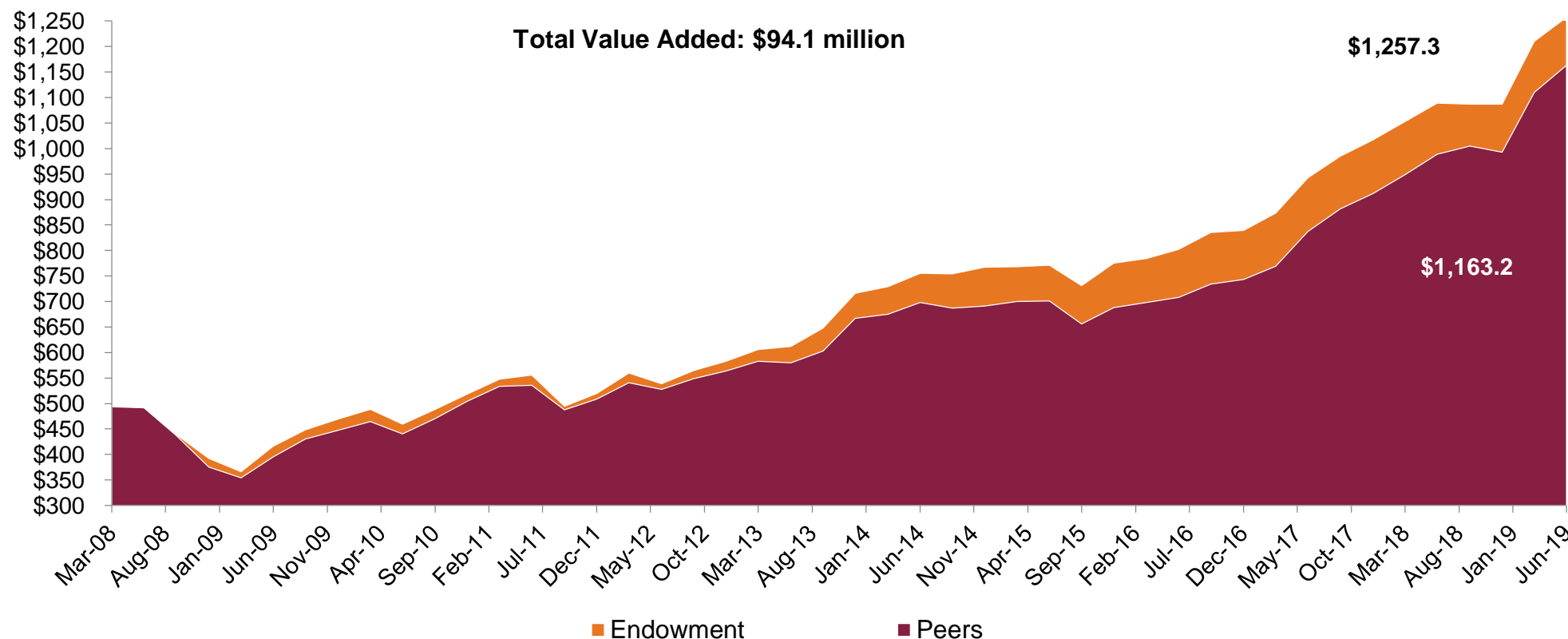
Annual Report on Investments and Quasi-Endowments

- Since we moved to internal management in April 2008 through June 2019, we have added \$77.4 million in value above the benchmark. The endowment has returned 6.3% annualized vs. the benchmark return of 5.4% annualized.



Annual Report on Investments and Quasi-Endowments

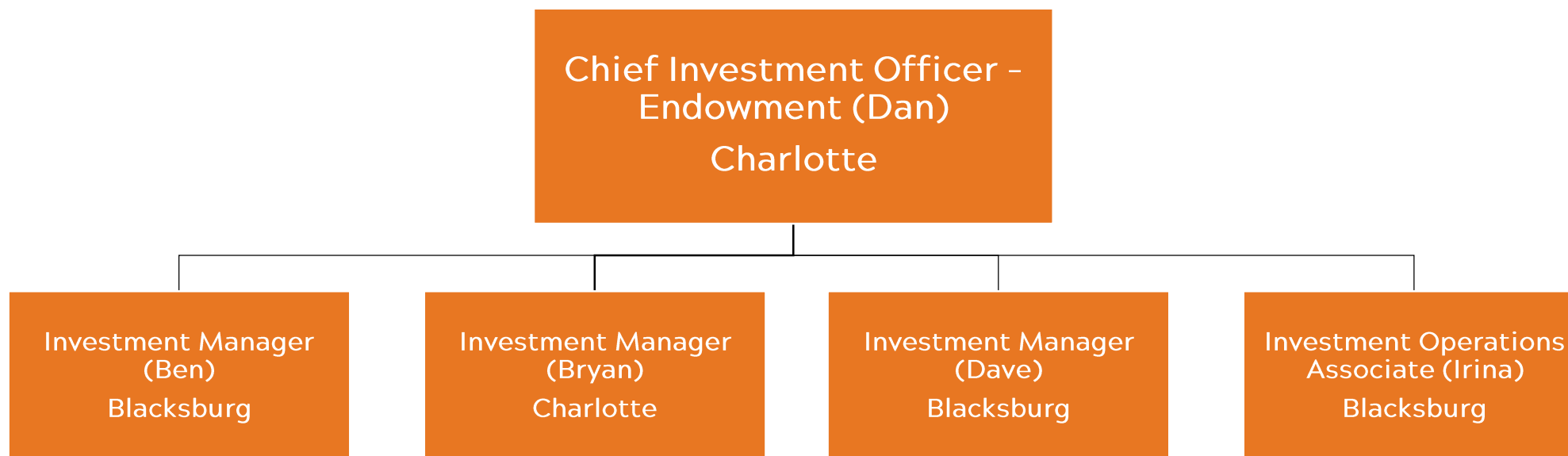
- Since we moved to internal management in April 2008 through June 2019, we have added \$94.1 million in value above peers¹. The endowment has returned 6.3% annualized vs. the median peer return of 5.3% annualized.



¹The peer group is comprised of the Cambridge All Colleges and Universities peer universe.

Core Beliefs That Drive Our Investment Philosophy

- Cash flows and the valuation paid for those cash flows drive equity returns
- Valuations are mean-reverting over long periods
- Collateral and covenants are key to any debt investment
- We must excel at the variables that we can control
- We believe in investing and doing business ethically
- Do not make errors of commission
- Do not allow psychological biases to impact decision making
- Risk is permanent impairment of capital and failure to meet investment objectives rather than volatility
- We will make mistakes, but process is key to long-term success
- We invest for the long-term and will be contrarian



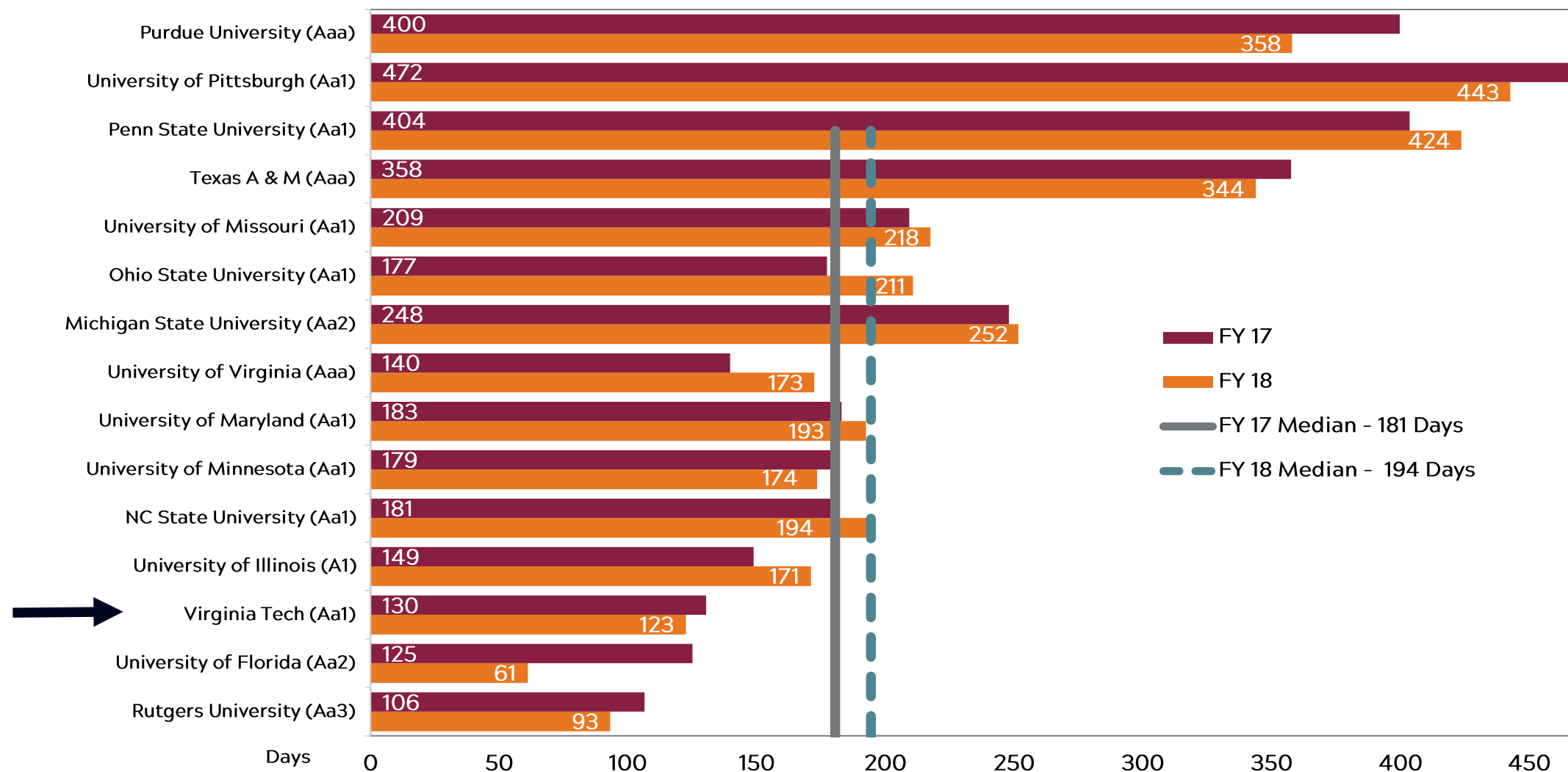
- What have been the biggest detractors from recent performance?
 - The biggest detractor was the lack of exposure to falling interest rates
 - Another key detractor was the overweight to emerging markets, while the biggest contributor continues to be the co-investment program
- Where are our key areas of focus in the next 12 - 24 months?
 - The endowment's Strategic Plan

2019-20 Utilization of Investment Income

all dollars in thousands

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FY 2017 and FY 2018 Monthly Days Cash on Hand



University Support for Student Financial Aid
FINANCE AND RESOURCE MANAGEMENT COMMITTEE
November 18, 2019

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 for the fall of 2020.

Funding Environment

Virginia Tech is experiencing an ongoing shift in the types of resources available to support its instructional programs. These changes include periodic increases in tuition and required fees as driven by a combination of increasing costs, the requirement to maintain the quality and integrity of the instructional programs, enrollment growth to support additional Virginia students, increasing competitiveness for students in high demand both in Virginia and nationally, and the inability of the state to maintain its historic level of financial support.

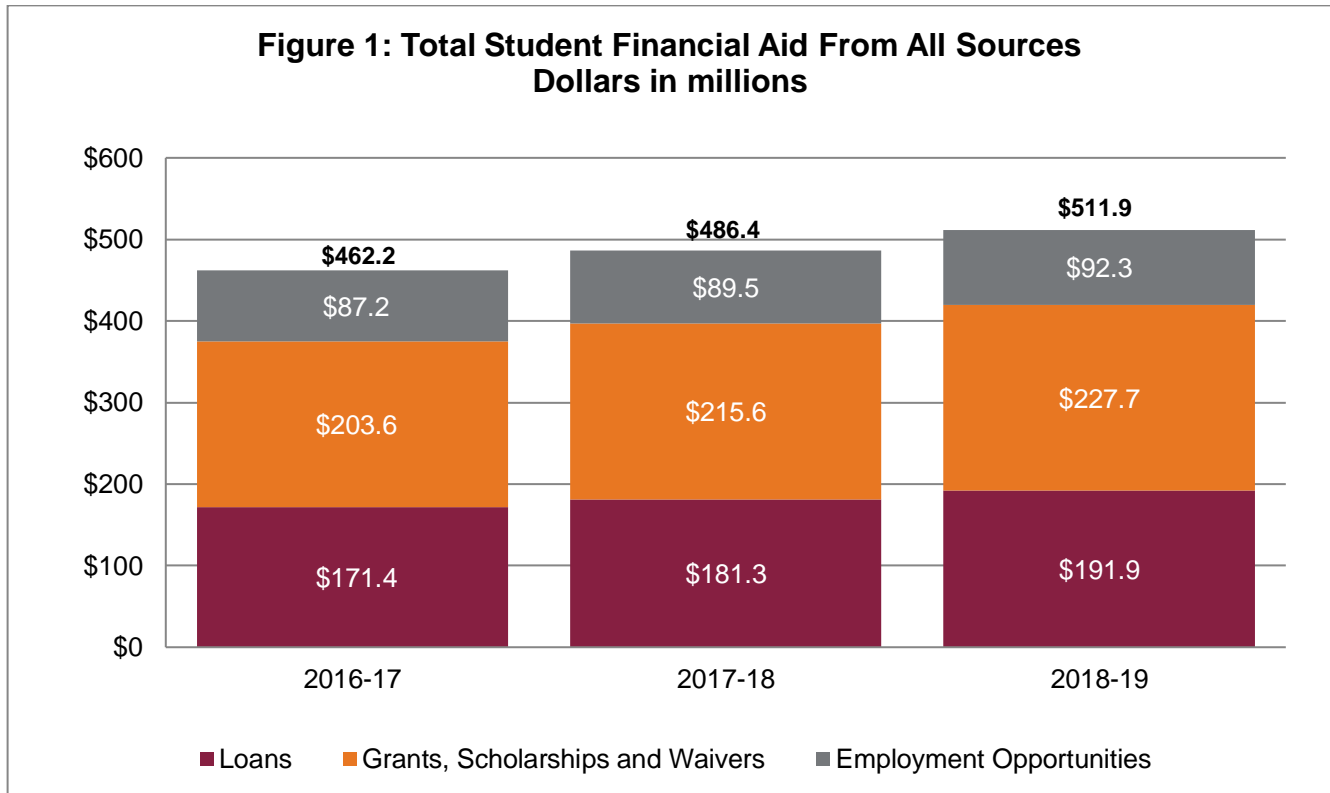
The state-funded share of support per student is impacted by limited General Fund resources at the state level, mandatory cost increases such as health care benefits, enrollment growth of Virginia resident students, and inflation; as a result, increases in tuition and fees are increasingly relied upon to support the university's instructional activities. In this environment, the role of student financial assistance of all types has become a more critical 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.

Historically, the university has strived to manage increases in tuition and fees at a reasonable level to enhance access and affordability; this strategy was predicated on a certain level of state support. However, the funding mix of higher education continues to evolve. As the state share of a student's cost has fallen significantly over time, the student's share of their cost of education has grown. Understanding this shift, 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.

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 2018-19, total aid reached \$511.9 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 2018-19, 37 percent (12,717) 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 2018-19, 759 students participated in FWS programs; 747 at the undergraduate level and 12 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 7,650 students in wage positions during 2018-19; 6,721 at the undergraduate level and 929 at the graduate/professional level.

Assistantships - offer tuition remission 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 3,699 individual graduate students, or 3,204 full-time equivalent students, as graduate assistants in administrative, teaching, and research positions in 2018-19. This represents 72 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 in general 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, as seen below in Table 1.

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

	2016-17	2017-18	2018-19
<u>Undergraduate</u>			
Federal	\$ 18.3	\$ 20.5	\$20.8
State	16.1	16.0	16.4
Institutional			
Unfunded Scholarships	17.2	16.7	17.5
Tuition/Fee Funded Aid	1.8	5.7	5.5
Internal Resources	0.7	0.4	0.7
Other Undergraduate ⁽¹⁾	5.3	6.2	6.8
Private (Foundation)	24.0	25.7	26.9
<i>Subtotal Institutional</i>	49.0	54.7	57.4
Outside	28.8	30.8	34.2
<i>Subtotal Undergraduate</i>	112.2	122.0	128.8
<u>Graduate</u>			
Federal	0.0	0.0	0.0
State	4.9	5.1	5.1
Institutional			
Graduate Tuition Remission	72.0	74.2	78.3
Tuition/Fee Funded Aid	0.1	0.1	0.1
Other Graduate ⁽²⁾	3.3	3.2	5.2
Private (Foundation)	3.0	3.2	3.5
<i>Subtotal Institutional</i>	78.4	80.7	87.1
Outside	8.1	7.8	6.7
<i>Subtotal Graduate</i>	91.4	93.6	98.9
<i>Total Grants, Scholarships, & Waivers</i>	\$ 203.6	\$215.6	\$227.7

(1) Other Undergraduate includes external grants and contracts, waivers codified in the Code of Virginia, and educational benefits for employees.

(2) Other Graduate includes waivers codified in the Code of Virginia and educational benefits for employees, and internal resources used to support graduate students.

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.

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 2018-19, institutional support provided \$57.4 million to 12,426 undergraduate students; an average of \$4,623 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 groups 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 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.

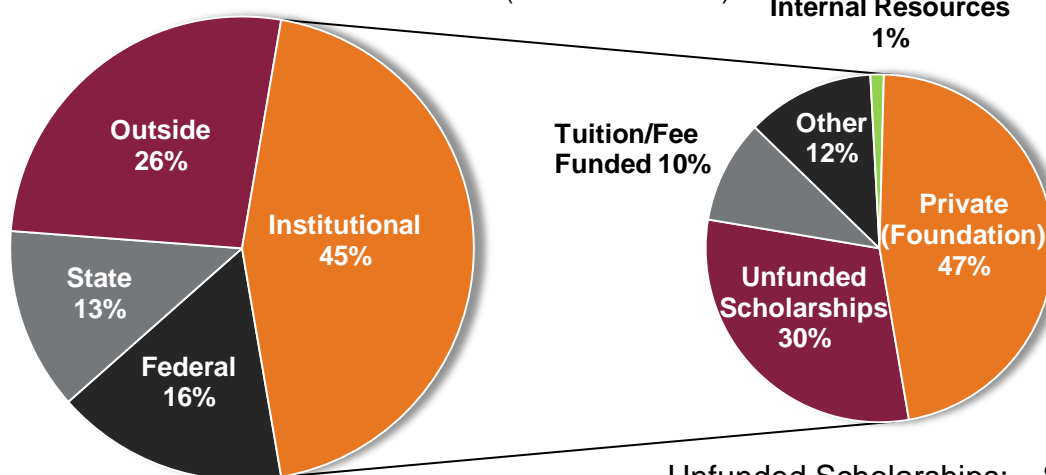
Outside Aid is aid which normally comes with a student from private external parties. This could include private organizations, nonprofit organizations, businesses, governmental entities, international organizations, and other special-interest groups. The university does not control this fund source 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.

Undergraduate Scholarships

Of the sources of undergraduate scholarships and grants, 45 percent are derived from institutional sources, as seen in Figure 2.

**Figure 2: Sources of Undergraduate Grants and Scholarships
2018-19**

(Dollars in Millions)

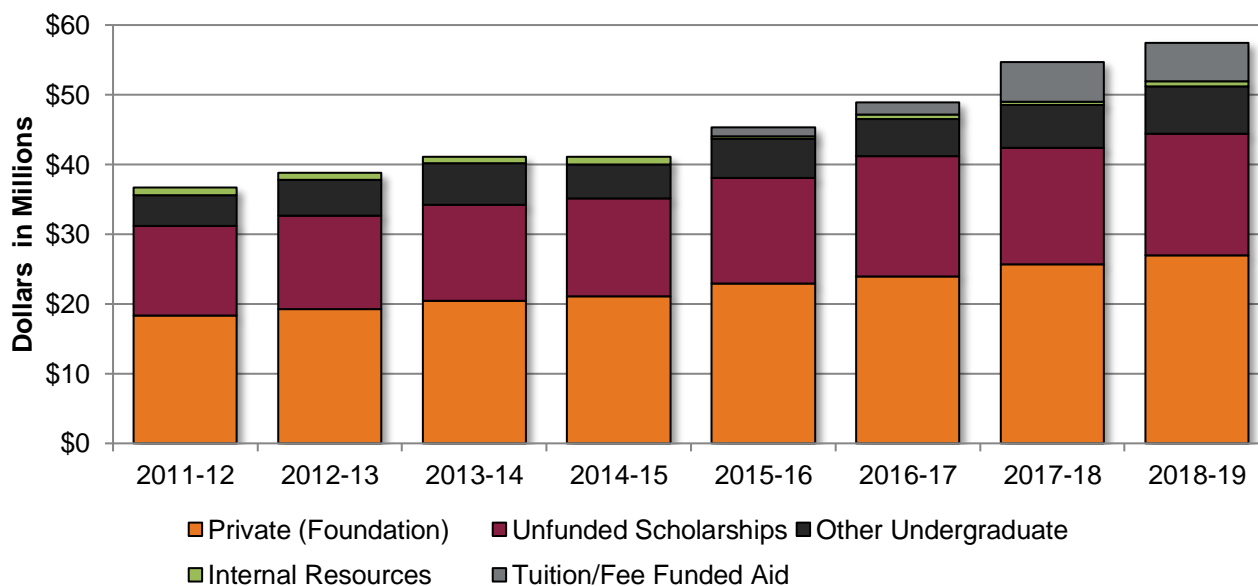


Federal:	\$ 20.8
State:	16.4
Institutional:	57.4
Outside:	34.2
Total:	\$ 128.8

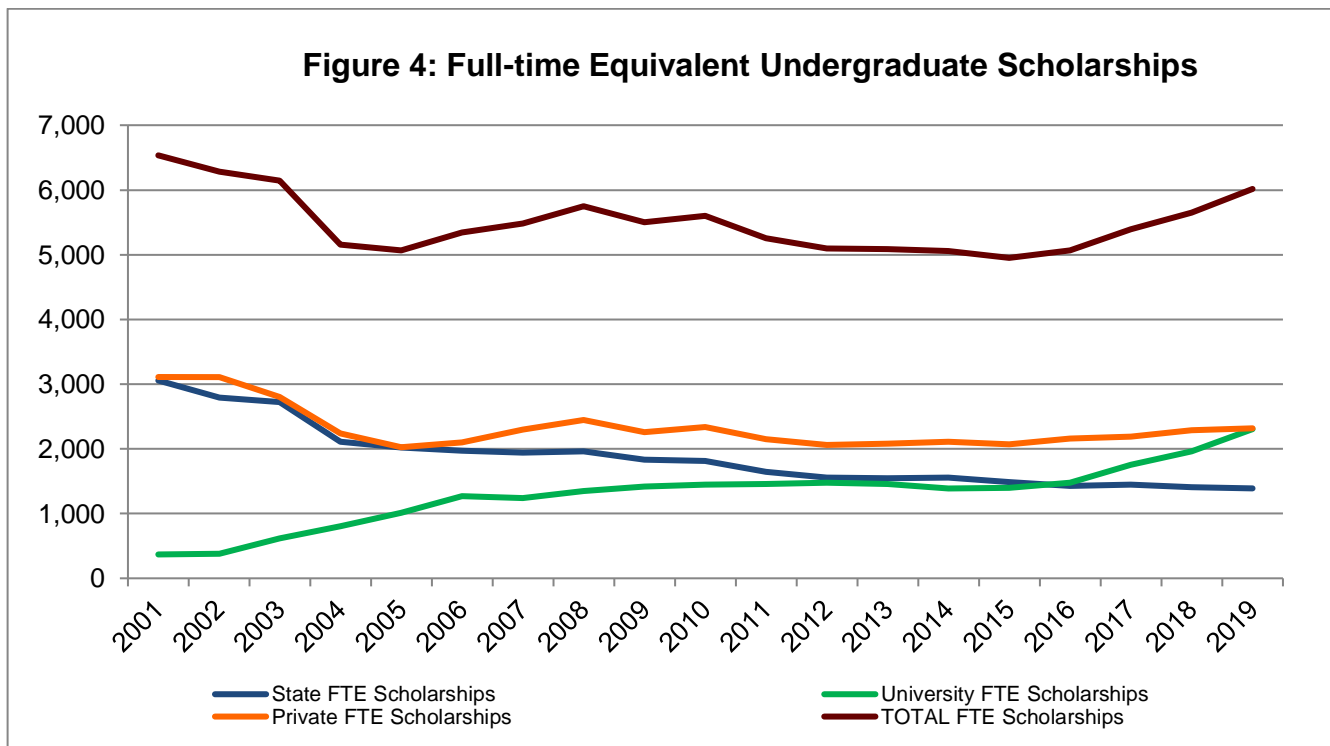
Unfunded Scholarships:	\$17.5
Tuition/Fee Funded:	5.5
Internal Resources:	0.7
Other:	6.8
Private (Foundation):	26.9
Total:	\$ 57.4

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

**Figure 3: Undergraduate Institutional Support at
Virginia Tech**



Though resources have increased over time, tuition increases and enrollment growth often have outpaced increases in state and private sources, and in most years resulted in a declining number of theoretical tuition and E&G fee scholarships that could be supported by these resources. In 2018-19, the university was able to make measured progress in the total number of Full-Time Equivalent number of awards 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 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 all or a portion of 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. Table 2 displays the program parameters for 2018-19. The program has been enhanced for 2019-20 by extending protection of 100 percent of tuition and fee increases to all families with financial need up to \$99,999 of income. Table 3 shows the number of resident and nonresident students receiving this aid in 2018-19.

Table 2: Funds for the Future Protection Levels

2018-19 FFF Program Parameters			
Family Income (AGI)	Undergraduate Tuition & Fee Increase Protection *	Example Impact of FFF Protection for Undergraduate Student	
		Total Tuition & E&G Fee Increase	Net Impact of Tuition & Fee Increase
\$0 - \$79,999	100%	2.9%	0%
\$80,000 - \$89,999	50%	2.9%	1.5%
\$90,000 - \$99,999	25%	2.9%	2.2%

Table 3: 2018-19 Funds for the Future Award Recipients

Family Income (AGI)	Number of Virginia Undergraduates Receiving Award	Number of Nonresident Undergraduates Receiving Award
\$0 - \$79,999	2,462	412
\$80,000 - \$89,999	284	52
\$90,000 - \$99,999	371	78
Total	3,117	542

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;
- Yellow Ribbon program for military veterans and dependents (university support for federal matching program);
- 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 4 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. According to the Institute for College Access and Success, 65 percent of 2018 graduates of public and nonprofit four-year colleges had student debt averaging of \$29,200 per borrower. At Virginia Tech, only 49 percent of the class of 2018 graduated with debt. Of those who did graduate with debt, the average was \$30,741. For Virginia residents in the class of 2018, 51% graduated with debt; the average debt for this cohort was \$26,890. 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. Moving forward, the university envisions making enhanced aid and loan counseling programs in an effort to help reduce student debt.

Table 4: Loan Statistics of Virginia Tech Graduates

	Class Of:	2014	2015	2016	2017	2018
VT - All	\$	\$27,925	\$28,873	\$28,884	\$30,221	\$30,741
	%	53%	53%	51%	49%	49%
National Average	\$	\$28,950	\$30,100	\$28,350	\$28,650	\$29,200
	%	69%	68%	66%	65%	65%
VT - Virginia Resident	\$	\$25,208	\$25,862	\$26,273	\$27,162	\$26,890
	%	53%	53%	53%	50%	51%

Default Rate

Virginia Tech's 2016 cohort default rate for the Federal Direct Loan (FDL) and Federal Family Education Loan (FFEL) programs was 1.6 percent, compared with a 2.5 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 5 below.

Table 5: Cohort Default Statistics of Virginia Tech Borrowers

	2014	2015	2016
National Peer Average	2.8%	2.7%	2.5%
VT	1.4%	1.8%	1.6%

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 6 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 6: Comparison of Net Price for Undergraduate Residents

	Cost of Attendance (Sticker Price)	Average Net Price by Income (2017-18 Data)				
		\$0-30,000	\$30,001-48,000	\$48,001-75,000	\$75,001-110,000	\$110,001+
Virginia Tech	\$ 26,240	\$ 12,401	\$ 13,925	\$ 18,296	\$ 23,429	\$ 25,516
National Peer Average	31,296	9,820	11,513	15,957	21,547	27,147
Advantage (Disadvantage)	5,056	(2,581)	(2,412)	(2,339)	(1,882)	1,631
Virginia Tech	26,240	12,401	13,925	18,296	23,429	25,516
Select VA Doctorals	34,800	4,510	7,100	12,788	20,600	30,010
Advantage (Disadvantage)	8,560	(7,891)	(6,825)	(5,508)	(2,829)	4,494

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 state budget reductions and 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 7 below displays the unmet need of resident and nonresident undergraduates over time.

Table 7: Trend of Unmet Need

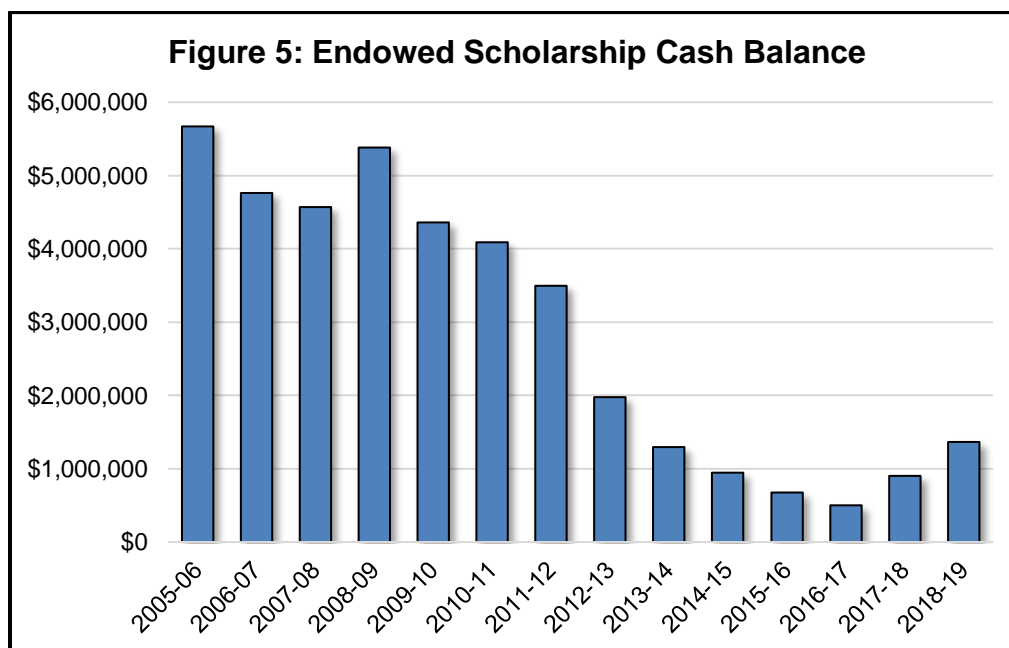
	2016-17	2017-18	2018-19
Virginia Undergraduate	\$6,200	\$6,264	\$6,561
% Average Unmet Need	35.9%	35.3%	35.9%
Nonresident Undergraduate	\$11,617	\$11,445	\$12,026
% Average Unmet Need	44.7%	43.2%	43.2%

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 to 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 Management's efforts have resulted in enhanced utilization and significant reductions in unallocated cash balances. To continue this success, the Office of Scholarships and Financial Aid provides an annual management report to the Chief Financial Officer 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 the Office of the Vice President for Finance will 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.



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. 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.

The university is currently developing strategies to raise significant additional funding for scholarships and financial aid, specifically to reduce the net price for Virginia undergraduates in the lowest three income quintiles. Enhancing the resources available to these students through the university's student financial aid program is an important goal to advance Virginia Tech.

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 2018-19, 11,347 full-time Virginia Tech undergraduate students (41 percent of the university's undergraduate full-time population) were determined to have financial need. For 2019-20, the university again worked to moderate tuition increases while increasing the allocation of unfunded scholarship support for undergraduates. 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 will be important for the university to continue to work to expand funding from other sources in the future, especially by increasing private fundraising and endowed scholarships, and work to create new innovative sources.

University Support for Student Financial Aid

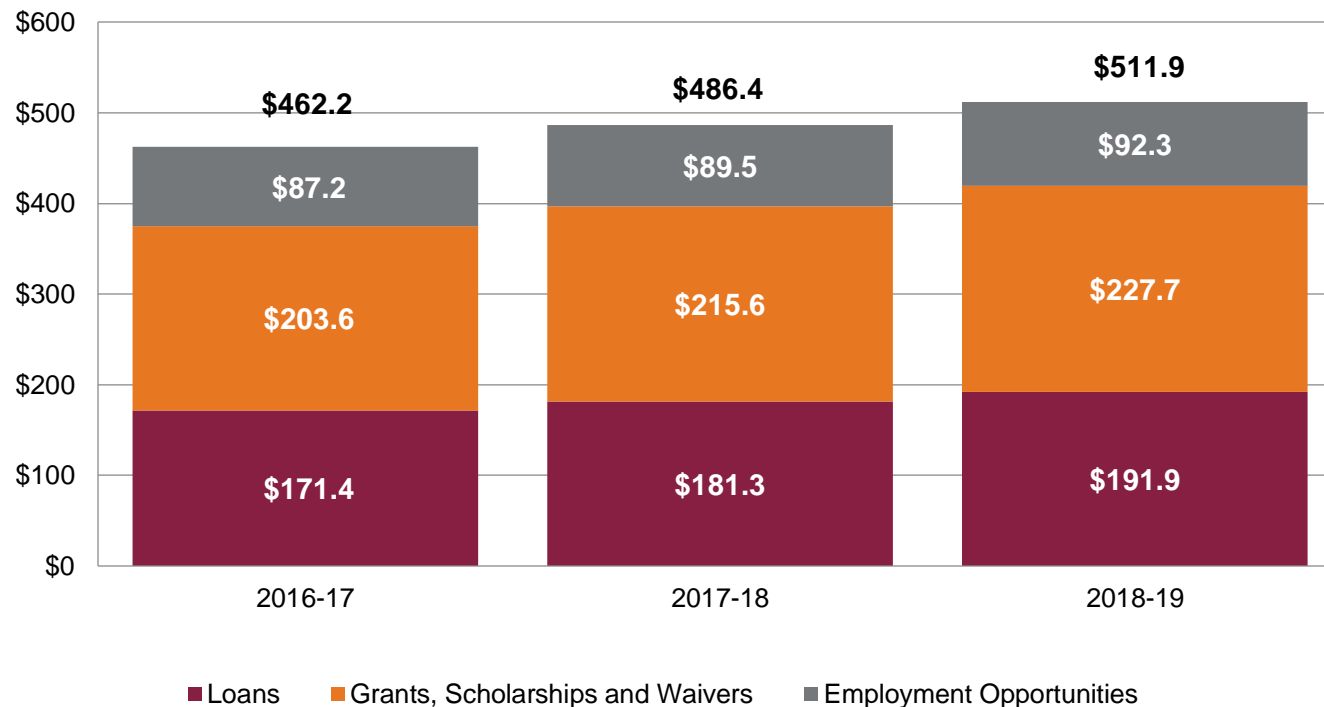
*TIM HODGE, ASSOCIATE VICE PRESIDENT FOR BUDGET AND
FINANCIAL PLANNING*

NOVEMBER 18, 2019



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)

	2016-17	2017-18	2018-19
<u>Undergraduate</u>			
Federal	18.3	20.5	20.8
State	16.1	16.0	16.4
Institutional			
<i>Unfunded Scholarships</i>	17.2	16.7	17.5
<i>Tuition/Fee Funded Aid</i>	1.8	5.7	5.5
<i>Internal Resources</i>	0.7	0.4	0.7
<i>Other Undergraduate ⁽¹⁾</i>	5.3	6.2	6.8
<i>Private (Foundation)</i>	24.0	25.7	26.9
<i>Subtotal Institutional</i>	49.0	54.7	57.4
Outside	28.8	30.8	34.2
<i>Total Undergraduate</i>	112.2	122.0	128.8

⁽¹⁾ Other Undergraduate includes external grants and contracts, waivers codified in the Code of Virginia, and educational benefits for employees.

Grants & Scholarships includes Graduate Tuition Remission Program

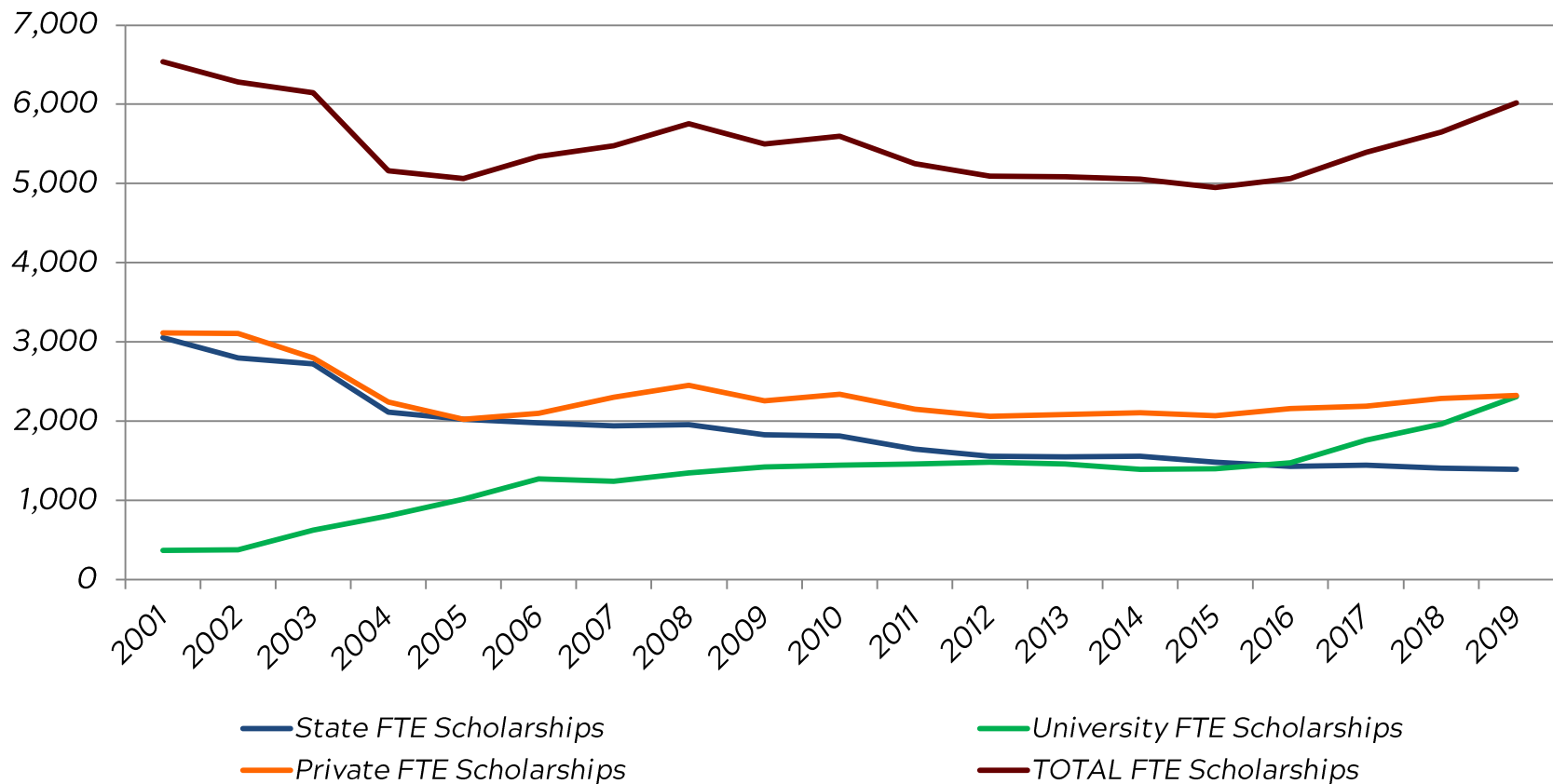
(Dollars in Millions)

	2016-17	2017-18	2018-19
<u>Graduate</u>			
Federal	0.0	0.0	0.0
State	4.9	5.1	5.1
Institutional			
<i>Tuition Remission</i>	72.0	74.2	78.3
<i>Tuition/Fee Funded Aid</i>	0.1	0.1	0.1
<i>Other Graduate ⁽¹⁾</i>	3.3	3.2	5.2
<i>Private (Foundation)</i>	3.0	3.2	3.5
<i>Subtotal Institutional</i>	78.4	80.7	87.1
Outside	8.1	7.8	6.7
<i>Total Graduate</i>	91.4	93.6	98.9

⁽¹⁾ Other Graduate includes waivers codified in the Code of Virginia and educational benefits for employees, and internal resources used to support graduate students.

Analysis of State & Institutional Support for Undergraduate Scholarships

Full-time Equivalent Undergraduate Scholarships



Institutional Undergraduate Scholarship Priorities

- Support Virginia Residents in the low to middle-income range.
- Enhance access to underrepresented and first-generation Virginians.
- Support enrollment management as part of the overall revenue strategy.
- Examples of university-funded scholarship priorities include:

Need-Based Scholarships:

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.

Merit-Based Scholarships:

Beyond Boundaries: matches private giving in support of under-represented and high-achieving students.

Enrollment Management

Scholarships: support strategic nonresident enrollment goals, including underrepresented and academically talented students.

- **Provost Achievement**
- **VT Scholars**
- **Ut Prosim**
- **Julian Burruss**

Undergraduate Scholarships Institutional Programs

Funds for the Future

- 2018-19 mitigation of tuition and fee increases for continuing students based upon family income levels.
- For 2019-20, all families with need and income up to \$99,999 received 100% coverage of tuition and fee increases.
- Includes Virginia and non-resident undergraduates.

Family Income (AGI)	Undergraduate Tuition & Fee Increase Protection	Example Impact of FFF Protection for Undergraduate Student	
		Total Tuition & E&G Fee Increase	Net Impact of Tuition & Fee Increase
\$0 - \$79,999	100%	2.9%	0%
\$80,000 - \$89,999	50%	2.9%	1.5%
\$90,000 - \$99,999	25%	2.9%	2.2%

Trends in Undergraduate Indebtedness

Average Debt per Borrower and Percentage of Students Graduating with Debt

Class Of:		2014	2015	2016	2017	2018
VT - All	\$	\$27,925	\$28,873	\$28,884	\$30,221	\$30,741
	%	53%	53%	51%	49%	49%
National Average	\$	\$28,950	\$30,100	\$28,350	\$28,650	\$29,200
	%	69%	68%	66%	65%	65%
VT - Virginia Resident	\$	\$25,208	\$25,862	\$26,273	\$27,162	\$26,890
	%	53%	53%	53%	50%	51%

National data from the Project on Student Loan Debt, an aggregator of Common Data Set submissions.

www.projectonstudentdebt.org

Net Price Comparison

- 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 low and middle-income students.

	Cost of Attendance (Sticker Price)	Average Net Price by Income (2017-18 Data)				
		\$0-30,000	\$30,001-48,000	\$48,001-75,000	\$75,001-110,000	\$110,001+
Virginia Tech	\$ 26,240	\$ 12,401	\$ 13,925	\$ 18,296	\$ 23,429	\$ 25,516
National Peer Average	31,296	9,820	11,513	15,957	21,547	27,147
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Advantage (Disadvantage)	8,560	(7,891)	(6,825)	(5,508)	(2,829)	4,494

Current Events

- *University continues to raise additional funding for student financial aid, specifically to reduce the net price for Virginia undergraduates in the lowest three income quintiles and enhance support for underrepresented student populations.*
- *Working with the state to explore potential of prospective state support to grow underrepresented and underserved populations.*
- *Financial aid is integral to achieving enrollment targets, particularly nonresident undergraduate, which provides overall resources to support resident students and university strategic initiatives.*
- *In an era of modest tuition increases, institutional support for financial aid is significantly constrained and has practical limits.*
- *As a result, the university must continue to support institutional financial aid programs, with an emphasis on expanding student financial aid funding through private philanthropy.*

Discussion

Financial Overview of Enrollment Variance Fall 2019

TIM HODGE,
ASSOCIATE VICE PRESIDENT FOR BUDGET AND FINANCIAL PLANNING



Enrollment Variance

- *Freshman yield exceeded planning parameters*
 - *Activity levels were adjusted to ensure quality VT experience*
- *Total enrollment variance is now understood*
- *Enrollment variance impacts:*
 - *University Division Educational and General program*
 - *Housing and Dining*
 - *Inn at Virginia Tech*
 - *Expanded student services*

Enrollment Variance 2019-20

On and Off Campus

	Internal Budget	Actuals	# Variance
<i>Associate/Unclassified</i>	219	216	(3)
Freshman	6,600	7,604	1,004
<i>Transfers</i>	1,250	1,116	(134)
Continuing UG	20,798	20,364	(434)
<i>Undergraduate</i>	28,867	29,300	433
<i>Graduate</i>	6,370	6,414	44
<i>Vet Med</i>	498	499	1
<i>VTCSOM</i>	169	170	1
Total	35,904	36,383	479

Undergraduate Enrollment Variance - E&G

Dollars in Millions

	2019-20
<i>Higher than projected tuition revenue from FRESHMAN variance</i>	\$14.8
<i>Allocated to colleges for instruction and advising</i>	(4.9)
<i>Allocated to support programming, student services, services for students with disabilities</i>	(1.0)
<i>Allocated for enrollment delay incentives (gap, VCCS, summer, \$400,000 FY21)</i>	(0.1)
Subtotal Freshman Variance	\$8.8
<i>Shortfall from CONTINUING students (higher graduation rate) & other updates</i>	(\$8.0)
Total Variance	\$0.8

Enrollment Variance - Residential & Dining System

- \$9.3 million incremental income from housing and dining of additional students
- Supplanted \$5.1 million of transient lodging activity at the Inn at Virginia Tech with student housing
- Leased Holiday Inn for \$3.7 million
- \$2.4 million staffing, operations, including buyout of returning student housing contracts to create capacity
- Increased dining operating costs \$2.7 million to address increased volume
- Reserve will underwrite \$4.6 million and be restored over time

Enrollment Variance - Inn at VT

- *Inn at Virginia Tech shifted from serving transient business to student housing on three of four floors*
 - *\$5.1 million contract with Residential for student housing to supplant transient lodging activity*
 - *While budget was reshaped, at this time, no change to total budget*
 - *Closely monitoring impacts to lodging, conference, and dining activities for FY20 and FY21*

Enrollment Variance - Student Services

	Expenses
<i>Health Services: added 4 counselors, 1 staff for counseling, 1 health center nurse practitioner, and expanded space</i>	<i>\$0.8 million</i>
<i>Student Conduct: added 1 student coordinator</i>	<i>\$0.1 million</i>
<i>Orientation: added 2 sessions to accommodated increased participants</i>	<i>\$0.1 million</i>

Discussion

Authorization for Commercial Paper Increase

JOHN CUSIMANO, UNIVERSITY TREASURER

NOVEMBER 18, 2019



Authorization for Commercial Paper Increase

- The university issues commercial paper through the Virginia Municipal League/Virginia Association of Counties (VML/VACo) for its short-term financing needs pending the issuance of permanent long-term debt.
- The maximum issuance amount through the VML/VACo program under the current Board authorization is \$50 million.
- It is necessary to increase the authorized amount that the university can issue through the program, given the size and scope of the university's strategic initiatives in the greater Washington, D.C. metro area, Roanoke, and Blacksburg.

Authorization for Commercial Paper Increase

- The proposed Resolution reauthorizes the use of the VML/VACo Commercial Paper Program, authorizes the pledge of university general revenues as security for the payments under the program, and increases the maximum amount the university can issue through the program to \$120 million.
- The Resolution authorizes the Vice President for Finance and the University Treasurer, in consultation with the Chief Business Officer, to negotiate, execute, deliver, and enter into extensions and amendments of all certificates, documents, and instruments related to the Commercial Paper Program.

Authorization for Commercial Paper Increase

RECOMMENDATION:

That the Resolution reauthorizing the use of the VML/VACo Commercial Paper Program, authorizing the pledge of university general revenues as security for the payments under the program, and increasing the amount of the program up to \$120 million be approved.

November 18, 2019

University Debt Ratio and Debt Capacity

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

October 7, 2019

Background:

The university has provided an annual debt report to the Board of Visitors since 2006. The Restructuring Act and the university's debt policy require that the university maintain a debt service to operations ratio of no greater than seven percent. In addition to the seven percent limitation, and based on guidelines provided by the Board of Visitors, management internally targets a five percent benchmark for planning purposes and subsequent recommendations to the Board.

The management of debt is critical to the success of the university's capital program and to meeting one of the conditions of eligibility for restructured operational authority with the Commonwealth. The required condition is that the university maintain an unenhanced bond rating from Moody's, Standard and Poor's, or Fitch of at least AA- or its equivalent.

An established committee including representatives from Capital Assets and Financial Management, Investments and Debt Management, the Controller's Office, and the Budget Office meets regularly to review debt activities and the timing of debt issuances to ensure compliance with the five percent debt ratio and potential impacts to credit ratings. The Vice President for Finance and Chief Financial Officer provides oversight of these activities.

Status:

The university currently has a Aa1 rating from Moody's and a AA rating from S&P. At the conclusion of fiscal year 2019, the university had outstanding long-term debt of \$478 million with a debt ratio of 3.44 percent.

Planning for Capital Projects:

As part of the university's capital outlay planning and debt management program, the university maintains a six-year forward-looking plan of debt issuances for projects. The projected university debt ratio and debt capacity based on expected debt issuances are shown in Attachment A. This planning supports the development of capital outlay plans that advance projects within the debt policy and restructuring conditions. Each project is carefully reviewed in consideration of the university's debt capacity before submitting project authorizations for debt to the Board. The university's current planning projections by project and estimated debt consumption are shown in Attachment B. Based on the current placeholders and projections, debt consumption pushes the university's debt ratio to 4.95 percent in fiscal year 2025. As part of management's ongoing activities, the university will monitor each project and work to refine its funding plan as necessary for the overall program to remain within performance requirements.

Planning for Governmental Accounting Standards Board Statement No. 87:

The Governmental Accounting Standards Board (GASB) issued Statement No. 87 on June 28, 2017 which revises governmental lease accounting effective fiscal year 2021. Operating lease payments are currently recognized as operating expenses and not included on the balance sheet as long-term liabilities. The revision eliminates the distinction between operating and capital leases resulting in the recognition of operating lease commitments as long-term liabilities and is expected to result in higher debt ratios. Lessees will record an intangible right-of-use asset and corresponding lease liability. The standard will apply to all leases with a term limit that exceeds 12 months. The university will continue to monitor GASB 87 implementation and actively consult with rating agencies regarding potential impact on credit ratings.

Attachments:

Attachment A includes the outstanding long-term debt and debt ratio calculation for the current fiscal year and a summary of estimated potential issuances through fiscal year 2025, along with future debt ratios and related capacity for each year. The schedule includes a three-year trailing period through fiscal year 2028 to show the full impact of loading principal and interest payments.

Attachment B shows an illustration of the estimated timing of potential debt issuances for certain projects.

Attachment C shows a trend line of the university's debt ratio from fiscal year 2002 to 2028. The debt ratio is calculated as debt service over operating expenditures. Management routinely examines, prioritizes, and adjusts the allocation plan to ensure the debt ratio remains within five percent.

Attachment D shows a benchmark comparison of fiscal year 2018 debt ratios from Moody's for Virginia Tech and 23 other peer institutions, which are calculated as debt service over operating expenditures.

Attachment E shows a benchmark comparison of operating leases that may be impacted by GASB Statement No. 87.

RECOMMENDATION:

That the report on University Debt Ratio and Debt Capacity for fiscal year 2019, including the ongoing guidance to manage debt issuances at a level that ensures that the debt ratio does not exceed five percent of operating expenditures, be accepted.

November 18, 2019

University Debt Ratio and Debt Capacity Based on Expected Debt Issuances
FINANCE AND RESOURCE MANAGEMENT COMMITTEE
As of October 7, 2019
(Dollars in Thousands)

Fiscal Year	Actual	Estimated Issuances						Trailing Period		
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Long-Term Debt Outstanding, Start of Year	\$ 484,305	\$ 478,260	\$ 459,898	\$ 587,895	\$ 790,344	\$ 1,014,947	\$ 979,762	\$ 963,706	\$ 898,972	\$ 833,348
Net New Long-Term Debt Issuance	28,444	15,724	160,388	241,320	272,900	23,190	45,000	-	-	-
Current Year Bond Premium	1,235									
Current Year Refunding Bonds										
Current Year Refunded / Defeased Bonds										
Net Long-Term Debt Repayment	(35,724)	(34,086)	(32,391)	(38,871)	(48,297)	(58,375)	(61,056)	(64,734)	(65,624)	(63,989)
Total Long-Term Debt Outstanding, End of Year	\$ 478,260 ⁽¹⁾	\$ 459,898	\$ 587,895	\$ 790,344	\$ 1,014,947	\$ 979,762	\$ 963,706	\$ 898,972	\$ 833,348	\$ 769,359
Total Debt Service	\$ 50,529 ⁽¹⁾	\$ 53,149	\$ 55,717	\$ 59,128	\$ 67,447	\$ 79,605	\$ 90,281	\$ 91,274	\$ 91,770	\$ 87,661
Total Operating Expenditures	1,467,937 ⁽¹⁾	1,566,289	1,617,193	1,669,752	1,724,019	1,780,049	1,824,551	1,870,164	1,916,919	1,964,842
Debt Ratio ⁽²⁾	3.44% ⁽²⁾	3.39%	3.45%	3.54%	3.91%	4.47%	4.95%	4.88%	4.79%	4.46%
5% of Operating Expenditures	\$ 73,397	\$ 78,314	\$ 80,860	\$ 83,488	\$ 86,201	\$ 89,002	\$ 91,228	\$ 93,508	\$ 95,846	\$ 98,242
Additional Allowable Debt Service	22,868	25,166	25,142	24,359	18,754	9,398	947	2,234	4,076	10,581
Additional Debt Capacity (at 5%)	\$324,132	\$377,888	\$365,555	\$352,552	\$268,968	\$133,565	\$13,398	\$31,604	\$57,669	\$149,703

Assumptions:

* Total Operating Expenditures for FY20 through FY28 are estimated based on the following growth rate: 6.7% for FY20, 3.25% for FY21-FY24, and 2.5% for FY25 and thereafter.

* Estimated Cost of Capital includes: 2.90% for FY20; 3.25% for FY21, 3.30% for FY22, 3.40% for FY23, 3.50% for FY24, and 3.55% thereafter.

Notes:

(1) Unaudited actual.

(2) Debt ratio projections for fiscal years 2021 and beyond do not include the estimated impact of revisions to GASB 87 on governmental lease accounting.

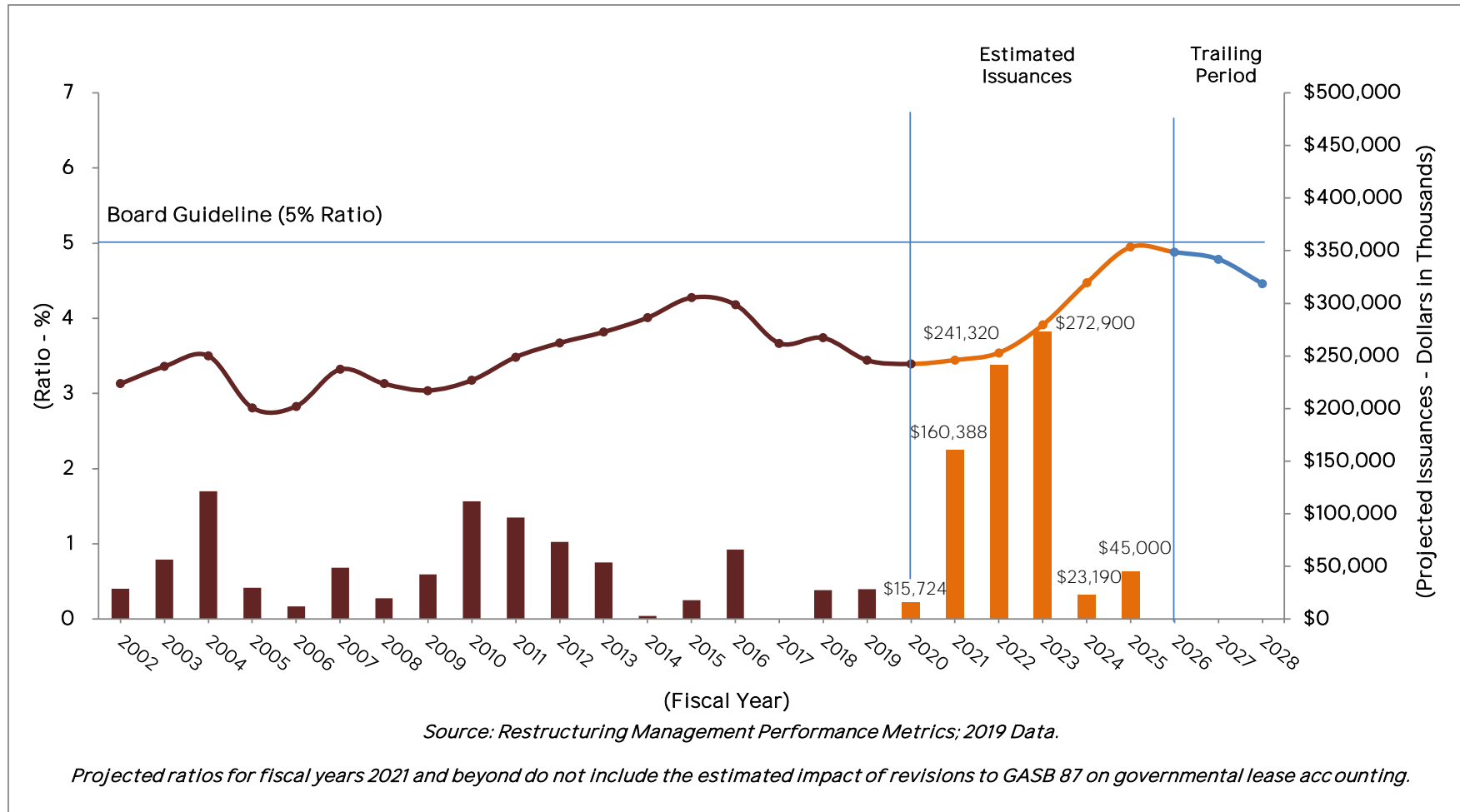
Illustration of Debt Allocations Within a Five Percent Ratio
FINANCE AND RESOURCE MANAGEMENT COMMITTEE
As of October 7, 2019
(Dollars in Thousands)

	Actual	Planning Projections						Trailing Period			Total
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	
Authorized Projects											
<u>Scheduled Issuances</u>											
Health Sciences and Technology (HS&T)	\$ 3,965										\$ 3,965
O'Shaughnessy Renovation	11,505										11,505
Holden Hall Renovation & Expansion		\$ 8,750	\$ 8,750								17,500
Dietrick First Floor & Plaza Renovation			3,300								3,300
Falls Church Property Acquisition			11,100								11,100
Student Wellness Services			45,238								45,238
Corps Leadership & Military Science				\$ 31,350							31,350
Residence Hall for Corps				33,000							33,000
Creativity & Innovation District Residential Community				89,620							89,620
Data and Decision Sciences					\$ 10,000						10,000
Global Business and Analytics Residence Halls					84,000						84,000
Innovation Campus - Academic Building					107,000						107,000
<u>Capital Leases</u>											
VTTI Intern Hub	2,590										2,590
Applied Projects Building	10,384										10,384
Ardmore Property		6,974									6,974
Turbo Research Lab			2,000								2,000
	28,444	15,724	70,388	153,970	201,000	-	-	-	-	-	469,526
Placeholder Issuances for High Priority Planning Items											
<u>Projects</u>											
Building Envelope Repairs			10,000		10,000		\$ 10,000				30,000
Intelligent Infrastructure Hitt Hall				6,250							6,250
Falls Church Redevelopment				11,000							11,000
Veterinary Teaching Hospital Expansion				12,100							12,100
Parking Structure				20,000							20,000
New Dining Hall				38,000							38,000
Residential Renewal - Slusher Hall					51,900						51,900
Food Processing Center & Warehouse					10,000						10,000
Engineering Renewal - Randolph Hall						\$ 23,190					23,190
Business School							\$ 35,000				35,000
<u>Capital Leases</u>											
Research Swing Space			20,000								20,000
Gilbert Street Project			60,000								60,000
	-	-	90,000	87,350	71,900	23,190	45,000	-	-	-	317,440
Total Authorized and Placeholder Issuances	\$ 28,444	\$ 15,724	\$ 160,388	\$ 241,320	\$ 272,900	\$ 23,190	\$ 45,000	\$ -	\$ -	\$ -	\$ 786,966
Net Capacity at five percent ratio	\$324,132	\$377,888	\$365,555	\$352,552	\$268,968	\$133,565	\$13,398	\$31,604	\$57,669	\$149,703	

University Debt Ratio Trend

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

As of October 7, 2019

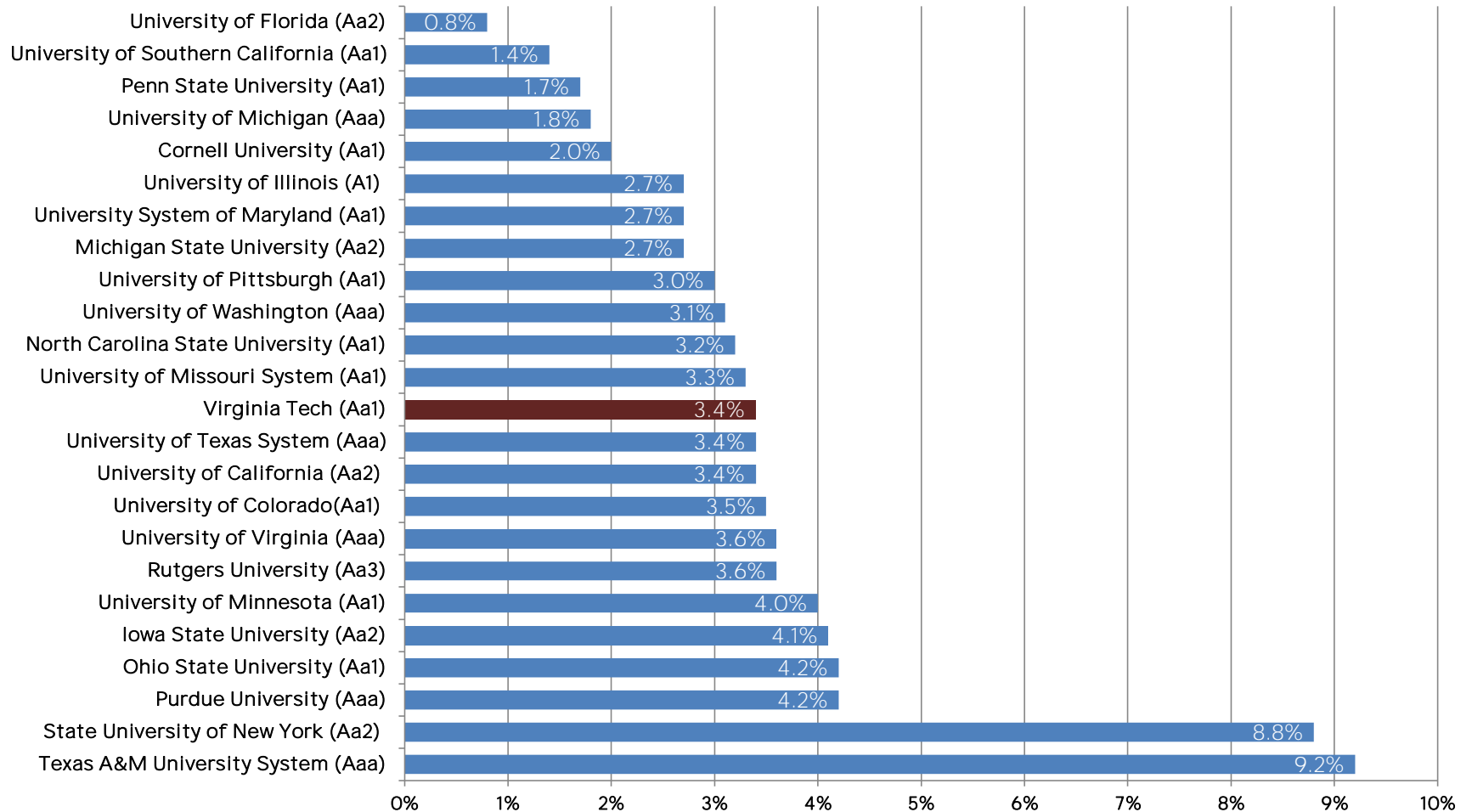


Maroon = Actual Debt Burden Ratio
Orange = Projected Debt Burden Ratio
Blue = Trailing Period Debt Burden Ratio
Bar = Actual and Planned Issuances

Fiscal Year 2018 Debt Ratio Benchmarking of Peers

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

October 7, 2019



Based on SCHEV Peer Group and UVA

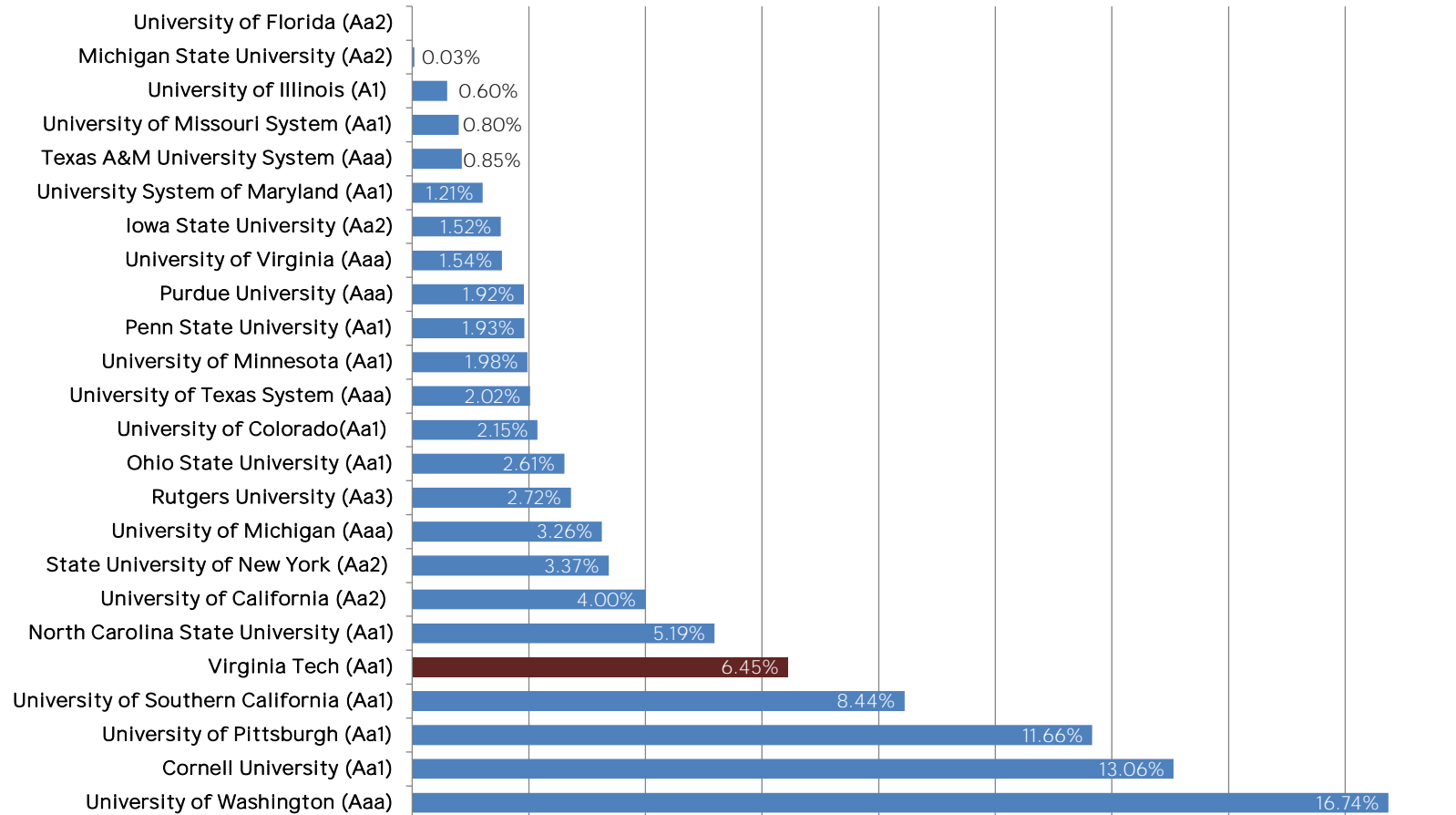
Source: Moody's Performance Metrics, Moody's Investors Service, August 23, 2019 ; 2018 Data.

Fiscal Year 2018 Ratio of Future Operating Lease Commitments to Total Operating Expenditures of Peers

Attachment F
Attachment E

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

October 7, 2019



Total Future Operating Lease Commitments over Total Operating Expenditures

Based on SCHEV Peer Group and UVA

Source: Institutions Financial Reports; 2018 Data.

Annual Report on University Debt Capacity

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

*JOHN CUSIMANO, UNIVERSITY TREASURER AND
ASSOCIATE VICE PRESIDENT FOR FINANCE-VT
FOUNDATION*

NOVEMBER 18, 2019



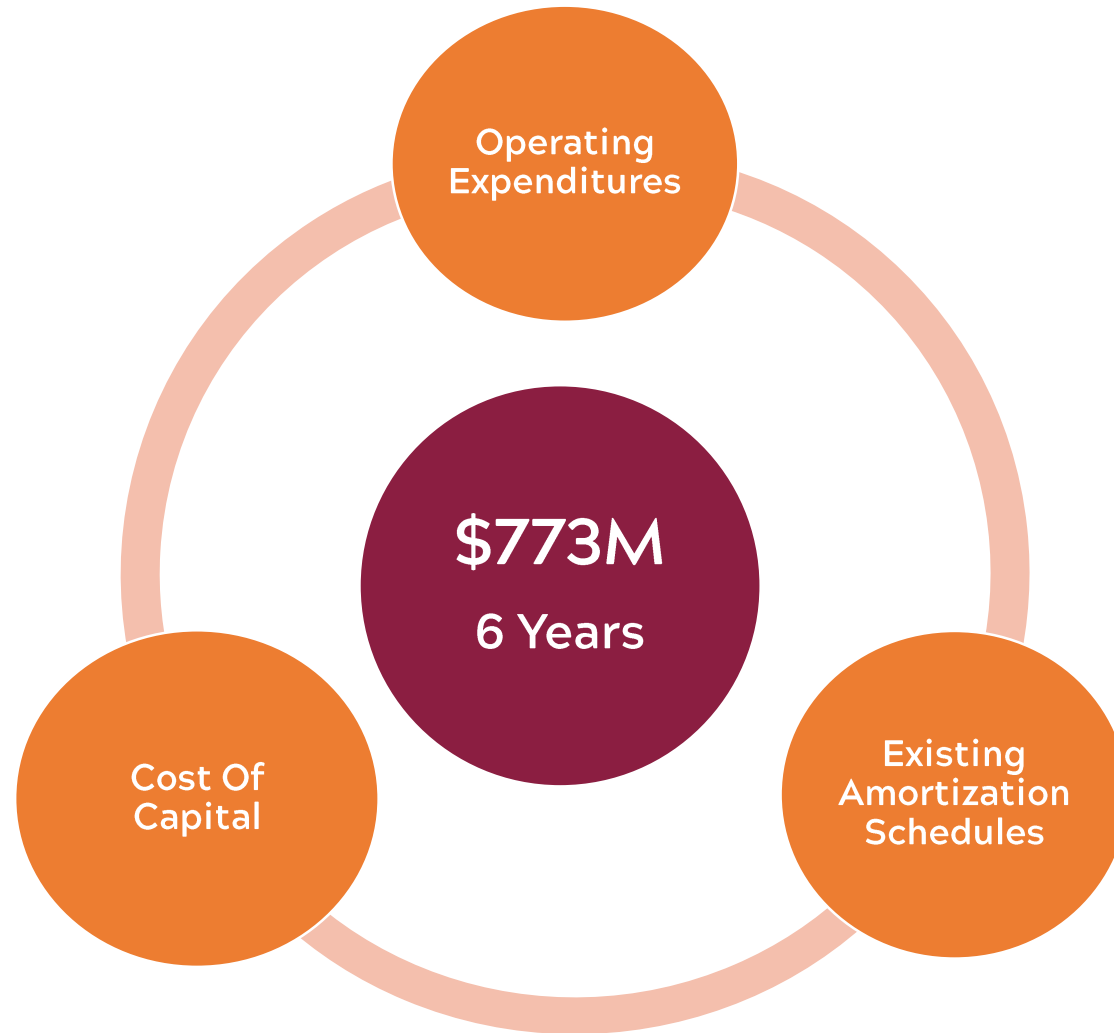
Debt Ratio & Credit Ratings

	<u>Requirement</u>	<u>Performance: FY19</u>	
■ Debt Ratio	$\leq 5\%$	3.44%*	✓
■ Credit Ratings	AA- S&P Aa3 Moody's	AA S&P Aa1 Moody's	✓

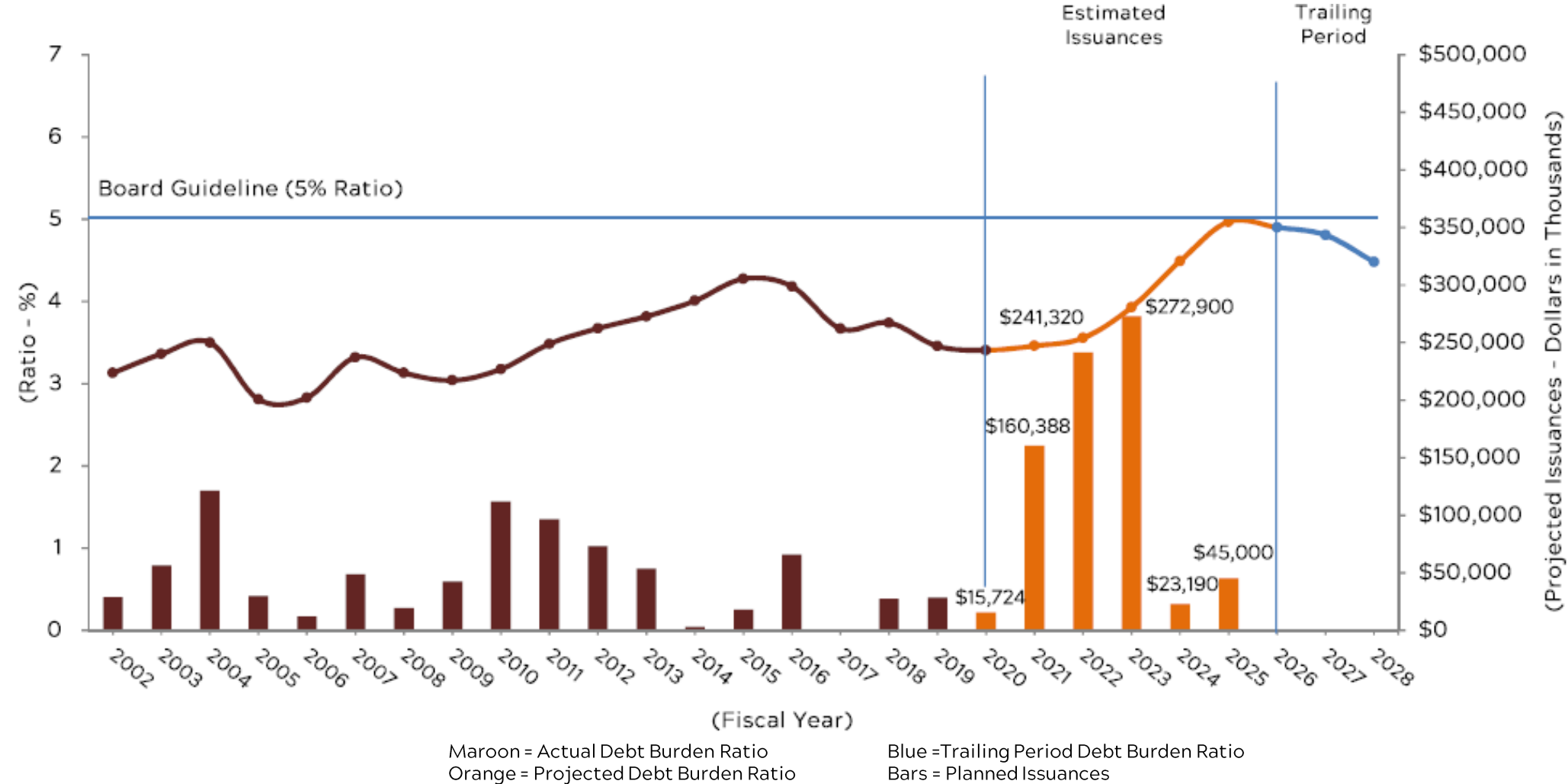
*FY19 debt ratio is estimated, pending finalization of the university's financial statement

Net Capacity Projections FY2025

Attachment F



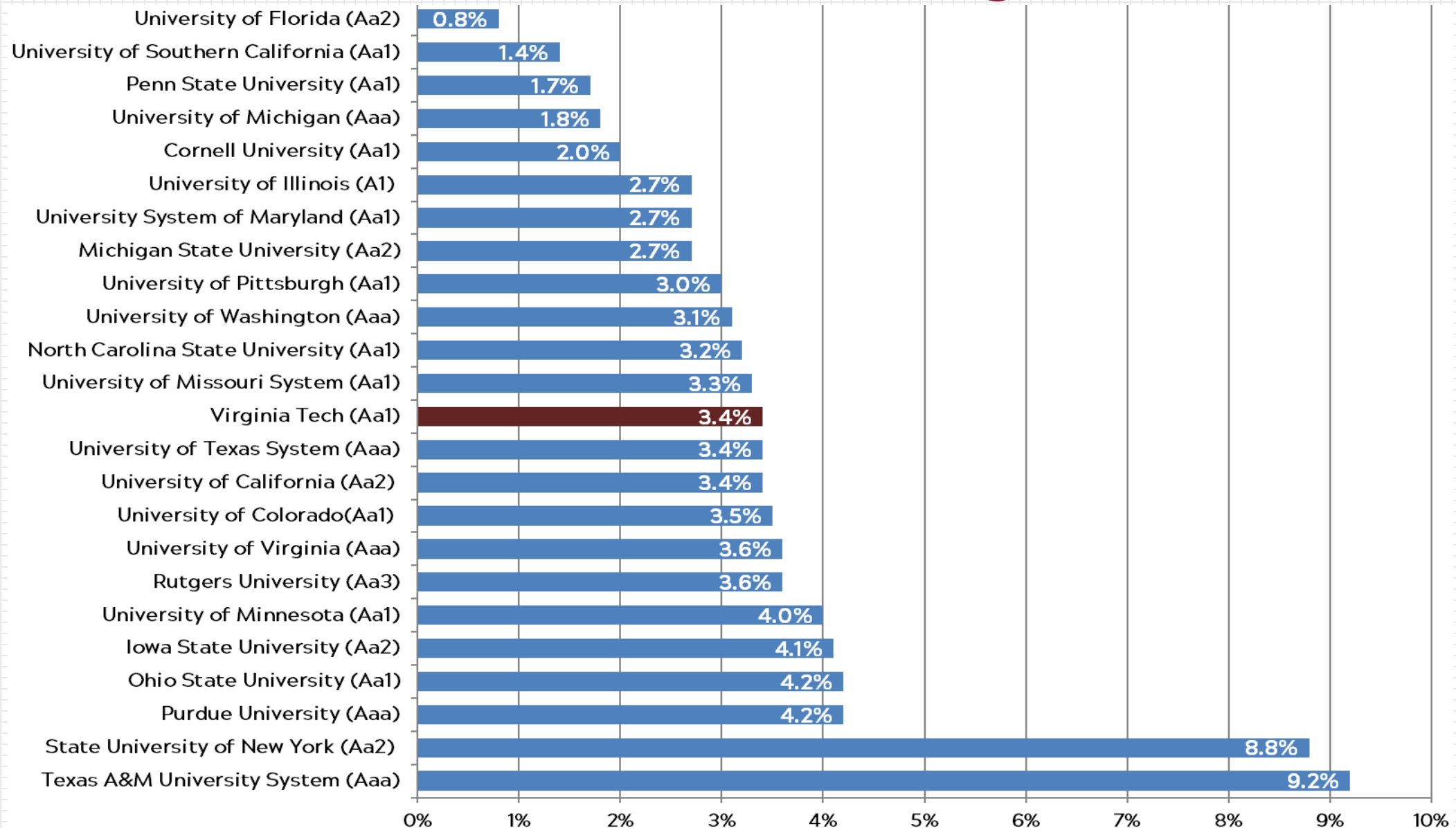
University Debt Ratio Trend



Source: Restructuring Management Performance Metrics; 2019 Data.
Projected ratios for fiscal years 2021 and beyond do not include the estimated impact of revisions to GASB 87 on governmental lease accounting.

Debt Ratio Benchmarking of Peers

Attachment F

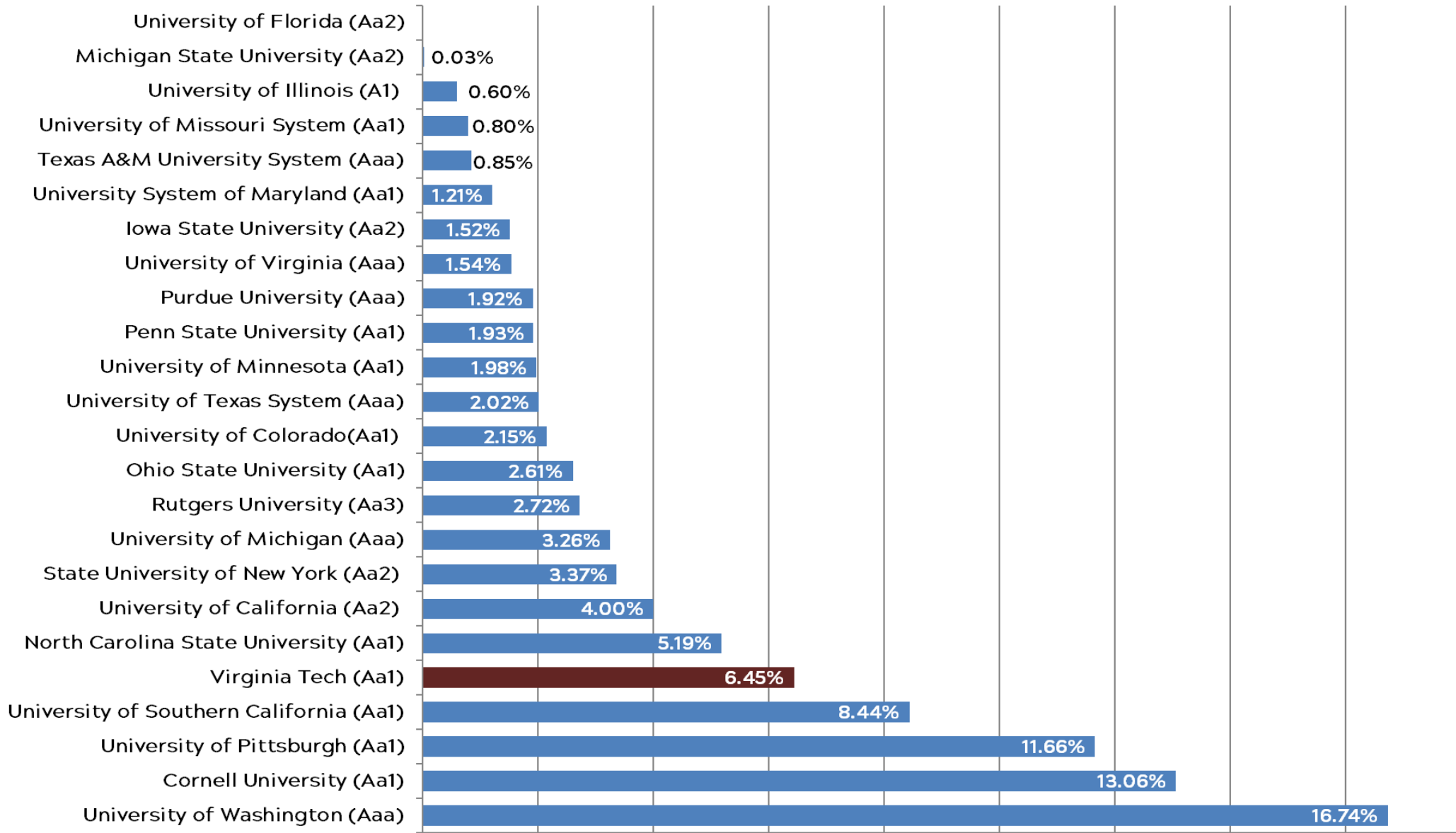


Based on SCHEV Peer Group and UVA

Source: Moody's Performance Metrics, Moody's Investors Service, August 23, 2019 ; 2018 Data.

Operating Lease Ratio Benchmarking of Peers

Attachment F



Total Future Operating Lease Commitments over Total Operating Expenditures

Based on SCHEV Peer Group and UVA

Source: Institutions Financial Reports; 2018 Data.

Annual Report on University Debt Ratio and Debt Capacity

RECOMMENDATION:

That the report on University Debt Ratio and Debt Capacity for fiscal year 2019, including the ongoing guidance to manage debt issuances at a level that ensures that the debt ratio does not exceed five percent of operating expenditures, be accepted.

November 18, 2019

	Actual	Planning Projections						Trailing Period			Total
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Total Authorized and Placeholder Issuances	\$ 28,444	\$ 15,724	\$ 160,388	\$ 241,320	\$ 272,900	\$ 23,190	\$ 45,000	\$ -	\$ -	\$ -	\$ 786,968
Net Capacity at five percent ratio	\$319,924	\$373,131	\$360,800	\$347,665	\$263,967	\$128,449	\$8,178	\$26,253	\$52,185	\$144,081	

Approval of the 2020-2026 Six-Year Plan

November 18, 2019

TIM HODGE
ASSOCIATE VICE PRESIDENT FOR BUDGET
AND FINANCIAL PLANNING



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 2019*
- *Initial Submission to state on July 1, 2019*
- *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:*
 - *Suggestions from state and opportunity for university to respond*
 - *Plan serves as starting point for Executive Budget development*
- *November:*
 - *Board of Visitors approves final plan*

Background

Changes for 2019 Submission

- 1) Tuition Predictability Plan - 2019 General Assembly requires institutions to estimate in-state undergraduate tuition and fees for a period of no less than three years.
 - Institutions may submit several scenarios with at least one scenario based on the assumption of no new General Fund support from the state.
- 2) General Fund Requests - Six-Year Plan template revised to include a separate section for General Fund request
 - These initiatives are consistent with the university's strategic plan and serve as the basis for the university's Executive Budget requests submitted to the administration in the fall.
- 3) Institutional Performance Partnership Agreement - The 2019 General Assembly passed new legislation allowing institutions to submit optional proposals for an Institutional Performance Partnership Agreement (IPPA).
 - These agreements re-envision the traditional relationship between the university and the Commonwealth by identifying one or more targeted initiatives that leverage the unique strengths and capabilities of each party.

2020-26 Academic Plan and Financial & Operating Plan

- *Focuses initiatives to reflect university strategic priorities*
- *Excludes undergraduate enrollment growth: expectation of updated enrollment plan once Tech Talent Pipeline agreement is approved*
- *Continues the state's traditional salary competitiveness program*
 - *Also seeks to support Extension Agent salary competitiveness needs*
- *Plans for increased affordability through additional student financial aid*
- *Proposes new General Fund for strategic university initiatives*
- *Plans for Agricultural and Natural Resources Initiative Operating Budgets*
- *Reflects projected state cost assignments, unavoidable cost increases, and fringe benefits*

Enrollment Plan

Six-Year Enrollment Plan Submitted to SCHEV in May 2019

Headcount On/Off Campus

Student Group	Actual	-----Projected-----					
	Fall 2018	Fall 2019	Fall 2020	Fall 2021	Fall 2022	Fall 2023	Fall 2024
Entering In-State Undergraduates	4,268	4,165	4,165	4,165	4,165	4,165	4,165
Entering Out-of-State Undergraduates	1,946	1,976	1,946	1,976	2,006	2,036	2,036
Continuing and Transfer Undergraduates	21,597	21,884	21,949	21,665	21,481	21,486	21,543
Total Undergraduate	27,811	28,025	28,060	27,806	27,652	27,687	27,744
Masters and Doctoral	6,370	6,575	6,752	6,939	7,159	7,159	7,161
Veterinary Medicine	502	480	480	480	480	480	480
School of Medicine	167	168	168	168	168	168	168
Total 2B Graduate	7,039	7,223	7,400	7,587	7,807	7,807	7,809
Total Enrollment	34,850	35,248	35,460	35,393	35,459	35,494	35,553

University Division - Nongeneral Fund Academic Strategies

(Dollars in Millions)

	2020-21	2021-22**
Academic Initiatives		
<i>Develop "Destination Areas" that differentiate Virginia Tech and advance regional, national, and global impact</i>	\$3.8	\$7.4
<i>Expand access for low and middle-income Virginia families*</i>	1.0	2.0
<i>Expand degree completion, pathway opportunities, VT-shaped transdisciplinary learning, and student advising</i>	0.4	0.8
<i>Be a destination for talented faculty, staff, and students in increasingly competitive markets</i>	0.8	1.6
<i>Support faculty startup packages*</i>	0.7	1.5
<i>Advance institutional excellence/organizational effectiveness and efficiency</i>	1.3	2.5
<i>Increase graduate enrollment in strategic areas</i>	0.7	1.4
Subtotal Academic Initiatives	\$8.7	\$17.2

*IPPA Initiative

**2021-22 is cumulative of 2020-21 costs.

2020-22 Nongeneral Fund Operating Costs

(Dollars in Millions)

	2020-21	2021-22*
<u>Operating Initiatives</u>		
<i>Increase Faculty Salaries</i>	\$10.9	\$22.1
<i>Increase University Staff Salaries</i>	1.5	3.0
<i>Operations & Maintenance for New Facilities</i>	2.3	4.2
<i>Additional Financial Aid for Undergraduate Students</i>	0.3	0.6
<i>Nongeneral Fund for Current Operations</i>	4.2	8.5
Subtotal Financial and Operating Initiatives	\$19.2	\$38.4

*2021-22 is cumulative of 2020-21 costs.

2020-22 General Fund Requests

(Dollars in Millions)

General Fund Requests	2020-21	2021-22**
<i>Extend Access for Low and Middle-Income Families *</i>	\$ 1.0	\$ 2.0
<i>Develop and Deploy Scalable Internship Program to Expand Experiential Learning *</i>	1.0	2.0
<i>Support Faculty Startup Packages, Particularly for New Faculty in the STEM-H fields*</i>	1.0	2.0
<i>Leverage Partnerships to Further Expand Research Programs in Roanoke Region*</i>	2.0	4.0
<i>Cultivate Groundbreaking Research - Expansion of University Research Capabilities</i>	1.5	3.0
<i>Increase Support for Unique Military Activities</i>	0.2	0.4
Subtotal	6.7	13.4
<i>Provide Inflationary Increase to Base E&G General Fund Budget*</i>	5.3	10.8
<i>Provide General Fund to Moderate In-State Undergraduate Tuition (from 4.9% to 2.9%)*</i>	4.6	9.5
<i>Provide General Fund to Freeze In-State Undergraduate Tuition (From 2.9% to 0.0%)*</i>	6.7	13.7
Total General Fund Requests	\$23.3	\$47.4

*IPPA Initiative

**2021-22 is cumulative of 2020-21 costs.

University Division - Nongeneral Fund Revenue Estimate

- 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

In-State Undergraduate Tuition and E&G Fee Increase Placeholder				
	2020-21	2021-22	2022-23	2023-24
Scenario 1: No new targeted General Fund	4.9%	4.9%	4.9%	4.9%
Scenario 2: General Funds mitigate increase	2.9%	2.9%	2.9%	2.9%
Scenario 3: General Funds freeze tuition	0.0%	0.0%	0.0%	0.0%

University Division Financial Plan Summary

(Dollars in Millions)

Uses	2020-21	2021-22*
University Academic Initiatives	\$ 8.7	\$ 17.2
Operating Expenses	19.2	38.4
General Fund Initiatives (excl. inflation/tuition mitigation)	6.7	13.4
Total	34.6	69.0
Sources		
University Nongeneral Funds	26.5	53.0
Internal Reallocations	1.4	2.6
General Fund Request (excl. inflation/tuition mitigation)	6.7	13.4
Total	\$ 34.6	\$ 69.0

*2021-22 is cumulative of 2020-21 costs.

Virginia Cooperative Extension & Virginia Agricultural Experiment Station Strategies (Dollars in Millions)

	2020-21	2021-22
Academic Initiatives/General Fund Requests		
<i>Expand and Enhance the information technology infrastructure of the agency's facilities across the Commonwealth</i>	\$3.0	\$0.6
<i>Advance Smart Farm Innovation Network initiative - Equipment and Technology</i>	4.3	4.5
<i>Advance Smart Farm Innovation Network initiative - Personnel</i>	2.3	4.6
<i>Enhance market competitiveness of Extension Agent compensation</i>	1.7	1.7
Subtotal Academic Initiatives	\$11.3	\$11.4
Financial and Operating Initiatives		
<i>Increase faculty and staff salaries</i>	\$0.1	\$0.2
<i>O&M for new facilities</i>	0.7	1.3
<i>Nongeneral Fund for current operations</i>	0.5	1.1
Subtotal Financial and Operating Initiatives	\$1.3	\$2.6

*2019-20 is cumulative of 2018-19 costs.

CE/AES Division

Financial Plan Summary

(Dollars in Millions)

- State General Fund support needed to fully implement all envisioned strategies.

Uses	2020-21	2021-22*
General Fund Initiatives	\$ 11.3	\$ 11.4
Operating Need	1.3	2.6
Total	12.6	14.0
Sources		
Agency Nongeneral Funds	0.0	0.0
Internal Reallocations	1.3	2.6
General Fund Request	11.3	11.4
Total	\$12.6	\$14.0

*2021-22 is cumulative of 2020-21 costs.

Questions ?

Six-Year Planning Process

- Plans are required to be approved by the Boards of Visitors
 - Requirement in Code of Virginia, § 23-1-306:

A. The governing board of each public institution of higher education shall (i) develop and adopt biennially and amend or affirm annually a six-year plan for the institution; (ii) submit such plan to the Council, the General Assembly, the Governor, and the Chairmen of the House Committee on Appropriations, the House Committee on Education, the Senate Committee on Education and Health, and the Senate Committee on Finance no later than July 1 of each odd-numbered year; and (iii) submit amendments to or an affirmation of that plan no later than July 1 of each even-numbered year or at any other time permitted by the Governor or General Assembly to the Council, the General Assembly, the Governor, and the Chairmen of the House Committee on Appropriations, the House Committee on Education, the Senate Committee on Education and Health, and the Senate Committee on Finance. Each such plan and amendment to or affirmation of such plan shall include a report of the institution's active contributions to efforts to stimulate the economic development of the Commonwealth, the area in which the institution is located, and, for those institutions subject to a management agreement set forth in Article 4 (§ 23.1-1004 et seq.) of Chapter 10, the areas that lag behind the Commonwealth in terms of income, employment, and other factors.

B. The Secretary of Finance, the Secretary of Education, the Director of the Department of Planning and Budget, the Director of the Council, the Staff Director of the House Committee on Appropriations, and the Staff Director of the Senate Committee on Finance, or their designees, shall review each institution's plan or amendments and provide comments to the institution on such plan or amendments by September 1 of the relevant year. Each institution shall respond to any such comments by October 1 of that year.
- SCHEV has provided guidance that Board approval of plans should be managed at the earliest possible Fall Board meeting

University Division - Summary

(Dollars in Millions)

	Original (2017)		Revised (2018)	
	2018-19	2019-20	2018-19	2019-20
<i>Academic Initiatives*</i>	\$ 42.1	\$ 59.8	\$ 31.1	\$ 49.0
<i>Financial and Operating Initiatives</i>	\$ 11.5	\$ 26.2	\$ 15.1	\$ 39.9
Total	\$53.6	\$86.0	\$46.2	\$88.9

- Represents total cost of all initiatives supported by either General Fund, Nongeneral Funds, or reallocations.

*2019-20 is cumulative of 2018-19 costs.

Financial Performance Report

July 1, 2019 - September 30, 2019

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

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

NOVEMBER 18, 2019



Enrollment Variance

1st Quarter 2019-20

Fall Enrollment Variance

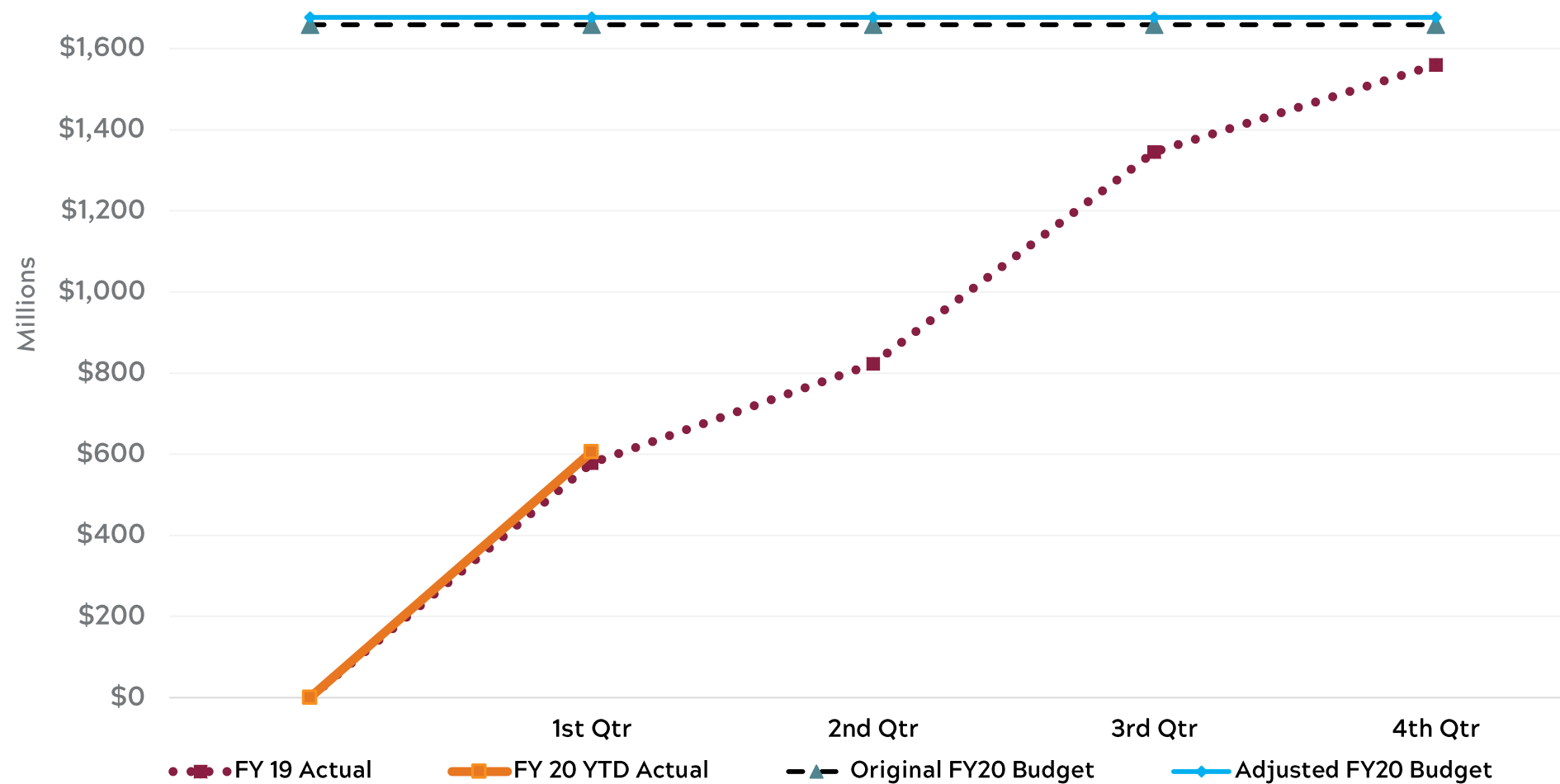
	Budget	Actuals	Variance
Associate	219	216	(3)
Freshman	6,600	7,604	1,004
Transfers	1,250	1,116	(134)
Continuing UG	20,798	20,364	(434)
Undergraduate	28,867	29,300	433
Grad,DVM,VTCSOM	7,037	7,083	46
Total	35,904	36,383	479

Annual Budget Change

During the 1st quarter, the following budget adjustment was made to accommodate the enrollment variance:

	Budget (Dollars in Millions)
Summer	(\$0.1)
<u>Fall</u>	
Freshman	14.8
Continuing UG, Transfers, Aid Savings	(8.0)
Grad On-Campus, DVM, VTCSOM	(0.3)
Total	\$6.4

Operating Revenue



Auxiliary Enterprises

1st Quarter - 2019-20

Annual Budget Changes

Auxiliary Enterprises

- \$7.4 million carryover of outstanding commitments and obligations.
- Residential & Dining: \$9.3 million revenues, and expense for \$5.1 million Inn at VT lease, \$3.7 million Holiday Inn lease, \$2.4 million staffing & operational needs, and \$2.9 million for furniture which will assist future residence halls.
- Recreational Sports: \$1.7 million swing space structure; \$1.5 million field storage & venture out programming building.
- \$1.4 million internal financing of board approved Athletics facilities improvements.

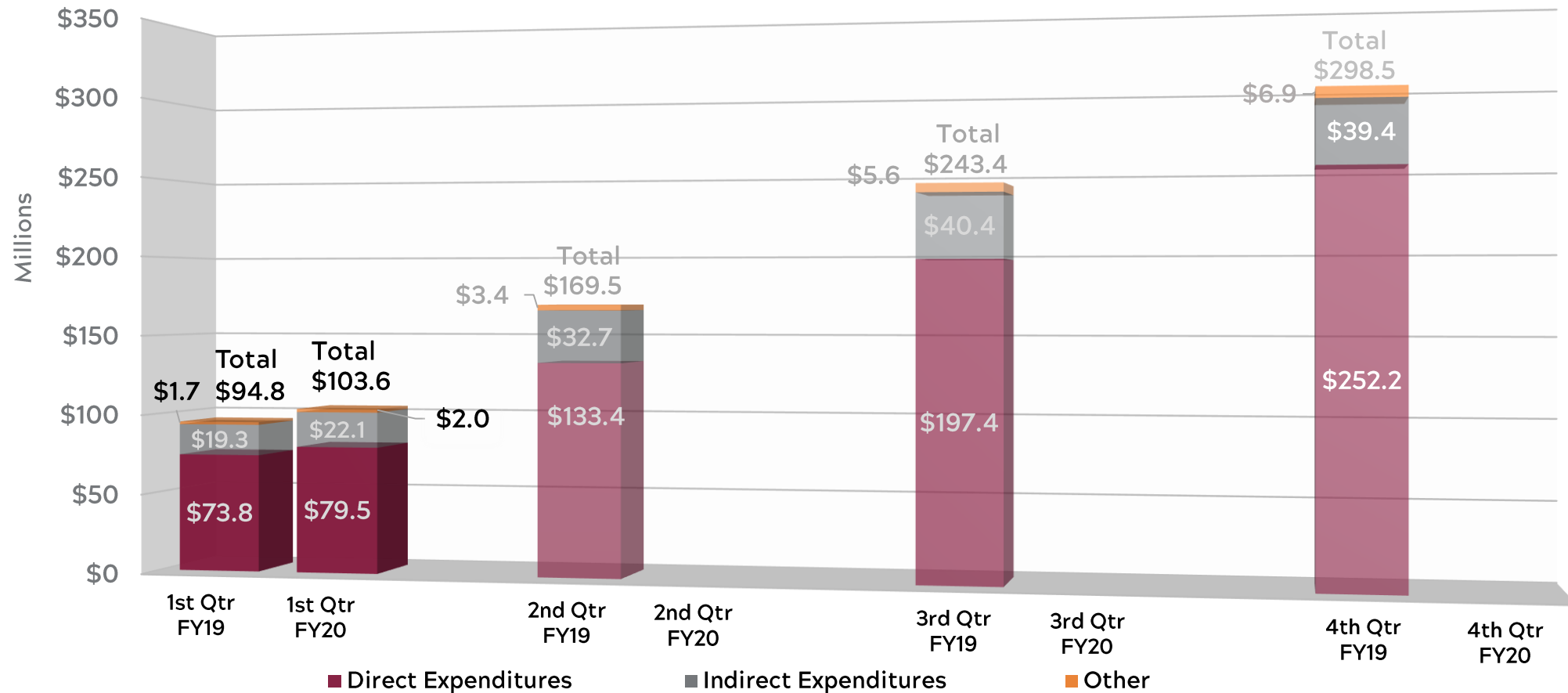
Financial Performance

Auxiliary Enterprises

- Residential & Dining: lower than projected occupancy and Dining business volume relative to enrollment surge planning.
- Athletics: lower than projected football ticket sales.
- A 2nd Quarter adjustment is anticipated for Residential, Dining, and Athletics.
- Other programs are on target.

Sponsored Program Expenditures

2018-19 VS. 2019-20



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

Capital Outlay Performance Measures



Project authorizations fully funded



Planning projects are projected to be within the total project budget



Construction spending and commitments within authorized total project budgets

First Quarter Activity

4th Quarter FY19:

Projects = 33 \$883,988

Closed 6/30/2019

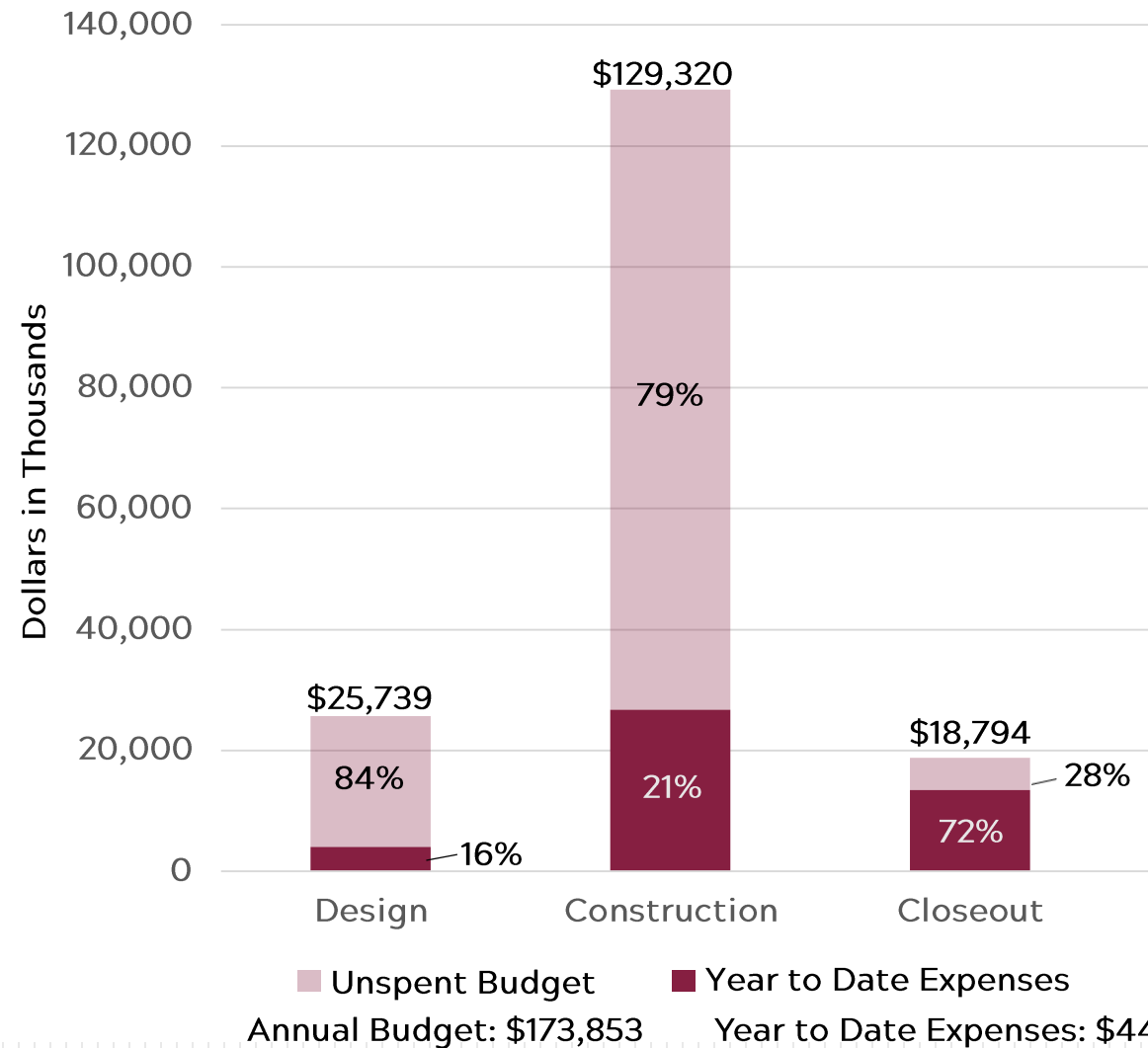
Projects = 4 (\$100,026)

Additions and
Adjustments 7/1/2019:

Projects = 3 \$371,064

1st Quarter FY20:

Projects = 32 \$1,155,026



Key Updates

- *Innovation Campus-Academic Building*
- *Gilbert Street Project*
- *Falls Church Redevelopment*



Planning Activity Underway

- Athletics Weight Room Renovation & Expansion
- Student Wellness Improvements
- Intelligent Infrastructure and Construction Complex
- Dietrick First Floor and Plaza Renovation
- Agriculture Production Facilities
- Corps Leadership & Military Science Building
- New Upper Quad Residence Hall
- Undergraduate Science Laboratory Building
- Data and Decision Science
- Slusher Replacement
- Global Business & Analytics Complex Residence Halls
- Innovation Campus-Academic Building

Expected Construction

November 2019

January 2020

April 2020

March 2020

April 2020

May 2020

May 2020

July 2020

July 2020

May 2021

June 2021

August 2021

\$397,045,000

-
- Replace Turbo Research Lab (capital lease)

Hold

Construction Spending

- Maintenance Reserve
- Health Sciences and Technology
- Improve Kentland Facilities
- Gas Fired Boiler
- Student Athlete Performance Center
- Chiller Plant, Phase II
- Creativity and Innovation Residence Hall
- Renovate Holden Hall

Expenditures during First Quarter

Expected Occupancy

On-going

April 2020

April 2020

June 2020

October 2020

July 2021

August 2021

November 2021

\$26,693

Summary

- *Operating Budget*
 - *On track*
- *Capital Projects*
 - *Program under watch for accelerated pricing*

RECOMMENDATION:

That the report of income and expenditures for the University Division and the Cooperative Extension/Agricultural Experiment Station Division for the period of July 1, 2019 through September 30, 2019 and the Capital Outlay report be approved.

November 18, 2019