

Committee Minutes

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

The Inn at Virginia Tech

March 21-22, 2021

Open Session

March 21, 2021

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

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

Guests: Henri Gendreau (Roanoke Times)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Closed/Open Session

March 22, 2021

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

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

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

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

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

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

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

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

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

Joint Open Session with the Buildings and Grounds Committee

March 22, 2021

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

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

Guests: Henri Gendreau (Roanoke Times)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- * **Requires full Board approval.**