Committee Minutes

FINANCE AND RESOURCE MANAGEMENT COMMITTEE
The Inn at Virginia Tech
June 8, 2021

Open Session

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

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

1. Motion to Reconvene in Open Session: Motion for open session.

2. Welcome and Opening Remarks: The Committee began the meeting by welcoming Elizabeth McClanahan, recently appointed Chief Executive Officer of the Virginia Tech Foundation, as she participated in her first Finance and Resource Management Committee meeting in this role.

3. Consent Agenda: The Committee considered for approval and acceptance the items listed on the Consent Agenda.
   a. Approval of Items Discussed in Closed Session
   b. Approval of Minutes of the March 21, 2021 Meeting
   c. Approval of Resolution Extending the Delegation of Authority for Athletics Employees: This resolution extends the President’s special, time-limited emergency authority to take exceptional measures to reduce expenditures, originally approved by the Board of Visitors on June 2, 2020, through December 31, 2021, and is applicable only to employees of the Athletics Department.
   d. Report on Actions Taken Under the Delegation of Authority and Policy 4240 and the Corresponding Financial and Programmatic Impacts: The
Committee received an update on the actions taken under the delegation of authority and policy 4240 and the corresponding financial and programmatic impacts. There have been no actions taken since the quarterly update provided at the March 2021 Finance and Resource Management open session meeting.

* e. Approval of 2021-22 Pratt Fund Budgets: The Pratt Fund provides funding for programs in both the College of Engineering and Department of Animal Nutrition in the College of Agriculture and Life Sciences. For 2021-22, the College of Engineering proposes expenditures of $995,944 and the Department of Animal Nutrition proposes expenditures of $966,545.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9. **Financial Actions for Staff Compensation:** The Committee received an overview of the financial actions related to staff compensation. During the 2021 session of the General Assembly, lawmakers approved an amended biennial budget which included several compensation actions impacting both classified
and university staff. These state-mandated compensation actions include a 5.0 percent across-the-board increase for Classified Staff, and an average of 5.0 percent increase for University Staff, comprised of a 3.0 percent base increase and 2.0 percent variable merit-based increase.

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

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

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

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

The Committee recommended the 2021-22 University Operating and Capital Budgets to the full Board for approval.
11. **Approval of Year-to-Date Financial Performance Report (July 1, 2020 – March 31, 2021):** The Committee reviewed for approval the Year-to-Date Financial Performance Report for July 1, 2020 – March 31, 2021. For the third quarter, budget adjustments were made to reflect revisions to projected revenues and expenditures.

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

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

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

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

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

* Requires full Board approval.

♦ Discusses Enterprise Risk Management topic(s).