

**Ratification of Lease Activities Approved by the University**  
**FINANCE AND RESOURCE MANAGEMENT COMMITTEE**

**November 14, 2022**

The university adopted Governmental Accounting Standards Board (GASB) Statement No. 87 *Leases* in the fiscal year 2022 reporting period. The new standard replaces the distinction between operating and capital leases with a distinction between short-term and long-term leases.

The university recognizes long-term leases when a lease has a maximum term greater than 12 months and present value equal to or greater than \$50,000. These long-term leases are debt obligations of the university. The university approves and the Board of Visitors ratifies lease activities below the capital project threshold according to the approval process the Board of Visitors approved at the June 2021 meeting.

The university approved the following long-term leases payable activities in fiscal year 2022:

<b><u>Long-term Leases Payable Activities</u></b>	<b><u>Count</u></b>	<b><u>Debt Effect (in millions)</u></b>
New Leases	9	\$ 7.8
Lease Revisions	21	3.7
Early Terminations	4	(0.2)
Net New Obligation		11.3
Contractual Lease Payments		(12.8)
<b>Net Change in University Approved Long-term Leases Payable</b>		<b>\$ (1.5)</b>

See Attachment A for more detail on the university's long-term leases payable.

The university also approved \$2.5 million of payments for long-term lease improvements and recognized \$6.9 million of long-term lease improvements completed in fiscal year 2022. \$1.2 million of the payments and \$2.5 million of the improvements recognized were funded by the Commonwealth of Virginia for the Seafood AREC. See Attachment B for more detail on the university's long-term lease improvement activities.

**RECOMMENDATION:**

That the fiscal year 2022 university approved lease activities be ratified.

November 14, 2022

**Long-Term Leases Payable Activity**  
for the fiscal year ended June 30, 2022  
*all dollars in thousands*

	Beginning Balance	Additions: New Leases	Additions: Revisions	Retirements: Terminations	Retirements: Lease Payments	Ending Balance <sup>3,4</sup> (unaudited)
<b>Value</b>						
Board approved leases <sup>1</sup>	\$ 69,006	\$ -	\$ 492	\$ 2,064	\$ 4,236	\$ 63,198
University approved leases <sup>2</sup>						
\$1,000,000 - \$2,999,999	43,180	7,254	1,710	-	6,872	45,272
\$250,000 - \$999,999	11,941	-	1,304	2	4,100	9,143
\$249,999 or less	3,149	546	734	207	1,830	2,392
Total university approved leases	58,270	7,800	3,748	209	12,802	56,807
<b>Total value of long-term leases payable</b>	<b>\$ 127,276</b>	<b>\$ 7,800</b>	<b>\$ 4,240</b>	<b>\$ 2,273</b>	<b>\$ 17,038</b>	<b>\$ 120,005</b>
<b>Number</b>						
Board approved leases <sup>1</sup>	10	-	-	1	-	9
University approved leases <sup>2</sup>						
\$1,000,000 - \$2,999,999	20	4	-	-	-	24
\$250,000 - \$999,999	34	-	-	-	-	34
\$249,999 or less	37	5	-	10	-	32
Total university approved leases	91	9	-	10	-	90
<b>Total number of long-term leases payable</b>	<b>101</b>	<b>9</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>99</b>

<sup>1</sup>Long-term leases with a present value equal to or greater than the capital projects threshold (includes legacy capital leases).

<sup>2</sup>All other long-term leases, ratified by the Board of Visitors annually.

<sup>3</sup>Leases with the Virginia Tech Foundation represent \$82.5 million (68.7%) of the ending value of long-term leases payable.

<sup>4</sup>Leases with the Virginia Tech Foundation represent 52 (52.5%) of the ending number of long-term leases.

**Long-Term Lease Improvements Activity**  
for the fiscal year ended June 30, 2022  
*all dollars in thousands*

	<b>Beginning Balance</b>	<b>Additions: Payments</b>	<b>Reductions: Capitalized Projects</b>	<b>Ending Balance (unaudited)</b>
Board approved leases <sup>1</sup>				
Gilbert Street Project	\$ -	\$ 10,320	\$ -	\$ 10,320
KMART/Ardmore	-	3	-	3
Total board approved leases	-	10,323	-	10,323
University approved leases <sup>2</sup>				
\$1,000,000 - \$2,999,999				
Children's National Hospital	2,898	92	2,990	-
Seafood AREC <sup>3</sup>	1,273	1,224	2,497	-
VTRC-Arlington	-	835	835	-
Lipsey Farm (VTTI)	448	16	464	-
1750 Kraft Dr (School of Education)	-	141	-	141
\$250,000 - \$999,999				
3101 Commerce St	-	148	148	-
Total university approved leases	4,619	2,456	6,934	141
<b>Total improvements</b>	<b>\$ 4,619</b>	<b>\$ 12,779</b>	<b>\$ 6,934</b>	<b>\$ 10,464</b>

<sup>1</sup>Long-term leases with a present value equal to or greater than the capital projects threshold (includes legacy capital leases).

<sup>2</sup>All other long-term leases, ratified by the Board of Visitors annually.

<sup>3</sup>Funded by the Commonwealth of Virginia.