

Approval of 2018-19 Auxiliary System Budgets

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

April 30, 2018

Virginia Tech has four master resolution bond covenants securing debt issues referred to as Systems. The four systems are the Athletic Facility System, Dormitory and Dining System, Electric Service Utility System, and the University Services System. The resolutions authorizing and securing each system requires the adoption of an annual budget by the Board of Visitors.

The budget presentation to the Board of Visitors provides documentation that the revenues to be received during the fiscal year will be sufficient to meet the operating costs of the System, the principal and interest requirements, and usual expenses of maintenance, repair, and operation. The annual budget will be the basis for making payments from the revenue fund to meet the operating costs of the System during the fiscal year. The university works to ensure that the systems remain in good working order and that compliance with the terms and conditions of the bond covenants are maintained.

The budget of each of the four Systems for the 2018-19 fiscal year are attached. The system budgets are also included within the university's overall budget.

RECOMMENDATION:

That the recommended budget for fiscal year July 1, 2018 to June 30, 2019 for the operation of the Athletic Facility System, Dormitory and Dining System, Electric Service Utility System, and the University Services System be approved.

June 4, 2018

**Dormitory and Dining Hall System
2018-19 Operating Budget**

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

April 30, 2018

The resolution authorizing and securing the Dormitory and Dining Hall System revenue bonds requires the adoption of an annual budget by the Board of Visitors. The budget presentation to the Board of Visitors provides documentation that the revenues to be received during the fiscal year will be sufficient to meet the operating costs of the System, the principal and interest requirements, and usual expenses of maintenance, repair, and operation.

Subject to approval by the Board of Visitors, the annual budget will be the basis for making payments from the revenue fund to meet the operating costs of the System during the fiscal year. In compliance with Section 5.1 and 5.5 of the resolution authorizing and securing the Dormitory and Dining Hall System revenue bonds, the estimate of the resources to be used for the operation of the System during the fiscal year July 1, 2018 to June 30, 2019 and a recommended budget of current expenses for the System for the same period are summarized below. The rates and charges for the next fiscal year are sufficient for the current expenses, debt service, and reserve requirements set forth in Section 5.1 of the resolution.

	<u>Residential</u>	<u>Dining</u>	<u>Total</u>
<u>Estimated Revenues</u>			
Student Fees	\$55,033,012	\$58,613,511	\$113,646,523
Other Income	2,291,153	11,177,016	13,468,169
Total Revenues	<u>\$57,324,165</u>	<u>\$69,790,527</u>	<u>\$127,114,692</u>
<u>Current Expenses</u>			
Personnel Services	\$13,069,209	\$26,367,519	\$39,436,728
Operations	14,089,843	30,431,932	44,521,775
Administrative Charge	2,119,343	4,659,360	6,778,703
Maintenance Reserve	4,457,038	948,039	5,405,077
Debt Service	13,365,728	3,563,778	16,929,506
One-Time Projects	5,589,973	2,046,080	7,636,053
Total Expenses	<u>\$52,691,134</u>	<u>\$68,016,708</u>	<u>\$120,707,842</u>
Reserve Contribution (Draw)	\$4,633,031	\$1,773,819	\$6,406,850
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**Electric Service Utility System
2018-19 Operating Budget**

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

April 30, 2018

The resolution authorizing and securing the Electric Service Utility System revenue bonds requires the adoption of an annual budget by the Board of Visitors. The budget presentation to the Board of Visitors provides documentation that the revenues to be received during the fiscal year will be sufficient to meet the operating costs of the System, the principal and interest requirements, and usual expenses of maintenance, repair, and operation.

Subject to approval by the Board of Visitors, the annual budget will be the basis for making payments from the revenue fund to meet the operating costs of the System during the fiscal year. In compliance with Section 5.1 and 5.5 of the resolution authorizing and securing the Electric Service Utility System revenue bonds, the estimate of the resources to be used for the operation of the System during the fiscal year July 1, 2018 to June 30, 2019 and a recommended budget of current expenses for the System for the same period are summarized below. The rates and charges for the next fiscal year are sufficient for the current expenses, debt service, and reserve requirements set forth in Section 5.1 of the resolution.

<u>Estimated Revenues</u>	
Sales to University Departments	\$21,683,983
All Other Sales	15,177,196
Investment Income	31,747
Total Revenues	\$36,892,926
 <u>Current Expenses</u>	
Personnel Services	\$3,999,490
Purchase of Electricity	25,796,088
Operating Expenditures	4,759,951
Capital Maintenance Reserve Projects	860,000
Maintenance, Repairs and Equipment Replacement	497,890
Debt Service	769,507
Total Expenses	\$36,682,926
 Reserve Contribution (Drawdown)	 \$210,000
 Net	 \$0

**University Services System
2018-19 Operating Budget**

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

April 30, 2018

The resolution authorizing and securing the University Services System* revenue bonds requires the adoption of an annual budget by the Board of Visitors. The budget presentation to the Board of Visitors provides documentation that the revenues to be received during the fiscal year will be sufficient to meet the operating costs of the System, the principal and interest requirements, and usual expenses of maintenance, repair, and operation.

Subject to approval by the Board of Visitors, the annual budget will be the basis for making payments from the revenue fund to meet the operating costs of the System during the fiscal year. In compliance with Section 5.1 and 5.5 of the resolution authorizing and securing the University Services System revenue bonds, the estimate of the resources to be used for the operation of the System during the fiscal year July 1, 2018 to June 30, 2019 and a recommended budget of current expenses for the System for the same period are summarized below. The rates and charges for the next fiscal year are sufficient for the current expenses, debt service, and reserve requirements set forth in Section 5.1 of the resolution.

<u>Estimated Revenues</u>	
Student Fees	\$44,723,118
Sales and Services	4,188,690
Other Income	<u>2,654,614</u>
Total Revenues	\$51,566,422
 <u>Current Expenses</u>	
Personnel Services	\$24,607,255
Operating	14,449,734
Debt Service	4,495,541
Capital Maintenance Reserve	2,115,534
Non-Capital Maintenance Reserve	286,800
Student Organization Allocation	1,563,774
One-Time Expenses	<u>3,324,016</u>
Total Expenses	\$50,842,654
Reserve Contribution (Drawdown)	\$723,768
Net	<u><u>\$0</u></u>

* University Services System includes Career and Professional Development, Center for the Arts, Health Services, Recreational Sports, Student Engagement and Campus Life, Student Organizations, and Rescue Squad.

**University Services System
2018-19 Operating Budget**

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

April 30, 2018

The resolution authorizing and securing the University Services System* revenue bonds requires the adoption of an annual budget by the Board of Visitors. The budget presentation to the Board of Visitors provides documentation that the revenues to be received during the fiscal year will be sufficient to meet the operating costs of the System, the principal and interest requirements, and usual expenses of maintenance, repair, and operation.

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Total Expenses	\$50,842,654
Reserve Contribution (Drawdown)	\$723,768
Net	<u><u>\$0</u></u>

* University Services System includes Career and Professional Development, Center for the Arts, Health Services, Recreational Sports, Student Engagement and Campus Life, Student Organizations, and Rescue Squad.

**Athletic Facilities System
2018-19 Operating Budget**

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

April 30, 2018

The resolution authorizing and securing the Athletic Facilities System revenue bonds requires the adoption of an annual budget by the Board of Visitors. The budget presentation to the Board of Visitors provides documentation that the revenues to be received during the fiscal year will be sufficient to meet the operating costs of the System, the principal and interest requirements, and usual expenses of maintenance, repair, and operation.

Subject to approval by the Board of Visitors, the annual budget will be the basis for making payments from the revenue fund to meet the operating costs of the System during the fiscal year. In compliance with Section 5.1 and 5.5 of the resolution authorizing and securing the Athletic Facilities System revenue bonds, the estimate of the resources to be used for the operation of the System during the fiscal year July 1, 2018 to June 30, 2019 and a recommended budget of current expenses for the System for the same period are summarized below. The rates and charges for the next fiscal year are sufficient for the current expenses, debt service, and reserve requirements set forth in Section 5.1 of the resolution.

<u>Estimated Revenues</u>	
Student Fees	\$10,395,122
Sales and Services	61,501,046
Other Income	2,631,300
Total Revenues	<u>\$74,527,468</u>
<u>Current Expenses</u>	
Personnel Services	\$35,068,462
Operations	21,827,591
Administrative Charge	4,776,305
Capital Maintenance Reserve	1,512,189
Maintenance, Repairs, & Equipment Replacement	2,403,649
Debt Service	5,643,334
One-Time Projects	1,530,000
Total Expenses	<u>\$72,761,530</u>
Reserve Contribution (Drawdown)	\$1,765,938
Net	<u><u>\$0</u></u>

2018-19 Auxiliary System Budgets

June 4, 2018

DWIGHT SHELTON

**INTERIM SENIOR VICE PRESIDENT FOR OPERATIONS AND
ADMINISTRATION, VICE PRESIDENT FOR FINANCE AND CFO**



System Budget Overview

- Virginia Tech has four master resolution bond covenants securing debt issues referred to as Systems:
 - Dormitory and Dining System
 - University Services System
 - Athletic Facility System
 - Electric Service System
- The resolutions authorizing and securing each system requires the adoption of an annual budget by the Board of Visitors.

System Budget Overview

- Revenues are sufficient to meet the operating costs, the principal and interest requirements, and usual expenses of maintenance, repair, and operation.
- The University works to ensure that:
 - The systems remain in good working order
 - Compliance with the terms and conditions of the bond covenants are maintained

System Budgets

(dollars in millions)

	Dormitory & Dining	University Services	Athletic Facility	Electric Service
Revenues	\$127.1	\$51.6	\$74.5	\$36.9
Expenses	120.7	50.8	72.8	36.7
Contribution/(Draw)	\$6.4	\$0.8	\$1.7	\$0.2

Summary & Recommendation

- Revenues to be received during the fiscal year will be sufficient to meet:
 - The operating costs of the System
 - The principal and interest requirements
 - Normal expenses of maintenance, repair, and operation
 - Terms and conditions of bond covenants

RECOMMENDATION:

That the recommended budget for fiscal year July 1, 2018 to June 30, 2019 for the operation of the Athletic Facility System, Dormitory and Dining System, Electric Service Utility System, and the University Services System be approved.

June 4, 2018