

Proposed 2018-19 Operating and Capital Budgets
FINANCE AND RESOURCE MANAGEMENT COMMITTEE
May 17, 2018

Each June, the university provides the Board of Visitors with an overview of the operating and capital budgets for the upcoming fiscal year.

State Appropriations

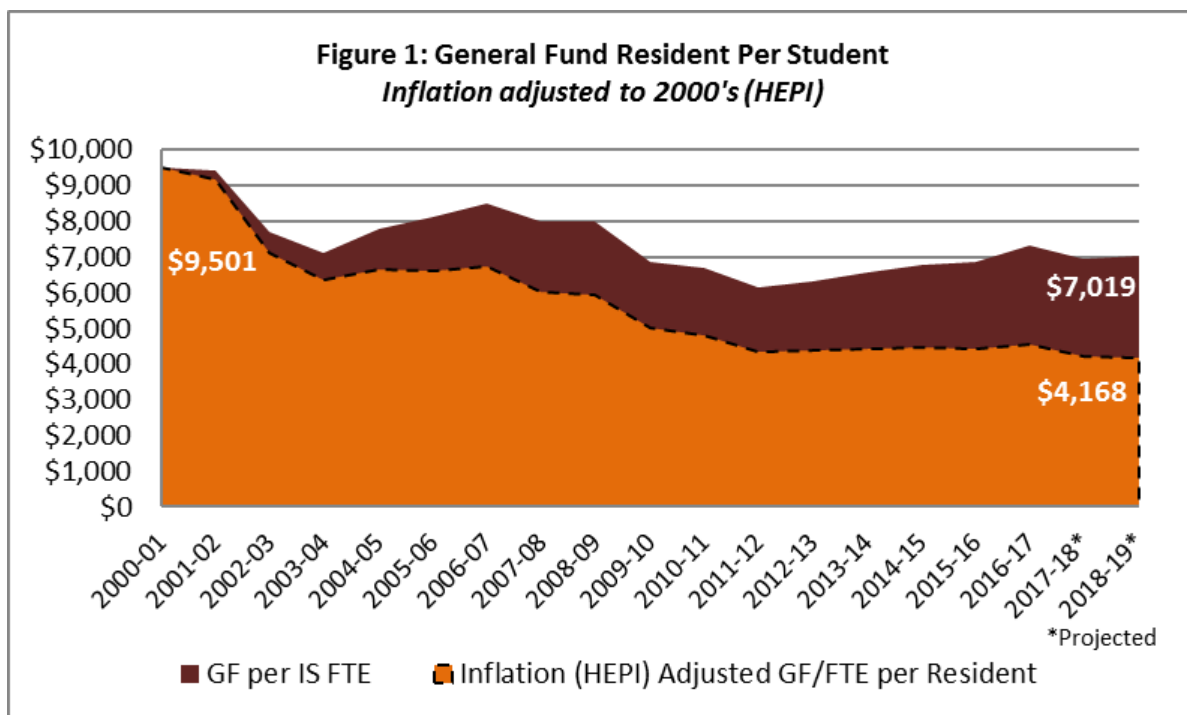
As of May 17, 2018, the 2018 General Assembly Session had not passed a final 2018-20 biennial budget. Called back into a Special Session on April 11th, the legislature continues to deliberate the commonwealth's biennial budget. Though no final state budget is available, the university has moved forward with the development of its 2018-19 operating and capital budget utilizing a conservative estimate of the state funding support for the university in 2018-19. Once the state completes the 2018-20 biennial budget and the university understands the actual 2018-19 level of General Fund support, the university's internal forecast will be updated and revised accordingly.

Virginia Tech anticipates an initial state authorization of \$1.5 billion for fiscal year 2018-19 to carry out all of its programs, based on the forecast of direct appropriations to the university. However, the annual internal budget varies from this external expenditure authorization for several reasons, some of which increase the annual expenditure authority while others reduce the expenditure plans. For example, the university's expenditure authorization will be adjusted during 2018-19 when the state allocates the Central Appropriation funding for the state share of fringe benefit rate changes. Additionally, under the sum sufficient authority granted as part of restructuring, nongeneral fund appropriations may be established as needed by the institution.

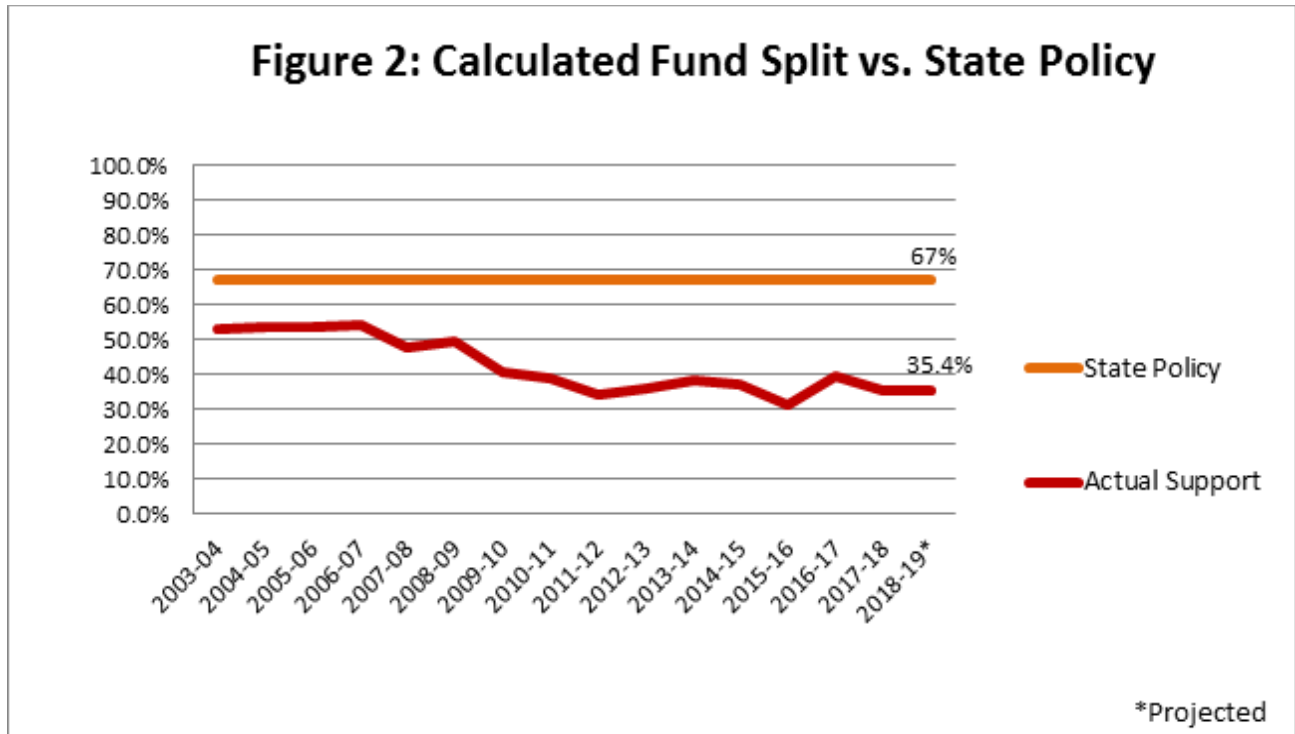
Forecast of State Budget Revenue Changes

For 2018-19, the university forecasts an incremental increase in General Fund appropriation of \$3.3 million from the adjusted 2017-18 budget. This is comprised of an estimated General Fund increase of \$2.4 million for Educational and General programs in the University Division (Agency 208), an estimated increase of \$0.6 million for the land-grant programs in the Cooperative Extension and Agricultural Experiment Station (Agency 229) and an increase of \$0.2 million for Student Financial Aid. As shown in Table 2 on page 5, the General Fund increase for the University Division includes changes in direct appropriations and the university estimate of Central Appropriation fund transfers during the fiscal year. State support includes the state's share of the continuation of the 2017-18 faculty and staff salary increases, estimated funding for the restoration of interest earnings and credit card rebate, and the state's share of the fringe benefit rate increases. The details of the state support are described further in each budget section.

With these state resources, the state support per Virginia student will remain stable in 2018-19. Unfortunately, total state support per Virginia student for 2018-19 is projected to be 26 percent below the funding provided in 2001. The university enrolls over 4,000 additional Virginia undergraduates as compared to fall 2004, a figure projected to grow to over 4,400 in fall 2018. Inflation adjusted, the university will receive 55 percent less General Fund support per student than in fiscal year 2001, as seen in Figure 1. It is important to note that this analysis presents the state support in the most favorable light since it includes all General Fund resources allocated to E&G, including support for activities beyond instruction such as research and public service. Figure 1 below is presented in this manner because it is a commonly utilized perspective by external groups.

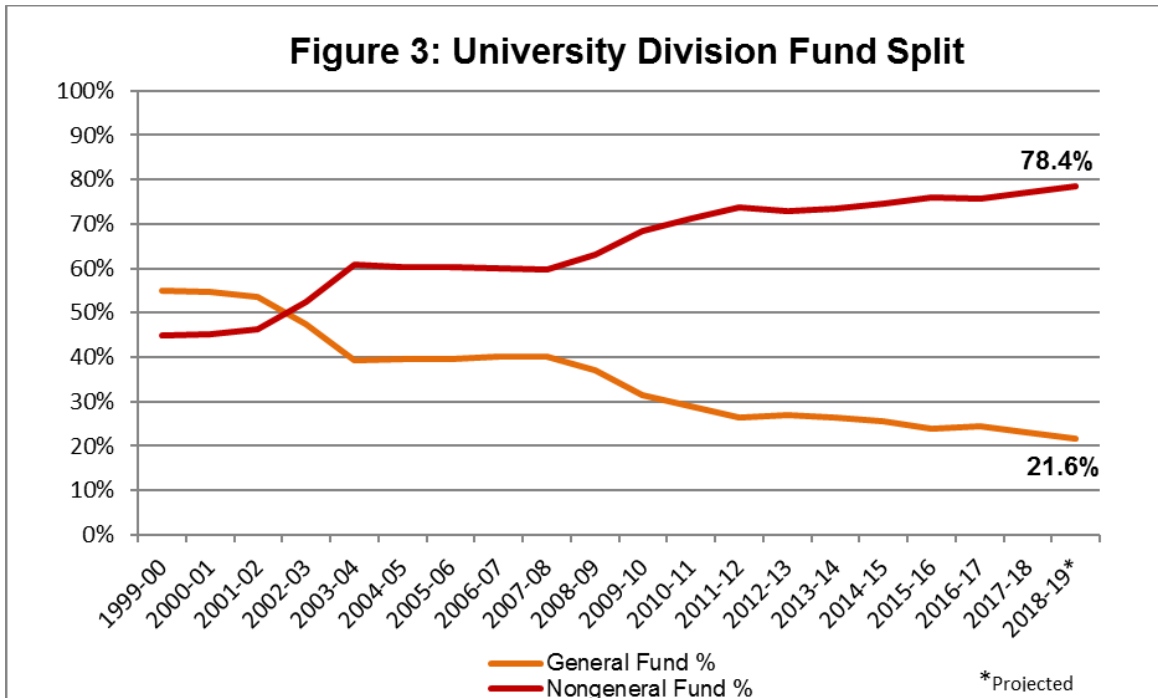


The state policy for funding higher education is to fund 67 percent of the cost of education of each Virginia resident at the institution. Figure 2 below displays the status of actual funding for instruction in relation to this policy over time. In 2018-19, the state will provide an estimated 35.4 percent of this cost. In response, the university has worked to reduce costs and streamline operations, but the shortfall in General Fund support has also created pressure to grow nongeneral fund resources.



Proposed Budgets for 2018-19

For 2018-19, the recommended internal budget for all operations is \$1.6 billion. This is an increase of \$34.5 million, approximately 2.3 percent, over the adjusted 2017-18 budget. This increase reflects changes in nongeneral fund revenues for 2018-19 and forecasted conservative estimates of the outcome of the 2018 General Assembly session that will impact the 2018-19 General Fund appropriation. The overall change includes an increase of \$45.7 million attributable to the Educational and General program and \$10.2 million of projected growth in auxiliary enterprises. The total General Fund allocation is estimated to be approximately \$265.4 million, an increase of \$3.3 million from the 2017-18 adjusted budget. General Fund revenues will provide \$241.4 million in support for the instructional, research, and extension programs, \$21.7 million for student financial assistance, and \$2.3 million for the Unique Military Activities program. As shown in Figure 3 below, the General Fund appropriation represents 21.6 percent of the University Division's Educational and General budget (as compared to 53.6 percent in the 2001-02 budget) and 17.0 percent of the total budget. (See Schedule 1)



Schedule 1 displays the proposed operating budgets for 2018-19, by major program and revenue and expense category. Schedule 2 is an expansion of the projected auxiliary operations budgets, categorized by major activity. These schedules also display the 2017-18 budget, as approved in June 2017, and the current adjusted 2017-18 budget for comparison purposes. This report provides a brief discussion of the changes in the operating budget for each of the major programs.

Educational and General

The university's Educational and General budget will be \$849.2 million in 2018-19. The Educational and General budgets for the University Division (Agency 208) and the Cooperative Extension/Agricultural Experiment Station Division (Agency 229) are presented below by source of funding.

	(Dollars in Thousands)		
	University Division	CE/AES Division	Total
Educational and General Budget			
General Fund	\$164,427	\$71,603	\$236,030
Tuition and Fees	552,081	0	552,081
Federal Funds	0	15,640	15,640
Other	44,529	880	45,409
Total Educational and General	\$761,037	\$88,123	\$849,160
Percent of Total			
General Fund	21.6%	81.3%	27.8%
Tuition and Fees	72.5%	0.0%	65.0%
Federal Funds	0.0%	17.7%	1.9%
Other	5.9%	1.0%	5.3%
Total Percentage	100.0%	100.0%	100.0%

The year-to-year comparison of the budget in Schedule 1 shows an overall revenue increase in the Educational and General program of \$45.7 million, or 5.7 percent, over the adjusted 2017-18 budget.

The 2018-19 operating and capital budgets have been developed utilizing the forecasted state funding support for the university in 2018-19. The university forecasts the following changes:

	(Dollars in Millions)		
	University Division	CE/AES Division	Total
Change in General Fund Support:			
Continuation of 2017-18 Salary Program	0.3	0.1	0.4
Restoration of Interest Earnings and Rebates	0.7	0.0	0.7
Prospective Fringe Benefit Rate Changes	1.4	0.5	1.9
Total General Fund Change	2.4	0.6	3.0

*Forecasted outcome of General Assembly.

**Estimate. These items are funded centrally by the state at a later date.

The percentage of the Educational and General budget for the University Division provided by the General Fund decreased from 22.6 percent in the 2017-18 adjusted budget to 21.6 percent in 2018-19.

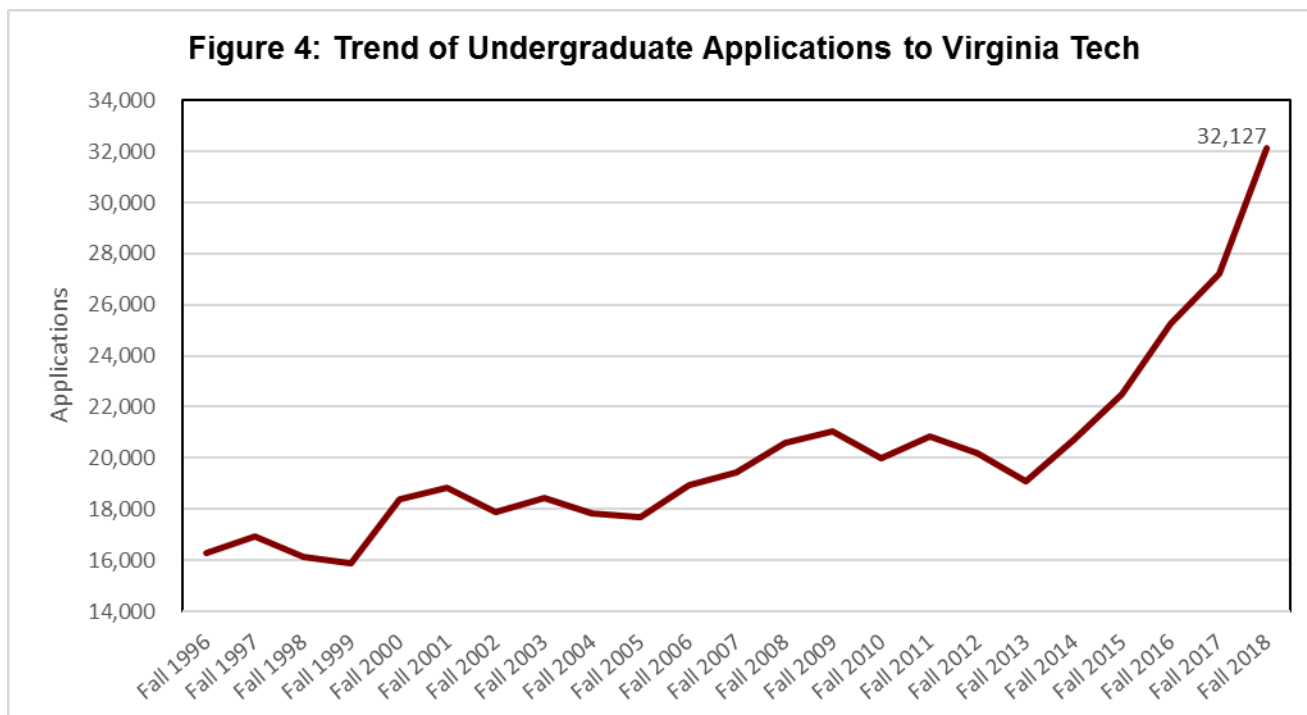
The 2018-19 tuition and fee budget increased by \$36.4 million, or 7.1 percent, over the adjusted 2017-18 budget. The difference in the tuition and fee budget reflects strategic undergraduate enrollment growth, Virginia Tech Carilion School of Medicine integration, increase in the tuition rates (approved by the Board of Visitors in March) including Veterinary Medicine, specialized program fees, immigration services fee, the technology

fee and the library fee. The increase also includes unfunded and tuition funded scholarships to student aid programs, and adjustments to the other E&G fee budgets. Unfunded scholarships support both undergraduate need based aid and a portion of the graduate tuition remission program. Tuition and Fee funded scholarships are targeted to support the institution's strategic priorities, including enrollment growth. Additionally, the revenue from the Facility and Equipment fee will be transferred to the Commonwealth for debt service on new facilities and equipment; thus, it is not reflected in the net revenue total.

Of the \$36.4 million increase in the tuition and fee budget in 2018-19, \$7.3 million is attributable to the July 1, 2018 integration of the Virginia Tech Carilion School of Medicine (VTCSOM) as the ninth college of Virginia Tech. Consistent with the resolution to acquire and integrate the Virginia Tech Carilion School of Medicine as approved in November 2017, the university has ratified the tuition rate established by the VTCSOM board and has reviewed the VTCSOM budget with Carilion Clinic. The 2018-19 investments by the partners include contributions of \$3.4 million from Carilion Clinic and \$3.4 million of investment income from Virginia Tech. Revenue from additional miscellaneous sources totals \$0.6 million. These resources comprise the 2018-19 Virginia Tech Carilion School of Medicine budget of \$14.7 million.

Enrollment Growth

The university is experiencing a significant increase in student demand. Undergraduate applications once again reached a new high for fall 2018, increasing 18.0 percent from the previous year. Demand is broad-based and includes several areas where Virginia Tech is in a strong or unique position to provide additional access to qualified students. To meet demand for undergraduate enrollment, particularly in the STEM-H disciplines, the university is planning the strategic addition of undergraduates for 2018-19. Figure 4 below illustrates the historical trend in undergraduate applications.



Auxiliary Enterprises

The total 2018-19 auxiliary revenue budget is \$351.5 million, a growth of \$10.2 million or 3.0 percent over the adjusted 2017-18 budget, with a significant portion of the increase attributable to growth in Residential and Dining Programs, Student Health Services, Transportation, Career and Professional Development, Telecommunications Services, and Electric Service. This increase includes resources to cover proposed changes in compensation and fringe benefit rate changes, enrollment growth, enhancements to student health and counseling services, student programming, wireless network equipment renewal, enhanced transit services, increased energy costs, maintenance of existing facilities, and the cost of new facilities.

Financial Assistance for Educational and General Programs

The projected annual budget for Financial Assistance for Educational and General Programs is \$322.1 million, a decrease of \$22.8 million or 6.6 percent less than the adjusted 2017-18 budget. The budget was reduced to better align the 2018-19 budget with the projected federal sponsored program activity. This budget is comprised primarily of sponsored program activities but also includes the Eminent Scholars program, the Enterprise Fund for distance and distributed learning, and the Commonwealth's General Fund support for research. The most significant activity in this category is externally sponsored research. The General Fund support of \$5.4 million for research is forecasted to remain unchanged in 2018-19. Although Sponsored Programs activity is anticipated to grow over 2017-18 actuals, the 2018-19 budget can accommodate the growth while technically realigning the budget for optimistic forecasts in prior fiscal periods.

Appropriated Student Financial Assistance

The projected annual 2018-19 budget for the Student Financial Assistance program is \$30.2 million, a growth of \$3.6 million over the adjusted 2017-18 budget. This budget includes forecasted increase of \$0.2 million in state General Fund support for Undergraduate Scholarships, Graduate Fellowships, Soil Scientist Scholarships, Virginia Military Survivors and Dependents, Two-Year College Transfer Grant and the Multicultural Academic Opportunity Program to a total projected \$21.7 million General Fund student financial aid budget in 2018-19. This budget also includes an increase of \$3.4 million in the annual nongeneral fund student financial assistance budget to a total projected nongeneral fund student financial aid budget of \$8.5 million in 2018-19. The university plans to utilize the nongeneral fund student financial assistance to advance strategic initiatives such as access and enrollment growth.

All Other Programs

The All Other Programs component is comprised of the Unique Military Activities appropriation, surplus property, federal work study program, and local funds. The annual budget for these funds is based on historic trends and projections of activity levels by program managers. These programs are funded by resources that are designated for specific purposes. The General Fund support for Unique Military Activities is forecasted to remain constant in 2018-19 at \$2.3 million. For All Other Programs, the recommended budget is \$7.3 million, and reflects a decrease of \$2.3 million over the adjusted budget for 2017-18.

Planned Change in Reserves

Existing state requirements, along with the university's budgeting and financial management strategies, generally result in the establishment of breakeven budgets for the major budget components, with the exception of auxiliary enterprises. That is the case for 2018-19, where only the auxiliary budgets project an addition to the reserves as of June 30, 2019. The projected addition of \$12.8 million is the result of the intentional rebuilding of reserves in specific auxiliaries where expenditures in prior years created the need for restoring the reserves so that it may operate as a revolving fund. In other cases, the projected addition to reserves reflects the temporary positive impact of planning activities for new capital projects. The 2018-19 budget for auxiliary enterprises is also designed to ensure that the reserve levels remain in compliance with the tenets of bond covenants as well as SCHEV reserve targets.

Compensation Plan

Contingent upon funding availability and approval of the 2018-19 operating budget, the university plans to implement faculty and university staff merit programs for fiscal year 2018-19. The attached operating budget includes funding, consistent with traditional funding principles, for the following proposed employee compensation actions:

- 2.00 percent faculty merit compensation program.
- 2.00 percent university staff compensation program. The university will provide an opportunity for the state classified staff to convert to university staff and gain eligibility for the university staff merit process. Classified staff are defined as staff members hired before July 1, 2006 who have not subsequently converted to the university staff system.
- As reviewed at the March 2018 Board of Visitors meeting, a National Distinction program is planned for 2018-19 to allow the university to proactively address salary amounts, as a retention strategy, for faculty members that have achieved national distinction and excellence in their field and provide valuable contributions to the university. The ability to allocate any resources to fund this additional compensation program will be determined based on the results of the General Assembly Session and whether the university can identify any additional resources as it completes the budget development work. If funded, it is expected that the adjustments will be limited in the number of faculty included yet meaningful in size.

If the state authorizes a salary or a bonus program for fiscal year 2018-19, the university will redesign the merit programs in light of the new authorization and proceed accordingly.

Budget Allocations

The process of finalizing the 2018-19 operating budget allocations for the colleges and major operating units is currently underway. This process will be completed during June 2018 and issued to the university community by the Vice President for Finance and Chief Financial Officer. The Office of Budget and Financial Planning will allocate these budgets to the colleges and vice presidential areas in time for the departments to open the new fiscal year with the allocations in place in the university accounting system. The university develops the annual budget as a one-year quantification of the university's strategic plan. The strategic plan is the framework for enacting the university's mission.

Capital Outlay Projects

Virginia Tech's capital outlay program includes projects for the University Division and the Cooperative Extension/Agricultural Experiment Station Division. Initiation of a capital project requires authorization of a budget and funding sources from the state or the Board of Visitors.

The state appropriates projects supported entirely or partially with General Fund revenues. The university requests General Fund appropriations for new projects as part of the state capital budget cycle. If appropriated, these projects normally become effective and are added to the program at the beginning of a fiscal year.

Under the restructuring legislation and the 2006 Management Agreement between the Commonwealth and the university, the Board of Visitors has the authority to authorize capital projects funded entirely with nongeneral fund resources. New projects approved by the Board of Visitors become effective upon approval of a university resolution and are reflected on the subsequent Financial Performance Report.

The university develops a financing plan to support the entire budget of each capital project prior to its initiation. Upon initiation, the whole project budget is entered in the accounting system. The revenues to support capital expenditure budgets are a mix of state support, university supported debt, and self-generated cash resources including private gifts. When projects have multiple sources of funding, the university generally utilizes the resources in the following order: state support, bond proceeds, and then cash. This order allows the most effective use of the university's nongeneral fund resources.

The typical project lifespan is two to four years, and a refined level of precision is needed to optimize resource management. Cash flow models are used to predict the pace of spending by month for each project for its anticipated life. This analysis is then used to plan the timing to move each resource to a project budget on an as needed basis. Under this approach, project resources are held in their most productive location for as long as possible to maximize earnings. This analysis is further used to optimize the timing for external debt issuances to manage exposure to the cost of capital.

Each active capital project is included on the Financial Performance Report for its entire fiscal life and until all its funds in the accounting system are terminated. A project is removed from the Financial Performance Report at the end of the fiscal year it closes.

The portfolio of the capital outlay program for 2018-19 is comprised of 11 Educational and General projects and 11 Auxiliary Enterprise projects for a total of 22 projects. As part of the resource management process, each project has an annual budget. Schedule 3 lists the projects by major program and major phase of progress. Each project for 2018-19 is listed with the total project authorization by revenue source, total expenditures incurred from project inception to fiscal year 2017-18, available balance for 2018-19, annual budget for 2018-19, and balance at the close of 2018-19. The accuracy of annual budgets, and the cash flows models on which they are based, are most sensitive to construction start dates. For example, a large project that starts construction three months later than expected may be several million dollars underspend for the year. The total capital program for 2018-19 includes approximately \$593 million of authorizations with an estimated annual budget of approximately \$125 million.

RECOMMENDATION:

That the proposed 2018-19 operating and capital budgets, as displayed on Schedules 1, 2, and 3, be approved.

June 4, 2018

TOTAL OPERATING BUDGET FOR VIRGINIA TECHFiscal Year 2018-19
(Dollars in Thousands)

	2017-18 Original Budget	2017-18 Adjusted Budget	2018-19 Recommended Budget
<u>Revenues</u>			
Educational and General			
University Division			
General Fund	\$161,675	\$161,994	\$164,427
Tuition and Fees	501,950	515,714	552,081
All Other Income	39,349	37,867	44,529
Subtotal	<u>702,974</u>	<u>715,574</u>	<u>761,037</u>
CE/AES Division			
General Fund	70,961	71,007	71,603
Federal Funds	15,640	15,740	15,640
All Other Income	880	1,120	880
Subtotal	<u>87,481</u>	<u>87,867</u>	<u>88,123</u>
Total Educational and General	<u>\$790,455</u>	<u>\$803,441</u>	<u>\$849,160</u>
Auxiliary Enterprises	\$333,313	\$341,265	\$351,498
Financial Assistance for E&G Programs (a)			
General Fund	5,389	5,389	5,389
Nongeneral Fund	338,785	339,490	316,714
Total	<u>\$344,174</u>	<u>\$344,879</u>	<u>\$322,103</u>
Student Financial Assistance			
General Fund	21,273	21,455	21,692
Nongeneral Fund	4,267	5,165	8,546
Total	<u>\$25,540</u>	<u>\$26,620</u>	<u>\$30,238</u>
All Other Programs (b)			
General Fund (UMA)	2,284	2,284	2,284
Nongeneral Fund	5,115	7,295	5,021
Total	<u>\$7,399</u>	<u>\$9,579</u>	<u>\$7,305</u>
Total	<u>\$1,500,881</u>	<u>\$1,525,785</u>	<u>\$1,560,303</u>
<u>Expense</u>			
Educational and General			
University Division	\$702,974	\$715,574	\$761,037
CE/AES Division	87,481	87,867	88,123
Subtotal	<u>790,455</u>	<u>803,441</u>	<u>849,160</u>
Auxiliary Enterprises	326,617	368,248	338,733
Financial Assistance for E&G Programs (a)	344,174	344,879	322,103
Student Financial Assistance	25,540	26,620	30,238
All Other Programs (b)	7,399	10,034	7,305
Total	<u>\$1,494,185</u>	<u>\$1,553,221</u>	<u>\$1,547,538</u>
<u>Planned Change in Reserve</u>			
Reserve Drawdown/(Deposit) (c)	(6,696)	27,437	(12,765)
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

(a) Financial Assistance for E&G Programs includes Sponsored Programs, the Eminent Scholars Program, and General Fund Research Initiative.

(b) All Other Programs include Unique Military Activities, Surplus Property, Local Funds, Federal Work Study, and Alumni Affairs.

(c) Reserve contributions are based on the budget plans of Auxiliary Enterprise units.

Presentation Date: June 4, 2018

TOTAL OPERATING BUDGETS FOR AUXILIARY ENTERPRISES
Fiscal Year 2018-19
(Dollars in Thousands)

	2017-18 Original Budget	2017-18 Adjusted Budget	2018-19 Recommended Budget
Residence and Dining Hall System*			
Revenues	\$120,157	\$122,539	\$127,115
Expenses	-117,364	-124,296	-120,708
Reserve Drawdown/(Addition)	-2,793	1,757	-6,407
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Parking and Transportation			
Revenues	\$13,704	\$13,903	\$15,061
Expenses	-13,266	-13,854	-14,485
Reserve Drawdown/(Addition)	-438	-49	-576
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Telecommunications Services			
Revenues	\$22,087	\$22,087	\$22,551
Expenses	-23,161	-24,700	-22,299
Reserve Drawdown/(Addition)	1,074	2,613	-252
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
University Services System*			
Revenues	\$48,521	\$48,531	\$51,566
Expenses	-47,655	-49,919	-50,843
Reserve Drawdown/(Addition)	-866	1,388	-723
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Intercollegiate Athletics*			
Revenues	\$69,283	\$76,039	\$74,527
Expenses	-68,903	-77,079	-72,762
Reserve Drawdown/(Addition)	-380	1,040	-1,765
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Electric Service System*			
Revenues	\$36,061	\$34,720	\$36,893
Expenses	-35,531	-34,562	-36,683
Reserve Drawdown/(Addition)	-530	-158	-210
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Inn at Virginia Tech and Skelton Conference Center			
Revenues	\$11,855	\$12,337	\$12,000
Expenses	-11,799	-12,299	-12,170
Reserve Drawdown/(Addition)	-56	-38	170
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Other Enterprise Functions			
Revenues	\$11,645	\$11,109	\$11,785
Expenses	-8,938	-31,539	-8,783
Reserve Drawdown/(Addition)	-2,707	20,430	-3,002
Net	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
TOTAL			
Revenues	\$333,313	\$341,265	\$351,498
Expenses	-326,617	-368,248	-338,733
Reserve Drawdown/(Addition)	-6,696	26,983	-12,765
Net	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

* University Systems include Dormitory and Dining Hall System, University Service System, Intercollegiate Athletics System, and Electric Service System. The University Service System includes Health Services, Career Services, Student Engagement & Campus Life, Recreational Sports, Center for the Arts, Student Organizations and VT Rescue Squad.

Presentation Date: June 4, 2018

EDUCATIONAL AND GENERAL CAPITAL PROJECT AUTHORIZATIONS FOR FISCAL YEAR 2019

(Dollars in Thousands)
as of April 30, 2018

	TOTAL PROJECT AUTHORIZATION				ESTIMATED TOTAL EXPENSES June 30, 2018	ESTIMATED BALANCE AVAILABLE FOR FY2019	ESTIMATED ANNUAL BUDGET FY2019	ESTIMATED BALANCE AT CLOSE OF FY2019
	STATE SUPPORT	NONGENERAL FUND	AGENCY DEBT	TOTAL				
<u>Educational and General Projects</u>								
<u>Design Phase</u>								
Improve Kentland Facilities	\$ 9,363	\$ -	\$ -	\$ 9,363	\$ 1,125	\$ 8,238	\$ 5,000	\$ 3,238
Agriculture Production Facilities	22,136	-	-	22,136	406	21,730	1,800	19,930
Chiller Plant Phase II	31,024	-	9,797	40,821	1,687	39,134	4,200	34,934
Holden Hall Renovation	44,386	-	17,500	61,886	2,400	59,486	3,000	56,486
Gas-Fired Boiler at the Central Steam Plant	-	6,800	-	6,800	100	6,700	3,500	3,200
Planning: Undergraduate Science Laboratory Building	-	3,084	-	3,084	1,000	2,084	1,400	684
Planning: Intelligent Infrastructure and Construction Com	-	6,000	-	6,000	480	5,520	1,400	4,120
<u>Construction Phase</u>								
Maintenance Reserve	15,530	-	-	15,530	-	15,530	12,000	3,530
Academic Buildings Renewal	35,029	-	-	35,029	22,600	12,429	11,000	1,429
Renovate Undergraduate Science Laboratories	-	10,000	-	10,000	2,300	7,700	5,000	2,700
Health Sciences & Technology	48,307	17,765	23,793	89,865	10,200	79,665	33,000	46,665
<u>Close-Out</u>								
Fire Alarm Systems and Access	4,891	0	0	4,891	3,380	1,511	1,511	0
Total Educational and General Projects	\$ 210,666	\$ 43,649	\$ 51,090	\$ 305,405	\$ 45,678	\$ 259,727	\$ 82,811	\$ 176,916

AUXILIARY ENTERPRISE CAPITAL PROJECT AUTHORIZATIONS FOR FISCAL YEAR 2019

(Dollars in Thousands)
as of April 30, 2018

	TOTAL PROJECT AUTHORIZATION				ESTIMATED TOTAL EXPENSES June 30, 2018	ESTIMATED BALANCE AVAILABLE FOR FY2019	ESTIMATED ANNUAL BUDGET FY2019	ESTIMATED BALANCE AT CLOSE OF FY2019
	STATE SUPPORT	NONGENERAL FUND	AGENCY DEBT	TOTAL				
<u>Auxiliary Enterprises Projects</u>								
<u>Design Phase</u>								
Student Wellness Improvements	\$ -	\$ 6,010	\$ 56,990	\$ 63,000	\$ 2,785	\$ 60,215	\$ 5,000	\$ 55,215
Creativity & Innovation District Residence Hall	-	-	26,818	26,818	1,500	25,318	3,000	22,318
Dietrick First Floor and Plaza Renovation	-	5,000	2,000	7,000	500	6,500	6,000	500
Student-Athlete Performance Center	-	15,165	-	15,165	250	14,915	1,600	13,315
Commonwealth Ballroom Improvements	-	3,246	-	3,246	200	3,046	2,500	546
<u>Construction Phase</u>								
Maintenance Reserve	-	7,200	-	7,200	-	7,200	7,200	-
Lane Substation Expansion	-	2,000	4,500	6,500	4,727	1,773	1,500	273
ACC Network Studio	-	-	10,000	10,000	250	9,750	7,500	2,250
<u>Close-Out</u>								
Upper Quad Residential Facilities	-	35,671	53,729	89,400	87,764	1,636	1,636	-
O'Shaughnessy Renovation	-	8,867	12,633	21,500	18,231	3,269	3,269	-
Athletic Facilities Improvements	-	37,500	-	37,500	34,450	3,050	3,050	-
Total Auxiliary Enterprise Projects	\$ -	\$ 120,659	\$ 166,670	\$ 287,329	\$ 150,657	\$ 136,672	\$ 42,255	\$ 94,417
GRAND TOTAL ALL CAPITAL PROJECTS	\$ 210,666	\$ 164,308	\$ 217,760	\$ 592,734	\$ 196,335	\$ 396,399	\$ 125,066	\$ 271,333

2018-19 Operating and Capital Budgets

June 4, 2018

DWIGHT SHELTON

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





Operating Budget

2018-19 Operating Budget

(\$ in Millions)

	2017-18 Adjusted Budget	2018-19 Proposed Budget	Change	
			\$	%
<u>Educational and General</u>				
University Division	\$715.6	\$761.0	\$45.4	6.3%
Coop Ext/Ag Experiment	87.9	88.1	0.3	0.3%
Subtotal	\$803.4	\$849.2	\$45.7	5.7%
Auxiliary Enterprises	\$341.3	\$351.5	\$10.2	3.0%
Sponsored Programs	344.9	322.1	(22.8)	-6.6%
Financial Aid (Appropriated)	26.6	30.2	3.6	13.5%
UMA and Other Activities	9.6	7.3	(2.3)	-24.0%
Total	\$1,525.8	\$1,560.3	\$34.5	2.3%

Note: Dollars shown in millions for display purposes. Due to rounding, numbers presented in table above and throughout presentation may not add up precisely to the totals provided.

2018-19 Annual Change in University Division – Educational and General Budget

(\$ in Millions)

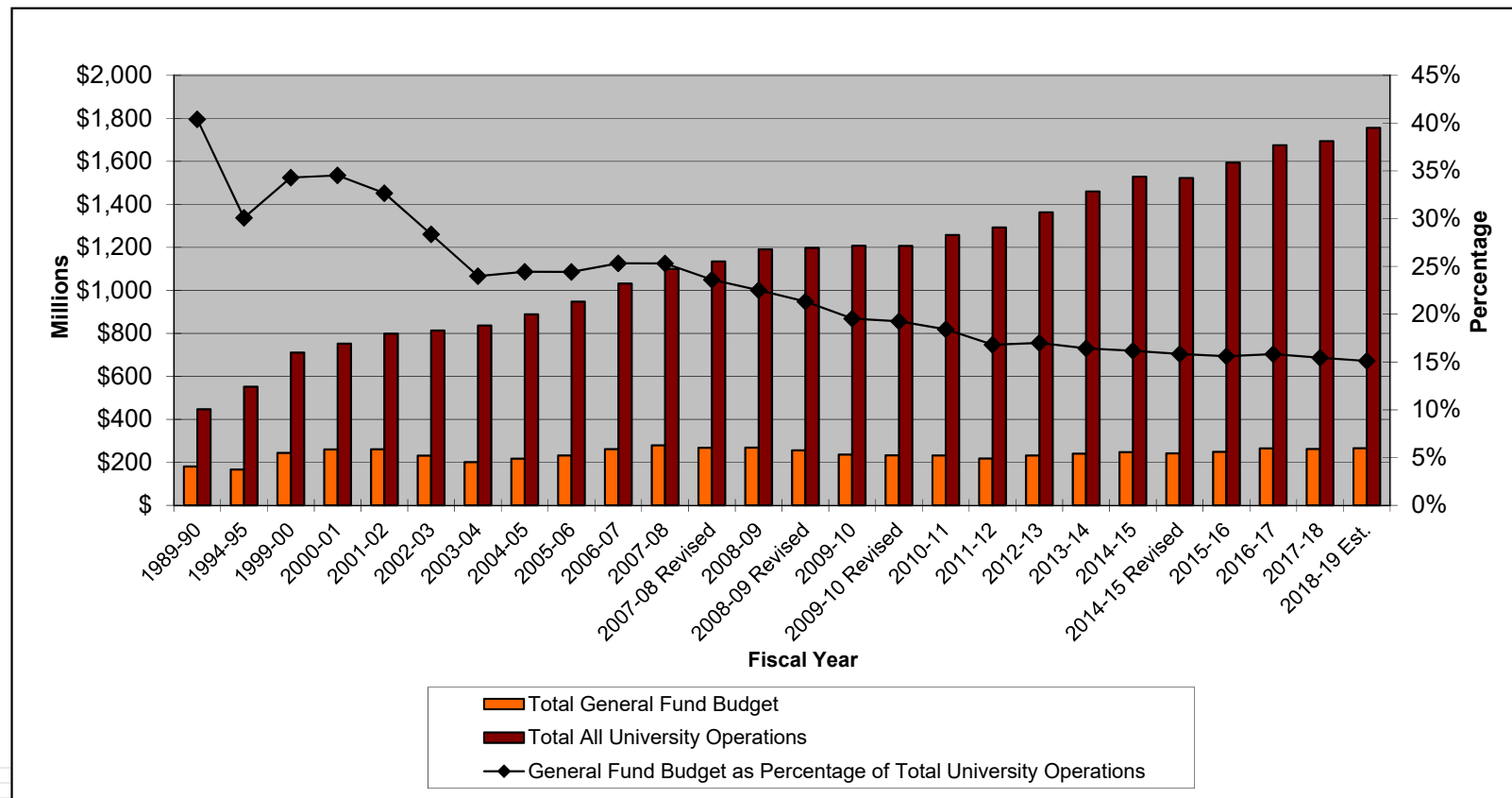
	2017-18 Adjusted Budget	2018-19 Proposed Budget	Change	
			\$	%
University Division (E&G)				
General Fund	\$162.0	\$164.4	\$2.4	1.5%
Tuition and Fees	515.7	552.1	36.4	7.1%
All Other Income	37.9	44.5	6.6	17.4%
Subtotal	\$715.6	\$761.0	\$45.4	6.3%

2018-19 Components of Financial Assistance for E&G Programs

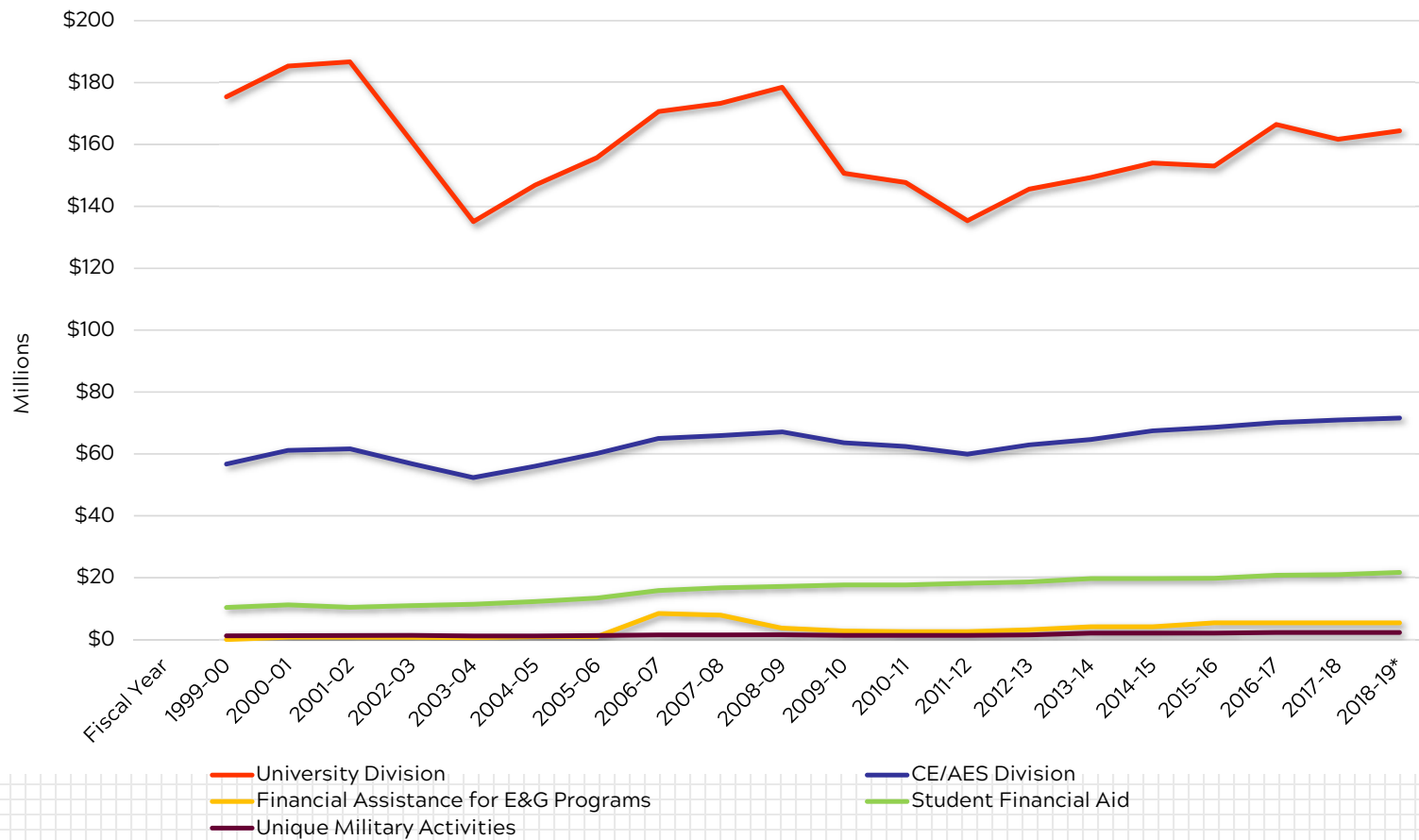
(\$ in Millions)

	2017-18 Adjusted Budget	2018-19 Proposed Budget	Change	
			\$	%
General Fund	\$5.4	\$5.4	\$0.0	0.0%
Nongeneral Fund				
Sponsored Grants and Contracts	268.1	239.0	(29.1)	-10.9%
Other	71.4	77.8	6.4	8.9%
Subtotal	\$344.9	\$322.1	(22.8)	-6.6%

Historical General Fund Support Percentages



General Fund Support by Program



*Projected

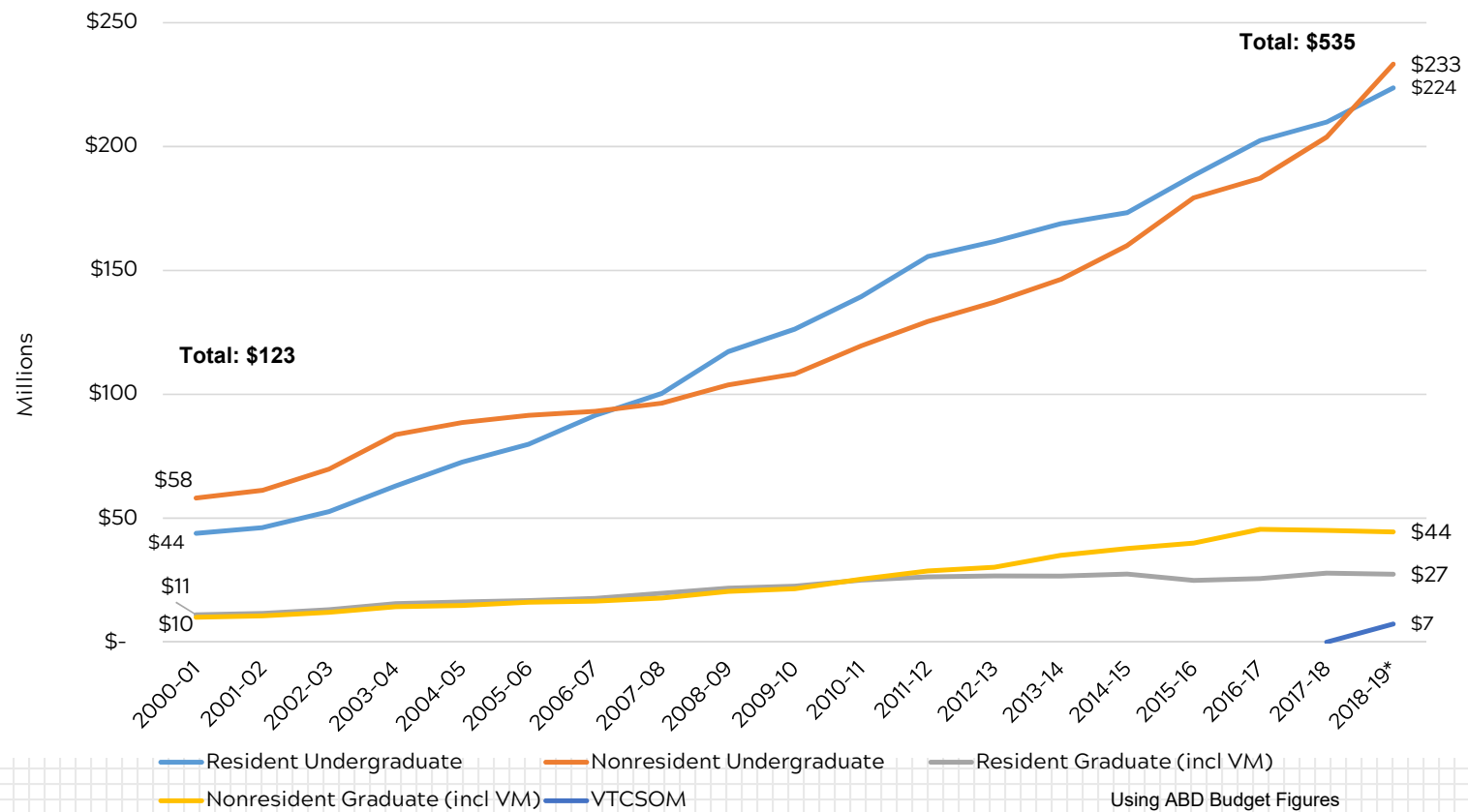


2018-19 Educational and General Budget Components

(\$ in Millions)

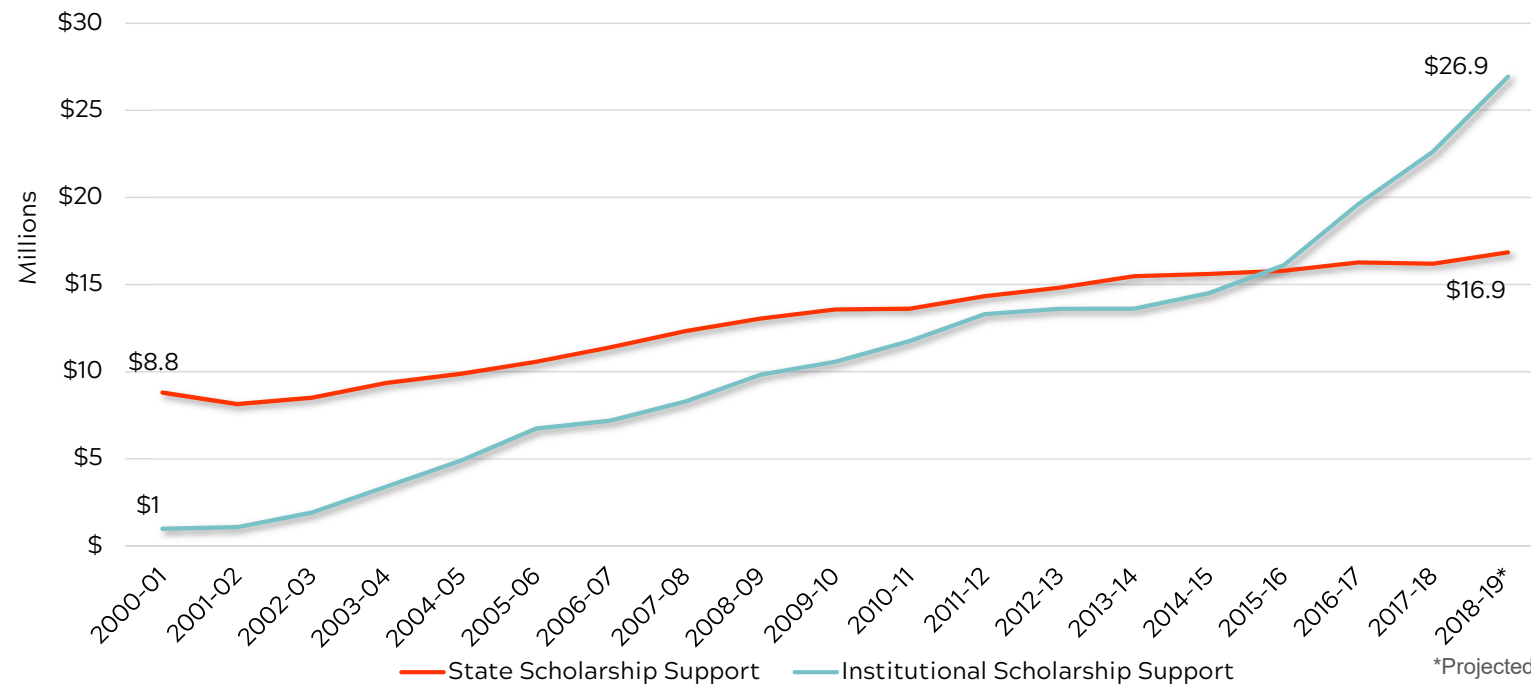
	University Division	CE/AES Division	Total
Educational and General Budget			
General Fund	\$164.4	\$71.6	\$236.0
Tuition and Fees	\$552.1	\$0.0	\$552.1
Federal Funds	\$0.0	\$15.6	\$15.6
Other	\$44.5	\$0.9	\$45.4
Total Educational and General	\$761.0	\$88.1	\$849.2
Percent of Total			
General Fund	21.6%	81.3%	27.8%
Tuition and Fees	72.5%	0.0%	65.0%
Federal Funds	0.0%	17.7%	1.9%
Other	5.9%	1.0%	5.3%
Total Percentage	100.0%	100.0%	100.0%

Net Tuition and E&G Fee Revenue Trend by Student Group



Undergraduate Student Financial Aid

State and Institutional Undergraduate Scholarship Support

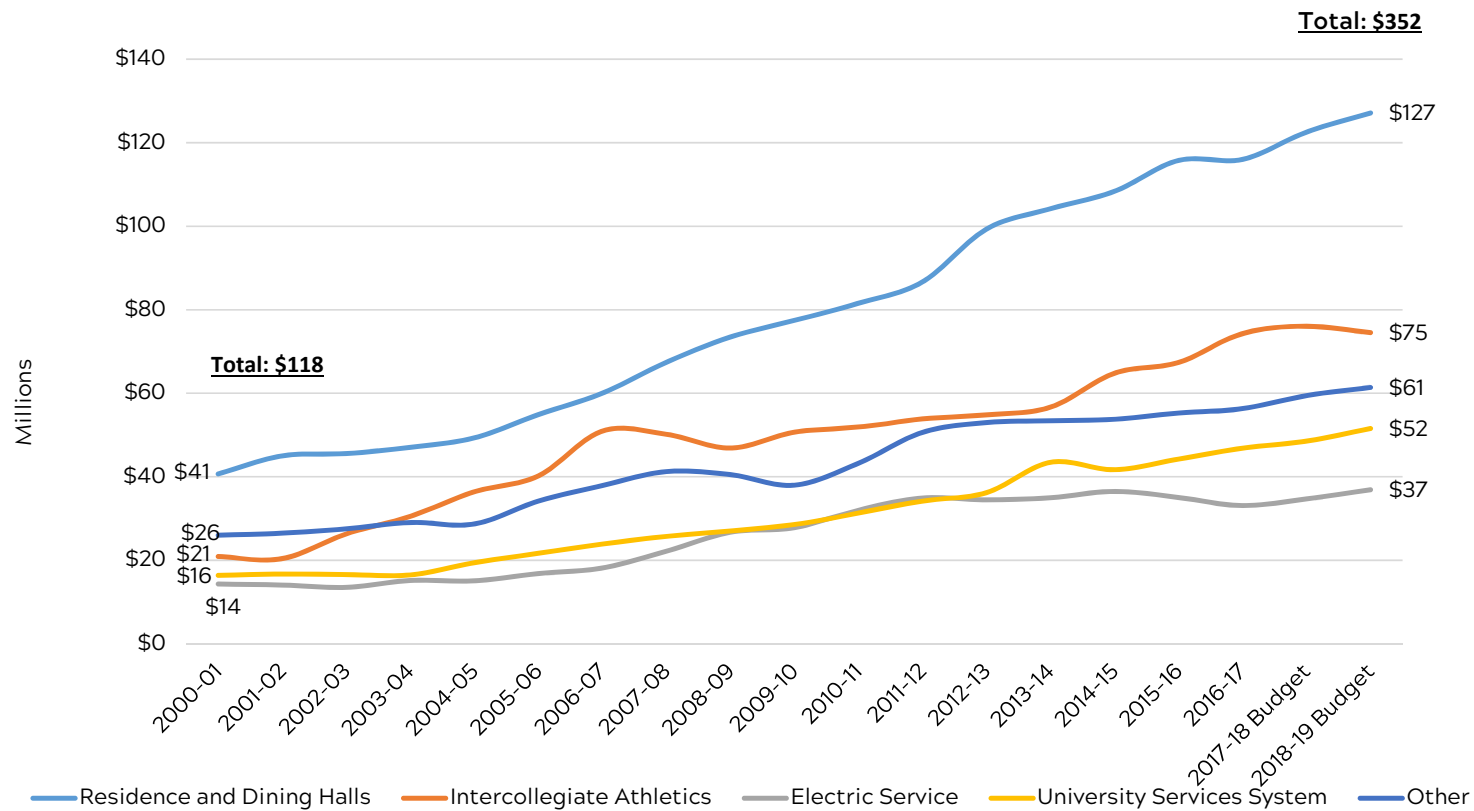


2018-19 Key Auxiliary Enterprise Revenue Budget Changes

(\$ in Millions)

	2017-18	2017-18	2018-19	Change	
	Original Budget	Adjusted Budget	Proposed Budget	\$	%
Residence and Dining Hall System	\$ 120.2	\$ 122.5	\$ 127.1	\$ 4.5	3.7%
Intercollegiate Athletics	69.3	76.0	74.5	(1.5)	-2.0%
Subtotal	\$ 189.5	\$ 198.6	\$ 201.6	\$ 3.0	1.5%

Auxiliary Enterprise Revenue Trend by Unit



Other includes: Hotel & Conference Center, Software Sales, Parking, Photocopy, Printing, Tailor Shop, Licensing, Pouring Rights, Telecommunications, Hokie Passport Office, Fleet Services.



Compensation Plan

- The university is planning the following compensation programs to be effective on September 10, 2018:
 - 2.0% merit program for T&R and A/P Faculty
 - 2.0% merit program for University Staff
 - Classified Staff have the opportunity to convert to University Staff.
- Enhance the competitiveness of entering salaries in pay bands 1-3 in the staff structure by \$0.50 per hour, effective May 25th, 2018.
- Recognition of National Distinction
 - Final outcomes of state budget and budget development will determine funding availability



VTCSOM 2018-19

(\$ in Millions)

	<u>Budget</u>
<u>Revenue</u>	
Medical Student Tuition	\$7.3
Partnership Nongeneral Funds	6.8
Miscellaneous	0.6
Total Revenue	<u>14.7</u>
<u>Expenses</u>	
Medical Instruction	<u>(14.7)</u>
Net	\$0



Capital Budget

Capital Project Authorizations

- Improvements =>\$2M and/or =>5,000 gross square feet of new construction
- Acquisitions regardless of cost
- Capital leases
- Authorizations encompass program, scope, total cost, and funding sources

Capital Project Authorizations

- Only the State or Board of Visitors may authorize a capital project.

State

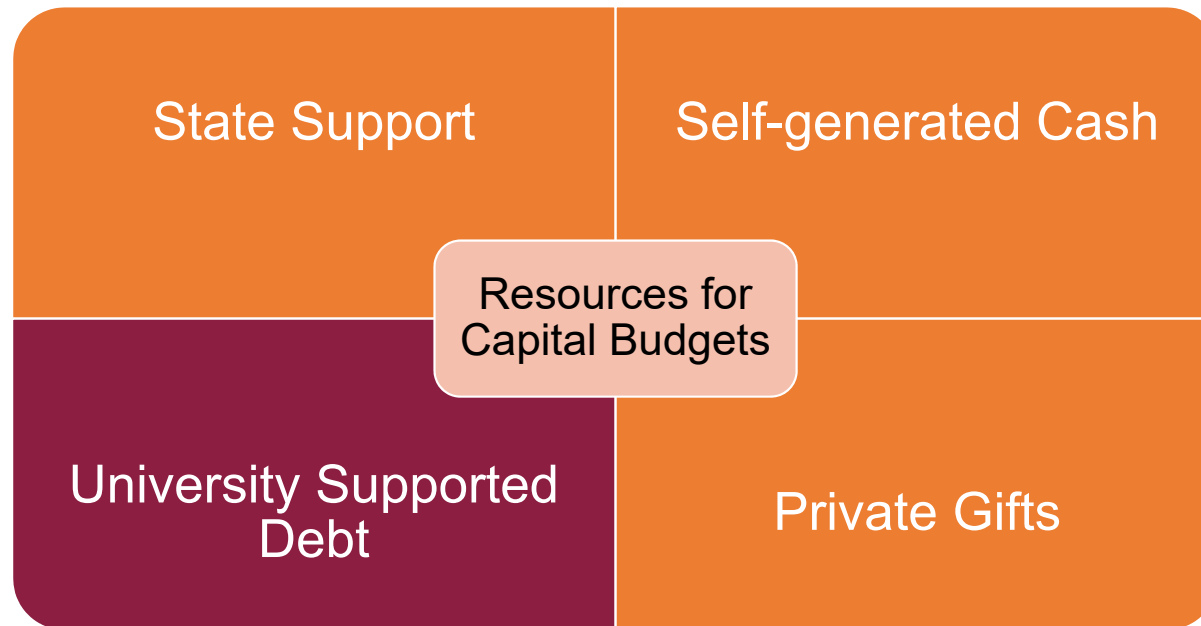
- \$1+ General Fund

Board of Visitors

- 100% nongeneral funds

Capital Project Budgets

- University develops a financing plan to support the entire budget of each capital project prior to its authorization.



Fiscal Year 2019 Capital Projects

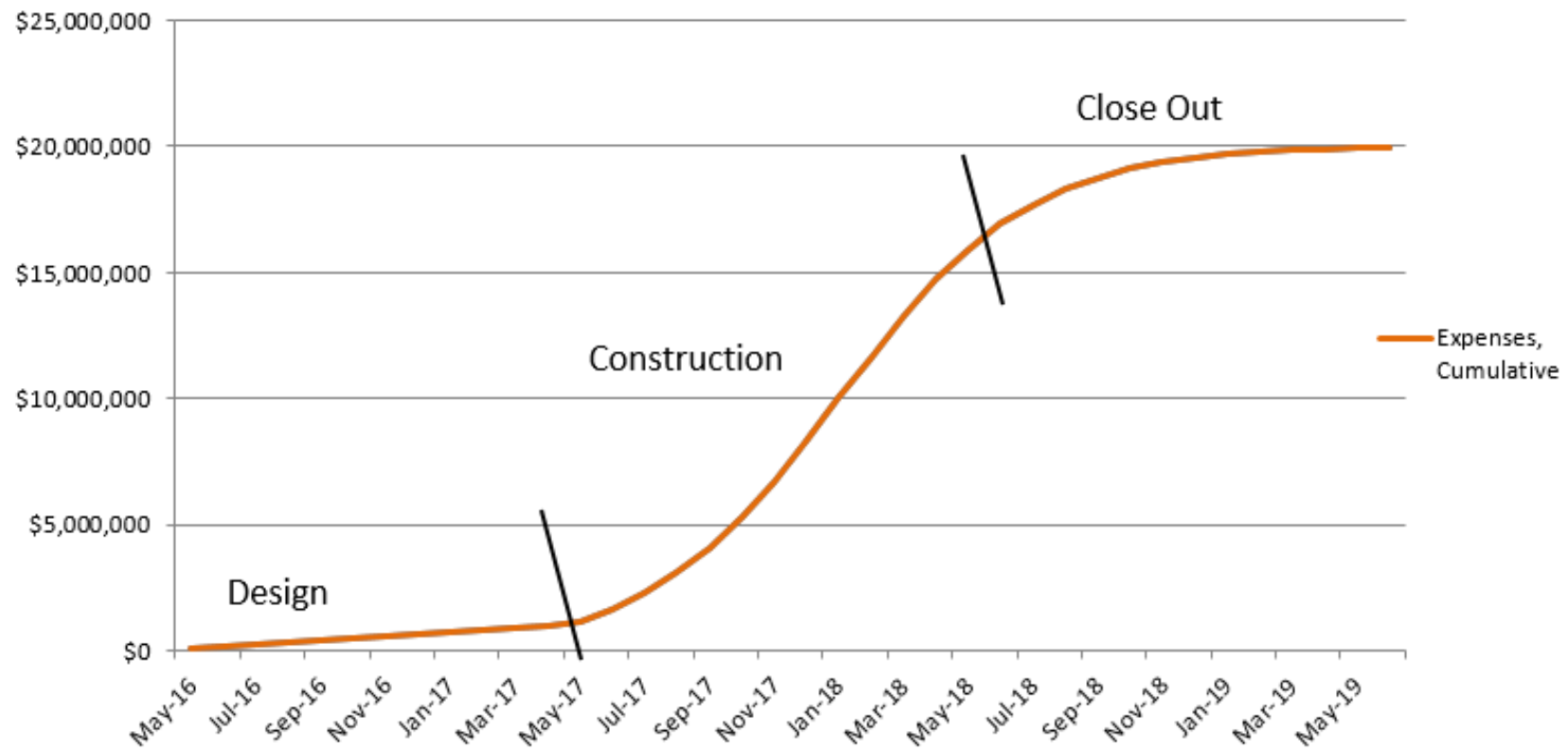
End FY 2018	28
Projects closed out June 30 th	- 5
New projects effective July 1 st	<u>0</u>
Start FY 2019	23

- 12 in design
- 7 in construction
- 4 in close-out

Fiscal Year 2019 Capital Budget

	(\$ in millions):
FY2019 total capital budget	\$592.7
Less total expenditures through June 30th	- <u>196.3</u>
Budget available for FY2019	\$396.4
Estimated capital expenditures for FY2019	<u>\$125.1</u>

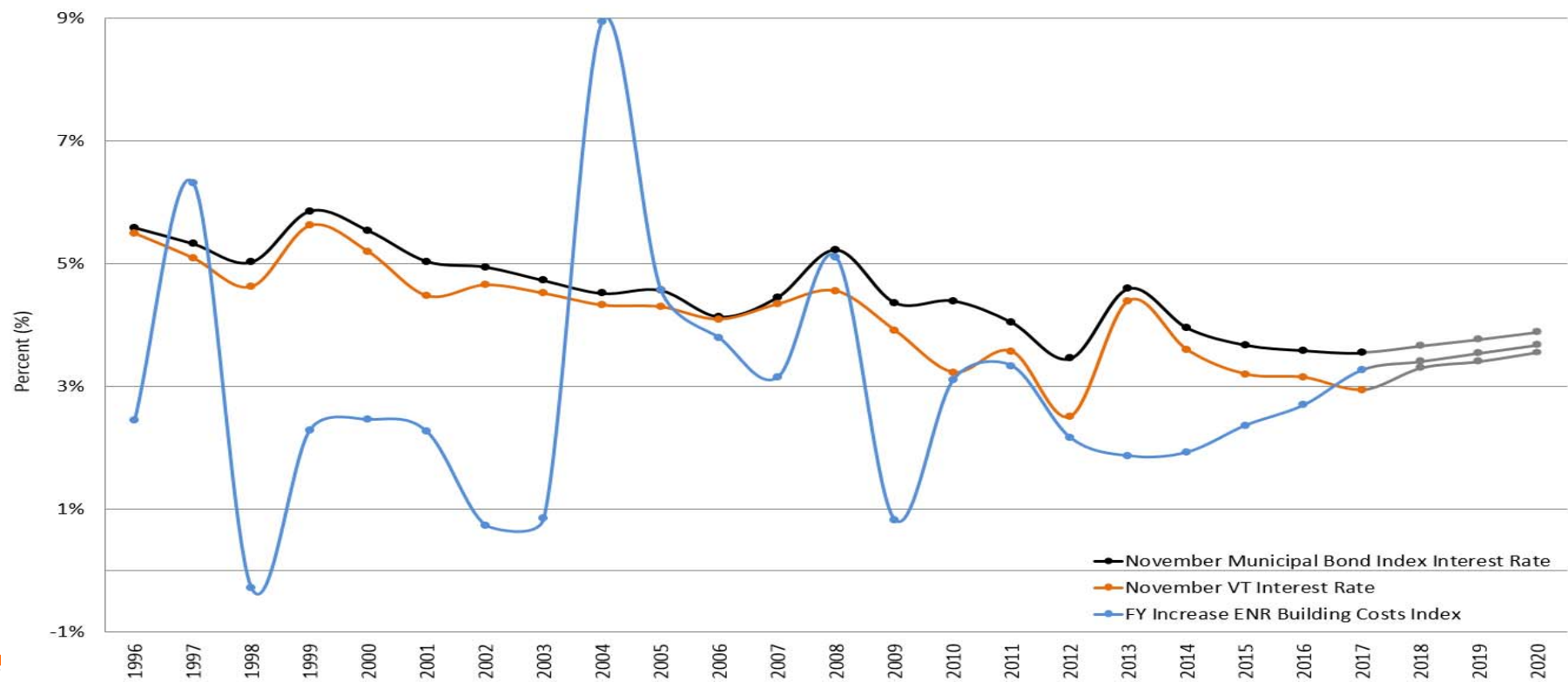
Capital Annual Budget Development



Most sensitive to construction start dates

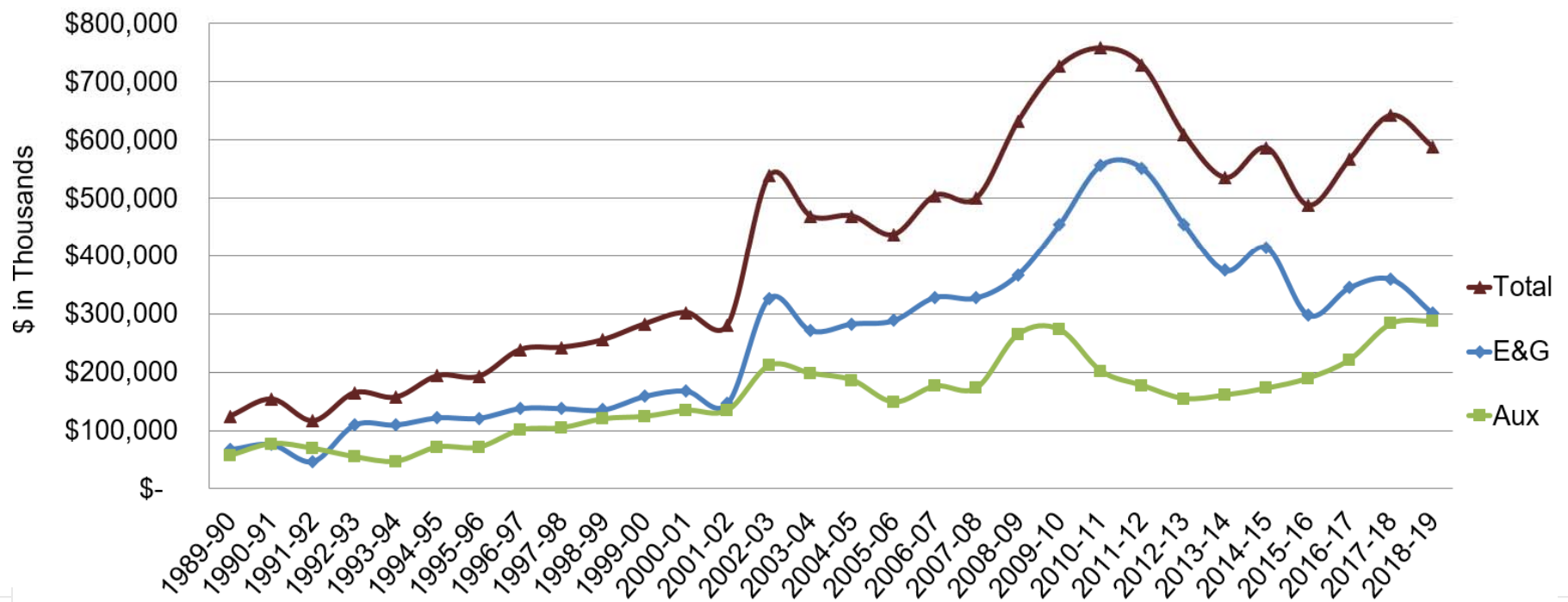
Escalation and Interest Rates

- Each project budget escalated to the mid-point of construction during development



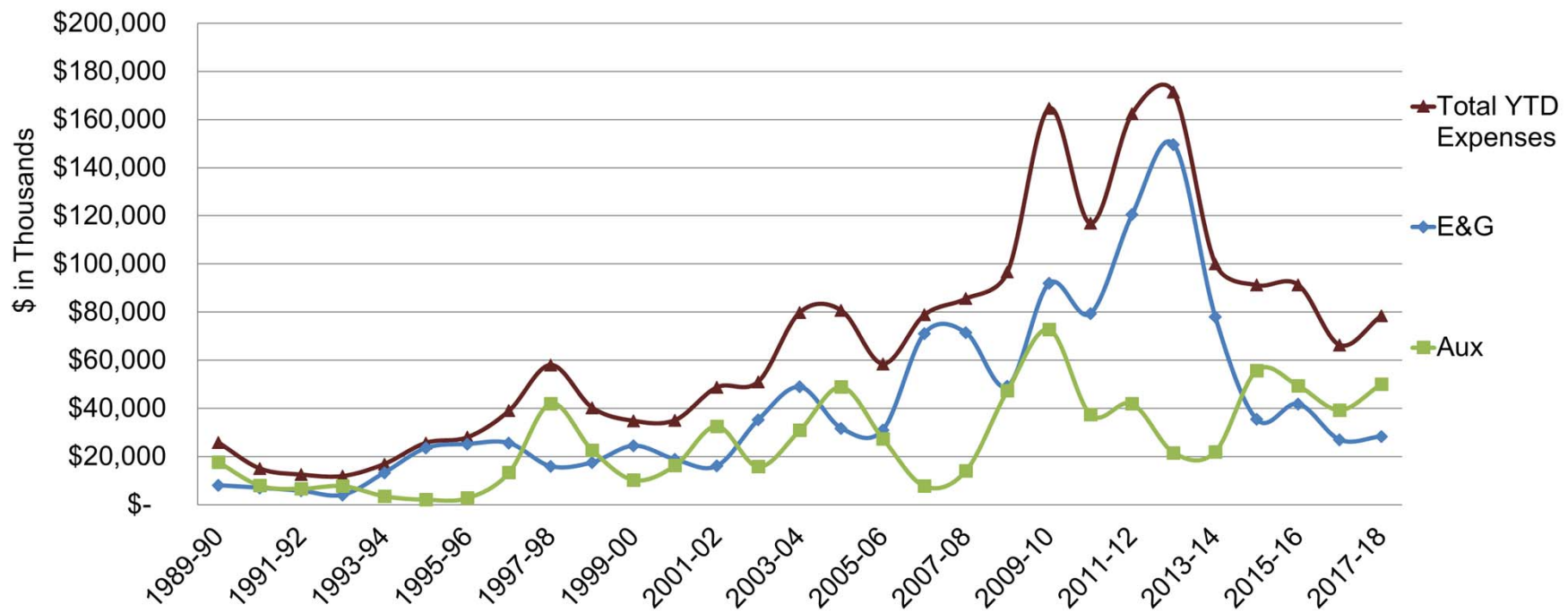
Trend of Total Capital Program Budget

Fiscal Year 1990 - Fiscal Year 2019



Trend of Capital Program Expenses

Fiscal Year 1990 - Fiscal Year 2018



Capital Budget Summary

- Capital projects represent large expenditure commitments that occur in a relatively short period of time
- Resource plans for capital projects are generally developed several years prior to authorization
- This lead time is necessary to prepare resources for such large costs
- Once initiated, a capital project requires approximately four years to complete
- The annual budget reflects the projected expenditure activity for the given fiscal year

Recommendation

RECOMMENDATION:

That the proposed 2018-19 operating and capital budgets, as displayed on Schedules 1, 2, and 3, be approved.

June 4, 2018