**Committee Minutes**

**FINANCE AND RESOURCE MANAGEMENT COMMITTEE**
**Latham Ballroom B, the Inn at Virginia Tech**
**November 19, 2024**

**Joint Open Session**

**Board members present:** Janice Austin – Administrative and Professional Faculty Representative, Ed Baine, LaTawnya Burleson – Staff Representative, David Calhoun, Sandy Davis (via Zoom),* Nancy Dye, Don Horsley, Anna James, Starlette Johnson, Ryan McCarthy, Jim Miller, Leslie Orellana – Undergraduate Student Representative, J. Pearson, John Rocovich

**University personnel and guests:** Simon Allen, Beth Armstrong, Mac Babb, Callan Bartel, Lynsay Belshe, Jeff Earley, Thomas Feeley, Suzanne Gooding, Kay Heidbreder, Tim Hodge, Andrew Jessup, Anne Keeler, Frances Keene, Sharon Kurek, Katie Lynch, Rob Mann, Elizabeth McClanahan, Nancy Meacham, Laurel Miner, Mike Mulhare, Kim O'Rourke, Mark Owczarski, Charlie Phlegar, President Tim Sands, Amy Sebring, Brennan Shepard, Ken Smith, Mike Staples, Michael Stowe, Dan Sui, Monecia Taylor, Dwyn Taylor, Jon Clark Teglas, Mike Walsh, Jake Wierer

*One Board member participated remotely from her home for medical reasons in accordance with Code of Virginia §2.2-3708.3(B). A quorum was physically present.

* 1. **Approval of Resolution for a Capital Planning Project for a New Virginia Tech Rescue Squad Facility:** The Committees reviewed for approval a resolution for a $2 million capital planning project for a new Virginia Tech rescue squad facility. This project is for an approximately 12,500 gross square foot building and the estimated total project cost is $16 million.

   The Committees recommended the Resolution for a Capital Planning Project for a New Virginia Tech Rescue Squad Facility to the full Board for approval.

**Open Session**

**Board members present:** Janice Austin – Administrative and Professional Faculty Representative, Ed Baine, LaTawnya Burleson – Staff Representative, David Calhoun, Anna James, Starlette Johnson, Ryan McCarthy, Jim Miller, John Rocovich

*** Requires full Board approval**
**# Discusses Enterprise Risk Management topic(s)**
**+ Discusses Strategic Investment Priorities topic(s)**

**University personnel and guests:** Simon Allen, Beth Armstrong, Lauren Augustine, Callan Bartel, Caroline Buscaglia, Corey Earles, Jeff Earley, Martha Glass, Suzanne Gooding, Suzanne Griffin, Rebekah Gunn, Tim Hodge, Andrew Jessup – guest, Anne Keeler, Sharon Kurek, Rob Mann, Elizabeth McClanahan, Nancy Meacham, Laurel Miner, Jeff Mitchell – guest, Mike Mulhare, Charlie Phlegar, Menah Pratt, Tim Sands, Amy Sebring, Brennan Shepard, Michael Staples, Michael Stowe, Dan Sui, Dwyn Taylor, Monecia Taylor, Mike Walsh, Melinda West, Chris Wise

1. **Motion to Reconvene in Open Session**

2. **Welcome and Opening Remarks**

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 August 28, 2024 Meeting**

    c. **Annual Report on the Write-Off of Delinquent Accounts:** As of June 30, 2024, the amount of write-offs of delinquent accounts totaled $642,662 which represents 0.04 percent of the 2023 annual operating revenues of $1.4 billion. The current year write-off is consistent with the total write-off amounts in recent years.

* d. **Approval of Resolution on Ratification of Lease Activities Approved by the University:** The university approves, and the Board of Visitors ratifies, lease activities below the capital project threshold according to the process the Board of Visitors approved at the June 2021 meeting. The university-approved lease portfolio had an ending balance of $190 million at June 30, 2024, with $151 million attributable to leases with the Virginia Tech Foundation.

* e. **Approval of Resolution on Ratification of Subscription Based Information Technology Arrangements (SBITA) Under GASB-96:** The university approves, and the Board of Visitors ratifies, Subscription Based Information Technology Arrangements (SBITAs) below the capital project threshold according to the process the Board of Visitors approved at the November 2023 meeting. The university-approved SBITA portfolio had an ending balance of $19 million at June 30, 2024.

* **Requires full Board approval**
\# **Discusses Enterprise Risk Management topic(s)**
\+ **Discusses Strategic Investment Priorities topic(s)**

* **f. Approval of Debt Refinancing Resolution:** The Committee reviewed for approval a debt refinancing resolution that allows the Authorized Officers of the university to seek refinancing of the Series 2015 bonds.

The Committee approved the items on the Consent Agenda and recommended the Resolution on Ratification of Lease Activities Approved by the University, Resolution on Ratification of Subscription Based Information Technology Arrangements Under GASB-96, and the Debt Refinancing Resolution to the full Board for approval.

* **4. Approval of Year-to-Date Financial Performance Report (July 1, 2023 – September 30, 2024):** The Committee reviewed for approval the Year-to-Date Financial Performance Report for July 1, 2024 to September 30, 2024. For the first quarter, budget adjustments were made to reflect revisions to projected revenues and expenditures. The report shows the actual revenues and expenses compared to the budgets of ongoing capital projects.

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

# **5. Annual Report on Research Finances and Resources:** Dan Sui, Senior Vice President for Research and Innovation, provided a comprehensive annual report on research finances and resources highlighting university research development and expenditures, award and proposal trends, and an overview of the Enterprise Risk landscape and mitigation strategies.

# **6. Update on Advancement:** Charlie Phlegar, Senior Vice President for Advancement, presented an update on Advancement, including an overview of new gifts and commitments, average gift size, alumni participation, and donor giving distributions.

#+ **7. Annual Report on University Debt Ratio and Debt Capacity:** The Committee received for acceptance a report on the university's debt ratio and debt capacity. At the conclusion of fiscal year 2024, outstanding long-term debt of the university totaled $748 million with a debt ratio of 4.82 percent of operating expenditures. The university proposes the continuation of the six percent cap on the debt ratio for the upcoming year.

* **Requires full Board approval**
# **Discusses Enterprise Risk Management topic(s)**
+ **Discusses Strategic Investment Priorities topic(s)**

+ 8. **Annual Report on Treasury Investments and Quasi-Endowments:** The Committee received a report on treasury investments and quasi-endowments, investment performance and related benchmarks, estimated payouts for fiscal year 2025, and planned use of such funds. The university has two investment pools: a short to intermediate-term pool managed within the university and a long-term pool managed by the Virginia Tech Foundation, Inc. The report shows the purposeful growth of funds invested in the endowment pool managed by the Foundation, which consists of true endowments, quasi-endowments and nongeneral fund reserves and balances, and local funds owned by the university.

*#+ 9. **Approval of Revisions to the 2024-2030 Six-Year Plan:** The Committee reviewed for approval the revisions to the 2024-2030 Six-Year Plan. The Higher Education Opportunity Act of 2011 established goals and objectives for higher education in Virginia, and outlined an annual planning process. This process requires submission of six-year academic, financial, and enrollment plans for the future three biennia. The focus of the plan, submitted each odd-year, is the first biennium of the planning period, and even-year submissions may revise these plans as necessary.

The university developed the revised Six-Year Plan for submission to the state on October 1, 2024. This report provides an overview of the Six-Year Plan process, key assumptions, and revisions to the original plan submitted last year.

The Committee recommended the Revisions to the 2024-2030 Six-Year Plan to the full Board for approval.

#+ 10. **Annual Report on Student Financial Aid Resources:** The Committee received a comprehensive report on the university's scholarship and financial aid program. In its Management Agreement with the commonwealth, the university affirmed its commitment to increase the support for student financial aid. The university continues to work proactively to ensure access and affordability as part of the Virginia Tech Advantage initiative. The amount of total student financial aid awarded increased from $638.6 million to $709.6 million in fiscal year 2024.

11. **Discussion of Future Agenda Topics and Closing Remarks:** The Committee did not discuss future agenda topics in the interest of time, and the Committee chair offered closing remarks.

There being no further business, the meeting adjourned at 10:03 a.m.

* **Requires full Board approval**
\# **Discusses Enterprise Risk Management topic(s)**
\+ **Discusses Strategic Investment Priorities topic(s)**

**Open Joint Session Agenda**

**FINANCE AND RESOURCE MANAGEMENT COMMITTEE AND BUILDINGS AND GROUNDS COMMITTEE**

**8:15 a.m.**
**Latham Ballroom B, the Inn at Virginia Tech**

**November 19, 2024**

| | | Agenda Item | Reporting Responsibility |
|---|---|---|---|
| * | 1. | Approval of Resolution for a Capital Planning Project for a New Virginia Tech Rescue Squad Facility | Simon Allen<br>Dwyn Taylor<br>Rob Mann |

*** Requires full Board approval**
**# Discusses Enterprise Risk Management topic(s)**
**+ Discusses Strategic Investment Priorities topic(s)**

Attachment F

# Closed Session Agenda

## FINANCE AND RESOURCE MANAGEMENT COMMITTEE

**8:30 a.m.**

**Latham Ballroom B, the Inn at Virginia Tech**

**November 19, 2024**

| | Agenda Item | Reporting Responsibility |
|---|---|---|
| | 1. Motion for Closed Session | Starlette Johnson |
| * | 2. Ratification of Personnel Changes Report | Simon Allen |

* **Requires full Board approval**
\# **Discusses Enterprise Risk Management topic(s)**
\+ **Discusses Strategic Investment Priorities topic(s)**

# Open Session Agenda

## FINANCE AND RESOURCE MANAGEMENT COMMITTEE

**To begin immediately following the Closed Session**
**Latham Ballroom B, the Inn at Virginia Tech**

**November 19, 2024**

| | Agenda Item | Reporting Responsibility |
|---|---|---|
| | 1. Motion to Reconvene in Open Session | Jim Miller |
| | 2. Welcome and Opening Remarks | Dave Calhoun |
| | 3. Consent Agenda | Dave Calhoun |
| | a. Approval of Items Discussed in Closed Session | |
| | b. Approval of Minutes of the August 28, 2024 Meeting | |
| | c. Annual Report on Write-Off of Delinquent Accounts | |
| * | d. Approval of Resolution on Ratification of Lease Activities Approved by the University | |
| * | e. Approval of Resolution on Ratification of Subscription Based Information Technology Arrangements (SBITA) Under GASB-96 | |
| * | f. Approval of Debt Refinancing Resolution | |
| * | 4. Approval of Year-to-Date Financial Performance Report (July 1, 2024 – September 30, 2024) | Tim Hodge<br>Rob Mann |
| # | 5. Annual Report on Research Finances and Resources | Dan Sui |
| # | 6. Update on Advancement | Charlie Phlegar |
| #+ | 7. Annual Report on University Debt Ratio and Debt Capacity | Simon Allen |
| + | 8. Annual Report on Treasury Investments and Quasi-Endowments | Simon Allen |
| *#+ | 9. Approval of Revisions to the 2024-2030 Six-Year Plan | Tim Hodge |
| #+ | 10. Annual Report on Student Financial Aid Resources | Simon Allen |
| | 11. Discussion of Future Agenda Topics and Closing Remarks | Dave Calhoun |

*** Requires full Board approval**
**# Discusses Enterprise Risk Management topic(s)**
**+ Discusses Strategic Investment Priorities topic(s)**

Attachment F

# Resolution for a Capital Planning Project for the Virginia Tech Rescue Squad Facility

ROB MANN
Assistant Vice President for Capital Budgeting and Financing

NOVEMBER 19, 2024

# Resolution for a Capital Planning Project for the Virginia Tech Rescue Squad Facility

- The 2024-2030 Six-Year Capital Plan and University Debt Report include a capital project to construct a new Rescue Squad Facility
- The existing facility is under-sized, in poor condition and does not meet current and future needs

Virginia Tech Rescue Squad Conceptual Rendering (from Feasibility Study)

# Resolution for a Capital Planning Project for the Virginia Tech Rescue Squad Facility

- Scope: envisioned as an approximately 12,500 GSF total project
- Target total project budget: $16 million
- Location: off Oak Lane
- Funding Plan: 100 percent non-general funds including auxiliary cash reserves earmarked for this project and debt serviced by the rescue squad component of the Student Health fee
- **Request: a $2 million planning authorization to complete designs through working drawings for the Viriginia Tech Rescue Squad facility**

New Virginia Tech Rescue Squad Facility to be located off Oak Lane

# Resolution for a Capital Planning Project for the Virginia Tech Rescue Squad Facility

NOW, THEREFORE, BE IT RESOLVED, that the university be authorized to move forward with a $2 million planning authorization to complete designs through working drawings for the Virginia Tech Rescue Squad Facility.

## Recommendation

That the resolution authorizing Virginia Tech to plan the Rescue Squad Facility project be approved.

NOVEMBER 19, 2024

# Accounts Receivable and the Write-Off of Delinquent Accounts
# For the Fiscal Year Ended June 30, 2024

## FINANCE AND RESOURCE MANAGEMENT COMMITTEE

## September 25, 2024

## Overview

Current accounts receivable are generated by several components as part of the annual operating activities of the university. Student accounts receivable and the receivables generated through the sponsored research program represent the largest components of the total receivables. Current and noncurrent notes receivable are comprised of both federal and institutional student loans administered by the university. To properly account for and control these assets, the university uses a combination of centralized and decentralized systems.

The Bursar's Office is responsible for the centralized accounts receivable system operation and monitoring the activities of the decentralized operations through reviews of reports and discussions with personnel who have been delegated the responsibility for billing and collecting accounts. The Bursar's Office is also responsible for managing the collection process for all delinquent accounts.

The Controller's Office consolidates information from the receivable systems on a quarterly basis and reports to senior management and the State Comptroller. The quarterly report uses a combination of narratives, tables, and graphs to report receivables, analyze trends, and identify areas where emphasis or action is needed. The Controller's Office is responsible for the implementation of corrective action to ensure that receivables are properly managed.

## Composition and Aging of the Receivables

Accounts receivable: Attachment A provides the composition of the current gross receivables at June 30, 2024, with comparative data for the previous year. Attachment B provides a graph for the aging analysis of the gross receivables at June 30, 2024, with comparative data for the previous three years. In addition, the total current receivables write-offs for these four years are overlaid on this graph to demonstrate the small proportion of write-offs to total receivables.

Notes receivable – from students: Federal and Institutional Loans (issued by Virginia Tech from gifts and donated funds designated to be used for loans) to students require the execution of a promissory note. These loans receivable are repaid over 10 or more years after a student's last enrollment at the university and the amount due in the next 12 months is classified as a current notes receivable for the university's financial statements.

Attachment A also provides the composition of the total gross federal and institutional student loan receivables at June 30, 2024, with comparative data for the previous year.

## Collection Efforts and Write-Offs

Because of the nature of the accounts receivables, their impact on the university's operating budget, and the university's assertive policy for collecting delinquent accounts, the annual write-off of uncollectible accounts is relatively small. The average annual write-off for accounts receivable for the past three years is $507,522. **The fiscal year 2024 write-off total of $642,662 represents only 0.04 percent (less than one tenth of one percent) of the annual operating revenues[1] per the audited financial statements for fiscal year 2023**.

Various techniques are used for collecting delinquent accounts receivables depending on the customer and type of account. For example, students must pay past due amounts before they are allowed to enroll for the next school term. Other delinquent accounts are placed with commercial collection agencies and the State Attorney General's Office for collection. The State Comptroller provides guidance on collection policies and procedures, and the university generally complies with the State Comptroller's recommendations, except where improved practices have been implemented under the Restructuring Act.

<u>Accounts Receivable Written Off at June 30, 2024</u>

As authorized by a resolution passed by the Board of Visitors on August 13, 1976, the Vice President for Finance and the Associate Vice President for Finance and University Controller periodically review the university's accounts and notes receivable to determine those delinquent accounts that are deemed uncollectible. Subsequently, the accounts are written off the university's records in accordance with generally accepted accounting practices. However, such accounts are not discharged or forgiven (with limited exceptions such as bankruptcies, death, etc.), and the university continues to track these accounts and sometimes collects portions of these accounts after being written off.

Normally, accounts are written off at the close of the fiscal year. For the fiscal year ended June 30, 2024, the accounts receivable written off totaled $642,662. The increase in write-offs of $292,336 over the prior year is primarily due to an increase of $108,054 in Student Account write-offs caused by returned payments and students who enrolled in summer or winter courses and never paid. There was also an increase of $69,080 in Veterinary medicine write-offs. See Attachment C for a summary of the accounts receivables written off at June 30, 2024, with comparative data for the two previous fiscal years.

For each accounts receivable written off, appropriate collections procedures were utilized. Further collection efforts were not justified for various reasons such as bankruptcies, inability to locate the debtor, and cost versus benefit for small receivable amounts.

As shown in Attachment D, the $642,662 write-off total consists of 1,258 customers with an average account value of $511. In fact, of the total number of accounts written off, 55.48 percent (698) were valued at less than $100, and these low dollar accounts represent only 5.10 percent of the total dollar value of the write-offs.

[1] Operating revenues for FY23 of $1,443,310,000 was used for this calculation.

Ten aging sponsored research accounts totaling $486,000 were late moving into collection status and not included in the FY24 write offs. The university financial statement assets are not overstated as result of these accounts not being written off because the allowance for doubtful accounts includes allowance for $1.63 million sponsored receivables.

Notes Receivable – From Students Written Off at June 30, 2024

The total notes receivable written off at the close of fiscal year 2024 included $15,521 in recoveries of the institutional student loan portfolio. Institutional student loans are subject to the same collection techniques as other university receivables. For each loan written off, appropriate collection procedures were utilized. The notes receivable write-off consists of five new Brooking loan write-offs as well as five loans that we received payment for that were previously written off. Institutional student loans are most often awarded to students with financial need who have exhausted other avenues of financial aid. Since these are long-term loan programs issued to borrowers with limited resources, the university generally has allowed more time before deeming the loan uncollectible and subsequently writing these amounts off.

**State Management Standards**

The university's Management Agreement under the Restructured Higher Education Financial and Administrative Operations Act includes several financial and administrative performance standards. The university must achieve compliance with all these performance standards to retain the financial benefits provided under the Management Agreement. There are two management standards related to accounts receivable and both are calculated annually and reported to the state biennially. The two standards are:

a. A four quarter average past due rate of 10 percent or less on receivables 121-days or more past due as a percentage of all current receivables.

b. An average past due rate of 10 percent or less on Federal Perkins student loans.

The university is currently in compliance with both standards. As of June 30, 2024, the average past due rate on current receivables 121-days or more past due is 2.77 percent for the applicable four quarters.

The university has assigned all Federal Perkins loans to the U.S. Department of Education.

**Composition of Gross Accounts and Notes Receivable**
**As of June 30, 2023 and 2024**
**(Dollars in Thousands)**

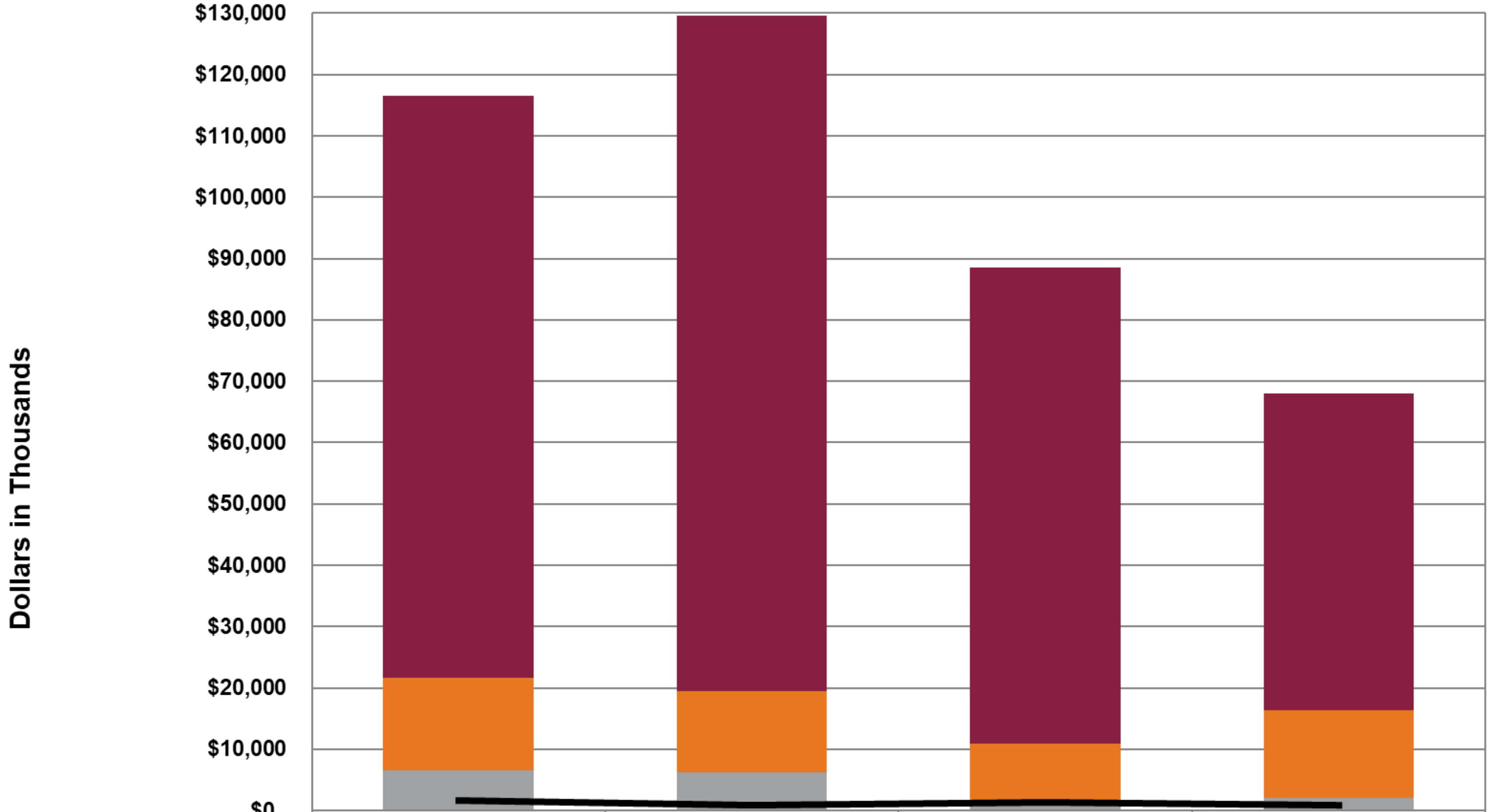
| | June 30, 2024 | | | June 30, 2023 | | |
|---|---|---|---|---|---|---|
| | | Receivable Balance | Percent | | Receivable Balance | Percent |
| **Accounts Receivable:** | | | | | | |
| Student Accounts | $ | 5,591 | 4.8% | $ | 4,967 | 3.8% |
| Sponsored Programs | | 81,941 | 70.3% | | 91,982 | 71.0% |
| Electric Service | | 1,265 | 1.1% | | 1,084 | 0.8% |
| Parking Service | | 104 | 0.1% | | 94 | 0.1% |
| Telecommunications (N&IS) | | 3 | 0.0% | | 6 | 0.0% |
| CPE and IVTSCC [1] | | 539 | 0.5% | | 717 | 0.6% |
| Veterinary Medicine | | 877 | 0.8% | | 787 | 0.6% |
| Equine Medical Center | | 454 | 0.4% | | 636 | 0.5% |
| Short Term Loans/Notes | | 7 | 0.0% | | 4 | 0.0% |
| Other Receivables [2] | | 25,782 | 22.0% | | 29,263 | 22.6% |
| **Total Accounts Receivables** | **$** | **116,563** | **100.0%** | **$** | **129,540** | **100.0%** |
| | | | | | | |
| **Notes Receivable** | | | | | | |
| Federal Loans - HPSL [3] | $ | 674 | 40.2% | $ | 657 | 37.2% |
| Institutional Loans | | 1,002 | 59.8% | | 1,109 | 62.8% |
| **Total Notes Receivable** | **$** | **1,676** | 100.0% | **$** | **1,766** | 100.0% |

[1] Continuing and Professional Education / Inn at Virginia Tech & Skelton Conference Center
[2] One-time receivables are included in Other Receivables category
$11,451 Athletics
[3] Health Professions Student Loan

Attachment F

Attachment B

**Aging of Current Gross Accounts Receivable**
**From June 30, 2021 to June 30, 2024**
**(Dollars in Thousands)**




| | June 30, 2024 | June 30, 2023 | June 30, 2022 | June 30, 2021 |
|---|---|---|---|---|
| Receivables Not Past Due | $94,880 | $110,090 | $77,553 | $51,683 |
| 1 - 120 Days Past Due | $15,044 | $13,218 | $9,346 | $14,285 |
| 121 to Over 1 Year Past Due | $6,639 | $6,232 | $1,644 | $2,079 |
| Total Gross Receivables | $116,563 | $129,540 | $88,543 | $68,047 |
| Write-Offs | $643 | $354 | $530 | $341 |

# Current Accounts Receivable Write-Offs for June 30, 2024 with Comparison to 2023 and 2022

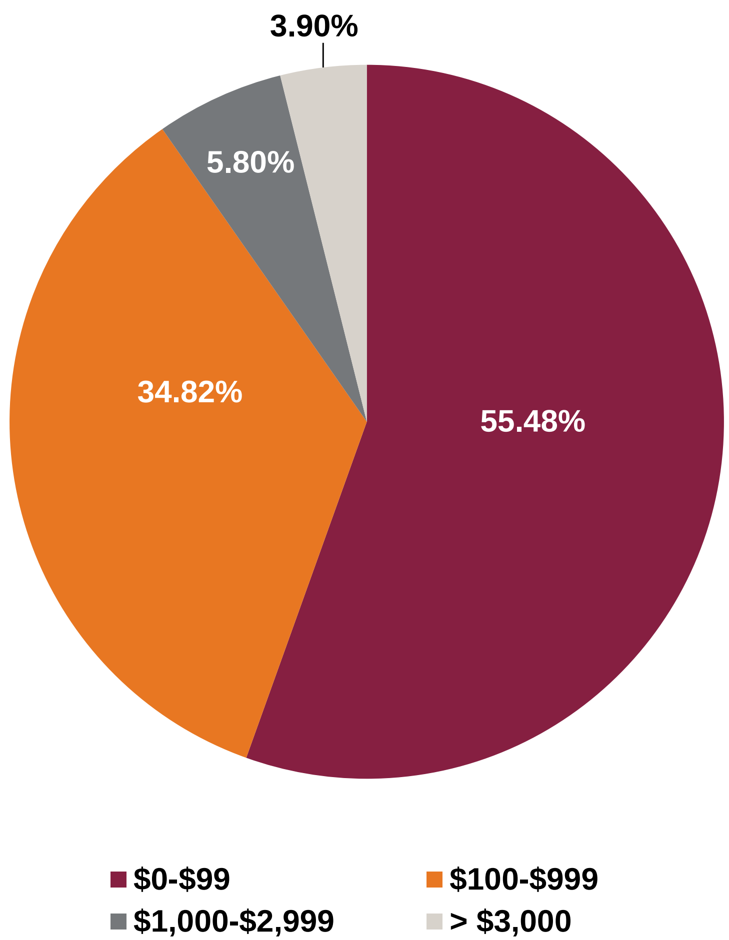
**(In whole dollars)**

| Accounts Receivable | June 30, 2024 | June 30, 2023 | June 30, 2022 | Three Year Average |
|---|---|---|---|---|
| Student Accounts | $ 280,331 | $ 172,277 | $ 294,305 | $ 248,971 |
| Sponsored Programs | - | 3,688 | - | 1,229 |
| Electric Service | 16,757 | 35,096 | 30,742 | 27,532 |
| Parking Services | 46,820 | 20,286 | 19,064 | 28,723 |
| CPE and IVTSCC [1] | 56 | 5,000 | - | 1,685 |
| Veterinary Medicine | 118,716 | 49,636 | 44,355 | 70,902 |
| Equine Medical Center | 65,593 | 40,815 | 68,064 | 58,157 |
| Short Term Loans/Notes | 6 | - | - | 2 |
| Other Receivables | 114,383 | 27,214 | 73,050 | 71,549 |
| **Total Write-Offs** | **$ 642,662** | **$ 354,012** | **$ 529,580** | **$ 508,750** |

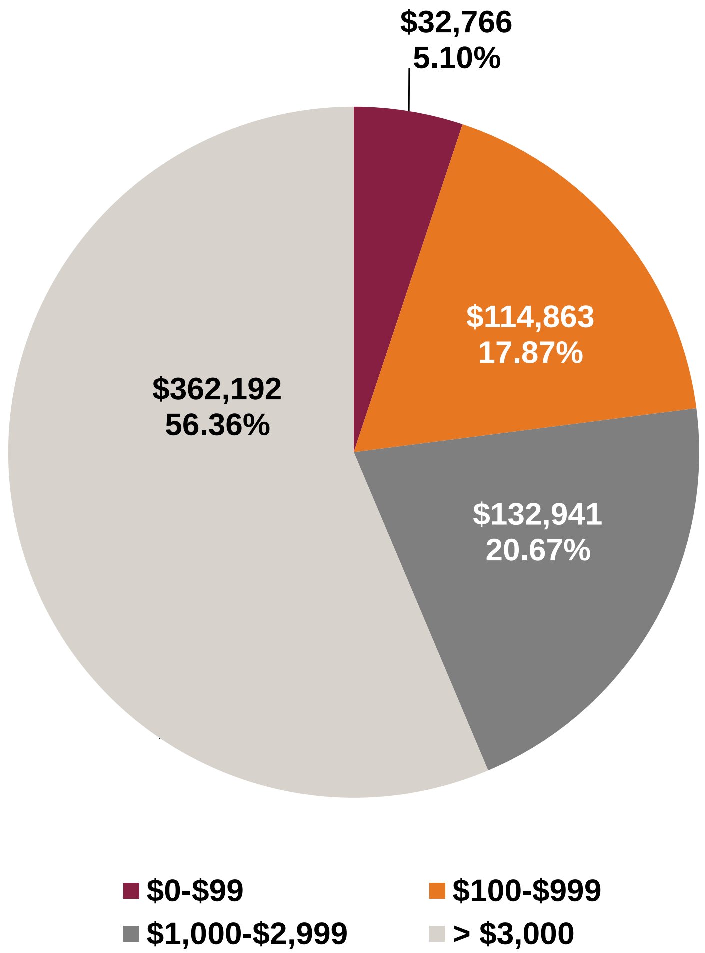
[1] Continuing and Professional Education / Inn at Virginia Tech & Skelton Conference Center

## Stratification of Write-Offs for Fiscal Year 2024

**Total Number of Accounts = 1,258**




**Total Dollar Value = $642,662**
**Average Dollar Value = $511**



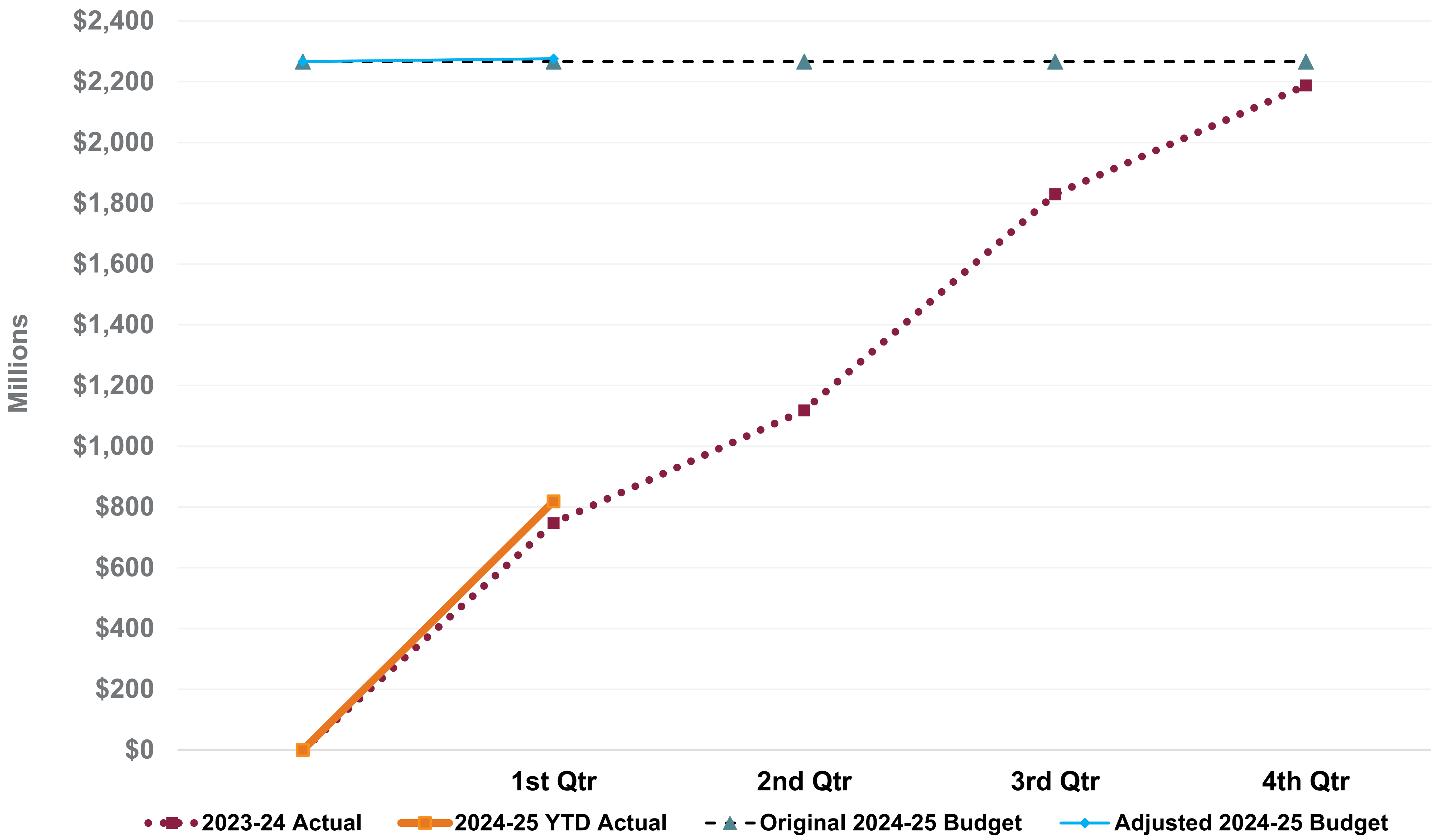
# Financial Performance Report July 1, 2024 – September, 2024

Tim Hodge, Associate Vice President of Budget and Financial Planning

Rob Mann, Assistant Vice President for Capital Budgeting and Financing

November 19, 2024

# Operating Revenues



# Operating Sources & Uses | University Consolidated

## Cash Basis - $ in 1,000s

| | FY23 Q1 | FY24 Q1 | FY25 Quarter 1 FY25 Q1 | FY25 Q1 | Variance Analysis Projected Budget v. Actual | |
|---|---|---|---|---|---|---|
| Sources | Actual | Actual | Projected Budget | Actual | Dollars | Percentage |
| Tuition & E&G Fees (net) | $ 325,978 | $ 337,199 | $ 362,023 | $ 367,223 | $ 5,200 | 1.4% |
| State Appropriations | 111,303 | 89,762 | 106,552 | 106,552 | (0) | 0.0% |
| Federal (VCE/AES) | 3,248 | 4,050 | 4,200 | 3,652 | (548) | -13.0% |
| Sponsored Programs(Direct & Indirect) | 103,199 | 121,376 | 124,848 | 127,873 | 3,025 | 2.4% |
| Auxiliary Enterprise Revenue & Fees | 155,669 | 174,526 | 190,575 | 191,856 | 1,281 | 0.7% |
| Other | 19,537 | 20,497 | 20,869 | 21,716 | 847 | 4.1% |
| Total Operating Revenue | $ 718,934 | $ 747,410 | $ 809,068 | $ 818,872 | $ 9,805 | 1.2% |
| Uses | | | | | | |
| Personnel Costs | | | | | | |
| Salaries (includes GAs & Wage) | $ 242,874 | $ 266,211 | $ 302,737 | $ 295,501 | $ 7,236 | 2.4% |
| Fringe Benefits | 79,981 | 85,713 | 97,474 | 91,589 | 5,885 | 6.0% |
| Financial Aid, Appropriated (a) | 19,476 | 20,255 | 23,034 | 27,988 | (4,954) | -21.5% |
| General Expense & Services (Operating) | 116,138 | 139,482 | 158,620 | 161,273 | (2,653) | -1.7% |
| Continuous Charges (utilities, leases, insurance) | 33,000 | 42,242 | 48,038 | 51,978 | (3,941) | -8.2% |
| Debt Service | 10,376 | 20,374 | 23,169 | 23,668 | (499) | -2.2% |
| Total Operating Expenses | $ 501,845 | $ 574,278 | $ 653,072 | $ 651,998 | $ 1,074 | 0.2% |
| Net from Operations | $ 217,089 | $ 173,132 | $ 155,996 | $ 166,874 | $ 10,878 | 7.0% |

Footnote

(a) In the Commonwealth of Virginia, appropriated student financial aid is a subset of the entire student financial aid program.

# 1st Quarter 2024-25



## Annual Budget Changes During the Quarter

Education and General (University Division)

- $5.4 million one-time increase for VT share of statewide VMSDEP GF pool.
- $2.1 million decrease for higher than projected VMSDEP waiver activity.
- $0.5 million increase for undergraduate enrollment and residency mix variance and higher than projected graduate enrollments.

Education and General (VCE/AES)

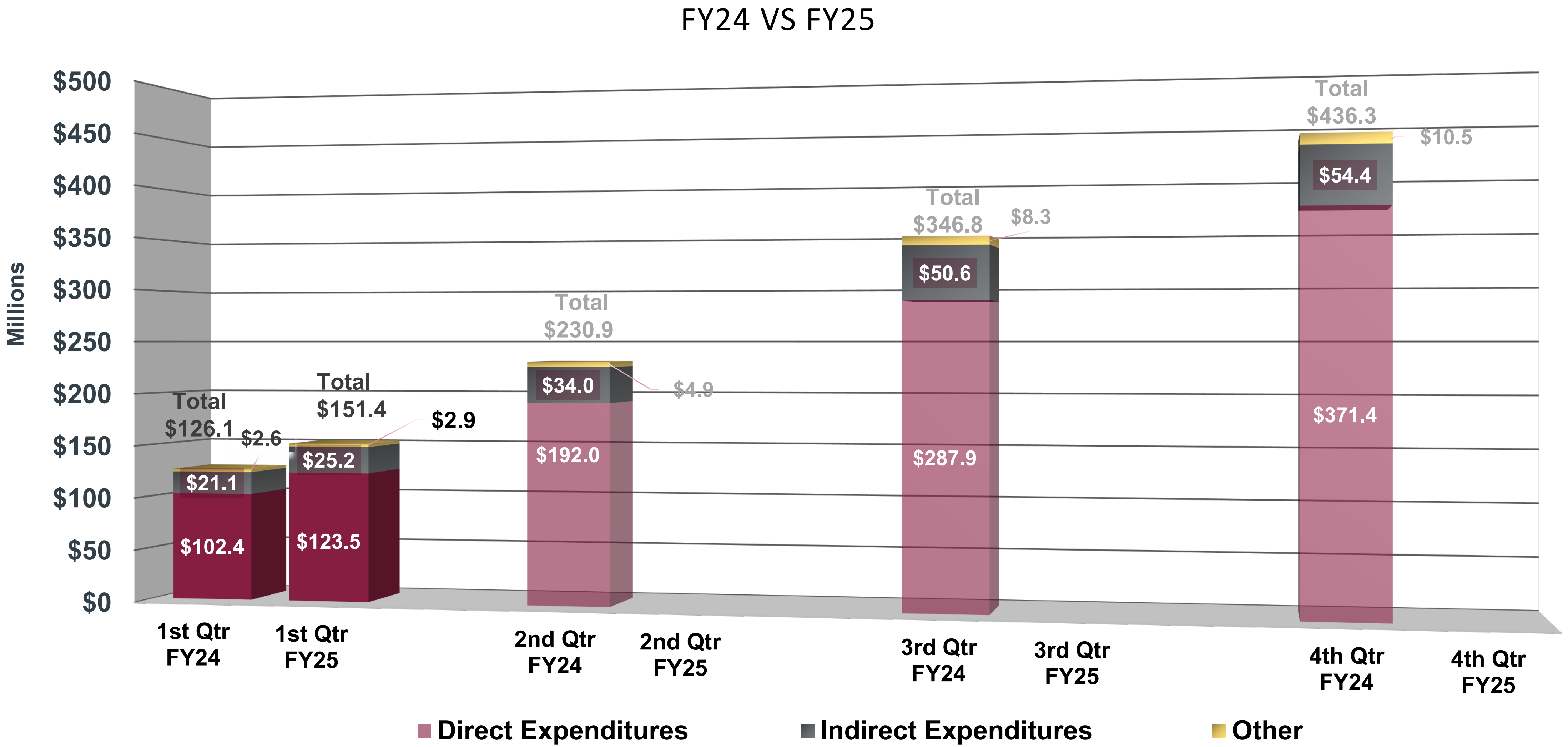
- $2.0 million increase for carryover of federal appropriations.

Auxiliary Enterprises

- $22.1 million carryover of outstanding FY24 projects and commitments that were initiated but not completed before June 30, 2024

Attachment F

# Sponsored Program Expenditures



# Capital Program

Attachment F

# Capital Outlay Total Program

| | | Total Budget $ in Thousands | Total Expenditures $ in Thousands |
|---|---|---|---|
| **4th Quarter End** | **Total Projects = 23** | **$1,268,621** | **$759,545** |
| | Adjustments for Closing Fiscal Year 2024 | (149,605) | (146,086) |
| | Adjustments for Start Fiscal Year 2024 | | |
| | E&G MR Appropriation | 20,645 | |
| | Auxiliary MR Authorization | 14,500 | |
| | Construction for Improve Center Woods Complex | 13,854 | |
| | Planning: Improve Campus Accessibility | 8,000 | |
| | Equipment for Workforce Development Appropriation | 7,993 | |
| | Planning: CVM Teaching Hospital Ren. & Expansion | 4,300 | |
| | Planning: Repair Derring Hall Envelope | 1,624 | |
| | Planning: Improve Eastern Shore AREC | 1,515 | |
| | Fiscal Year 2024 1st Qtr. Expenditures | | 51,852 |
| **1st Quarter Ended** | **Total Projects = 23** | **$1,191,447** | **$665,311** |

**8 Design** **7 Construction** **2 Equipment** **6 Closeout**

# Timing for Construction Pricing

| Underway | MAY 2025 | OCT 2025 |
|---|---|---|
| Mitchell Hall GMP-2 | New Business Building | Improve Center Woods Complex |
| $157,200,000 | $60,600,000 | $9,800,000 |

**Cumulative design expenses through September 30, 2024: $2,772,000**

# Projects Coming Online

| December 2024 | October 2025 | January 2026 |
| --- | --- | --- |
| Innovation Campus – Academic Building<br><br>ADA & Code Compliance-Phase II | ADA & Code Compliance-Ph. III | Livestock Haybarns |

CALENDAR YEAR

Cumulative construction expenses through September 30, 2024 - $317,826,000

# Approval of Year-to-Date Financial Performance Report

July 1, 2024 – September 30, 2024

## Recommendation:

That the report of income and expenditures for the University Division and the Cooperative Extension/Agriculture Experiment Station Division for the period of July 1, 2024 through September 30, 2024 and the Capital Outlay report be approved.

November 19, 2024

# Annual Report on Research Finances and Resources

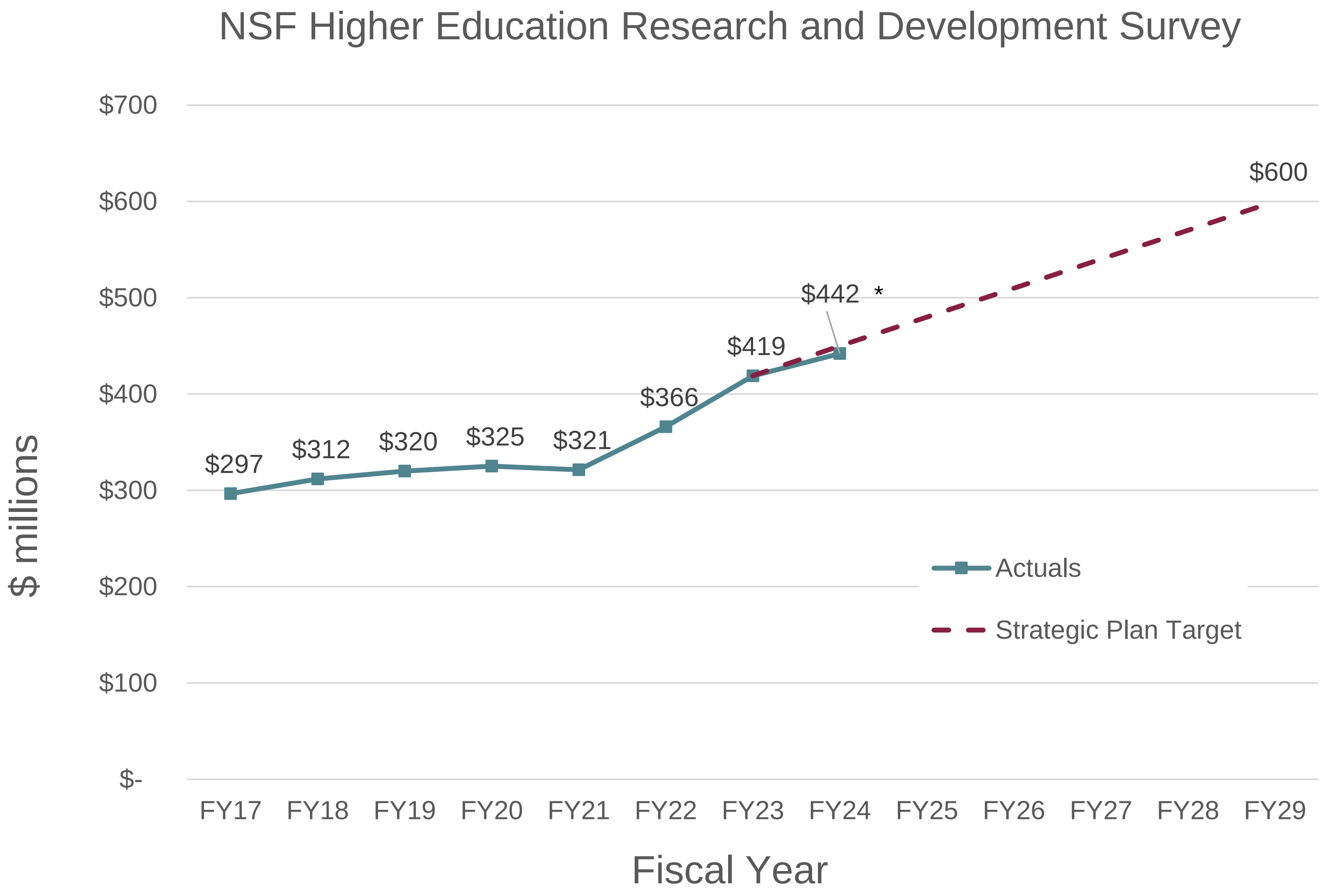
Finance and Resource Management Committee

**Daniel Sui**, Senior Vice President for Research and Innovation

November 2024

# EXTERNALLY SPONSORED RESEARCH EXPENDITURES

Research expenditures continue strong upward trajectory.



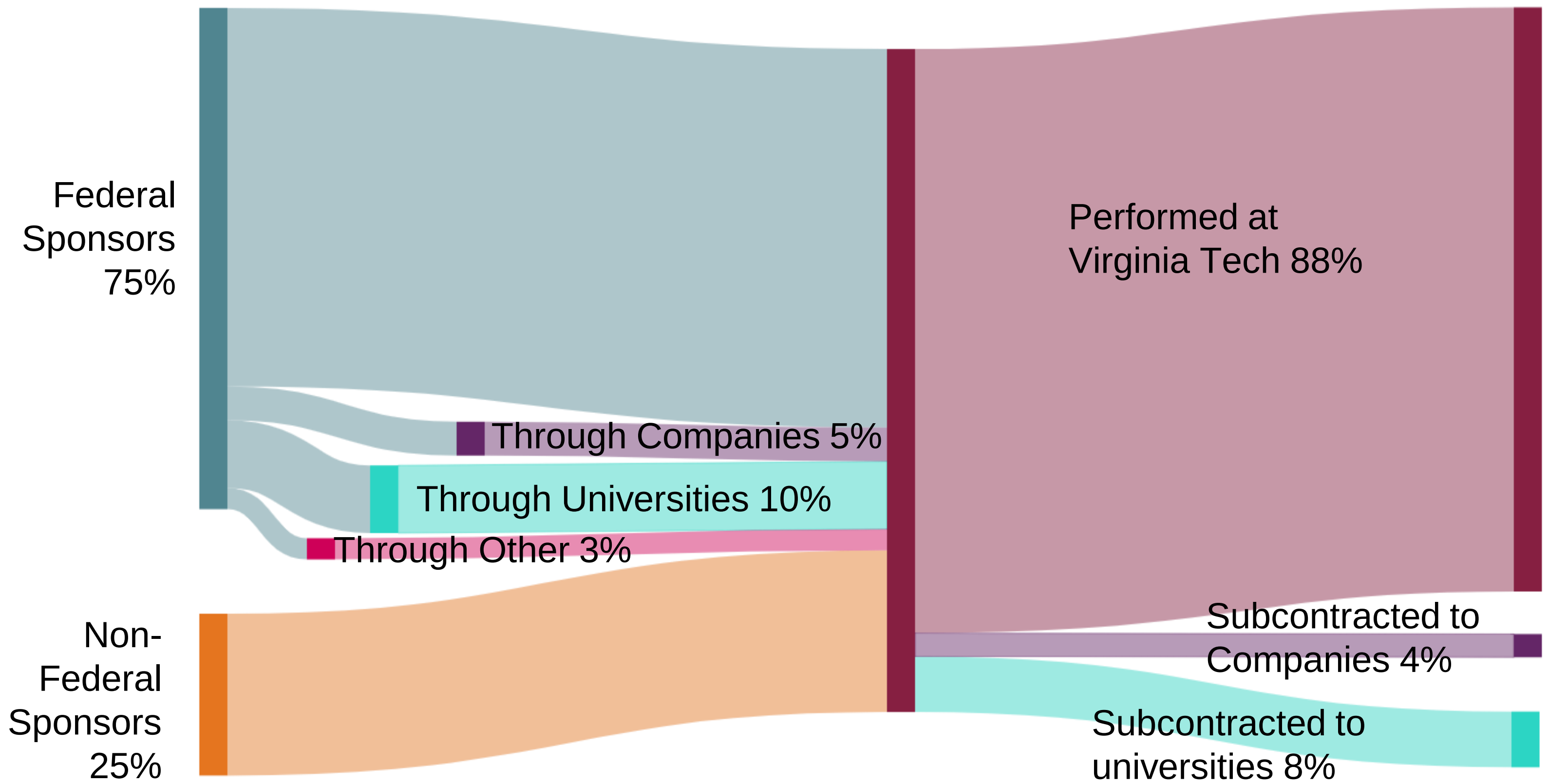

*FY24 totals are estimates; final numbers available in January

# VIRGINIA TECH RESEARCH FUNDING FLOWS

Virginia Tech sponsored research includes contracts directly for federal and non-federal sponsors, and also subcontracts through other organizations.

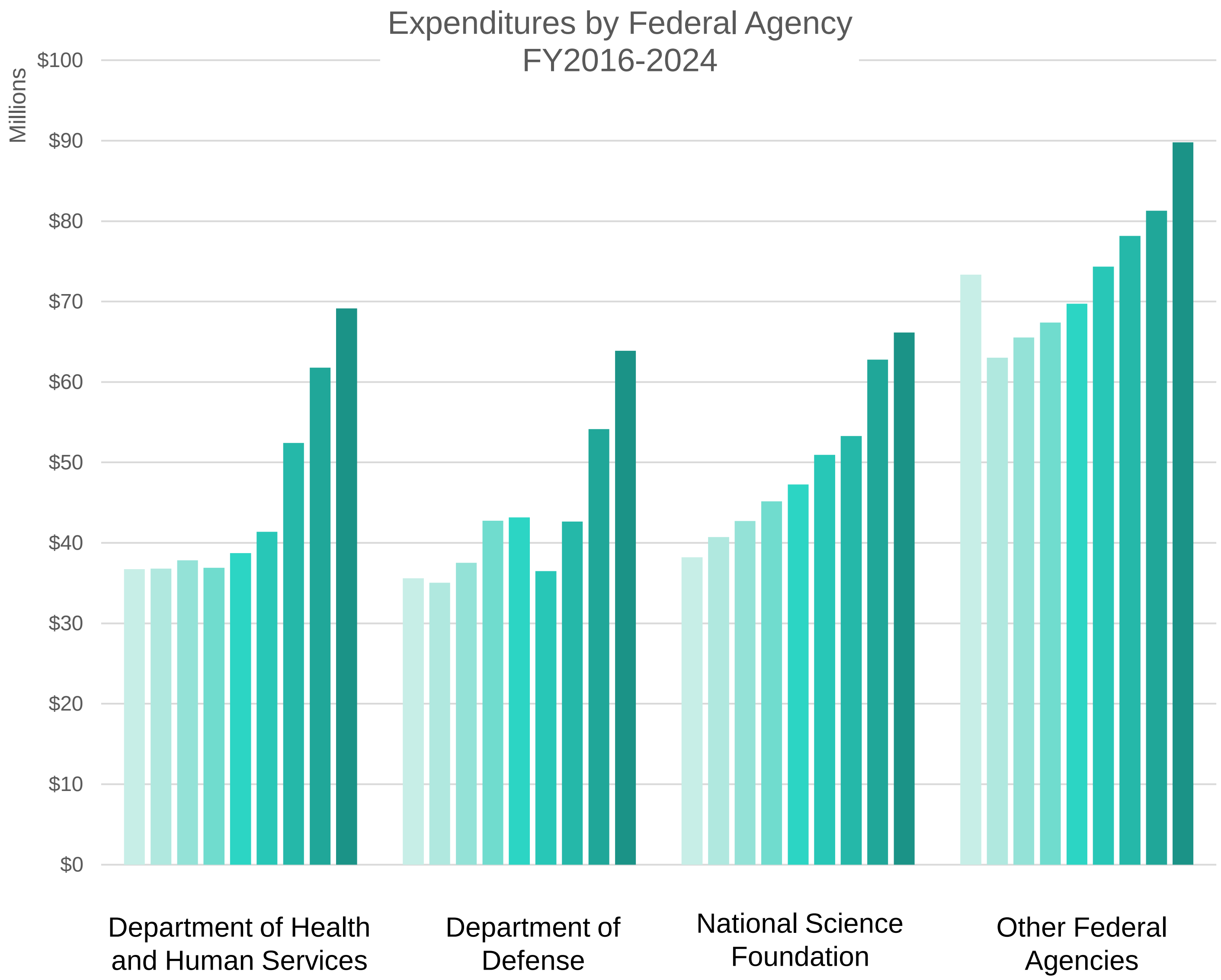
Similarly, Virginia Tech subcontracts to others.

Together, these partnerships account for about 30% of our sponsored research.



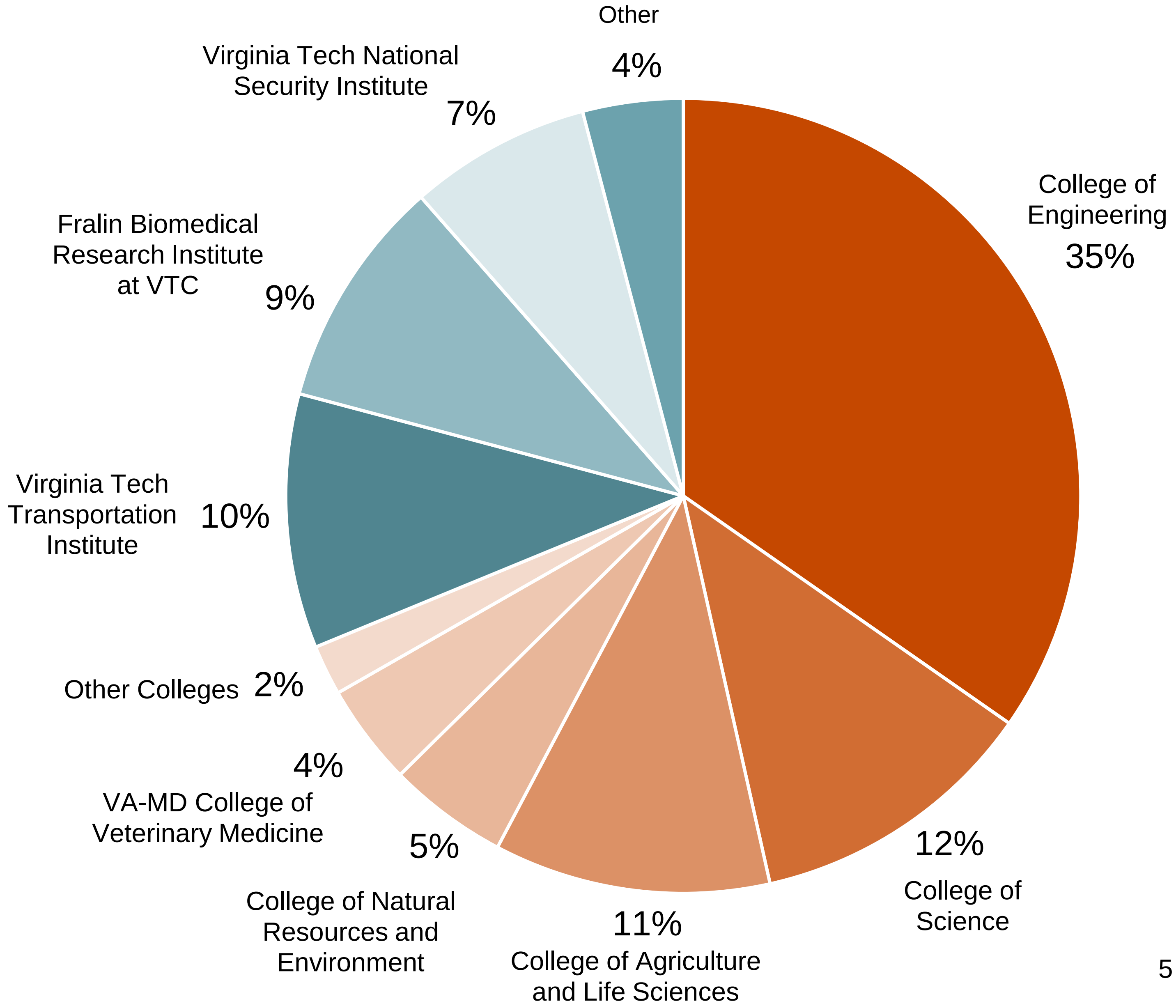
# GROWTH IN FUNDING FROM MAJOR AGENCIES

Departments of Defense and of Health and Human Services have seen rapid increases since pandemic; National Science Foundation has had more steady growth.



# EXTRAMURAL FUNDING ACROSS VIRGINIA TECH

Faculty and researchers across all colleges and institutes are actively engaged in sponsored research programs.

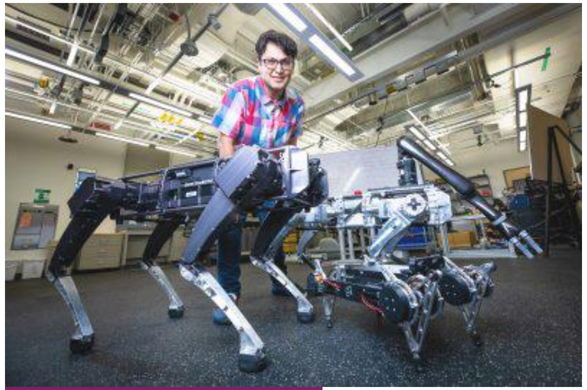


# ENTERPRISE RISK MANAGEMENT: COMPETITIVE GROWTH

Grow and diversify the research portfolio by prioritizing strengths and focusing on emerging areas for competitive growth.

THE HEALTH

THE SECURITY



THE A.I.

THE QUANTUM

# KEY TAKEAWAYS

- Research expenditures continue to grow, driven by especially  sharp increases in funding from the Department of Defense and the Department of Health and Human Services.
- Partnerships are critical to research success, accounting for about 30% of our sponsored research.
- Sponsored research is distributed across the university, with largest participants including Colleges of Engineering, Science, and Agriculture and Life Sciences, as well as the thematic institutes.

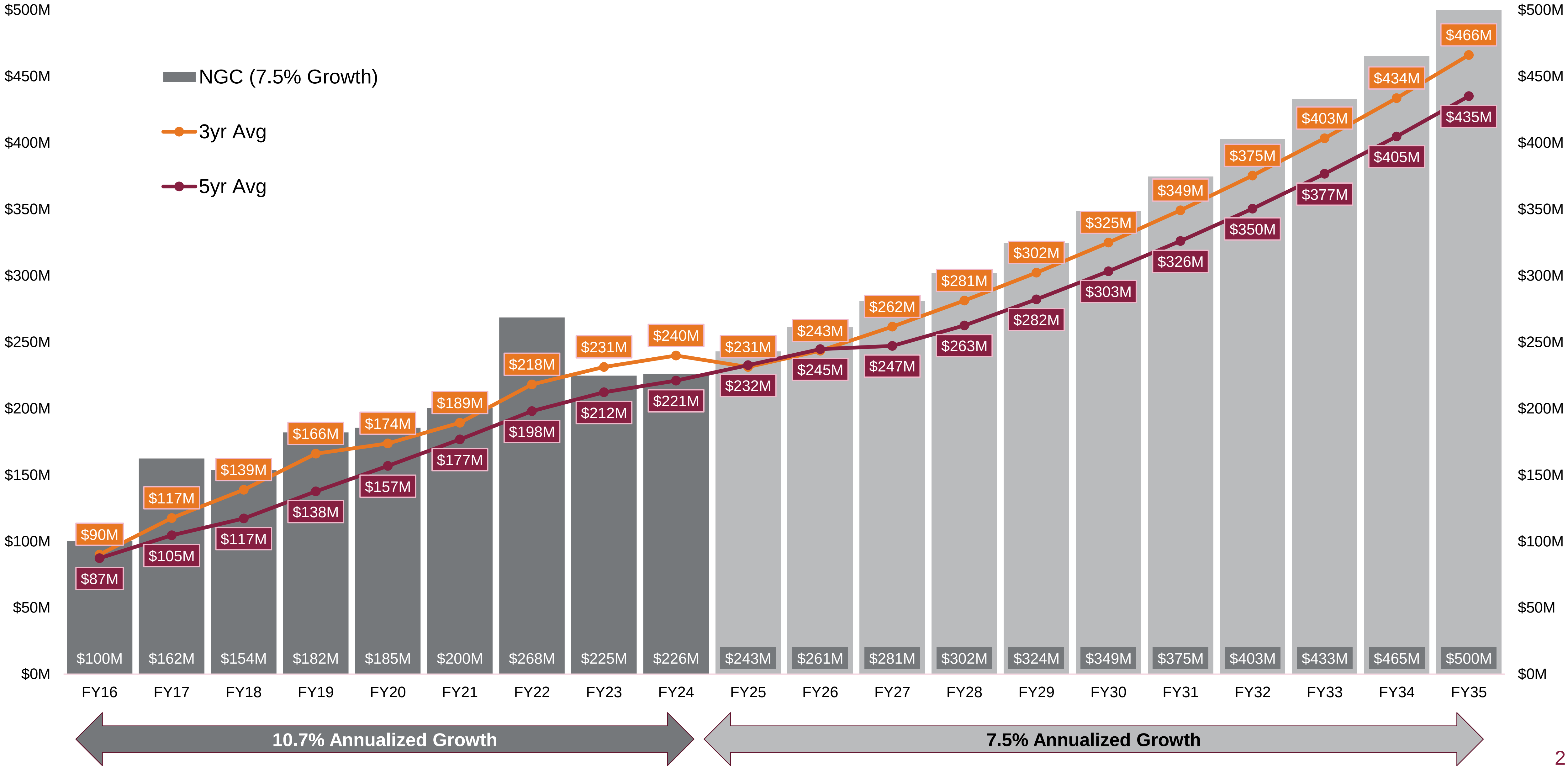
Attachment F

# Advancement Update

Charlie Phlegar, Senior Vice President for Advancement

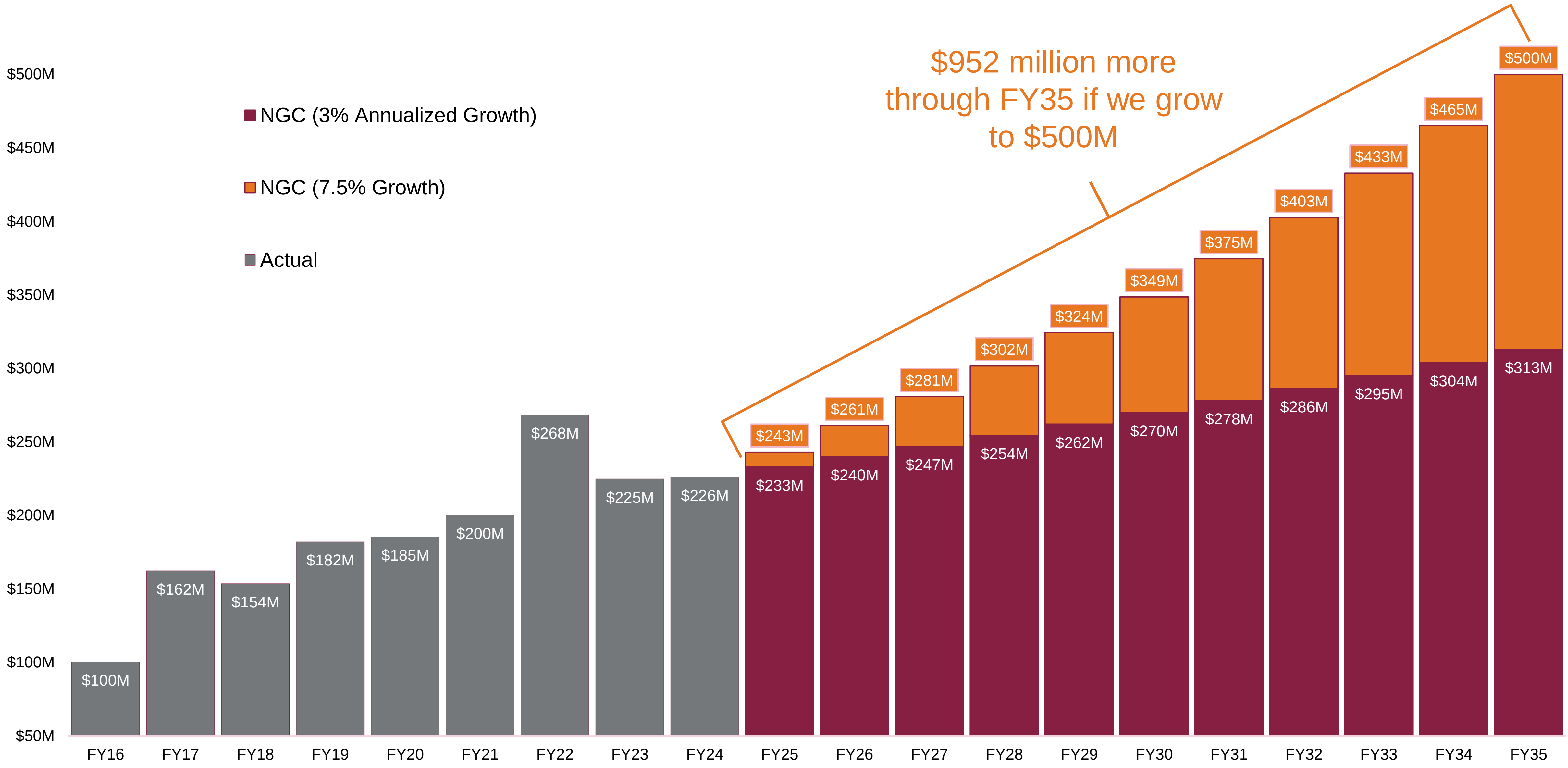
November 19, 2024

# New Gifts and Commitments
# Future Growth Potential to $500 Million



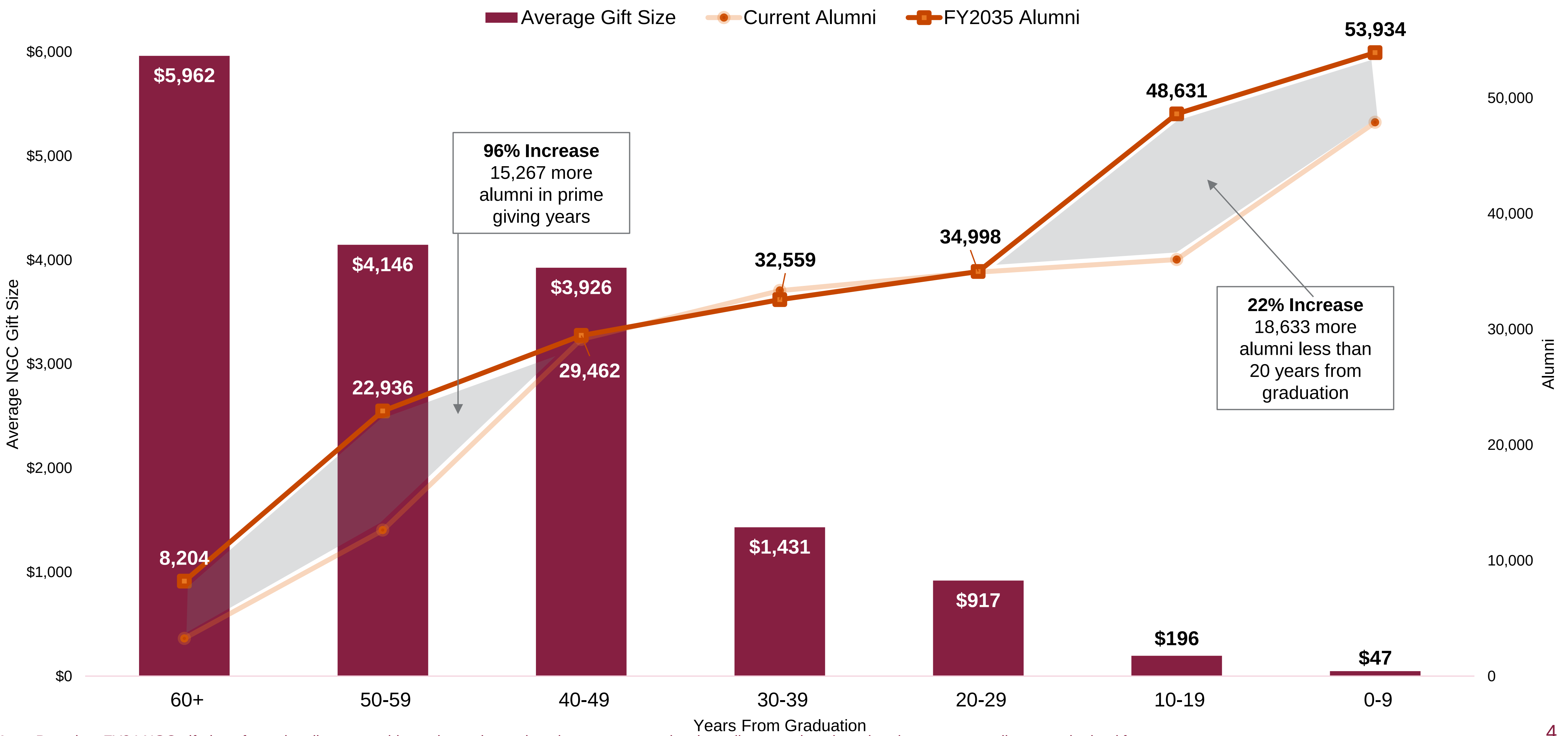
# New Gifts and Commitments
# Future Growth Potential to $500 Million

Attachment F



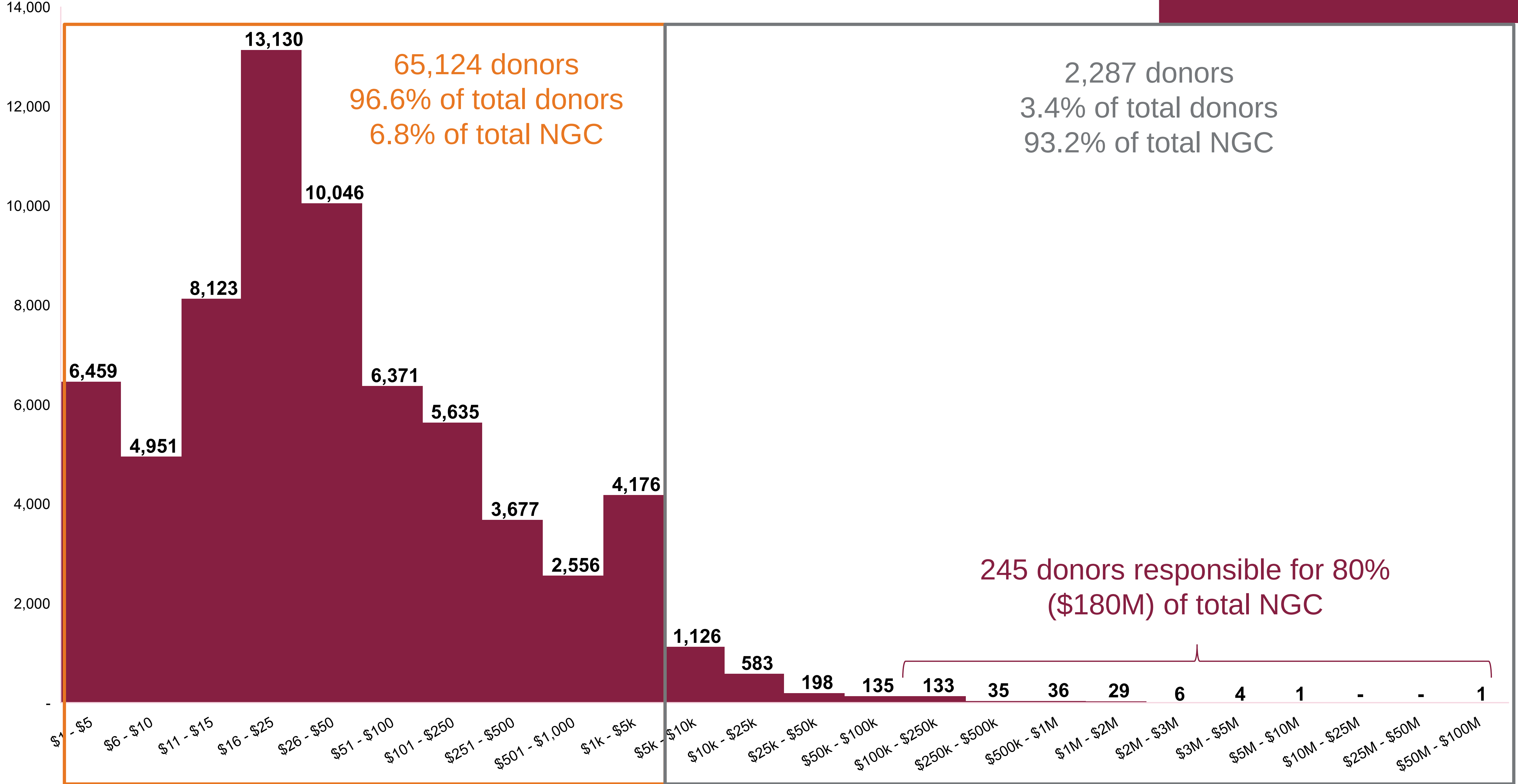
# Average Gift Size & Alumni by Years from Graduation – FY 2035





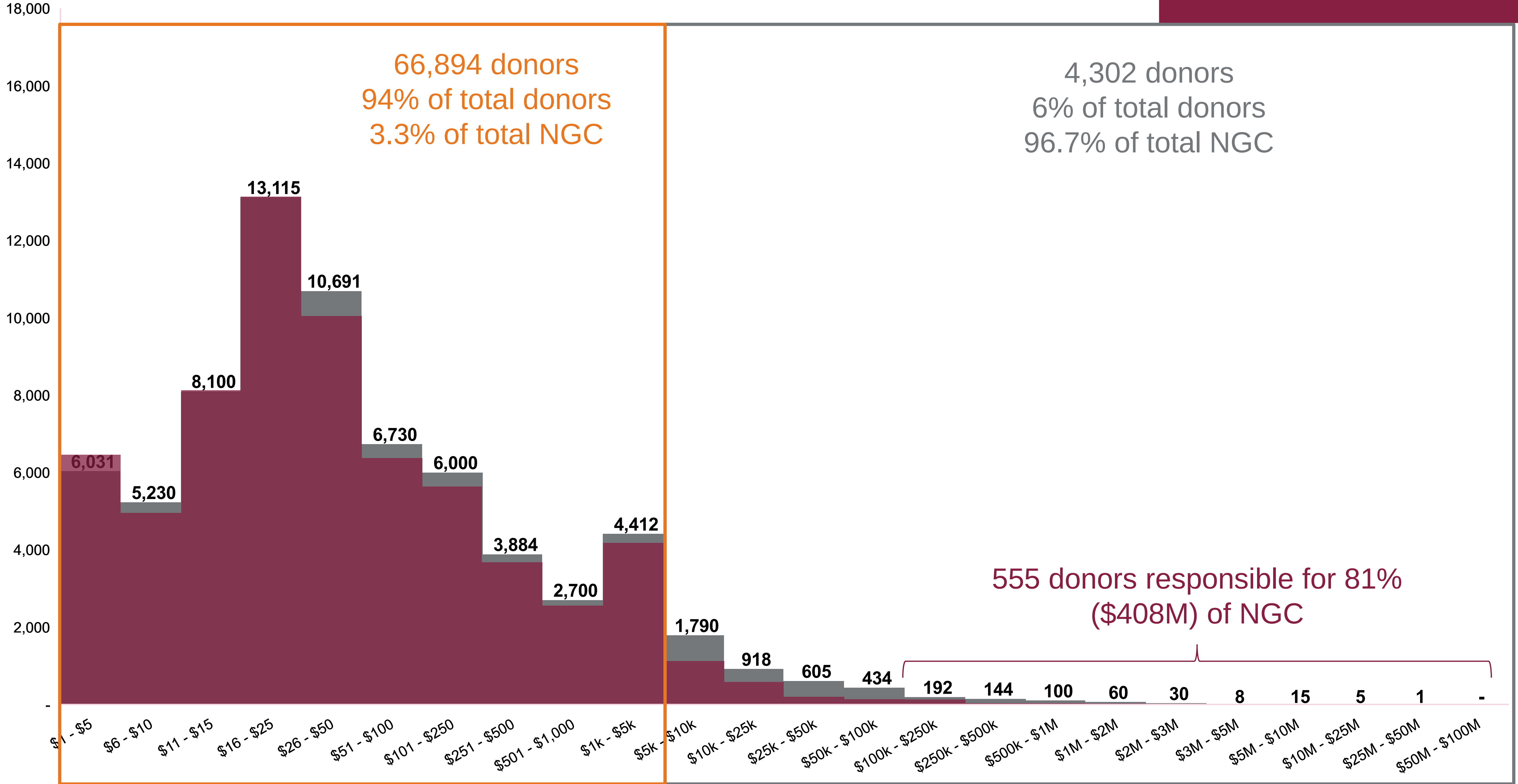

**Note:** Based on FY24 NGC gift data; future legally contactable, undergraduate alumni counts assume level enrollment and apply national average mortality rates obtained from www.ssa.gov

# Donor Giving Distribution (NGC) – FY 2024



# Donor Giving Distribution (NGC) – FY 2035

Attachment F



# Discussion

# University Debt Ratio and Debt Capacity

## FINANCE AND RESOURCE MANAGEMENT COMMITTEE

## October 22 2024

**Background:**

Since 2006, the university provides an annual report to the Board of Visitors on its debt capacity and its performance against two requirements, maintaining: i) an unenhanced bond rating from Moody's, Standard and Poor's, or Fitch of at least AA- or its equivalent in accordance with university's management agreement with the Commonwealth; and ii) a debt service to operations ratio of no greater than a six percent based on current Board of Visitor's guidelines.

An established committee of representatives from Capital Budgeting and Financing, the Office of the University Treasurer, the Controller's Office, and the Budget Office meet regularly to review debt activities, the timing of debt issuances, and to evaluate potential impacts to the requirements. The Vice President for Finance and Chief Financial Officer provides oversight of these activities.

**Status of Requirements:**

The university currently has credit ratings of Aa1 from Moody's and AA from S&P, which are a full level above the performance requirement. Rating agencies combine quantitative and qualitative information from the university and the Foundation when issuing a credit rating. As such, the university does not have complete control over all of the factors that impact credit ratings. At the conclusion of fiscal year 2024, the university had a debt ratio of 4.82 percent, which is 118 basis points stronger than the performance benchmark.

**Intangible Right-to-Use Financing:**

In recent years, the Governmental Accounting Standards Board (GASB) introduced two statements with a material impact to long-term liabilities and debt capacity. GASB Statement No. 87, *Leases* expanded the debt treatment of leasing arrangements beyond the historical capital lease recognition requirements. GASB Statement No. 96, *Subscription-based Information Technology Arrangements* (SBITAs) introduced debt treatment to the university's subscription software agreements. The university has a unified recognition threshold for intangible right-to-use financing arrangements of greater than 12 months and a present value of at least $50 thousand.

The impact of intangible right-to-use financings are included in the performance requirements and are planned for and managed like traditional debt service. To incorporate these financings, the Board of Visitors raised the debt ratio guideline at its November 8, 2021 meeting by 100 basis points to six percent (6%) from five percent (5%). Due to the recognition of SBITAs as long-term debt, the university projects that a new ERP system would result in higher debt service and debt ratios. The university continues to monitor compliance and may reevaluate its internal debt benchmark as appropriate.

**Projections:**

The university prepares projections of gross debt capacity and debt service from current and expected commitments to ensure plans meet the performance requirements and maintain a buffer for unexpected conditions and/or opportunities. The university uses a model based on projections of expected growth of operating expenditures, expected future cost of capital, and the six percent (6%) debt ratio limit to estimate debt capacity available for a planning period. Debt capacity is expressed in terms of a 20-year present value.

Assumptions for Debt Planning

| | |
|---|---|
| Operating Expenditure Growth: | 3.5 percent |
| Cost of Capital: | 4.5 percent |
| Debt Ratio Limit: | 6.0 percent |
| Term: | 20 years |

The gross debt capacity, commitments, and unallocated capacity are discussed below, and the details are shown in Attachment A and Attachment B.

**Gross Debt Capacity for the Planning Period:**

For the 2025-2030 planning period, the projected gross debt capacity is $1.9 billion. Details of the projections are shown in the top section of Attachment A.

**Commitments for the Planning Period:**

Commitments during this planning period total $1.581 billion and are shown in the table below. Details of the projects in the Six-Year Capital Outlay Plan are shown in Attachment B. Details of the timing for each line item are shown in the middle section of Attachment A, and the amounts below are for fiscal year 2030.

Planned Commitments Against Debt Capacity
20-Year Present Value at 4.5% Cost of Capital
(Dollars in Millions)

| | |
|---|---|
| Previously issued debt for capital projects | $ 614 |
| Fixed long-term leases | 137 |
| Scheduled issuances for authorized capital projects | 48 |
| Variable long-term leases | 153 |
| Subscription-based IT agreements | 125 |
| Encumbered for Six-Year Capital Outlay Plan projects | 504 |
| Total commitments | $1,581 |

**Unallocated Debt Capacity and Peak Debt Ratio:**

Based upon the model's current projections, provided above, the remaining net debt capacity for the university to absorb contingencies and/or advance new initiatives while remaining within the six-percent ratio is $319 million in fiscal year 2030. Additionally, these projections show the debt ratio peaking at 5.16 percent in fiscal year 2029, which provides a buffer of 84 basis points.

**Discussion:**

The university's debt analysis and debt planning program illustrate that all authorized and planned debt may be accommodated within the performance requirements.

The historical basis of the debt analysis program is a 20-year amortization of debt obligations. This perspective remains true for traditional debt issuances and fixed long-term leases. The university's variable term leases and SBITAs generally have shorter amortization schedules. Currently, these debt instruments are adjusted to 20-year equivalents for planning and projections of debt capacity. Management will monitor the impact of variable term leases and SBITAs and may recommend different performance guidelines if appropriate.

Summary of Debt Instruments for Fiscal Year 2024 Actuals
20-Year Present Value at 3.5% Cost of Capital
(Dollars in Millions)

| Debt Instrument | Principal Outstanding per Annual Financial Statement (2) | Debt Service | Present Value of 20-Year Present Value Debt Service |
|---|---|---|---|
| Previously Issued Debt | $ 572 | $58 | $ 827 |
| Fixed Long-term Leases (2) | 137 | 15 | 220 |
| Variable Long-term Leases | 53 | 12 | 166 |
| SBITAs | 19 | 9 | 124 |
| | $ 781 | $94 | $1,337 |

(1) Audit in progress

(2) Fixed long-term lease agreements represent declining-balance lease obligations with the Foundation

**Attachments:**

*Attachment A* shows gross debt capacity, net debt capacity at a six percent ratio, and the debt ratio calculation for fiscal year 2024 actuals and projections through the fiscal year 2030 planning period. The schedule includes a five-year trailing period through fiscal year 2035 to show the full impact of loading principal and interest payments.

*Attachment B shows* an illustration of the estimated timing of debt issuances and long-term leases for authorized capital projects and for capital projects in the Six-Year Capital Outlay Plan. The illustration shows fiscal year 2024 actuals and projections through the fiscal year 2030 planning period. The schedule includes a five-year trailing period through fiscal year 2035 to show the full impact of loading principal and interest payments.

*Attachment C* shows the outstanding long-term principal for fiscal year 2024 actuals and projections through the fiscal year 2030 planning period. The schedule includes a five-year trailing period through fiscal year 2035 to show the full impact of loading principal payments.

*Attachment D* shows a trend line of the university's debt ratio with actuals from fiscal year 2015 to fiscal year 2024 and projections through fiscal year 2035. The debt ratio is calculated as debt service over operating expenditures. Management routinely examines, prioritizes, and adjusts the allocation plan to ensure the debt ratio remains within six percent guidelines.

*Attachment E* shows a trend line of the university's net debt capacity at the six percent guideline with projections through the fiscal year 2030 planning period. The schedule includes a five-year trailing period through fiscal year 2035. Net capacity is calculated as the present value of six percent of operating expenditures less the total present value of debt service.

*Attachment F* shows a trend of the university's long-term debt outstanding and debt service with actuals for fiscal year 2017 through fiscal year 2024 and projections through fiscal year 2035.

*Attachment G* shows a benchmark comparison of fiscal year 2023 debt ratios from Moody's for Virginia Tech and 22 peer institutions and systems.

**RECOMMENDATION:**

That the report on University Debt Ratio and Debt Capacity for fiscal year 2024 be accepted.

November 19, 2024

**Gross Debt Capacity, Net Debt Capacity, and Debt Ratio Based on Six Percent Operating Expenditures**
**FINANCE AND RESOURCE MANAGEMENT COMMITTEE**
**As of October 22, 2024**
**(Dollars in Thousands)**

| | Actual | Planning Period | | | | | | Trailing Period | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year | **2023-24** | **2024-25** | **2025-26** | **2026-27** | **2027-28** | **2028-29** | **2029-30** | **2030-31** | **2031-32** | **2032-33** | **2033-34** | **2034-35** |
| Total Operating Expenditures | $1,953,924 (1) | $2,074,924 | $2,142,359 | $2,211,986 | $2,283,875 | $2,358,101 | $2,434,739 | $2,513,868 | $2,595,569 | $2,679,925 | $2,767,023 | $2,856,951 |
| Annual Debt Service Limit (6% of Operating Expenditures) | 117,235 | 124,495 | 128,542 | 132,719 | 137,033 | 141,486 | 146,084 | 150,832 | 155,734 | 160,796 | 166,021 | 171,417 |
| **Gross Debt Capacity (20-Year Present Value)** | **1,666,197** | **1,619,429** | **1,672,060** | **1,726,402** | **1,782,510** | **1,840,442** | **1,900,256** | **1,962,015** | **2,025,780** | **2,091,618** | **2,159,595** | **2,229,782** |
| Less Present Value of Debt Service: | | | | | | | | | | | | |
| Previously Issued Debt | 827,389 | 728,908 | 729,193 | 718,116 | 682,837 | 659,748 | 614,068 | 553,747 | 527,290 | 493,580 | 459,442 | 435,816 |
| Long Term Leases (Fixed) | 220,135 | 208,063 | 207,838 | 207,731 | 186,470 | 180,119 | 136,609 | 128,412 | 127,465 | 127,590 | 127,599 | 127,809 |
| Authorized Projects and Fixed Leases | - | - | 4,809 | 14,426 | 22,355 | 25,475 | 48,222 | 88,287 | 86,986 | 36,775 | 36,775 | 36,775 |
| Long Term Leases (Variable) | 166,229 | 152,142 | 152,142 | 152,142 | 152,142 | 152,142 | 152,142 | 157,763 | 158,709 | 158,585 | 158,575 | 158,366 |
| Subscription Based Information Technology Arrangements (SBITA) | 123,890 | 112,826 | 125,451 | 125,451 | 125,451 | 125,451 | 125,451 | 125,451 | 125,451 | 125,451 | 125,451 | 125,451 |
| Capital Plan Placeholders | - | - | 86,100 | 172,870 | 319,932 | 440,937 | 504,360 | 522,967 | 507,932 | 505,838 | 505,838 | 505,838 |
| Total Present Value of Debt Service | 1,337,643 | 1,201,939 | 1,305,532 | 1,390,735 | 1,489,186 | 1,583,872 | 1,580,852 | 1,576,626 | 1,533,833 | 1,447,819 | 1,413,681 | 1,390,055 |
| **Net Debt Capacity (20-Year Present Value)** | **$328,554** | **$417,490** | **$366,528** | **$335,667** | **$293,324** | **$256,570** | **$319,404** | **$385,388** | **$491,947** | **$643,798** | **$745,914** | **$839,727** |
| Total Debt Service | $ 94,118 (1) | $ 92,400 | $ 100,364 | $ 106,914 | $ 114,483 | $ 121,762 | $ 121,530 | $ 121,205 | $ 117,915 | $ 111,303 | $ 108,678 | $ 106,862 |
| Total Operating Expenditures | $1,953,924 (1) | $2,074,924 | 2,142,359 | 2,211,986 | 2,283,875 | 2,358,101 | 2,434,739 | 2,513,868 | 2,595,569 | 2,679,925 | 2,767,023 | 2,856,951 |
| **Debt Ratio (2)** | **4.82%** | **4.45%** | **4.68%** | **4.83%** | **5.01%** | **5.16%** | **4.99%** | **4.82%** | **4.54%** | **4.15%** | **3.93%** | **3.74%** |

**Assumptions:**

* Total Operating Expenditures for FY25 are based on the Authorized Budget Document. Future Operating Expenditures for FY26 through FY35 are estimated based on an annual growth rate of 3.25%.

* Cost of Capital for FY24 is 3.5%. Estimated Cost of Capital for planning period is 4.50%.

**Notes:**

(1) Unaudited actual.

Attachment F

Attachment B

**Illustration of Debt Allocations Within a Six Percent Ratio**
**FINANCE AND RESOURCE MANAGEMENT COMMITTEE**
**As of October 22, 2024**
**(Dollars in Thousands)**

| | Planning Projections | | | | | | Trailing Period | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2024-25** | **2025-26** | **2026-27** | **2027-28** | **2028-29** | **2029-30** | **2030-31** | **2031-32** | **2032-33** | **2033-34** | **2030-35** | **Total** |
| **Authorized Projects** | | | | | | | | | | | | |
| Debt Issuances | | | | | | | | | | | | |
| Building Envelope Repairs | | $15,250 | $15,250 | | | | | | | | | $30,500 |
| BOV Approved Leases | | | | | | | | | | | | |
| Children's National Lease Expansion, Phase II (Lease) | | | | | | $11,300 | | | | | | 11,300 |
| Children's National Lease Expansion, Phase II (Upfits) | | | | | | 8,700 | | | | | | 8,700 |
| | - | 15,250 | 15,250 | - | - | 20,000 | - | - | - | - | - | 50,500 |
| **Placeholder Allocations for Six-Year Capital Outlay Plan** | | | | | | | | | | | | |
| Debt Issuances | | | | | | | | | | | | |
| Pamplin College of Business | | $52,700 | | | | | | | | | | 52,700 |
| SLV Phase I - Utilities and Infrastructure | | 50,000 | | | | | | | | | | 50,000 |
| Rescue Squad | | | $11,500 | | | | | | | | | 11,500 |
| SLV Phase I - Recreation | | | 10,000 | | | | | | | | | 10,000 |
| SLV Phase I - Dining | | | 40,000 | | | | | | | | | 40,000 |
| SLV Phase I - Residential | | | 115,000 | $115,000 | | | | | | | | 230,000 |
| Veterinary Teaching Hospital Expansion | | | | 20,000 | | | | | | | | 20,000 |
| Parking Structure at Blacksburg Campus | | | | 26,300 | | | | | | | | 26,300 |
| VTC-School of Medicine & FBRI Expansion | | | | 30,000 | | | | | | | | 30,000 |
| Hahn Hall South Renovation and Expansion | | | | | $40,900 | | | | | | | 40,900 |
| G. Burke Johnston Renovation | | | | | | $5,000 | | | | | | 5,000 |
| BOV Approved Leases | | | | | | | | | | | | |
| Food Processing Center and Warehouse | | 15,000 | | | | | | | | | | 15,000 |
| Expand Vivarium Spaces | | 45,000 | | | | | | | | | | 45,000 |
| Replace Kmart Lease | | | | | 11,000 | | | | | | | 11,000 |
| | - | 162,700 | 176,500 | 191,300 | 51,900 | 5,000 | - | - | - | - | - | 587,400 |
| **Total Authorized and Placeholder Issuances** | $ - | $177,950 | $191,750 | $191,300 | $51,900 | $ 25,000 | $ - | $ - | $ - | $ - | $ - | $637,900 |
| **Net Debt Capacity (20-Year Present Value)** | $417,490 | $366,528 | $335,667 | $293,324 | $256,570 | $319,404 | $385,388 | $491,947 | $643,798 | $745,914 | $839,727 | |

**Principal Outstanding Based on Expected Debt Issuances, Long-Term Lease Activity, and Subscription Based IT Agreement Activity**

**FINANCE AND RESOURCE MANAGEMENT COMMITTEE**

**As of October 22, 2024**

**(Dollars in Thousands)**

| | **Actual** | **Planning Period** | | | | | | **Trailing Period** | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year | **2023-24** | **2024-25** | **2025-26** | **2026-27** | **2027-28** | **2028-29** | **2029-30** | **2030-31** | **2031-32** | **2032-33** | **2033-34** | **2034-35** |
| Long-Term Principal Outstanding, Start of Year | $827,338 [1,2] | $781,039 | $741,514 | $878,009 | $1,022,908 | $1,165,494 | $1,165,122 | $1,137,640 | $1,087,424 | $1,037,508 | $988,451 | $940,331 |
| New Long-Term Debt Issuance | 4,224 | - | 117,950 | 191,750 | 191,300 | 40,900 | 5,000 | - | - | - | - | - |
| Long-term Lease Activity (Fixed) | - | - | 60,000 | - | - | 11,000 | 20,000 | - | - | - | - | - |
| Long-term Lease Activity (Variable) | 8,769 | 17,000 | 17,000 | 17,000 | 17,000 | 17,000 | 17,000 | 17,000 | 17,000 | 17,000 | 17,000 | 17,000 |
| University Subscription Based IT Agreement (SBITA) Activity | 9,364 | 8,173 | 8,173 | 8,173 | 8,173 | 8,173 | 8,173 | 8,173 | 8,173 | 8,173 | 8,173 | 8,173 |
| Current Year Bond Premium | 212 | - | - | - | - | - | - | - | - | - | - | - |
| Lease Terminations | (111) | - | - | - | - | - | - | - | - | - | - | |
| Subscription Based IT Agreements (SBITA) Repayment | (8,196) | (8,173) | (8,785) | (9,023) | (9,052) | (9,081) | (9,112) | (9,112) | (9,112) | (9,112) | (9,112) | (9,112) |
| Long-Term Lease Repayment (Fixed & Variable) | (20,314) | (17,000) | (17,000) | (18,913) | (18,999) | (19,089) | (20,028) | (20,995) | (21,098) | (21,205) | (21,317) | (21,434) |
| Long-Term Debt Repayment | (40,247) | (39,525) | (40,844) | (44,089) | (45,837) | (49,275) | (48,516) | (45,282) | (44,879) | (43,914) | (42,864) | (42,557) |
| **Total Long-Term Principal Outstanding, End of Year** | **$781,039** [1] | **$741,514** | **$878,009** | **$1,022,908** | **$1,165,494** | **$1,165,122** | **$1,137,640** | **$1,087,424** | **$1,037,508** | **$988,451** | **$940,331** | **$892,401** |

**Notes:**

(1) Unaudited actual.

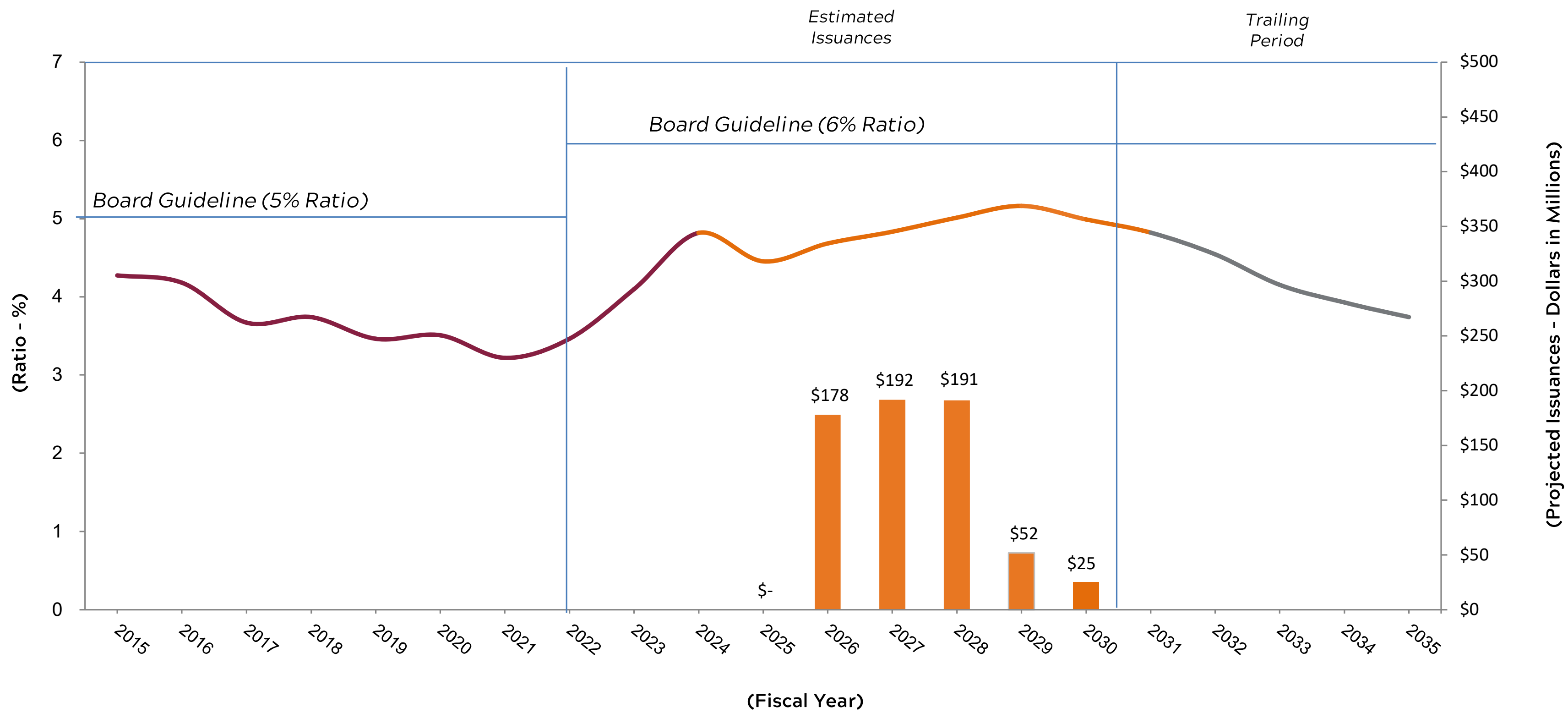
(2) Restated beginning balance.

Attachment F
Attachment D

**University Debt Ratio Trend**
**(Including All Debt Shown On Attachment C)**

**FINANCE AND RESOURCE MANAGEMENT COMMITTEE**

**October 22, 2024**



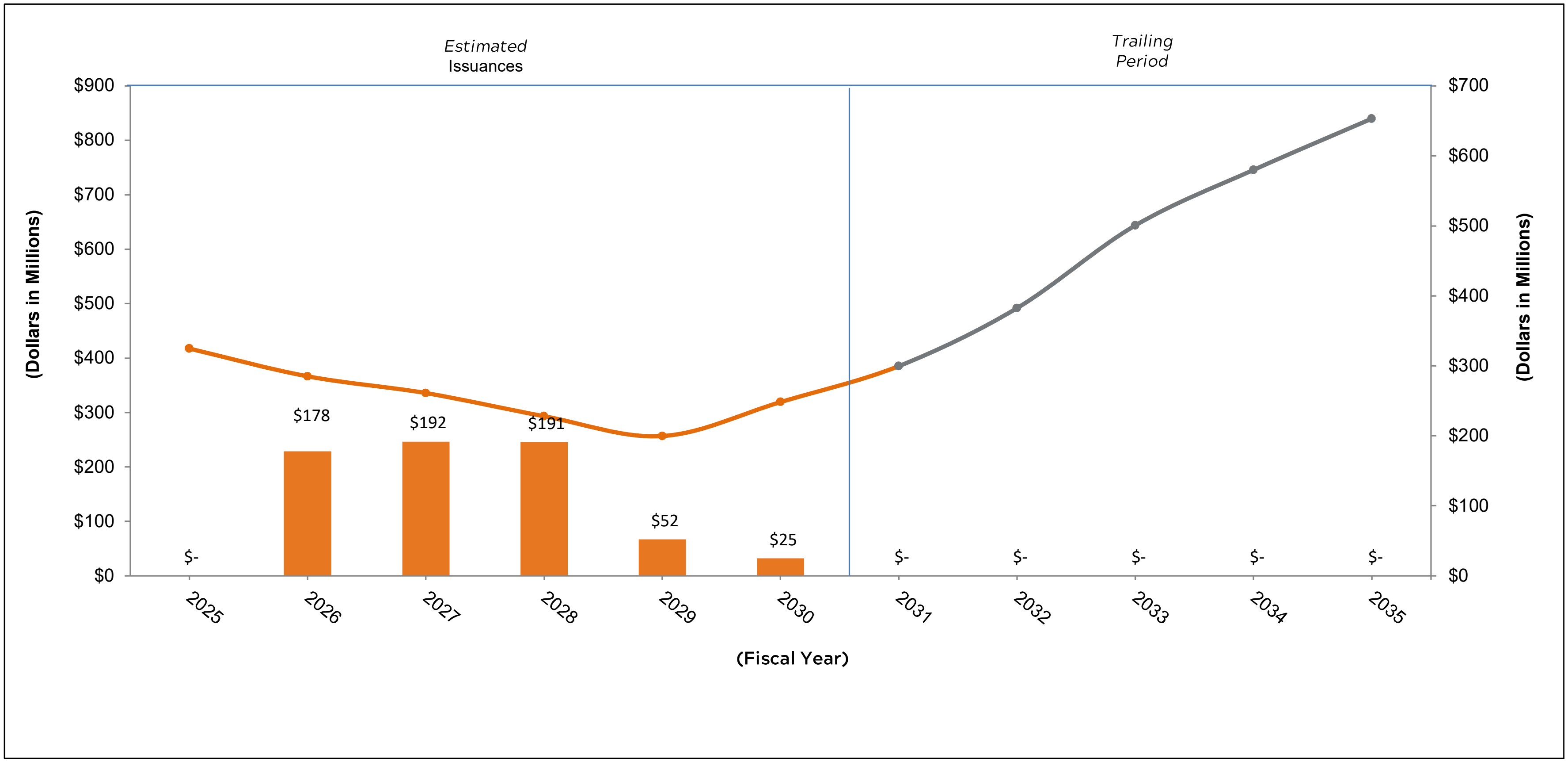

Maroon = Actual Debt Burden Ratio
Orange = Projected Debt Burden Ratio
Gray = Trailing Period Debt Burden Ratio
Bar = Projected Issuances

Attachment E

**University Net Debt Capacity Trend**
**(Including All Debt Shown On Attachment C)**

**FINANCE AND RESOURCE MANAGEMENT COMMITTEE**

**October 22, 2024**



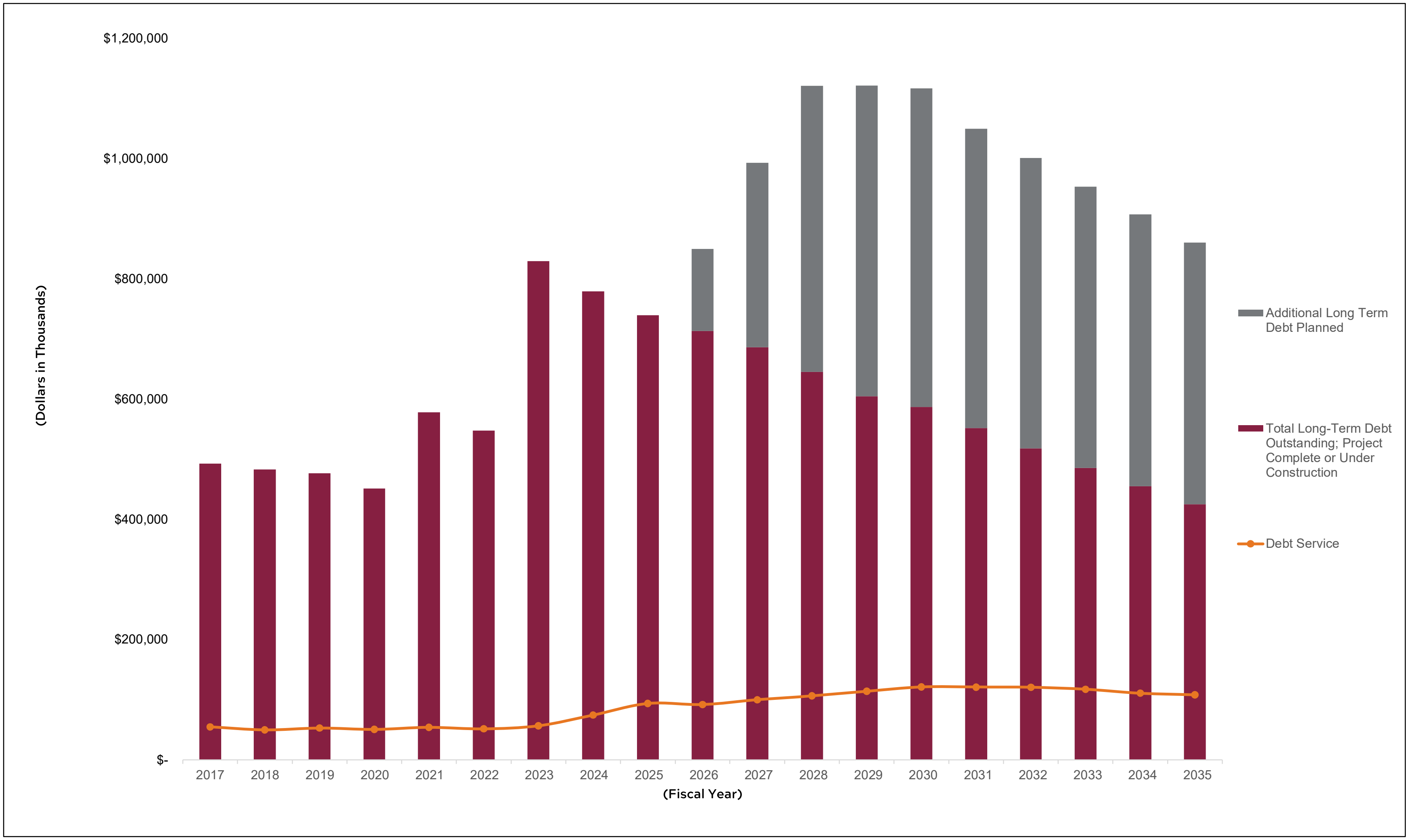

Orange Line = Projected Net Debt Capacity
Gray Line= Trailing Period Net Debt Capacity
Bars = Projected Issuances

Attachment F

# University Total Debt Outstanding and Debt Service Trend

## FINANCE AND RESOURCE MANAGEMENT COMMITTEE

## October 22, 2024

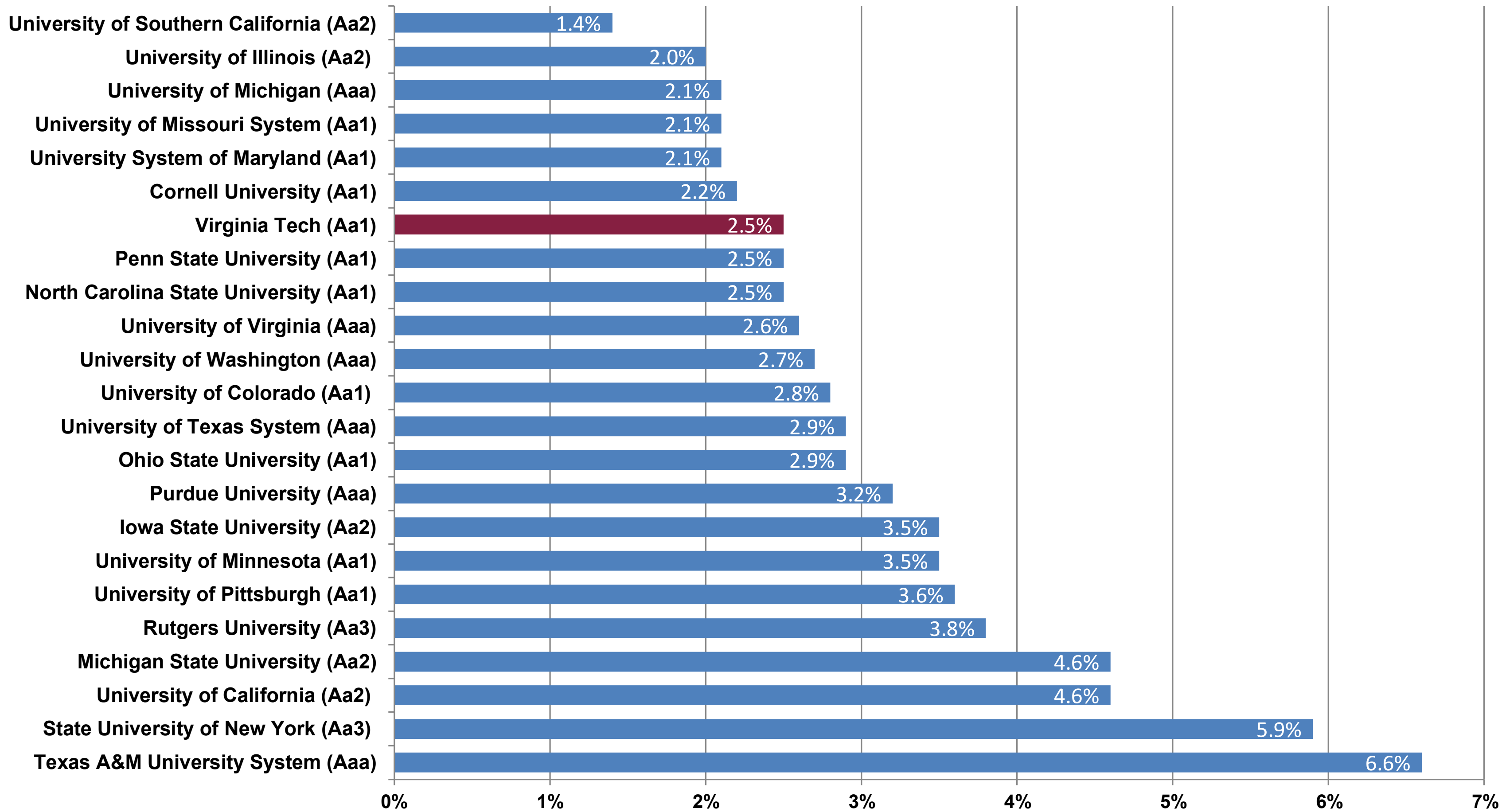


Attachment F Attachment G

**Fiscal Year 2023 Debt Ratio Benchmarking of Peers**

**FINANCE AND RESOURCE MANAGEMENT COMMITTEE**

**October 22, 2024**




*Based on SCHEV Peer Group and UVA*

*Source: Moody's Performance Metrics, Moody's Investors Service, August 14, 2024; 2023 Data.*
*Debt ratio does not include the estimated impact of the one-time revisions to GASB 96 on Governmental lease accounting.*

# Annual Report on University Debt Ratio and Debt Capacity

Simon Allen, Vice President for Finance and Chief Financial Officer

November 19, 2024

Attachment F

# Current Debt Portfolio

(as of 6/30/24)

| Series | Outstanding As of 6/30/2024 Par Amount Outstanding | Interest Rates | Current Structure | Call Date | Final Maturity | Weighted Average Maturity |
|---|---|---|---|---|---|---|
| **University Long Term Debt** | | | | | | |
| General Obligation Revenue Bonds | | | | | | |
| Series 2010A (Tax-Exempt & BABs) | 12,980,000 | 2.41% | Fixed | Make Whole | 2030 | 5.92 |
| Series 2015B | 5,375,130 | 2.44% | Fixed | 2025 | 2028 | 3.92 |
| Series 2016B | 28,705,000 | 2.07% | Fixed | 2026 | 2034 | 7.34 |
| Series 2020A | 74,350,000 | 1.53% | Fixed | 2030 | 2040 | 15.92 |
| Series 2020B (Taxable) | 10,415,000 | 1.12% | Fixed | 2030 / Make Whole | 2031 | 6.92 |
| Series 2022A | 94,045,000 | 4.18% | Fixed | 2032 | 2052 | 21.04 |
| Series 2024B | 4,224,000 | 2.77% | Fixed | Non-Callable | 2027 | 2.9 |
| **General Obligation Revenue Bonds Total** | **$230,094,130** | **2.75%** | | | | **15.45** |
| University Revenue Bonds | | | | | | |
| Series 2015 | 39,055,000 | 3.19% | Fixed | 2025 | 2035 | 10.92 |
| Series 2021 (Taxable) | 33,280,000 | 2.04% | Fixed | Make Whole | 2040 | 16.16 |
| **University Revenue Bonds Total** | **$72,335,000** | **2.66%** | | | | **13.33** |
| VCBA Notes Payable | | | | | | |
| Series 2010A (Tax-Exempt & BABs) | 16,015,000 | 3.29% | Fixed | 2020 | 2035 | 11.83 |
| Series 2014B | 1,335,000 | 2.27% | Fixed | 2024 | 2025 | 1.17 |
| Series 2015B | 490,000 | 2.66% | Fixed | 2025 | 2028 | 4.17 |
| Series 2016A | 18,850,000 | 2.03% | Fixed | 2026 | 2029 | 4.54 |
| Series 2017B (Taxable) | 19,440,000 | 3.12% | Fixed | 2027 / Make Whole | 2037 | 13.17 |
| Series 2018A | 9,595,000 | 3.53% | Fixed | 2028 | 2038 | 14.17 |
| Series 2018B (Taxable) | 3,265,000 | 4.24% | Fixed | 2028 | 2038 | 14.17 |
| Series 2019A | 6,845,000 | 2.45% | Fixed | 2029 | 2039 | 15.17 |
| Series 2021A | 8,790,000 | 0.84% | Fixed | 2030 | 2037 | 6.72 |
| Series 2021B (Taxable) | 47,940,000 | 1.50% | Fixed | 2030 / Make Whole | 2040 | 9.82 |
| Series 2023A | 93,990,000 | 3.46% | Fixed | 2033 | 2052 | 23.91 |
| **VCBA Subtotal** | **$226,555,000** | **2.76%** | | | | **15.88** |
| **Total Weighted Average** | | **2.74%** | | | | **15.35** |
| University Leases with Foundation | 143,916,272 | | | | | |
| Other Leases | 45,920,529 | | | | | |
| **Lease Obligations** | **$189,836,801** | | | | | |
| **Subscription Based Information Technology Arrangements** | **$12,798,444** | | | | | |
| **Finance Purchase Obligation (Kentland Farm)** | **$10,045,000** | | | | | |
| **Commercial Paper** | **$5,986,000** | | | | | |

- University has $748M of debt outstanding, as of 6/30/24 (including leases and SBITAs)
- All debt is fixed rate, with maturities ranging from 2025 – 2052 (except $6M of short-term Commercial Paper)
- The debt portfolio has a weighted average interest rate of 2.74% and a weighted average duration of 15.4 years

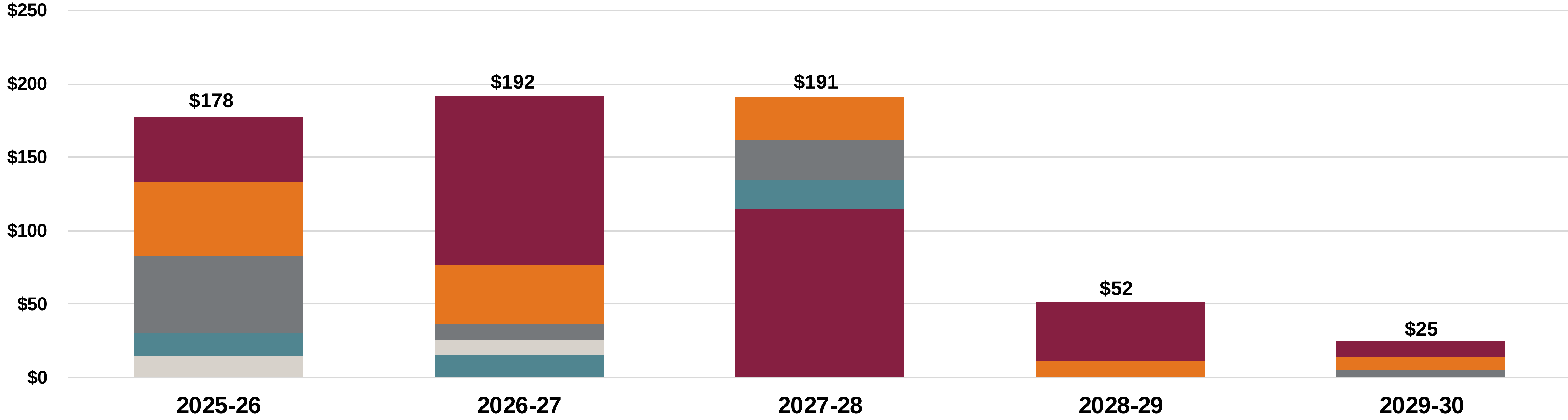
# Management Performance Requirements

| | | | |
|---|---|---|---|
| Debt Ratio | Requirement | =<6%* | ✓ |
| | FY24 Performance | 4.82% | |
| Credit Ratings | Requirement | AA- or Aa3 | ✓ |
| | FY24 Performance | AA or Aa1 | |

*The Board of Visitors guideline for management performance is debt service <= 6% of Operating Expenses
(VT's 2005 Restructuring Management Agreement with the Commonwealth mandates a 7% limit)

# Planned Debt Issuance: $638m Over 5 Years

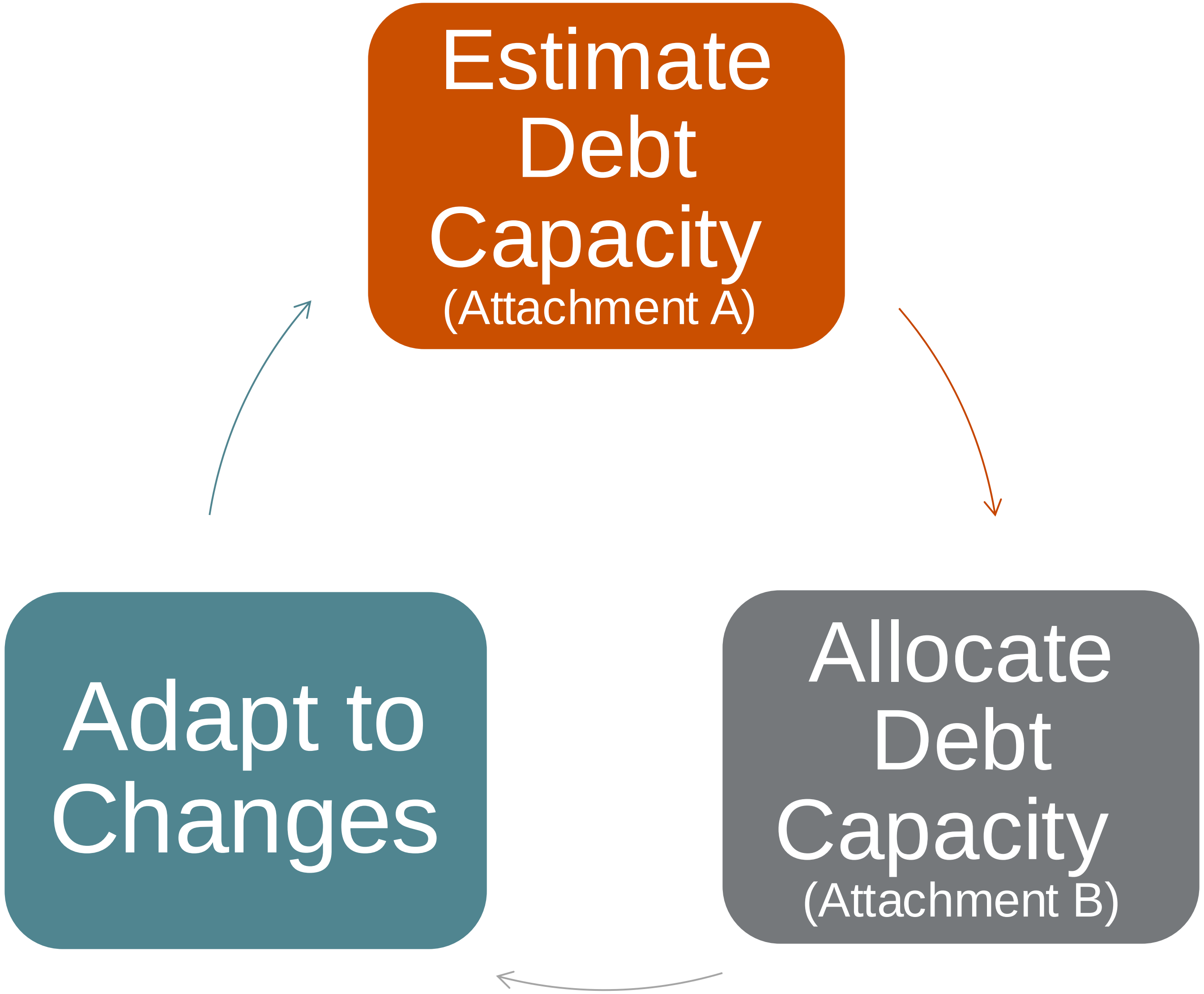
Attachment F




| 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 |
|---|---|---|---|---|
| Expand Vivarium Spaces | SLV Phase I – Residential | VTCSOM & FBRI Expansion | Hahn Hall South Renovation & Expansion | Children's National Lease Expansion, Phase II (Lease) |
| SLV Phase I – Utilities & Infrastructure | SLV Phase I – Dining | Parking Structure – Blacksburg Campus | Replace Kmart Lease | Children's National Lease Expansion, Phase II (Uplifts) |
| Pamplin College of Business | Rescue Squad | Veterinary Teaching Hospital Expansion | | G. Burke Johnston Renovation |
| Building Envelope Repair | SLV Phase I – Recreation | SLV Phase I – Residential | | |
| Food Processing Center & Warehouse | Building Envelope Repair | | | |

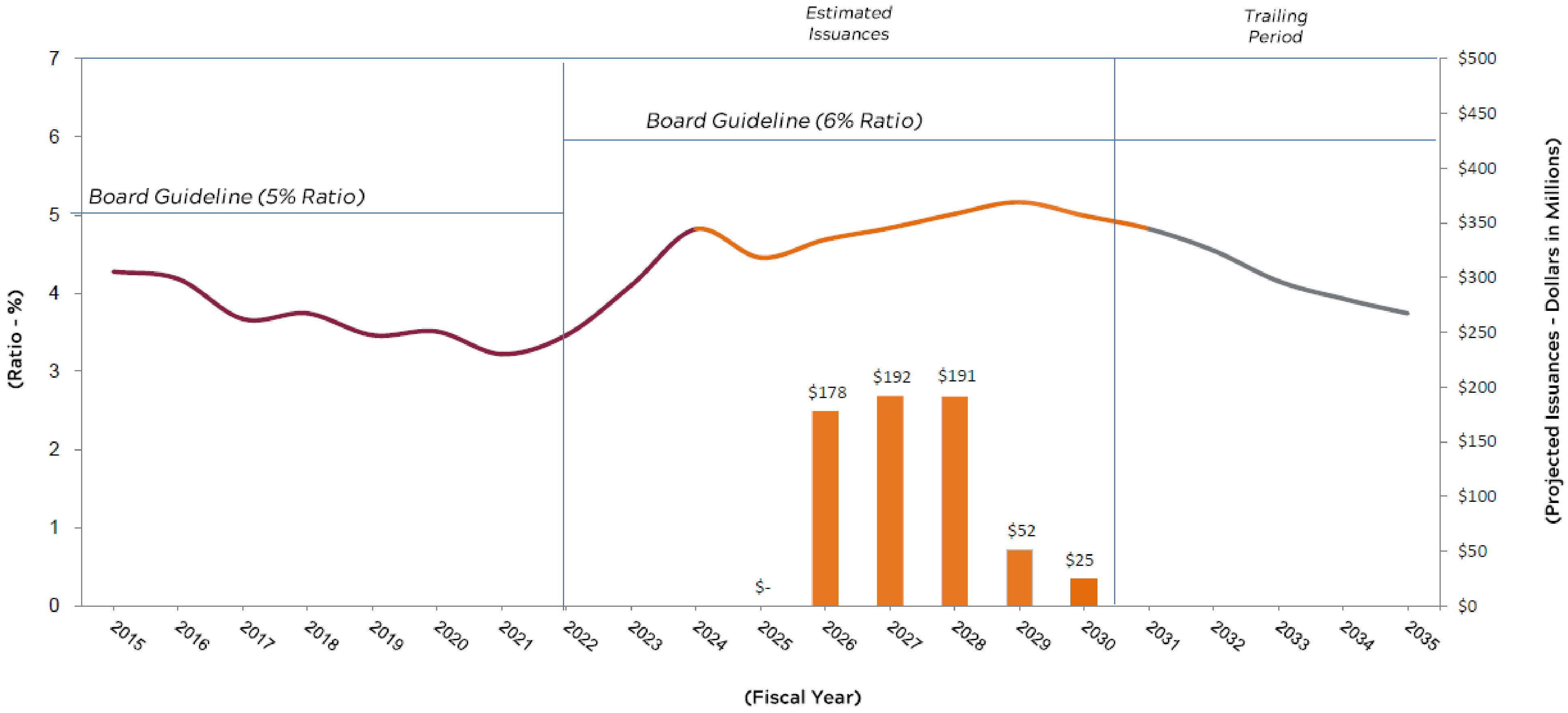
Debt issuances are subject to prioritization of capacity

# Debt Planning Process Model



# Projected Debt Capacity - 6% Rule






- The debt burden ratio has trended up in recent years but is still below the 6% Board of Visitors limit
- If the planned $638M of debt is issued as projected from '26 onward, the ratio remains within that limit
- The ratio peaks in '29, before falling in the out years

Maroon Line = Actual Debt Burden Ratio
Orange Line = Projected Debt Burden Ratio
Gray Line = Trailing Period Debt Burden Ratio
Orange Bars = Projected Issuances

# Projected Debt Capacity - Rating Agency View

Attachment F

| Debt Ratio | Description | Purpose |
|---|---|---|
| **Moody's Investor Service** | | |
| **Total Cash & Investments to Adjusted Debt** | Cash and investments (at the university and affiliated foundations) divided by total adjusted debt. | Provides indication of a university's ability to pay annual fixed costs, including debt service obligations, while still fulfilling its mission. |
| **Annual Debt Service Coverage** | Operating income plus depreciation, amortization, interest, and other large non-cash expenses divided by annual debt service. | Measures the ability of a university to generate sufficient cash flow to repay its debt. |
| **Standard and Poor's** | | |
| **Maximum Annual Debt Service Burden ("MADS Burden")** | Maximum annual debt service (MADS) as a percent of operating expenses. | Measures the debt servicing capacity of the provider based on the greatest amount of debt service expected under its current or pro forma debt |
| **Cash and Investments to Total Debt** | All available resources divided by all outstanding debt. | Measures an education provider's reserves that may affect its ability to pay off debt. |

Note: Debt and related liabilities are given a 20-35% weighting within the agency's rating frameworks

# Projected Debt Ratio - Rating Agency View

Attachment F

| VIRGINIA TECH - CAPACITY FOR Aa1/AA RATING WITH ALL PLANNED ISSUANCE (BASE CASE) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| 1 | Total Cash and Investments to Total Adjusted Debt (Target >= 1.25x) | 1.30 | 1.38 | 1.41 | 1.41 | 1.41 | 1.48 | 1.60 |
| 2 | Annual Debt Service Coverage (Target > 2.75) | 2.98 | 3.02 | 3.27 | 3.24 | 3.23 | 3.12 | 3.38 |
| 3 | MADS Burden (Target < 4.5%) | 4.3% | 3.9% | 4.1% | 4.2% | 4.5% | 4.2% | 3.9% |
| 4 | Cash and Investments to Total Debt (Target >= 350%) | 406% | 432% | 423% | 391% | 367% | 381% | 423% |

- S&P and Moody's primarily use the 4 ratios above to analyze leverage levels, debt affordability & capacity
- If you look at each ratio in isolation, there appears to be excess capacity in coming years, but the constraining ratio is the MADS burden in 2028
- It is the expectation that we will stay at or within all of the debt ratio targets given the timing and quantum of debt to be issued
- (If VT meets or exceeds planned operating performance in the years ahead, there will be additional capacity estimated at $80-$110m from 2029 & 2030)

# Annual Report on University Debt Ratio and Debt Capacity

Recommendation:

That the report on University Debt Ratio and Debt Capacity for fiscal year 2024 be accepted.

November 19, 2024

# Additional Information

# Attachment A

Attachment F

| | Actual | Planning Period | | | | | | Trailing Period | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 | 2032-33 | 2033-34 | 2034-35 |
| Total Operating Expenditures | $1,953,924 [1] | $2,074,924 | $2,142,359 | $2,211,986 | $2,283,875 | $2,358,101 | $2,434,739 | $2,513,868 | $2,595,569 | $2,679,925 | $2,767,023 | $2,856,951 |
| Annual Debt Service Limit (6% of Operating Expenditures) | 117,235 | 124,495 | 128,542 | 132,719 | 137,033 | 141,486 | 146,084 | 150,832 | 155,734 | 160,796 | 166,021 | 171,417 |
| **Gross Debt Capacity (20-Year Present Value)** | **1,666,197** | **1,619,429** | **1,672,060** | **1,726,402** | **1,782,510** | **1,840,442** | **1,900,256** | **1,962,015** | **2,025,780** | **2,091,618** | **2,159,595** | **2,229,782** |
| Less Present Value of Debt Service: | | | | | | | | | | | | |
| Previously Issued Debt | 827,389 | 728,908 | 729,193 | 718,116 | 682,837 | 659,748 | 614,068 | 553,747 | 527,290 | 493,580 | 459,442 | 435,816 |
| Long Term Leases (Fixed) | 220,135 | 208,063 | 207,838 | 207,731 | 186,470 | 180,119 | 136,609 | 128,412 | 127,465 | 127,590 | 127,599 | 127,809 |
| Authorized Projects and Fixed Leases | - | - | 4,809 | 14,426 | 22,355 | 25,475 | 48,222 | 88,287 | 86,986 | 36,775 | 36,775 | 36,775 |
| Long Term Leases (Variable) | 166,229 | 152,142 | 152,142 | 152,142 | 152,142 | 152,142 | 152,142 | 157,763 | 158,709 | 158,585 | 158,575 | 158,366 |
| Subscription Based Information Technology Arrangements (SBITA) | 123,890 | 112,826 | 125,451 | 125,451 | 125,451 | 125,451 | 125,451 | 125,451 | 125,451 | 125,451 | 125,451 | 125,451 |
| Capital Plan Placeholders | - | - | 86,100 | 172,870 | 319,932 | 440,937 | 504,360 | 522,967 | 507,932 | 505,838 | 505,838 | 505,838 |
| Total Present Value of Debt Service | 1,337,643 | 1,201,939 | 1,305,532 | 1,390,735 | 1,489,186 | 1,583,872 | 1,580,852 | 1,576,626 | 1,533,833 | 1,447,819 | 1,413,681 | 1,390,055 |
| **Net Debt Capacity (20-Year Present Value)** | **$328,554** | **$417,490** | **$366,528** | **$335,667** | **$293,324** | **$256,570** | **$319,404** | **$385,388** | **$491,947** | **$643,798** | **$745,914** | **$839,727** |
| Total Debt Service | $ 94,118 [1] | $ 92,400 | $ 100,364 | $ 106,914 | $ 114,483 | $ 121,762 | $ 121,530 | $ 121,205 | $ 117,915 | $ 111,303 | $ 108,678 | $ 106,862 |
| Total Operating Expenditures | $1,953,924 [1] | $2,074,924 | 2,142,359 | 2,211,986 | 2,283,875 | 2,358,101 | 2,434,739 | 2,513,868 | 2,595,569 | 2,679,925 | 2,767,023 | 2,856,951 |
| Debt Ratio [2] | 4.82% | 4.45% | 4.68% | 4.83% | 5.01% | 5.16% | 4.99% | 4.82% | 4.54% | 4.15% | 3.93% | 3.74% |

# Attachment B

Attachment F

| | Planning Projections | | | | | | Trailing Period | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 2029-30 | 2030-31 | 2031-32 | 2032-33 | 2033-34 | 2030-35 | Total |
| **Authorized Projects** | | | | | | | | | | | | |
| Debt Issuances | | | | | | | | | | | | |
| Building Envelope Repairs | | $15,250 | $15,250 | | | | | | | | | $30,500 |
| BOV Approved Leases | | | | | | | | | | | | |
| Children's National Lease Expansion, Phase II (Lease) | | | | | | $11,300 | | | | | | 11,300 |
| Children's National Lease Expansion, Phase II (Upfits) | | | | | | 8,700 | | | | | | 8,700 |
| | - | 15,250 | 15,250 | - | - | 20,000 | - | - | - | - | - | 50,500 |
| **Placeholder Allocations for Six-Year Capital Outlay Plan** | | | | | | | | | | | | |
| Debt Issuances | | | | | | | | | | | | |
| Pamplin College of Business | | $52,700 | | | | | | | | | | 52,700 |
| SLV Phase I - Utilities and Infrastructure | | 50,000 | | | | | | | | | | 50,000 |
| Rescue Squad | | | $11,500 | | | | | | | | | 11,500 |
| SLV Phase I - Recreation | | | 10,000 | | | | | | | | | 10,000 |
| SLV Phase I - Dining | | | 40,000 | | | | | | | | | 40,000 |
| SLV Phase I - Residential | | | 115,000 | $115,000 | | | | | | | | 230,000 |
| Veterinary Teaching Hospital Expansion | | | | 20,000 | | | | | | | | 20,000 |
| Parking Structure at Blacksburg Campus | | | | 26,300 | | | | | | | | 26,300 |
| VTC-School of Medicine & FBRI Expansion | | | | 30,000 | | | | | | | | 30,000 |
| Hahn Hall South Renovation and Expansion | | | | | $40,900 | | | | | | | 40,900 |
| G. Burke Johnston Renovation | | | | | | $5,000 | | | | | | 5,000 |
| BOV Approved Leases | | | | | | | | | | | | |
| Food Processing Center and Warehouse | | 15,000 | | | | | | | | | | 15,000 |
| Expand Vivarium Spaces | | 45,000 | | | | | | | | | | 45,000 |
| Replace Kmart Lease | | | | | 11,000 | | | | | | | 11,000 |
| | - | 162,700 | 176,500 | 191,300 | 51,900 | 5,000 | - | - | - | - | - | 587,400 |
| **Total Authorized and Placeholder Issuances** | $ - | $177,950 | $191,750 | $191,300 | $51,900 | $ 25,000 | $ - | $ - | $ - | $ - | $ - | $637,900 |
| **Net Debt Capacity (20-Year Present Value)** | $416,916 | $365,955 | $335,093 | $292,750 | $255,996 | $318,830 | $385,388 | $491,947 | $643,798 | $745,914 | $839,727 | |

# Attachment C

Attachment F

VIRGINIA TECH

**Principal Outstanding Based on Expected Debt Issuances, Long-Term Lease Activity, and Subscription Based IT Agreement Activity**

**FINANCE AND RESOURCE MANAGEMENT COMMITTEE**

**As of October 22, 2024**

**(Dollars in Thousands)**

| | Actual | Planning Period | | | | | | Trailing Period | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year | **2023-24** | **2024-25** | **2025-26** | **2026-27** | **2027-28** | **2028-29** | **2029-30** | **2030-31** | **2031-32** | **2032-33** | **2033-34** | **2034-35** |
| Long-Term Principal Outstanding, Start of Year | $827,338 [1,2] | $781,039 | $741,514 | $878,009 | $1,022,908 | $1,165,494 | $1,165,122 | $1,137,640 | $1,087,424 | $1,037,508 | $988,451 | $940,331 |
| New Long-Term Debt Issuance | 4,224 | - | 117,950 | 191,750 | 191,300 | 40,900 | 5,000 | - | - | - | - | - |
| Long-term Lease Activity (Fixed) | - | - | 60,000 | - | - | 11,000 | 20,000 | - | - | - | - | - |
| Long-term Lease Activity (Variable) | 8,769 | 17,000 | 17,000 | 17,000 | 17,000 | 17,000 | 17,000 | 17,000 | 17,000 | 17,000 | 17,000 | 17,000 |
| University Subscription Based IT Agreement (SBITA) Activity | 9,364 | 8,173 | 8,173 | 8,173 | 8,173 | 8,173 | 8,173 | 8,173 | 8,173 | 8,173 | 8,173 | 8,173 |
| Current Year Bond Premium | 212 | - | - | - | - | - | - | - | - | - | - | - |
| Lease Terminations | (111) | - | - | - | - | - | - | - | - | - | - | - |
| Subscription Based IT Agreements (SBITA) Repayment | (8,196) | (8,173) | (8,785) | (9,023) | (9,052) | (9,081) | (9,112) | (9,112) | (9,112) | (9,112) | (9,112) | (9,112) |
| Long-Term Lease Repayment (Fixed & Variable) | (20,314) | (17,000) | (17,000) | (18,913) | (18,999) | (19,089) | (20,028) | (20,995) | (21,098) | (21,205) | (21,317) | (21,434) |
| Long-Term Debt Repayment | (40,247) | (39,525) | (40,844) | (44,089) | (45,837) | (49,275) | (48,516) | (45,282) | (44,879) | (43,914) | (42,864) | (42,557) |
| **Total Long-Term Principal Outstanding, End of Year** | **$781,039** [1] | **$741,514** | **$878,009** | **$1,022,908** | **$1,165,494** | **$1,165,122** | **$1,137,640** | **$1,087,424** | **$1,037,508** | **$988,451** | **$940,331** | **$892,401** |

**Notes:**

(1) Unaudited actual.

(2) Restated beginning balance.

## Annual Report on Treasury Investments and Quasi-Endowments

## FINANCE AND RESOURCE MANAGEMENT COMMITTEE

## October 25, 2024

### Background

Since 2006, the university has had the authority to invest its resources in a wide array of financial securities. Consequently, the university has implemented an investment program (the “Program”) to ensure prudent levels of liquidity, maximize investment earnings, and comply with applicable state laws and university policies. The Program supports the university’s bond rating and promotes the attainment of goals, such as keeping down tuition and fees, growing financial statement unrestricted net assets by at least $20 million a year, and resourcing strategic academic programs. The program is separate from the private gifts and endowments owned by the Virginia Tech Foundation.

The Investment Team is responsible for managing the program in accordance with the Investment Policy Statement (IPS). The updated IPS was approved by the board in November 2023 which expanded the two-investment pool approach by authorizing a three-tier structure with expanded investment options for working capital.

**Summary of Investment Tiers**

<table>
<tr><th>Tier</th><th>Funds</th><th>Target</th><th>Governing Statute</th></tr>
<tr><td>Education and General</td><td>State Appropriations and E&G Tuition and Fees</td><td>Liquidity, compliance</td><td>Investment of Public Funds Act (§ 2.2-4500)</td></tr>
<tr><td>Working Capital</td><td rowspan="2">Non-general Funds[1]</td><td>Liquidity, enhanced return</td><td rowspan="2">Uniform Prudent Management of Institutional Funds Act</td></tr>
<tr><td>Strategic Investments[2]</td><td>Enhanced return</td></tr>
</table>

[1]Includes gifts, local funds, and non-general reserves.

[2]VTF Endowment.

### Current Year Results

In fiscal year 2024, overall cash and investments increased $54 million, bringing the total year-end balance to $1.3 billion.

This increase is primarily comprised of investment earnings from higher fixed-income rates, a rise in reserve deposits, an increase in balances from the timing of sponsored programs, and timing of incomplete projects (carryover). The university expended a substantial balance of its unspent bond proceeds held at fiscal year-end 2023 for capital projects, including Hitt Hall, Corps Leadership and Military Science Building, and Student Wellness Improvements projects. This decrease on capital-related balances was offset by increases in internal liquidity and strategic investments, as mentioned above. The university aims to continue strengthening its cash and investment balances to improve its peer comparisons and support strategic initiatives.

**Liquidity Strategy**

The *Virginia Tech Liquidity Management Procedures* prescribe maintaining a minimum balance of 90 days operating expenditures budget (annual budget divided by 365). The Investment Team manages internal and external sources of liquidity to ensure a minimum of 45 days of internal liquidity and 45 days of external liquidity

The university's internal liquidity is comprised of bank balances and fixed income investments

External liquidity is comprised of bank lines of credit. The current Board of Visitors approval authorizes external lines of credit up to the greater of $200 million or 45-days of liquidity.

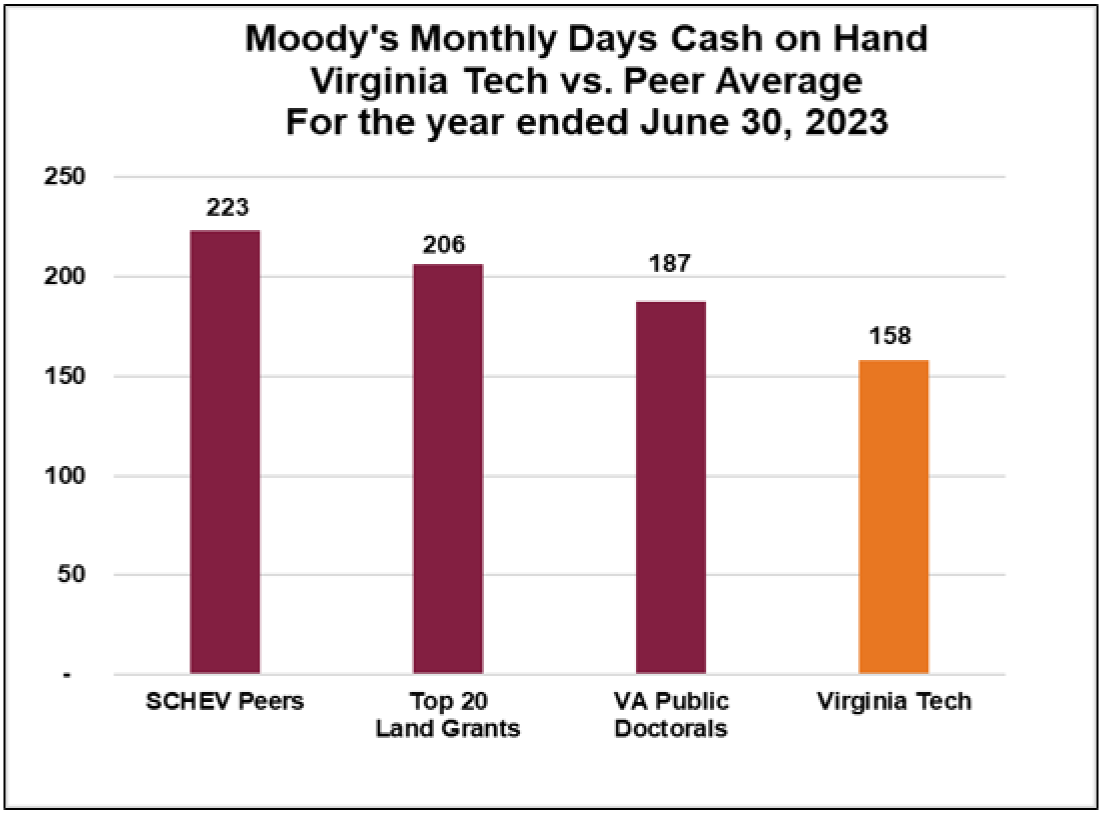
**Liquidity Snapshot at June 30, 2024**
*per Annual Financial Statements*
*all dollars in millions*

| Source | Amount | Days[1] |
|---|---|---|
| Internal Liquidity | $693.8 | 124 |
| External Liquidity | $198.0 | 35 |
| Total Liquidity | $891.8 | 159 |

[1]2024 one-day of cash ≈ $5.6M

*Peer Comparison: Moody's Monthly Days Cash on Hand*

Moody's rating agency calculates a different liquidity metric called the Monthly Days Cash on Hand based on financial statements data. This metric represents the number of days the university could cover operating expenses from all unrestricted cash and investments that could be liquidated within 30 days. Increasing unrestricted cash and investment asset allocation to more liquid, shorter-duration investments improves performance on this metric. The Investment Team considers the tradeoff between return and credit rating impacts when investing in higher-yield, less liquid investments, such as investments in the VTF endowment pool. The following chart provides comparisons of the university's Moody's Monthly Days Cash on Hand to select peer groups.




Source: Moody's Days Cash on Hand 6/30/2023 for reporting institutions.

**Virginia Tech Foundation Endowment Pool**

The university began placing its long-term investment strategies in the VTF endowment pool in 2009. The university tracks and reports these funds separately from the private gifts and endowments typically received and invested by the VTF. The VTF invests these funds under an agency agreement approved by the Board of Visitors on August 31, 2009. This placement meets the requirements of the *Uniform Prudent Management of Institutional Funds Act* (§ 64.2-1100) and the university's investment policy. .

As of June 30, 2024, the market value of university funds invested in the endowment pool was $605.8 million. Funds invested in the endowment pool managed by VTF consist of true endowments quasi-endowments and the university's strategic investments.

**Utilization of Investment Income**

The university has designed its investment program to generate recurring supplemental revenue streams to advance university goals. Accordingly, the university has developed two sets of principles regarding using these funds that are consistent with state guidance and accounting principles and maximize support for university programs.

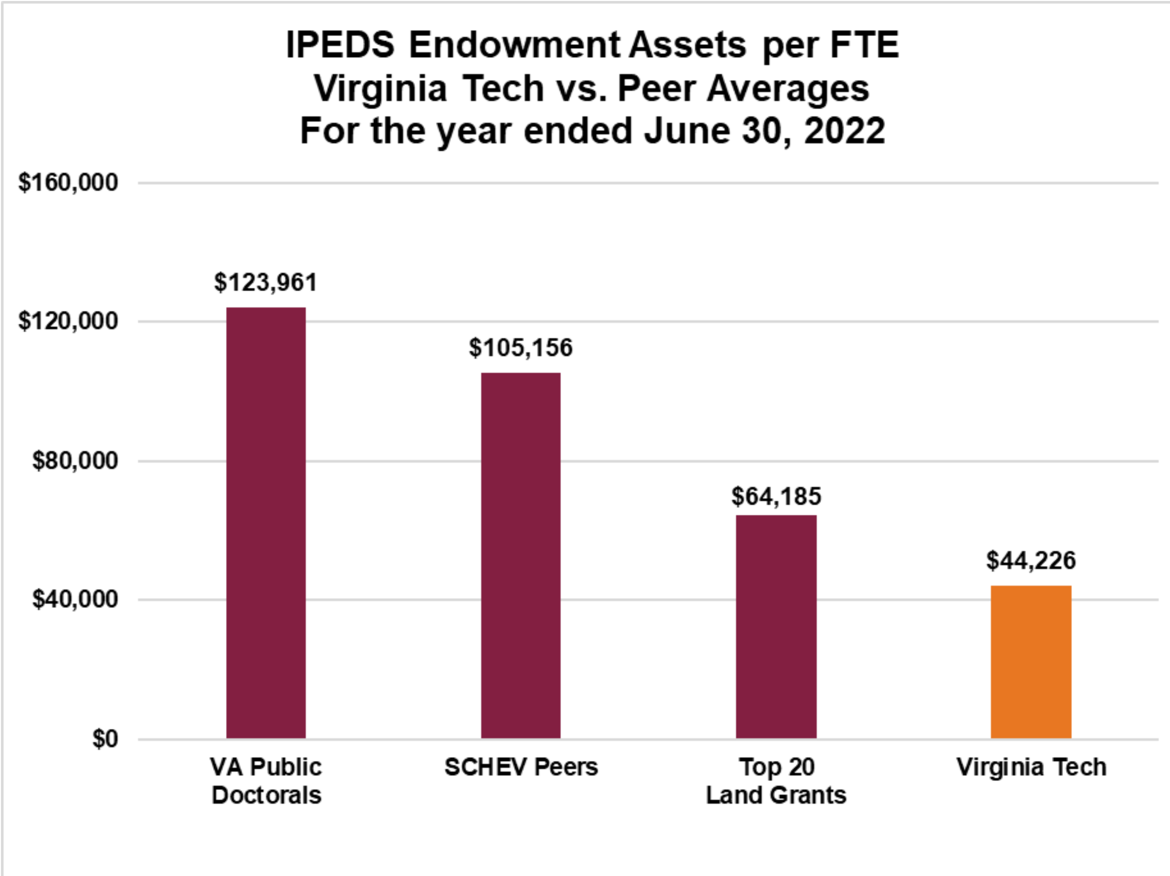
The first set of overarching principles relates to the goal of supporting major university goals, such as reducing the need for increases in tuition and fees, building adequate operating reserves (including the strategic plan milestone of growing net assets by $20 million per year), and investing in strategic academic programs and initiatives. This set of principles also emphasizes the preservation of capital and building capacity to preserve and enhance the university's purchasing power over time.

The second set of overarching principles relates to the appropriate allocation of investments based on the restricted or unrestricted nature of funds in the university's long-term investment strategies. In the case of restricted funds or funds associated with an operational activity clearly defined in the university's program structure, the university apportions the associated earnings to those purposes or programs. The case of the university's true endowments, quasi-endowments, and funds from specific programs such as auxiliary enterprises best demonstrate this practice.

Alternatively, in the case of non-auxiliary unrestricted funds, the university allocates earnings to a resource pool available for allocation to strategic institutional goals and initiatives. These allocations will be made primarily as one-time or limited recurring commitments and will rarely be used to provide ongoing support to a strategic activity. Currently, the earnings from the unrestricted university funds are fully committed to banking fees, scholarships, VTCSOM, and the Innovation Campus.

*Peer Comparison: IPEDS Endowment Assets per FTE* Enrollment

The university's endowment assets contribute to the International Postsecondary Education Data System (IPEDS) Average Endowment Assets per FTE Enrollment. This metric provides an enrollment-adjusted look at the university's endowment assets compared to peer institutions. Increasing the university's endowment assets strengthens the university's credit profile, provides annual resources for strategic priorities, and improves the university's peer comparison. The following chart provides comparisons of the university's IPEDS Endowment Assets per FTE Enrollment to select peer groups.




Source: Integrated Postsecondary Education Data System (IPEDS) Average Endowment Assets per FTE Enrollment 6/30/2022 for reporting institutions.

**Conclusion**

The university has implemented an investment program designed to promote the attainment of the university's goals, such as keeping down tuition and fees, growing unrestricted net assets by in excess of $20 million a year, and investing in strategic academic programs. The investment program helps achieve these goals through a liquidity strategy that incorporates external lines of credit and management of internal funds, and through the prudent deployment of investment earnings as one-time or limited recurring commitments to strategic goals and objectives. Additionally, the investment program aims to strengthen the university's cash and investment balance comparisons to peer groups. The IPS serves to further these goals and help build on a strong foundation that supports the university's spending power, financial stability, and bond rating

## Attachments

Attachment A shows the changes in cash and investments between fiscal years 2020 and 2024 and the growth of long-term investments in the VTF endowment.

Attachment B shows the components of the university's cash and investment balances as of June 30, 2024, and includes information related to the investment managers and the durations. It also identifies which pools contain auxiliary system funds and separates other types of investments with unique restricted purposes, such as unspent bond proceeds, deferred compensation, and the Land Grant endowment.

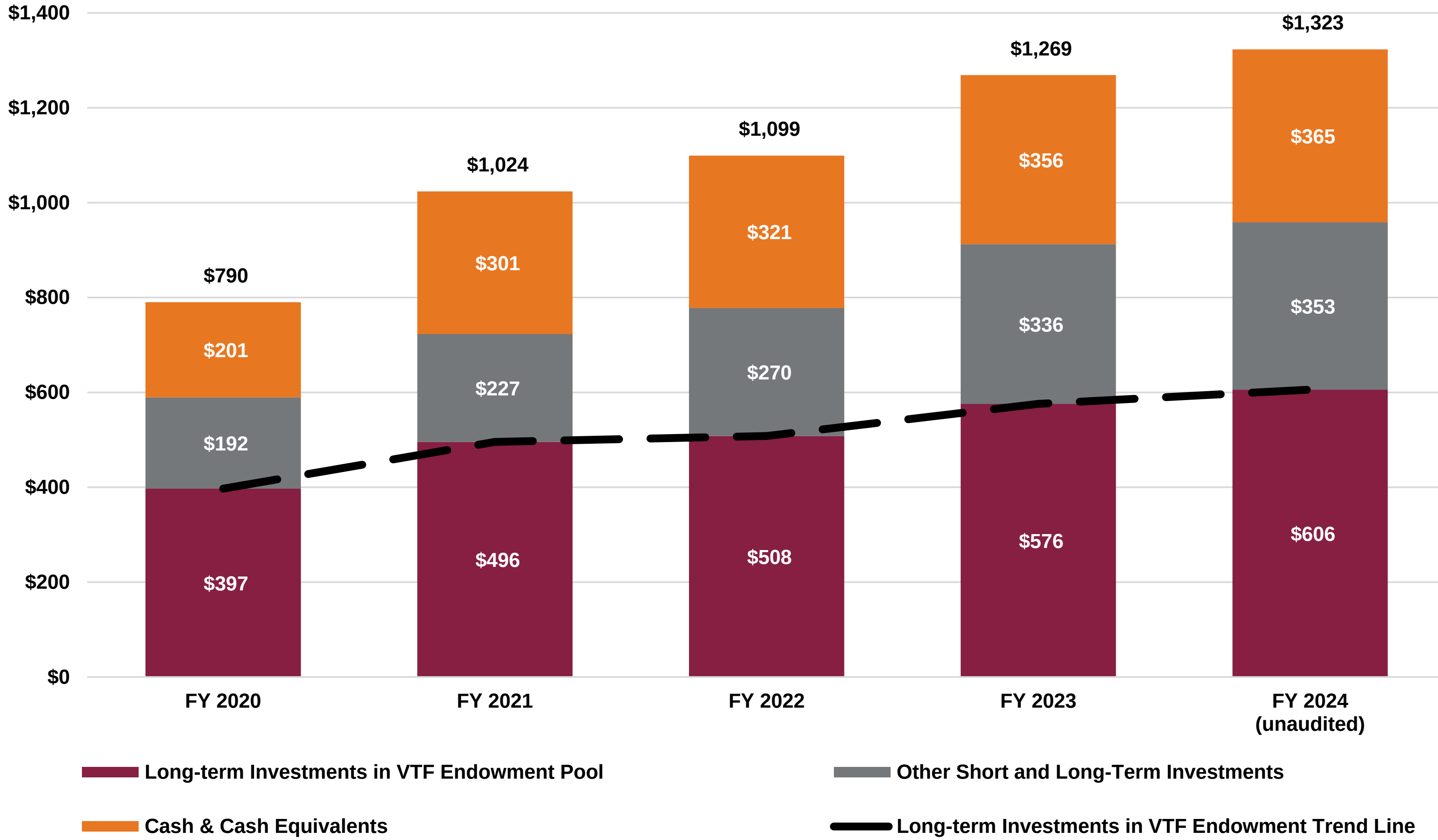
Attachment C for information for short-to-intermediate-term investment pools performance for the most recent fiscal year and longer-term periods. This attachment also includes the VTF endowment pool performance for the most recent fiscal year and longer-term periods

Attachment D for additional information on the purpose of these various true and quasi-endowments and the restrictions on these funds.

Attachment E for more information on the university's utilization of the earnings on the invested funds based on their restricted or unrestricted character. This schedule also shows the requirement from the Management Agreement negotiated with the commonwealth under the Restructuring Act that all interest earnings on Agency 208 E&G be escrowed with the commonwealth for possible appropriation in the following year. Even though the university has met the terms and conditions of the management agreement, the commonwealth has not consistently appropriated these funds in the following years. Funds not appropriated to the university are contributed to the commonwealth's General Fund.

Attachment F for information on the Investment Team composition.

## Total Cash and Investments
## For the years ended June 30, 2020-2024
*all dollars in millions*




The $54 million increase in cash and investments is primarily comprised of investment earnings from higher fixed-income rates, a rise in reserve deposits, an increase in balances from the timing of sponsored programs and timing of incomplete projects (carryover).

**University Cash and Investment Balances**
**at June 30, 2024**
*all dollars in millions*

| | | Cash & Cash Equivalents | Short-Term Investments | Long-Term Investments | Total Cash & Investments |
|---|---|---|---|---|---|
| Wells Fargo | Main Operating Bank | $ 68.5 | $ - | $ - | $ 68.5 |
| Standish Mellon[1] | 90-Day Cash Manager | 277.6 | - | 49.6 | 327.2 |
| Merganser[1] | 1-3 Year Credit Manager | 0.6 | - | 297.5 | 298.1 |
| VTF Endowment[1] | Long-Term Investment Pool | 5.6 | - | 605.8 | 611.4 |
| **Operating and Long-Term Investments** | | **352.3** | **-** | **952.9** | **1,305.2** |
| Unspent Bond Proceeds and Various Other Restricted | | 12.4 | 0.3 | 5.2 | 17.9 |
| **Total Investments[2]** | | **$ 364.7** | **$ 0.3** | **$ 958.1** | **$ 1,323.1** |

[1]Includes Auxiliary System Funds.
[2]Unaudited.

## Short, Intermediate and Long-Term Investment Strategies Performance Report at June 30, 2024

| | 1-Year | 3-Year | 5-Year | 10-Year | Inception |
|---|---|---|---|---|---|
| Standish Mellon General Account:[1] | 5.43% | 3.09% | 2.14% | 1.51% | 1.16% |
| *FTSE 3-Month US T-Bill* | 5.64% | 3.17% | 2.22% | 1.53% | 1.14% |
| Merganser General Account:[1] | 5.51% | 1.20% | 1.67% | 1.63% | 2.16% |
| *BofAML 1-3 Yrs Gov/Corp* | 4.94% | 0.55% | 1.26% | 1.36% | 1.88% |
| VTF Endowment:[1] | 10.70% | 4.70% | 6.40% | 5.97% | N/A |
| *CEF Benchmark*[2] | 12.97% | 1.63% | 6.07% | 5.81% | N/A |

[1]Performance is net of investment manager fees.

[2]65% Global Equities, 20% U.S. Fixed Income, and 15% Global Real Estate.

**True Endowments**

True endowments are funds received from a donor with the restriction that the principal is not expendable. This allows for the gift to have an impact over a longer period than if it were spent all at once. Endowments may also come with stipulations regarding usage. As a result, an endowment payout may be restricted to a specific purpose such as a scholarship, professorship, or program.

Rolls Royce Endowments

The Rolls Royce Endowments are true endowments created by the Commonwealth in 2010 as part of the incentive package to recruit the company to Virginia. The endowment is restricted to support chaired professorships and graduate students in Engineering. The total investment and cash endowment value of the Rolls Royce Endowments as of June 30, 2024 was $13.9 million.

Pouring Rights Scholarship

The Pouring Rights Scholarship is a true endowment established according to the terms of the 2012 Coca-Cola Pouring Rights contract. The funds are restricted for scholarships. The total investment and cash endowment value as of June 30, 2024 was $0.6 million.

**Quasi-Endowments**

Quasi-endowments represent university funds designated by the Board of Visitors rather than a donor. They carry the same intent to provide ongoing income from a long-term investment; however, the governing board retains the authority to repurpose such funds and to remove funds from the quasi-endowment asset category at any time.

Pratt Estate

The $11 million restricted gift from John Lee Pratt in 1977 supports Animal Nutrition and the College of Engineering. This fund was established as a quasi-endowment by the Board of Visitors in the 1970s and reaffirmed on June 4, 2018 for its restricted purpose. The total investment and cash endowment value of the Pratt Estate funds as of June 30, 2024 was $47.6 million.

Donaldson Brown Scholarship

During the 1940s, the late Mr. Donaldson Brown made gifts to the university designated for student loans or scholarship. In 1992, the funds were focused to provide scholarships. The Board of Visitors reaffirmed/designated the fund as a quasi-endowment on June 4, 2018 designated for scholarships consistent with the terms of the gift. The endowment value as of June 30, 2024 was $1.0 million.

Nationwide Scholarship

A 2014 settlement agreement with Nationwide Life Insurance Company related to student medical insurance premiums included the establishment of a scholarship fund in their name from any residual or unclaimed funds. The Board of Visitors authorized this fund as a quasi-endowment on June 4, 2018 designated for scholarships. The total investment and cash value as of June 30, 2024 was $10.0 million.

Chinese Endowed Geosciences Scholarship

In 2002, the Department of Geological Sciences established a scholarship fund to support Chinese graduate students from funds provided by the People's Republic of China. The total investment and cash endowment value as of June 30, 2024 was $0.1 million.

Gloria Smith Professorship

In August 2000, the university approved an allocation from the Athletic Department's Sugar Bowl proceeds to serve as a base that would provide ongoing support for the Gloria Smith professorship. The professorship, named in honor of the late Gloria D. Smith, a counselor and advocate of minority students on campus before her retirement, is awarded for a period of two years to an outstanding faculty member who contributes significantly to the growth and development of minority students, student-athletes, and scholarly pursuits. The Board of Visitors authorized this fund as a quasi-endowment on June 4, 2018 designated for the professorship. The total investment and cash endowment value as of June 30, 2024 was $0.4 million.

Licensing & Trademark Scholarship

Over the last two decades, the University's Licensing & Trademark agreements have created one-time resources that have been invested to create ongoing income for scholarships. The Board of Visitors authorized this fund as a quasi-endowment on June 4, 2018 designated for scholarships. The endowment value as of June 30, 2024 was $17.1 million.

Multicultural Affairs Scholarship

In August 2000, the university approved an allocation from the Athletic Department's Sugar Bowl proceeds to serve as a base that would provide ongoing support for scholarships for Multicultural Affairs. The Board of Visitors authorized this fund as a quasi-endowment designated for scholarships on June 4, 2018. The value as of June 30, 2024 was $0.1 million.

Student Health Insurance Fund

In 1997, the university received a stock conversion settlement from Trigon when the company went public. The Board of Visitors authorized this fund as a quasi-endowment on June 4, 2018 to support the health care insurance program, including the administration of student insurance programs. The value as of June 30, 2024 was $0.4 million.

**Unrestricted Investments**

Unrestricted investments consist of university nongeneral fund reserves, balances, and local funds. These investments are meant to create a revolving set of resources generating an annual, recurring revenue stream to make one-time or limited recurring commitments to pursue the university’s strategic goals. The total investment and cash value of these other university funds as of June 30, 2024 was $520.2 million.

Attachment F

Attachment E

## 2024-25 Utilization of Investment Income

*all dollars in thousands*

| Description | Utilization | 2024-25 Estimate: Internal Liquidity Invetments | 2024-25 Estimate: Strategic Investments |
|---|---|---|---|
| **True Endowments** | Scholarships, Engineering Chaired Professorships & Grad Students | - | $602 |
| **Donor Restricted Quasi-Endowments** | Scholarships, Animal Nutrition & Engineering programs | - | 2,452 |
| **BOV Designated Quasi-Endowments** | Scholarships, Professorship support, Support student health insurance program | - | 777 |
| **Unrestricted Investments** | | | |
| State Escrow[1] | Support E&G Programs, subject to state appropriation | $5,584 | |
| Auxiliary Enterprises | Auxiliary operations, maintenance reserve program, help to limit increases to comprehensive fees | 6,369 | 5,348 |
| Other University Funds | Banking fees and investment management costs, Scholarships, VTCSOM, Innovation campus, and other operating costs | 16,599 | 16,534 |
| **Total University Investment Income** | | $28,552 | $25,713 |

[1]Reflects amount estimated to be returned to E&G Programs. Escrowed to the Commonwealth but has not been appropriated.

Attachment F

## Investment Management Team

The Investment Team, comprised of the Vice President for Finance and Chief Financial Officer, Assistant Vice President for Finance and Associate Treasurer, Associate Vice President for Finance and University Controller, and the Associate Vice President for Budget and Financial Planning, are responsible for developing recommendations regarding the university's overall investment strategies and providing ongoing monitoring, assessment, and adjustments to the investment program during the fiscal year to achieve the university's overall investment strategies. The Investment Team approves the annual allocation decisions to ensure a prudent level of liquidity to fund current operations. The Vice President for Finance and Chief Financial Officer coordinates these decisions with the Executive Vice President and Chief Operating Officer.

Attachment F

# Annual Report on Treasury Investments and Quasi-Endowments

Simon Allen, Vice President for Finance and Chief Financial Officer

November 19, 2024

# Annual Report on Treasury Investments and Quasi-Endowments



- The Investment Policy aims to ensure prudent levels of liquidity and maximize investment earnings.
- The investment tiers include:
  - Educational & General and Working Capital tiers invested with Standish Mellon, Merganser and potentially other 3rd party managers.
  - Strategic investments with the VT Foundation endowment.
- *Current* liquidity minimums: 45 days internal liquidity and 45 days external liquidity.
  - Each day of liquidity equals the university's annual operating expenditures budget divided by 365.
- Two key principles for allocating earnings:
  - Return designated or restricted earnings to their respective programs to pursue current and future activities.
  - Deploy unrestricted earnings[1] for one-time or limited recurring commitments to pursue strategic initiatives, and to build capacity by growing unrestricted net assets by >= $20 million per year to achieve the strategic plan milestone.



[1]Earnings on E&G funds must be escrowed with the Commonwealth of Virginia in accordance with the management agreements of the Restructuring Act and are used to support the E&G budget once appropriated by the commonwealth in the following year.

# Liquidity Snapshot

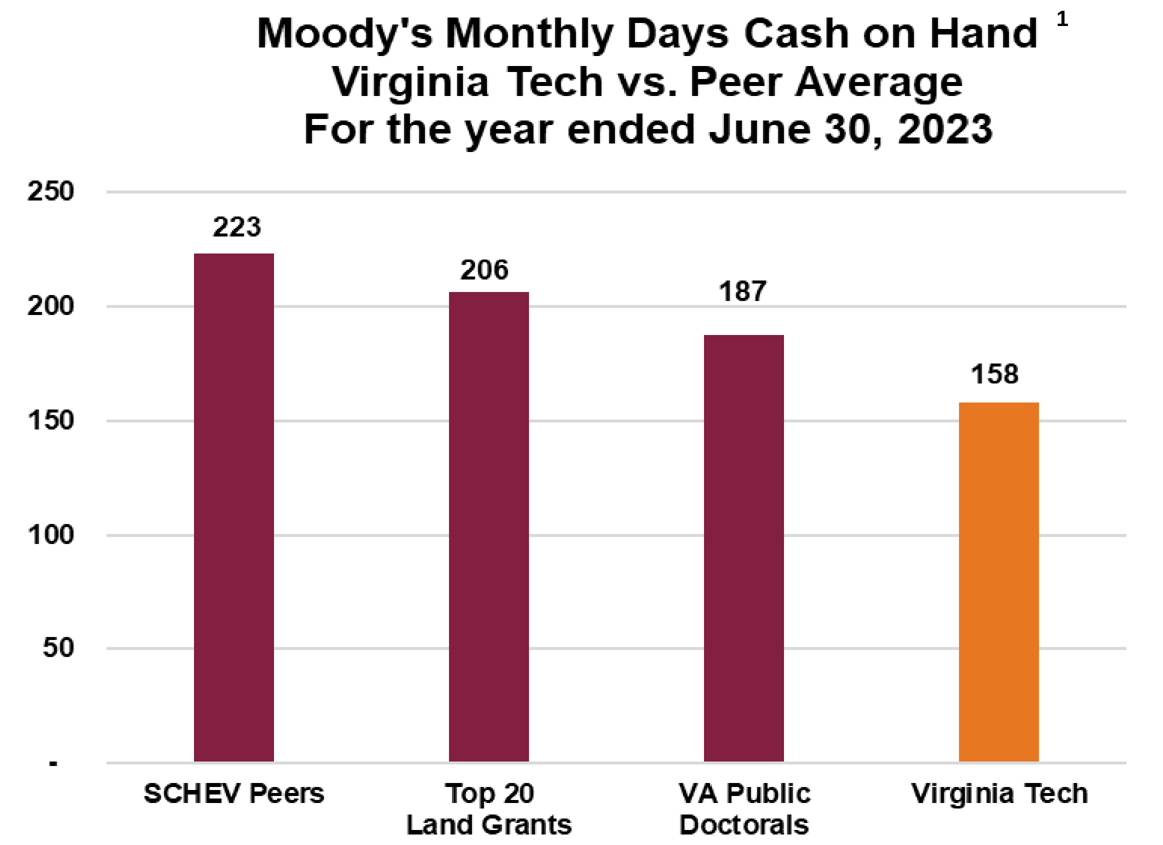
per Annual Financial Statements as of 6/30/2024
all dollars in millions



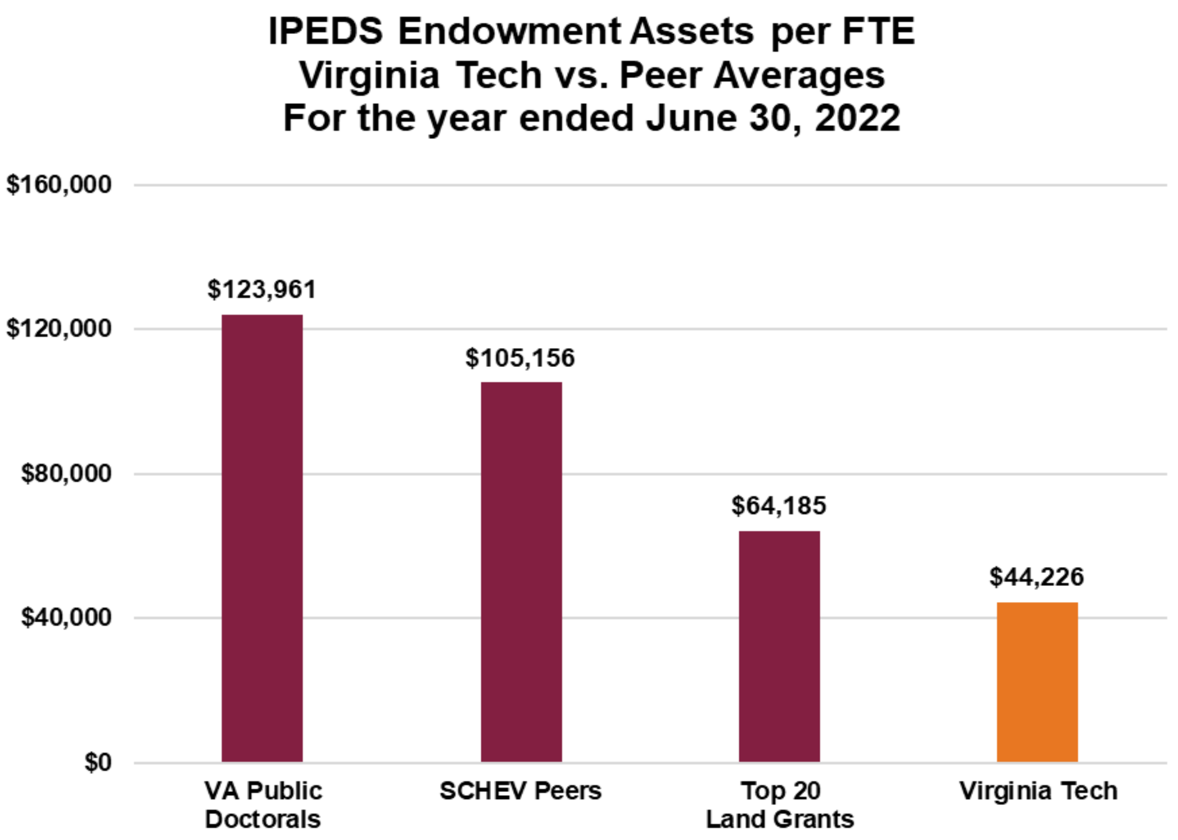
| Source | Amount | Days[1] |
|---|---|---|
| Internal Liquidity | $693.8 | 124 |
| External Liquidity | $198.0 | 35 |
| Total Liquidity | $891.8 | 159 |

[1]2024 one-day of cash ≈ $5.6M, *Peer Comparison: Moody's Monthly Days Cash on Hand*

# Cash and Investment Benchmarking




Source: Moody's

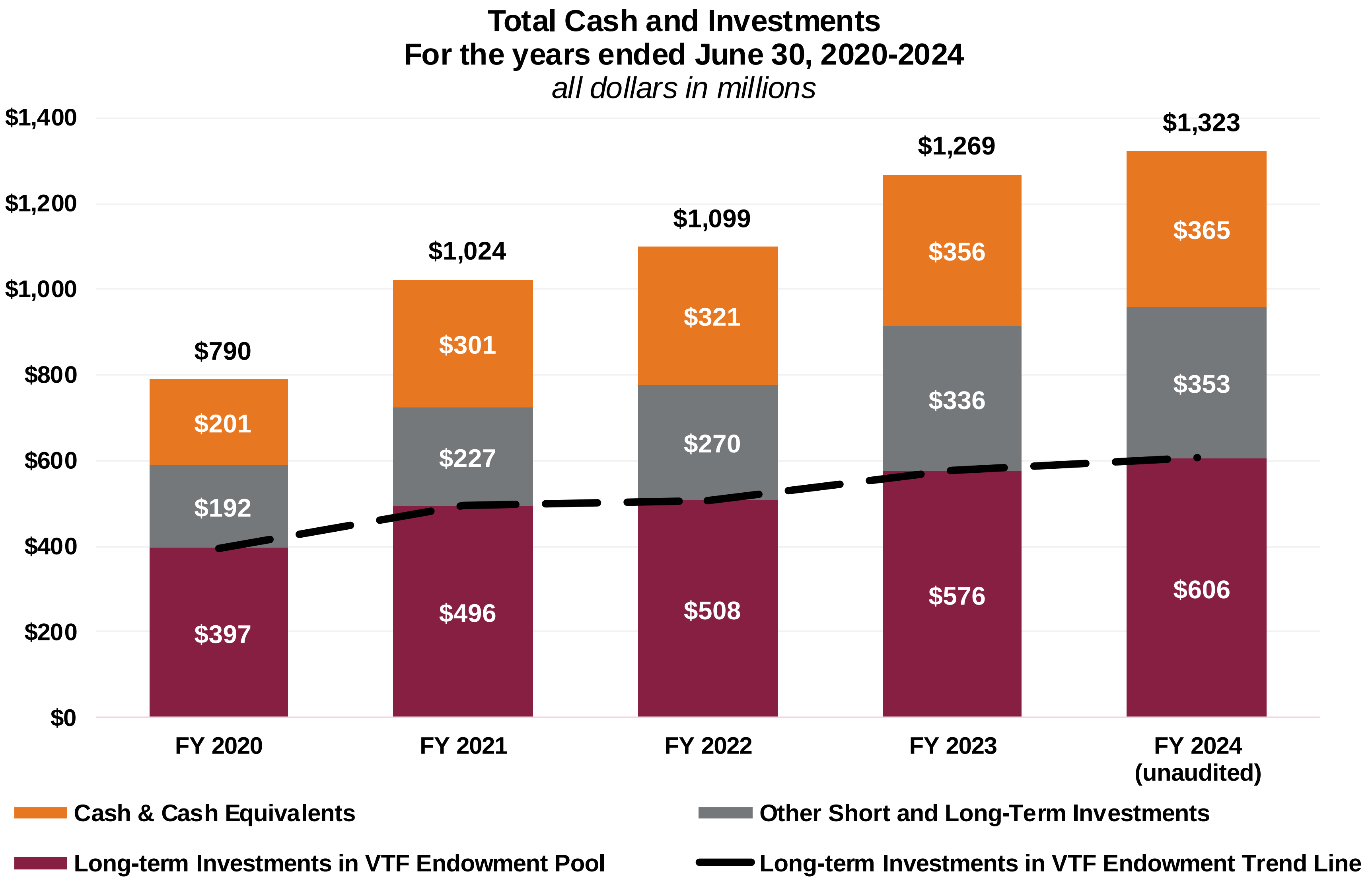



Source: Integrated Postsecondary Education Data System (IPEDS)

[1] Moody's Monthly Days Cash on Hand represents the number of days the university could cover operating expenses from all unrestricted cash and investments that could be liquidated within 30 days.

# Cash and Investment Holdings

Attachment F






The $54 million increase in cash and investments is primarily comprised of investment earnings from higher fixed-income rates, a rise in reserve deposits, an increase in balances from the timing of sponsored programs, and timing of incomplete projects (carryover).

# Cash and Investment Allocations

VIRGINIA TECH

**University Cash and Investment Balances**
**at June 30, 2024**
*all dollars in millions*

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[2]Unaudited.

# Cash and Investment Performance



**Short, Intermediate and Long-Term Investment Strategies Performance Report**
**at June 30, 2024**

| | 1-Year | 3-Year | 5-Year | 10-Year | Inception |
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[1]Performance is net of investment manager fees.

[2]65% Global Equities, 20% U.S. Fixed Income, and 15% Global Real Estate.

# Summary

- Total cash and investments are robust and continue to grow
- Virginia Tech lags peer institutions in liquidity / days cash on hand metric but is well-funded versus operational needs
- The university invests its resources to generate income that supports achieving the university's strategic goals and initiatives, while appropriately managing investment risks

# Discussion

# Review and Approval of the Revisions to the 2024-2030 Six-Year Plan

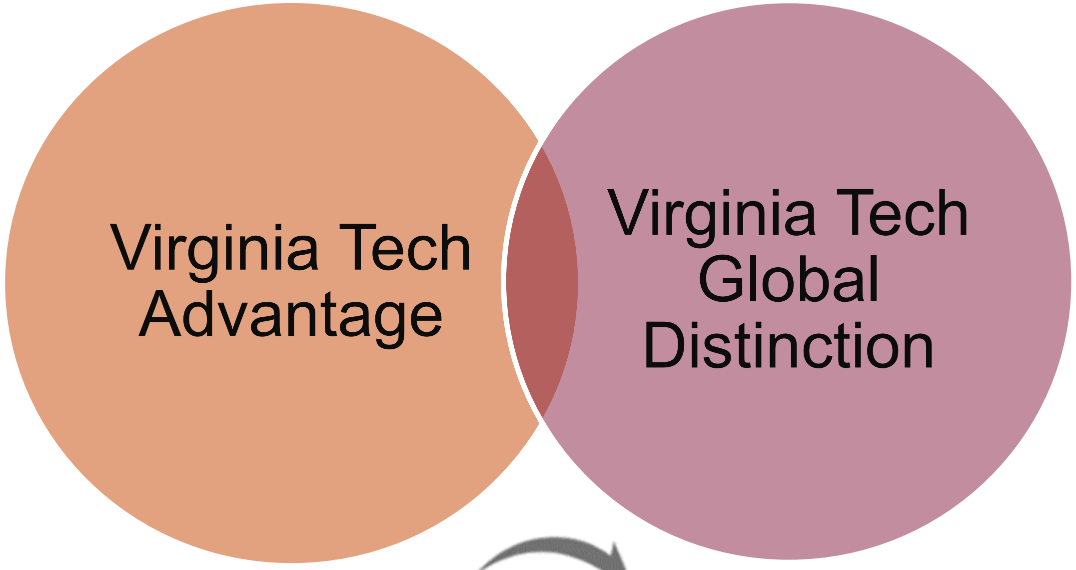
Tim Hodge, Associate Vice President for Budget and Financial Planning

November 19, 2024

VIRGINIA TECH

# University Strategic Priorities






## Enabling Infrastructure

The people, processes, and resources deployed in support of the strategic goals.

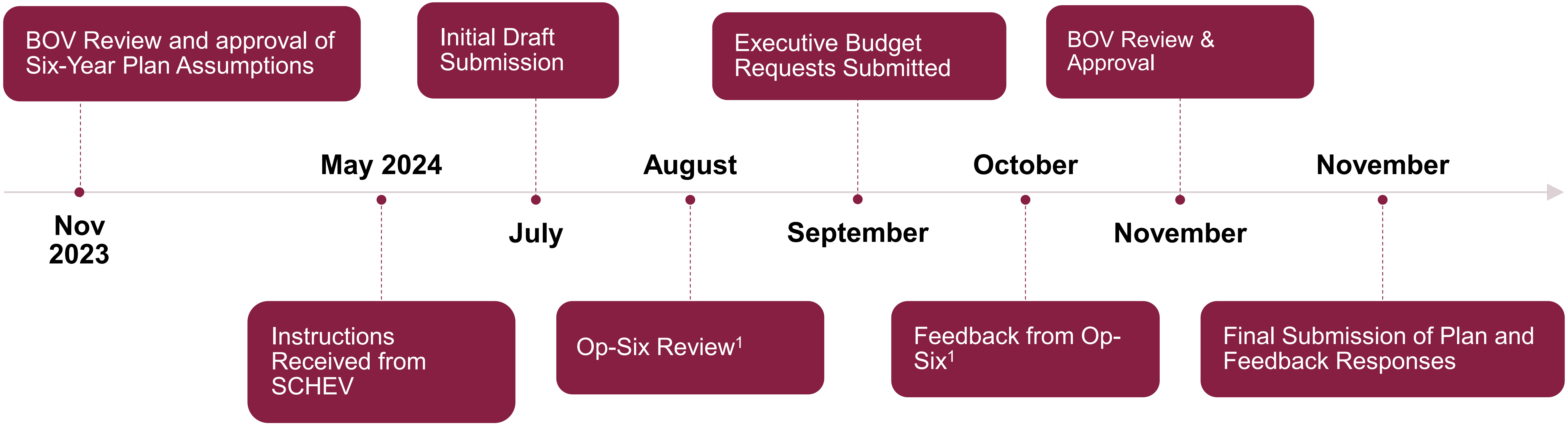
## Virginia Tech Advantage

Embodies our land-grant mission by bridging financial gaps for students, ensuring steady degree progress, and fostering holistic student success.

## Virginia Tech Global Distinction

A commitment to institutional excellence across research, teaching, and engagement that makes the university a destination for the best faculty, students, and partners from the commonwealth, the nation, and the world.

# State Six-Year Planning Process – Revision Year: Affirmation of Previously Approved Plan




The Six Year Plan is a state plan as required by the Higher Education Opportunity act of 2011 and is an opportunity to share institutional academic, financial, and enrollment plans for the future three biennia.

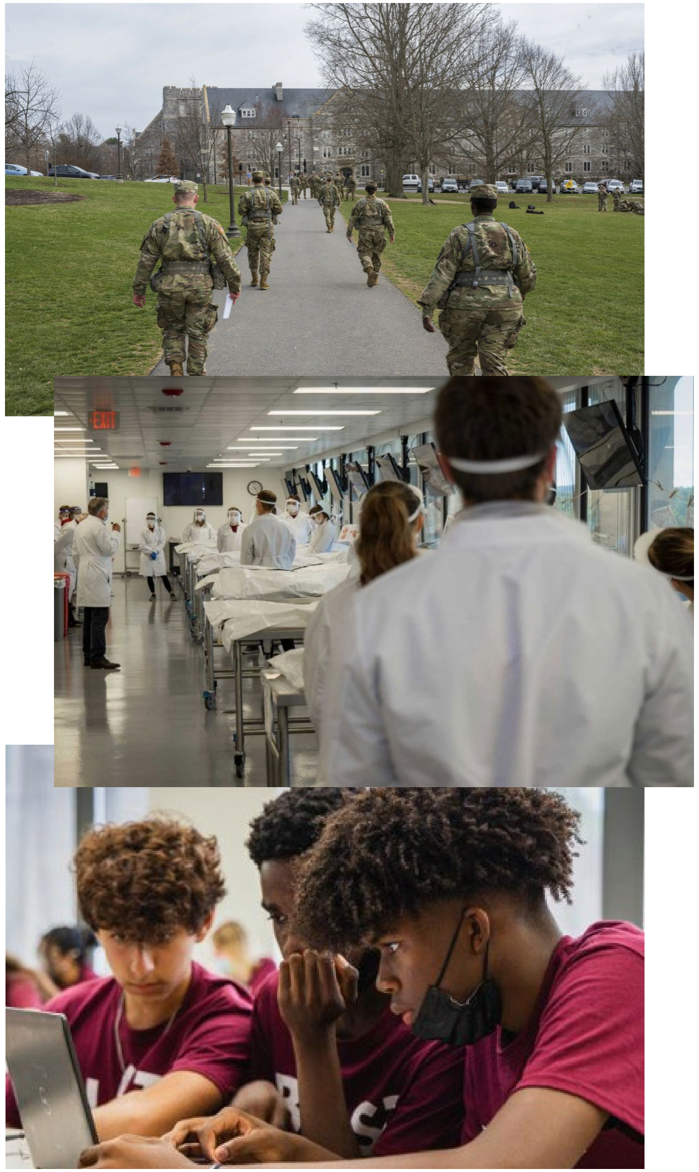
[1] Op-Six members include: the Secretary of Education, Secretary of Finance, Director of Department of Planning and Budget, Director of SCHEV, Staff Directors of the House Appropriations Committee and Senate Finance and Appropriations Committee.

# University Division Incremental Operating NGF Cost Placeholders
## (assumes no incremental state funding)

| Six-Year Plan Nongeneral Fund Cost Drivers | 2025-26 |
|---|---|
| Faculty/Staff Salary and Graduate Stipend Placeholder | $(17.0) |
| Inflationary Non-Personnel Cost Increases | (2.2) |
| Facility Renewal and O&M of New Facilities | (3.6) |
| Maintain Discount Rate and Advance Institutional Student Financial Aid Priorities | (2.5) |
| Resources to Support Cost Drivers | |
| State General Fund Support from 2025 Legislative Session | TBD |
| Tuition Rate Increase to Support Inflationary Cost Drivers (Resident 4.9%, Nonresident 3.9%)* | 24.5 |
| Net Inflationary Costs (after Tuition Rate Increase and General Fund Support) | **$(0.8)** |
| | |
| Revenues from Enrollment Changes (Mix, Professional Masters, Professional Students)** | $12.7 |
| Enrollment Growth Support to Maintain Quality and expand graduate enrollment in high demand areas | (4.2) |
| Support for Strategic Initiatives | (12.7) |
| Reallocations (Reinvestments) to Support Strategic Initiatives | 5.0 |
| **Net** | **$ -** |

* Tuition & Fees are not proposed at this time. Tuition & Fees will be considered by the Board for approval at the Spring meeting.
**Includes tuition rate increase and enrollment assumptions for FY26

# General Fund Requests: University Division
*(Agency 208)*



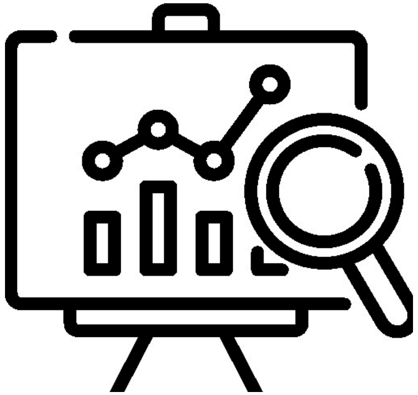
| | 2025-26 |
|---|---|
| **Virginia Military Survivors & Dependents Education Program** – base support to offset foregone tuition (FY25 estimate). | $12.0M |
| **Moderate In-State Tuition Increases** – moderate FY26 tuition increase from the Six-Year plan estimate of 4.9% to 0.0%. | $15.9M |
| **Increase Need-Based Financial Aid** – support the Virginia Tech Advantage initiative to improve access and affordability for Virginia resident undergraduates. | $3.6M |
| **Expand Medical Education** – increase VTCSOM class size to address physician shortage and improve affordability. | $8.3M |
| **Unique Military Activities** – support recruiting, leadership development programs, quality, and fund escalating costs. | $0.7M |
| **O&M of New Facilities** – General Fund share of O&M costs for the Undergraduate Science Laboratory Building and Hitt Hall. | $1.0M |

# General Fund Requests: Extension / Agricultural Experiment Station Division *(Agency 229)*

| | 2025-26 |
|---|---|
| **Agricultural Innovation and Community Resource Development** – invest in innovation and development through cohorts of specialized agents and specialists. | $0.7M |
| **Advanced Equipment** – new technology and equipment is needed to ensure that the ARECs continue to be leaders of innovative agricultural processes. | $0.8M |
| **Maintain Level of Service** – support is needed to fund unavoidable cost escalation and mitigate unplanned budget reallocations. | $1.1M |

# Strategic Reinvestments (Reallocations)

- Limited resources require Virginia Tech to prioritize initiatives for funding.
- Strategic reallocations allow for:
  - Multi-year planning
  - Process redesign and technology upgrades to facilitate work
  - Programmatic focus and alignment
- Virginia Tech's revised plan reflects the continuation of the $25 million reallocation program.
- Status of program:
  - $5M was reinvested in fiscal year 2024-25.
  - Another $5M is envisioned for 2025-26 for a total of $10M.



# Next Steps

- The university received feedback from the Op-Six[1] on October 28th, 2024.
  - The feedback was comprised of clarifying questions.
  - No revisions were recommended at this time.
- Plans served as basis of university budget submissions for consideration in Executive Budget amendments.
- Initiatives will serve as basis of university's funding advocacy efforts in the 2025 legislative session.

[1] Op-Six members include: the Secretary of Education, Secretary of Finance, Director of Department of Planning and Budget, Director of SCHEV, Staff Directors of the House Appropriations Committee and Senate Finance and Appropriations Committee.

# Review and Approval of the Revised 2024-2030 Six-Year Plan



## Recommendation:

That the Board of Visitors approve the revised 2024-2030 Six-Year Plan.

November 19, 2024

## University Support for Student Financial Aid

## FINANCE AND RESOURCE MANAGEMENT COMMITTEE

## October 15, 2024

Consistent with prior years, the university is providing the Finance and Resource Management Committee of the Board of Visitors with an update on the university's Student Financial Aid program. This annual report provides an overview of the types of student financial assistance programs available at the university, sources of funding for these programs, and a review of the institutional undergraduate aid programs that are controlled or influenced by the university.

This report is an integral part of the information flow to the Board of Visitors to assist in the assessment and approval of the university's tuition and fee rate proposals.

### Funding Environment

Overtime Virginia Tech has experienced a shift in the types of resources available to support the instructional program. This change was driven by a combination of increasing costs, the requirement to maintain the quality of programs, and the level of state financial support.

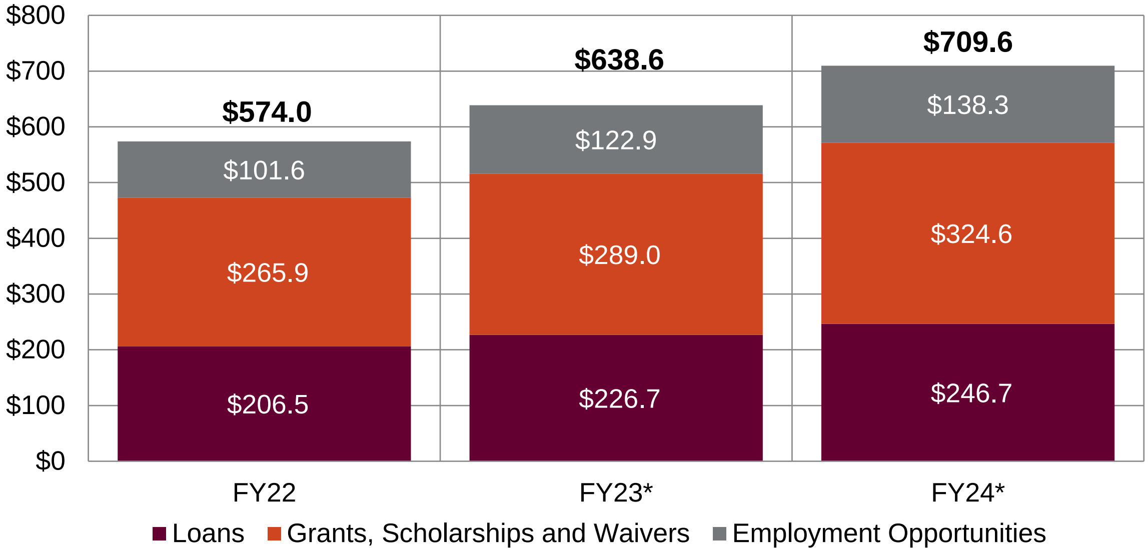
The state-funded share of support per student is impacted by the many cost-drivers competing for state resources. In this environment, the role of student financial assistance of all types has become a more central element of financial planning in the university's efforts to ensure access and affordability. Financial aid programs are critical to support those goals, as well as promoting the recruitment, retention, and graduation of students. The university's financial aid efforts seek to ensure that qualified students can access a Virginia Tech education and to help promote student success.

Understanding the shift in the cost of education from the state to the student over time, the university has proactively focused its efforts to increase support for student financial aid. These efforts are specifically designed to ensure access and affordability and meet the goals of the university as described in its Management Agreement with the commonwealth and support broader affordability goals.

### Types of Student Financial Aid

The university facilitates a multifaceted scholarship and financial aid program that provides assistance to undergraduate students through grants and scholarships, employment opportunities, loans, and payment strategies. Graduate students are supported through graduate assistantships, which provide tuition remission and a stipend in exchange for university service. Fund sources for this assistance are varied as are their accompanying eligibility protocols. For fiscal year 2023-24, total aid reached $709.6 million, as seen in Figure 1 below.

**Figure 1: Total Student Financial Aid From All Sources**
**Dollars in millions**




*excludes tuition mitigation scholarships and rebates

Financial assistance to students is provided in the four main categories of grants and scholarships, employment, loans, and payment options:

1. **Grants and Scholarships** provide aid based on academic or extracurricular achievement, or financial need, and require no exchange of service. Some of these are need-based, while others are merit-based. No repayment is expected.

   *Need-based awards* are offered to students who demonstrate financial need as determined by federal and institutional standards. Such standards involve the computation of the cost of attendance including estimated books and supplies, transportation, personal expenses, and room and board whether on or off campus, in addition to tuition and required fees. From this total cost of attendance, the university subtracts the Expected Family Contribution (standardized through the Free Application for Federal Student Aid, the FAFSA), and any outside aid the student has obtained from sources other than the university to determine the student's financial need.

   *Non-need-based awards* may be merit-based and offered to students who demonstrate exceptional aptitude and academic and/or extracurricular achievement.

2. **Employment** includes wage employment, student work-study opportunities at the undergraduate level, and graduate assistantships at the graduate level. In 2023-24, 33 percent (12,789) of Virginia Tech students participated in an employment opportunity.

*Federal Work-Study* – provides eligible students a financial aid allotment and a wage employment position. This program is subsidized by the federal government and is supported in part by the university. Federal Work Study (FWS) participants are employed both on and off-campus; gaining valuable work experience along with financial assistance. Award amounts, generally between $1,500 and $2,500, are based on a student's Free Application for Federal Student Aid (FAFSA) filing. In 2023-24, 531 students participated in FWS programs; 519 at the undergraduate level and 12 at the graduate/professional level.

*Wage employment opportunities* – provide university employment to students based upon individual qualifications subject to departmental needs and resources. The university employed 8,783 students in wage positions during 2023-24; 7,484 at the undergraduate level and 1,299 at the graduate/professional level.

*Assistantships* – offer tuition remission, health insurance, and a stipend in return for the student's (typically graduate-level) effort through research, service, or teaching. This funding supports both the graduate student and the university's programs. The university employed 4,143 individual graduate students, or 3,657 full-time equivalent students, as graduate assistants in administrative, teaching, and research positions in 2023-24. This represents 70 percent of the full-time graduate student population.

3. **Loans** are offered through institutional, federal, and private lenders and provide financial assistance. These loans have repayment requirements. Loans may be subsidized or unsubsidized.

   *Subsidized loans:* generally from the federal government, carry a lower interest rate, and do not accrue interest or require payment during qualifying enrollment and deferment periods.

   *Unsubsidized loans:* generally accrue higher, market-based interest rates from the date the loan is disbursed, and may not require repayment during qualifying enrollment and deferment periods.

4. **Payment Options** include prepaid tuition plans offered by the Commonwealth of Virginia (such as tax-sheltered savings plans) and the Budget Tuition Plan operated by the university. The Budget Tuition Plan is an installment payment plan which provides students and families the opportunity to spread the cost of tuition and fees over the course of the semester. In the fall of 2024, there were 6,288 students who utilized the Budget Tuition Plan.

The university is involved in the administration and distribution of each of these types of financial aid. Many programs are administered outside of the university, and students arrive with financial aid arrangements (which are generally termed "outside aid" in this report) that the university facilitates on their behalf. Other programs are developed within the institution.

**Sources of Funding for Grants and Scholarships**

A wide range of resources support grants and scholarships including federal, state, institutional, and outside aid. These sources are described below and a trend of annual expenditures of each category is detailed in Table 1.

Federal Support comes from the federal government and is provided through Pell Grants and Federal Supplemental Educational Opportunity (FSEOG) support. These programs are administered by, and flow to the student through, the university. The appropriations for these programs are often congressionally approved and, in the case of Pell Grants, follow the student to their university.

State Support is provided by the commonwealth from the state General Fund in several ways. The bulk of the commonwealth's appropriation is directed to the university in support of Virginia resident undergraduate need-based scholarships. Funding is also appropriated to support tuition remission for graduate students on assistantship. Additionally, the commonwealth directs a small portion of funding to the university to fund students in the Soil Sciences and students participating in the Multicultural Affairs and Opportunities Program. Other state funding may flow to the university on behalf of students, and is not under the university's control. The State Council of Higher Education in Virginia (SCHEV) also coordinates some statewide programs.

Institutional Support is the area of financial aid that the university can impact directly, providing financial assistance in the form of scholarships and grants at the undergraduate level and assistantships at the graduate level. Institutional support comes through six main categories: unfunded scholarships, Tuition & Fee Revenue Used for Financial Aid, internal resources, codified waivers, graduate tuition remission, and private funding. In 2023-24, institutional support provided $96.8 million to 16,680 undergraduate students; an average of $5,800 per student.

> *Unfunded Scholarships*: Section §23-1-612 of the Code of Virginia authorizes institutions of higher education to create need-based scholarships through the remission of tuition and fees up to certain limits at both the student and institutional level. These programs are supported by the tuition budget and are reflected in the net tuition revenue collected by the university.
>
> *Tuition & Fee Revenue Used for Financial Aid*: the 2014 General Assembly session added language in Section §4-5.01 b.1.a of the Appropriation Act that authorizes institutions of higher education to create nongeneral fund appropriations for student financial assistance, as follows: (i) funds derived from in-state student tuition will not subsidize out-of-state students, (ii) students receiving these funds must be making satisfactory academic progress, (iii) awards made to students should be based primarily on financial need, and (iv) institutions should make larger grant and scholarship awards to students taking the number of credit hours necessary to complete a degree in a timely manner. These

programs are supported by the tuition budget and are reflected in the net tuition revenue collected by the university.

*Internal Resources:* some institutional support is available from specific resources. Given the public nature of much of the university's resources, the university is limited in its ability to generate resources for flexible scholarship support. Examples of this type of support are revenue from Virginia Tech license plate sales and net revenues from licensing and trademark activities.

*Codified Waivers:* while the university is generally unable to waive student charges, codified waivers are specific programs that are enacted in the Code of Virginia that authorize the waiver of charges to support specific groups targeted by the commonwealth. These waivers are mandated by the Commonwealth while the cost is absorbed by the university. Given the state's expansion of program eligibility and increased utilization of the Virginia Military Survivors and Dependents Education Program (VMSDEP), the university has borne significant waiver increases in recent fiscal years. The mandated waivers include:

- Dependents and spouses of military personnel such as members of the United States Armed Forces or Virginia National Guard who were killed or severely disabled in action,
- Surviving spouses and children of Virginia public safety personnel such as law-enforcement officers, campus police officers, and firefighters killed or disabled in the line of duty,
- Senior citizens with income less than $23,850 per year, as long as tuition paying students are not displaced.

Because the costs of these programs are managed by the institution, these programs are considered institutional support. The university also supports graduate students on assistantship through the waiver of the nonresident differential (the difference in the tuition rate between resident and nonresident graduate students) as authorized by the Appropriation Act for significantly employed graduate students.

*Graduate Tuition Remission:* the most common source of support for graduate students is the graduate assistantship. An assistantship is comprised of a stipend, health insurance, and graduate tuition remission. Assistantships support teaching, research, or other service within the university. The university funds a portion of the graduate tuition remission program, as do grants and contracts tied to specific externally sponsored activities, primarily research.

*Private Funding:* University Advancement supports the vision of Virginia Tech by raising private resources for student scholarships and endowments. These privately-funded scholarships resources are received, managed, and disbursed by the Virginia Tech Foundation on behalf of the institution. While some resources are managed by the university, the university's individual colleges and departments are responsible for awarding a significant portion of the private support and administering restricted scholarships to eligible students based upon donor intent. Utilization of these departmentally administered resources is detailed later in this report.

Outside Aid is aid which normally comes with a student from private external parties. This could include private organizations, nonprofit organizations, businesses, governmental entities, international organizations, and other special-interest groups. The university does not control this fund source but works to facilitate and coordinate the delivery of such support. Often these awards are tied to academic progress eligibility which the university may monitor on behalf of the awarding entity.

**Table 1: Grants, Scholarships, & Waivers**
(Dollars in Millions)

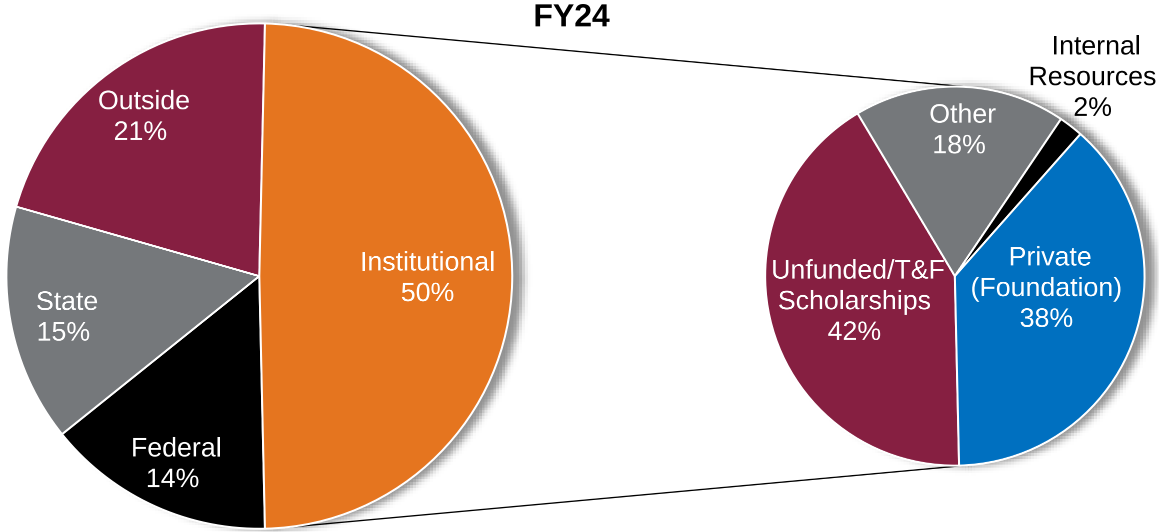
| | FY22 | FY23 | FY24 |
|---|---|---|---|
| Undergraduate | | | |
| **Federal** | $23.7 | $26.6 | $28.6 |
| **State** | 19.8 | 21.0 | 29.8 |
| **Institutional** | | | |
| Unfunded/T&F Scholarships | 30.6 | 35.4 | 40.5 |
| Internal Resources | 1.8 | 1.7 | 2.0 |
| Other (1,2) | 10.3 | 13.2 | 17.4 |
| Private (Foundation) | 30.6 | 34.1 | 36.9 |
| *Subtotal Institutional* | 73.3 | 84.4 | 96.8 |
| **Outside** | 34.7 | 37.0 | 41.1 |
| *Subtotal Undergraduate* | 151.5 | 169.0 | 196.3 |
| Graduate | | | |
| **Graduate Tuition Remission** | | | |
| Institutional | 67.1 | 70.3 | 72.5 |
| State | 5.1 | 6.1 | 6.6 |
| Sponsored Grants & Contracts | 21.0 | 21.6 | 25.6 |
| Private | 0.6 | 0.7 | 0.7 |
| *Subtotal Tuition Remission* | 93.8 | 98.7 | 105.4 |
| **Graduate Aid** | | | |
| Professional Program Discounting | 1.7 | 1.6 | 1.5 |
| Other (1,2) | 6.8 | 7.2 | 8.1 |
| Private | 4.0 | 4.5 | 4.6 |
| Outside | 8.2 | 8.0 | 8.7 |
| *Subtotal Graduate Aid* | 20.7 | 21.3 | 22.9 |
| *Subtotal Graduate* | 114.5 | 120.0 | 128.3 |
| Total Grants, Scholarships, & Waivers | $266.0 | $289.0 | $324.6 |

(1) Includes waivers codified in the Code of Virginia and educational benefits for employees.
(2) Excludes tuition mitigation scholarships and rebates.

**Undergraduate Scholarships**

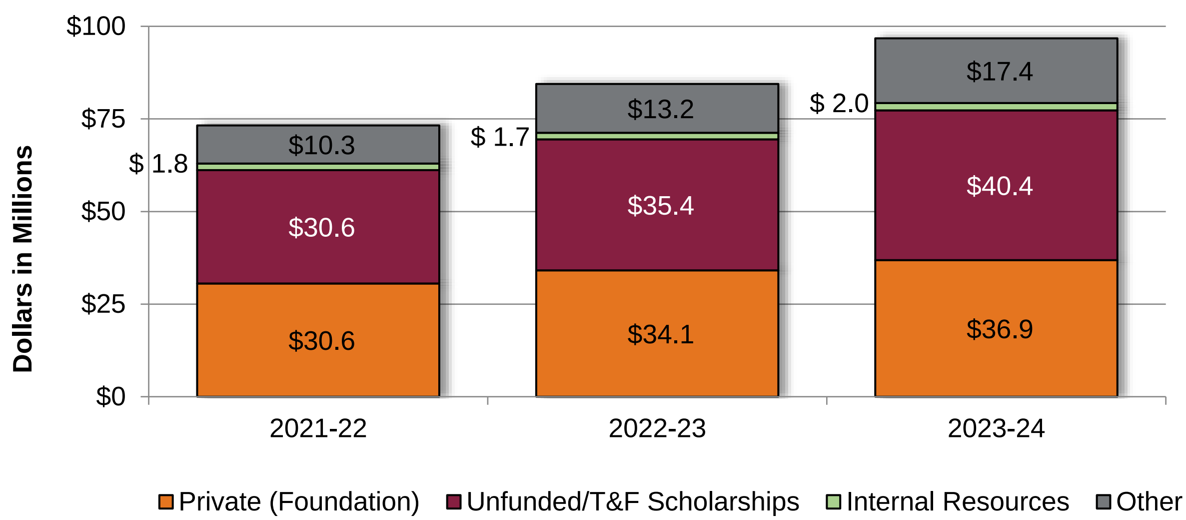
Of the sources of undergraduate scholarships and grants, 50 percent are derived from institutional sources, as seen in Figure 2.

**Figure 2: Sources of Undergraduate Grants and Scholarships FY24**

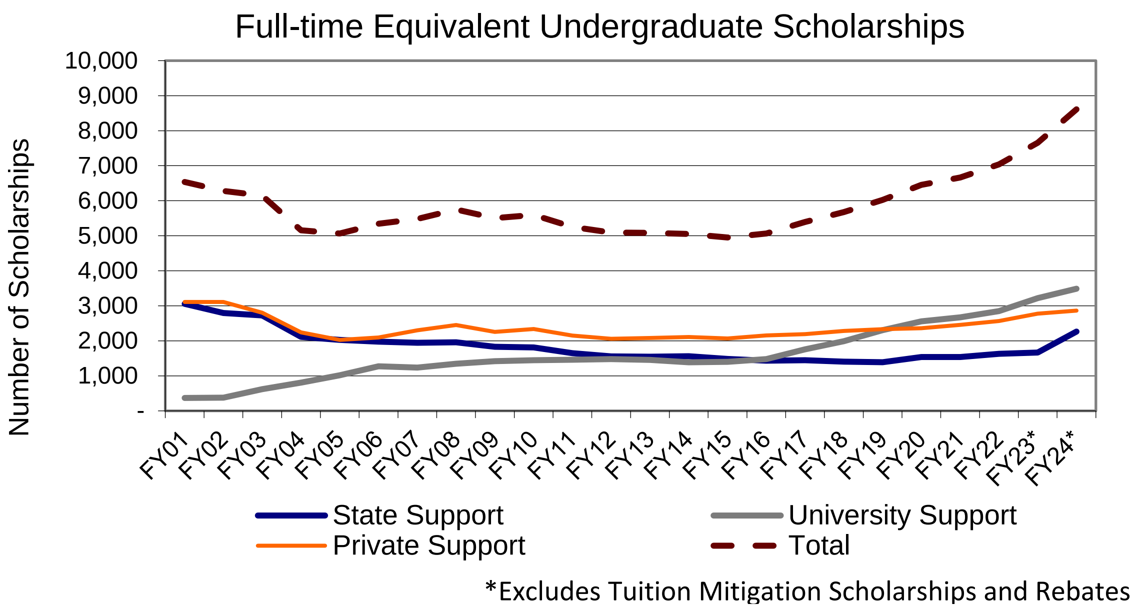



Institutional resources to support undergraduate student financial aid awards have increased over time, as seen in Figure 3.

**Figure 3: Undergraduate Institutional Support**




In recent years, the university has been able to make progress in the total purchasing power of the undergraduate financial aid program. Purchasing power is computed by the theoretical number of Full-Time Equivalent awards that could be supported with budgeted funding for undergraduates. Moving forward, the university intends to continue to exert additional emphasis on raising additional funds to further increase the university's capacity to help with student affordability. Figure 4 displays the trend of this scholarship analysis from these budgeted sources.




**Uses of Funds**

The university leverages institutional support to advance access and affordability and has also created several innovative, very successful programs.

Virginia Tech Advantage - the newest and largest program recently created by the university. The university has committed to offering a broad educational experience to undergraduate students from Virginia who have financial need. The goal of the program is to improve access and affordability for in-state undergraduate students with financial need and enhance student success. Virginia Tech Advantage will transform our ability to meet student needs, remove barriers, and envision a future full of opportunity for every Hokie graduate.

Two major undergraduate Grant and Scholarship programs, which the university committed to as part of the Higher Education Restructuring Act, are:

Funds for the Future –This is an important university undergraduate financial aid program, designed to assist returning students with financial need by mitigating increases in tuition and required fees based on level of family income. For students from low to middle-income families, the Funds for the Future program provides pricing predictability and the mitigation of annual tuition and fee increases. The program extends protection of 100 percent of tuition and fee increases to all families with financial need with less than $100,000 of income. Table 2 shows the number of resident and nonresident students receiving this aid in 2023-24.

**Table 2: 2023-24 Funds for the Future Award Recipients**

| Family Income (AGI) | VA Residents | | Non Residents | | Total FFF Program | |
|---|---|---|---|---|---|---|
| | No. Awards | Dollar Amount | No. Awards | Dollar Amount | No. Awards | Dollar Amount |
| **$0-99,999** | 3,014 | $3,405,879 | 776 | $1,938,656 | 3,790 | $5,344,535 |

Virginia Tech Scholarship – The university has been methodically working to expand its total aid program, with the goal of reducing unmet need. Additional funds have been allocated to this program annually with the goal of reducing unmet need at a measured pace over time.

Other programs that have been designed to offset the costs of attendance, achieve enrollment goals, and recognize academically talented students include:

- Expand the current Presidential Scholarship Initiative (PSI) to have double the amount of PSI scholars by the 2026-27 academic year to assist low-income and first-generation Virginia students with significant financial need;
- Beyond Boundaries: matches private giving in support of underrepresented and high-achieving students;
- VT Scholars award to recruit academically talented students and advance university first generation enrollment goals;
- Emerging Leaders Scholarship for participants in the Corps of Cadets;
- Scholarships to defray a portion of a student’s costs to study at the Steger Center for International Scholarship and other scholarships to help offset the higher cost of study abroad programs.

These programs help address the commitment to access and affordability that are part of the institution’s land-grant mission. These programs have been well-received by students, families, and the commonwealth and help to advance strategic goals.

**Trends in Student Indebtedness**

Loans

The university continues to monitor students’ borrowing behavior. Table 3 below displays the average borrower debt of the graduation class at Virginia Tech and nationally for the past 5 years, as well as the percentage of each class who carried student loan debt upon graduation. Comparison data shows that approximately 42% graduates of the Top 20 Land Grants had student debt. Of those who did graduate with debt, the average was $26,698. Though the use of student loans remains a personal decision, the university provides students and parents with information and counseling to understand the benefits and responsibilities of student loan resources. The university has enhanced aid and loan counseling programs in an effort to help reduce student debt.

**Table 3: Loan Statistics of Virginia Tech Graduates**

| Class of: | | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|
| VT | $ | 33,312 | 31,762 | 32,054 | 32,376 | 32,462 |
| | % | 48% | 47% | 47% | 46% | 45% |
| Top 20 Land Grants | $ | 27,936 | 28,166 | 29,030 | 28,051 | $26,698 |
| | % | 48% | 47% | 48% | 45% | 42% |

Default Rate

The Department of Education notes that FY2019 and future cohort default rates were significantly impacted by the pause on federal student loan payments that began march 13, 2020. During the pause, borrowers with ED-held student loans were not required to make any payments an no borrowers with ED-held loans entered default. The Department of Education's Student Loan forbearance program ended in October 2023. To provide historical perspective, Virginia Tech's 2019 cohort default rate for the Federal Direct Loan (FDL) and Federal Family Education Loan (FFEL) programs was 0.5 percent, compared with a 0.9 percent average default rate among the university's peer group. While default rates are linked to the national economy, Virginia Tech has consistently had a default rate below the national average, as seen in Table 4 below.

**Table 4: Cohort Default Statistics of Virginia Tech Borrowers**

| | 2018 | 2019 | 2020 |
|---|---|---|---|
| **National Peer Average** | 2.4% | 0.9% | - |
| **VT** | 1.2% | 0.5% | - |

Net Price

When all available financial aid resources are applied to the overall Cost of Attendance (including tuition and fees, room and board, books, travel, and other costs), a "Net Price" can be derived to represent the remaining cost to the student. Due to various discounting strategies across institutions, the Net Price can be a helpful comparison point of the choice faced by students and their families. The National Center for Educational Statistics (NCES) compiles Net Price data across five student income categories. Table 5 below compares the university's net price with national and state peers for a first year full-time Virginia undergraduate (or resident student within another state). This analysis finds that while the university remains competitive in terms of the average Cost of Attendance (sticker price), the university has an opportunity to enhance the net price competitiveness for low and middle-income students. As a result, the university is working diligently to make progress.

**Table 5: Comparison of Net Price for In-State Undergraduates**

| | Cost of Attendance (Sticker Price) | Average Net Price by Income (2022-23 Data) | | | | |
|---|---|---|---|---|---|---|
| | | $0-30,000 | $30,001-48,000 | $48,001-75,000 | $75,001-$110,000 | $110,001+ |
| Virginia Tech | $32,274 | $13,536 | $14,891 | $19,660 | $26,533 | $30,568 |
| | | | | | | |
| National Public Peers[1] | 31,411 | 9,308 | 10,759 | 15,027 | 22,093 | 27,834 |
| Advantage (Disadvantage) | **(863)** | **(4,228)** | **(4,132)** | **(4,633)** | **(4,440)** | **(2,734)** |
| | | | | | | |
| Select VA Doctorals[2] | 39,625 | 8,370 | 7,625 | 13,631 | 22,231 | 35,021 |
| Advantage (Disadvantage) | **7,351** | **(5,167)** | **(7,267)** | **(6,030)** | **(4,302)** | **4,453** |
| | | | | | | |
| VT In-state Student Count per Category | | 1,750 | 995 | 1,270 | 1,200 | 3,510 |

(1) 2022-23 IPEDS data is not yet available for private national peers.
(2) This includes the University of Virginia and the College of William & Mary.

Unmet Need

A student's need is determined using the federal Free Application for Federal Student Aid (FAFSA). This calculation begins with the cost of attendance (tuition, fees, room, board, books and travel), subtracts the expected family contribution (EFC) along with any aid provided (including loans), and the remaining amount is considered "unmet need". While external factors such as student family income significantly effect this calculation, reducing the percentage of unmet need over time is a goal of the university's student financial aid program. Table 6 below displays the unmet need of resident and nonresident undergraduates over time.

**Table 6: Trend of Unmet Need**

| | FY22 | FY23 | FY24 |
|---|---|---|---|
| Virginia Undergraduate | $7,714 | $7,989 | $9,207 |
| % Average Unmet Need | 37.1% | 36.2% | 37.3% |
| Nonresident Undergraduate | $13,467 | $14,619 | $16,135 |
| % Average Unmet Need | 44.9% | 45.5% | 45.9% |

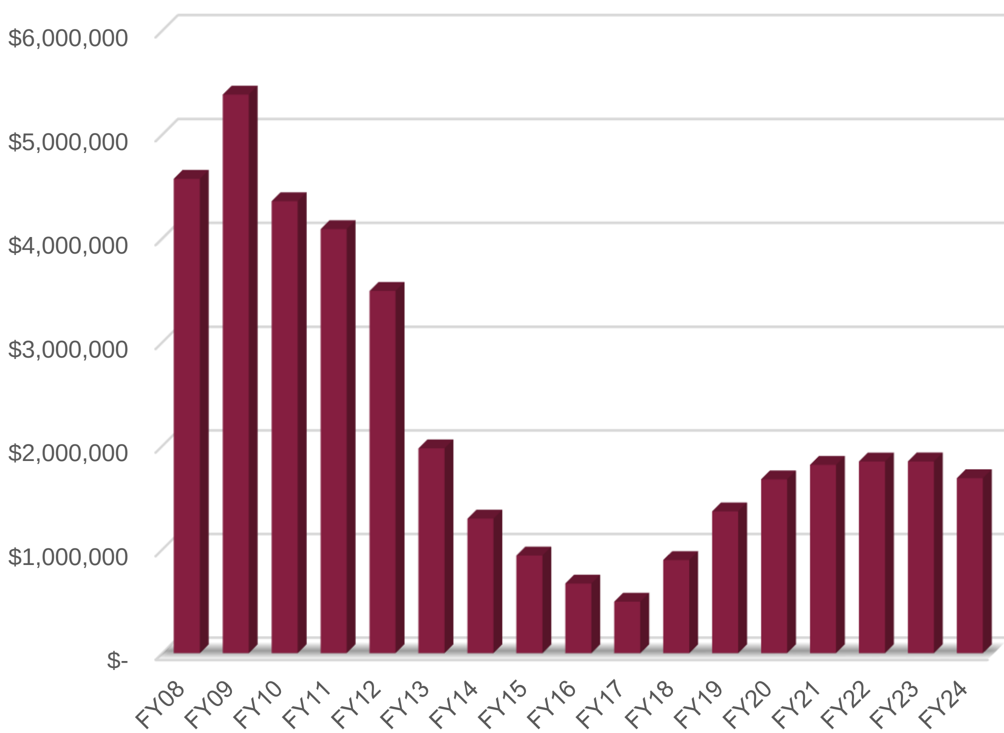
## Utilization of Private Support

University colleges and departments are responsible for awarding and administering much of the university's private support for student financial aid. The university provides an annual report to the Committee on endowment scholarship utilization to ensure maximum utilization of departmentally allocated private scholarships.

The Office of the Vice Provost for Enrollment and Degree Management provides guidance to scholarship-managing units through procedures, reports, and data analysis. Each college's annual expenditure plan of endowed scholarships is reviewed and approved to ensure that these resources are utilized effectively. Enrollment and Degree Managements efforts have resulted in enhanced utilization and significant reductions in unallocated cash balances. To continue this success, the Office of University Scholarships and Financial Aid provides an annual management report to the Vice President of Finance to affirm scholarship utilization and the status of funding.

Figure 5 below displays the trend of accumulated departmental private scholarship cash balances. The university believes that the year-end cash balances are at acceptable levels, and will continue to monitor performance in future years to ensure that the cash balances remain at acceptable levels and that resources are used to advance the strategic enrollment goals of each college.

Figure 5: Endowed Scholarship Cash Balance




**Current Events**

The **Virginia Tech Advantage** program is underway. The first installment of resources was planned in the university budget for FY24 and investments were made in FY25. Fundraising has begun and is already finding success. Student success efforts are also in development.

State General Fund support for the Virginia Military Survivors & Dependents Education Program was provided during the 2024 Special Session. However, the majority of the support was provided on a one-time basis and does not cover the entirety of the cost burden of Virginia's Higher Education Institutions. State funding is still needed to ensure the long-term viability of this important program for the military families across the Commonwealth.

For the 2025 General Assembly session, the university made executive budget requests for increased need-based **state support** for student financial aid and to support growth in the Virginia Military Survivors & Dependents Education Program.

The university has increased its **institutional** funding of student financial aid each year since expanding the program in FY02. The university continued to work to identify additional institutional funding for student financial aid in FY25, this included the potential use of reallocations.

**Private** philanthropy efforts are in motion. Initial success with fund raising for the Virginia Tech Advantage is occurring.

As a result of the enactment of the FAFSA Simplification Act, beginning with the 2024-25 fiscal year, student financial aid award packages are now being calculated based on the Student Aid Index (SAI), which replaces the Expected Family Contribution (EFC) measure that was previously utilized. An update will be provided in the FY25 report. The Office of University Scholarships and Financial Aid are navigating the vast and complex implications of the act.

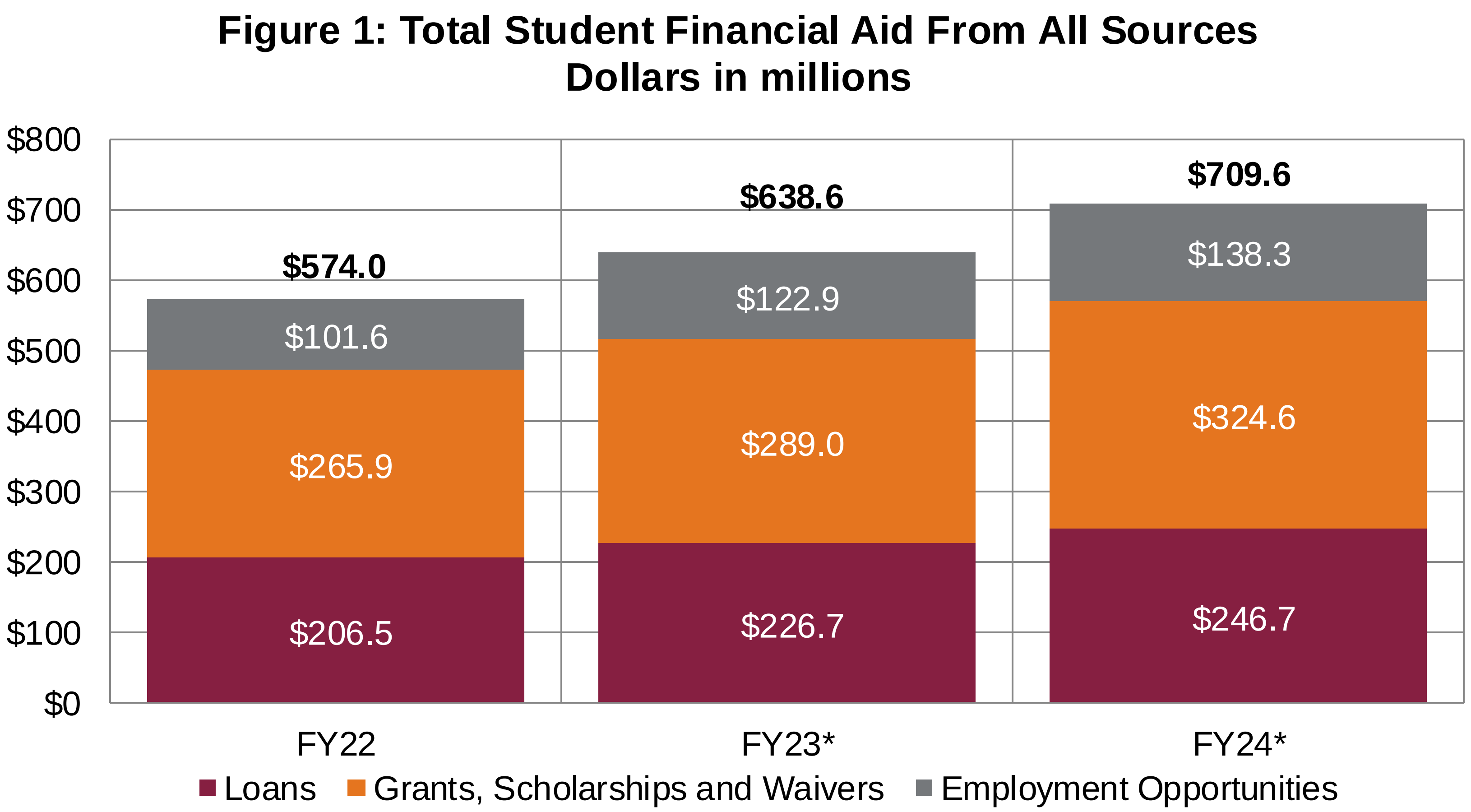
Attachment F

# Annual Report on Student Financial Aid Resources

Simon Allen, Vice President for Finance and Chief Financial Officer

November 19, 2024

# Student Financial Aid at Virginia Tech




*excludes tuition mitigation scholarships and rebates

# Undergraduate Grants & Scholarships
(Dollars in Millions)

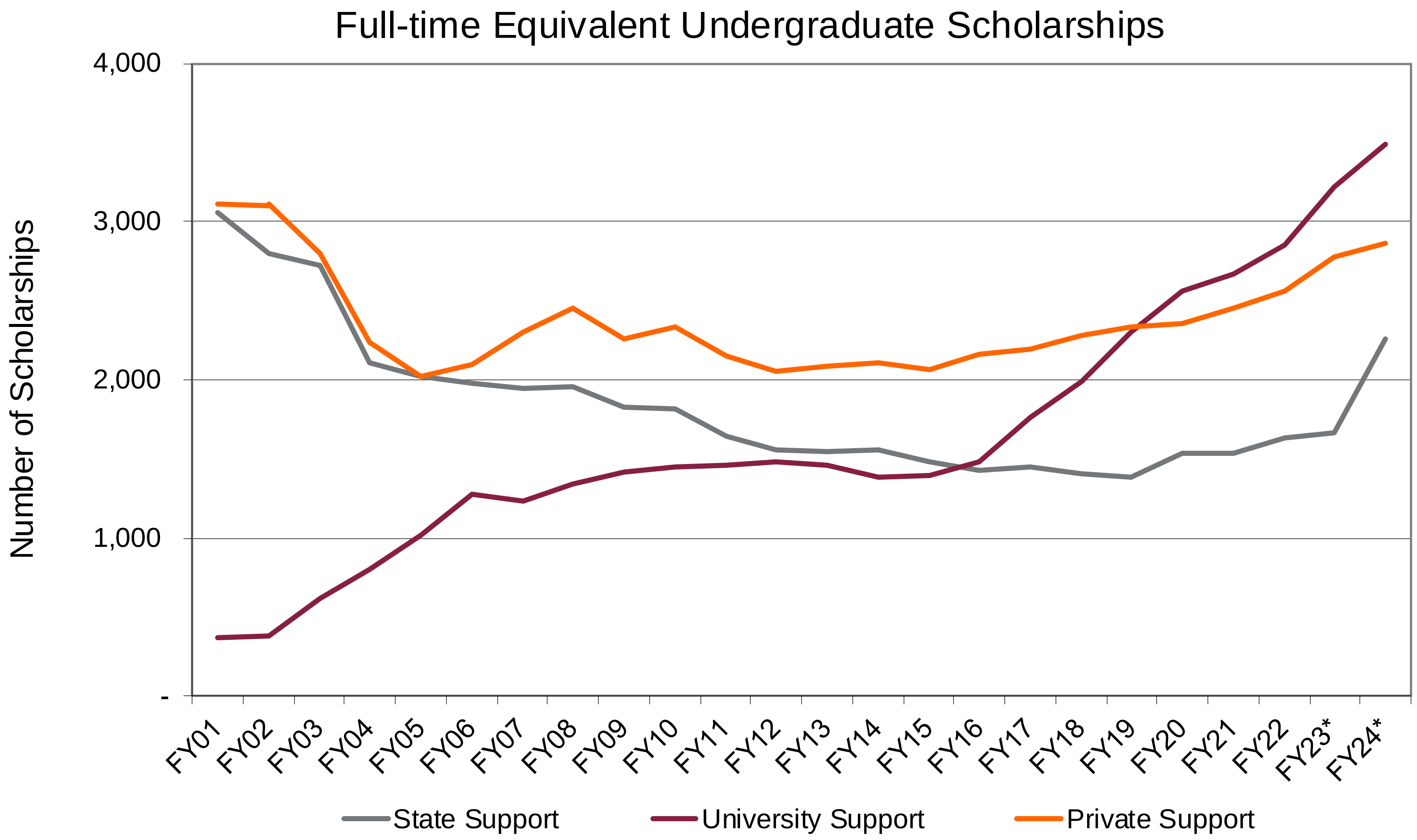
| | FY22 | FY23(2) | FY24(2) |
|---|---|---|---|
| Undergraduate | | | |
| **Federal** | $23.7 | $26.6 | $28.6 |
| **State** | 19.8 | 21.0 | 29.8 |
| **Institutional** | | | |
| Unfunded Scholarships | 30.6 | 35.4 | 40.5 |
| Internal Resources | 1.8 | 1.7 | 2.0 |
| Other(1,2) | 10.3 | 13.2 | 17.4 |
| Private (Foundation) | 30.6 | 34.1 | 36.9 |
| *Subtotal Institutional* | $73.3 | $84.4 | $96.8 |
| **Outside** | 34.7 | 37.0 | 41.1 |
| *Total Undergraduate* | $151.5 | $169.0 | $196.3 |

- Undergraduate grants & scholarships have grown by 30% since FY22
- Institutional funds are the primary source of grants and scholarships
- Federal & state funding was similar in FY24

(1) Includes waivers codified in the Code of Virginia and educational benefits for employees.

(2) Excludes tuition mitigation scholarships and rebates

# Purchasing Power of Undergraduate Scholarship Fund Sources




*Excludes Tuition Mitigation Scholarships and Rebates

- The analysis shows the imputed number of scholarships each source would fund, and how that number has trended over time in real terms
- State and private fund sources are returning to previous levels, whereas university support has grown materially in the last 10 years

# The Virginia Tech Advantage

Inspired by its land-grant mission, Virginia Tech strives to extend opportunities for a high-quality educational experience to all students regardless of financial circumstances.

University-wide, multiyear commitment that will leverage institutional, state, and private funds, and a portion of university planned reallocations.

**Affordability**

- Close net price gap with peers
- Reduce financial precarity to maintain progress toward degree.
- Remove financial barriers through scholarships and emergency funds.

**Student Success**

- Provide a holistic approach to student success, including enhanced advising programs that bolster retention and reduce time-to-degree.
- Emphasis living-learning communities and degree-embedded experiential learning.

FUNDING UPDATE

In FY24 and FY25 the state has increased General Fund support by $10M and the university has increased support by $6.8M

# Funds for the Future Program: Mitigating Tuition Increase

- For FY24, all families with need and income up to $99,999 Adjusted Gross Income were eligible for 100% coverage of *increases* of tuition and fees
- Includes Virginia and non-resident undergraduates
- Effectively guarantees tuition and fee levels to first year of eligibility

| Residency | Family Income of $0-99,999 | |
|---|---|---|
| | **#** | **$** |
| **VA Residents** | 3,014 | 3,405,879 |
| **Non-Residents** | 776 | 1,938,656 |
| **Total** | 3,790 | 5,344,535 |

# Average Debt Per Borrower and Percentage of Students Graduating with Debt



VIRGINIA TECH

- Average debt per borrower has been decreased slightly over the 5-year period at both VT and its peers
- We have been able to reduce the %age of students graduating with debt over that time by 300bps, but have lagged reductions at those peers

| **Class of:** | | **2020** | **2021** | **2022** | **2023** | **2024** |
|---|---|---|---|---|---|---|
| **VT** | $ | 33,312 | 31,762 | 32,054 | 32,376 | 32,462 |
| | % | 48% | 47% | 47% | 46% | 45% |

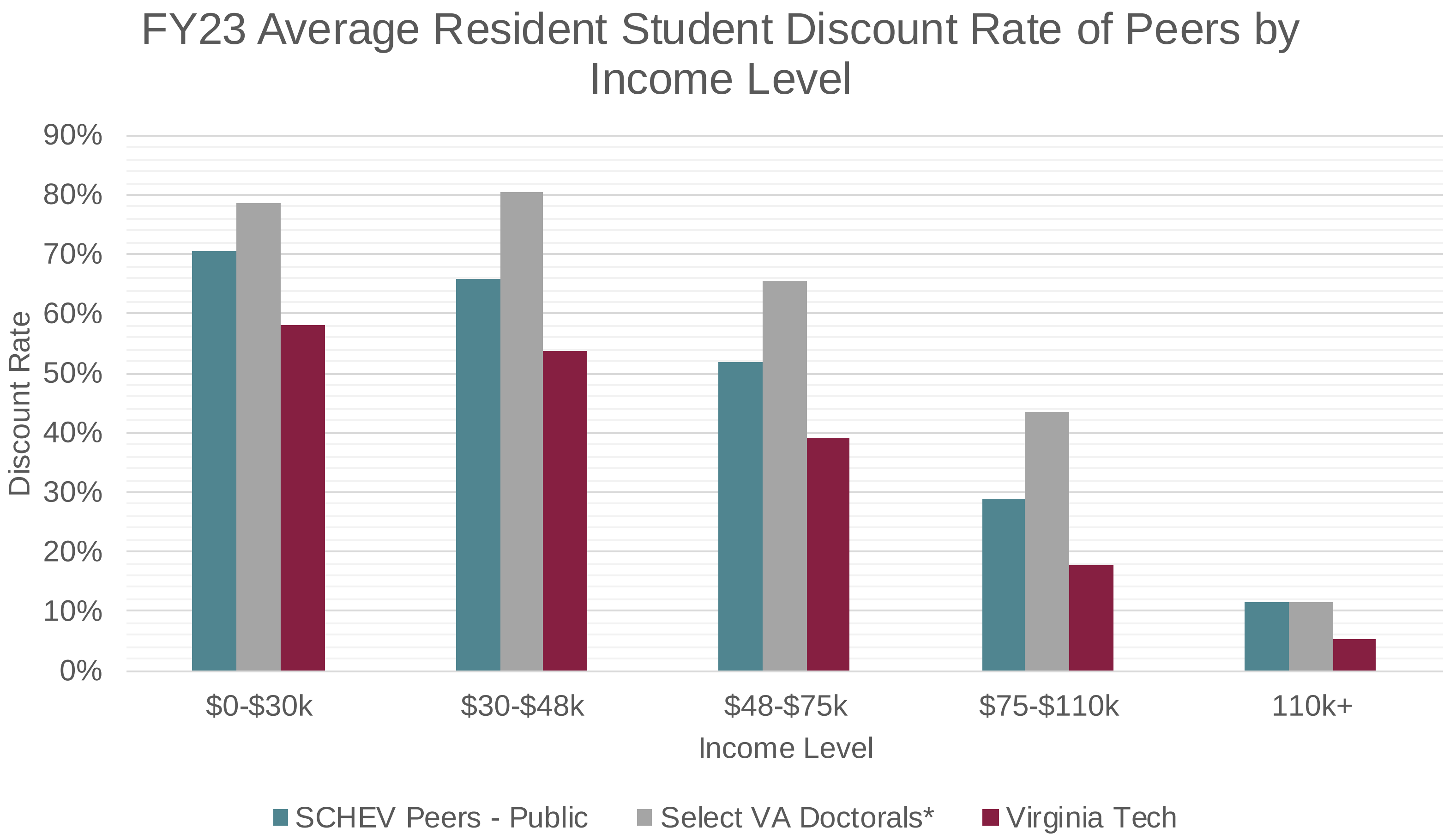
| | | | | | | |
|---|---|---|---|---|---|---|
| **Top 20 Land Grants** | $ | 27,936 | 28,166 | 29,030 | 28,051 | $26,698 |
| | % | 48% | 47% | 48% | 45% | 42% |



*National data produced from the Common Data Set*

# Peer Discount Rates

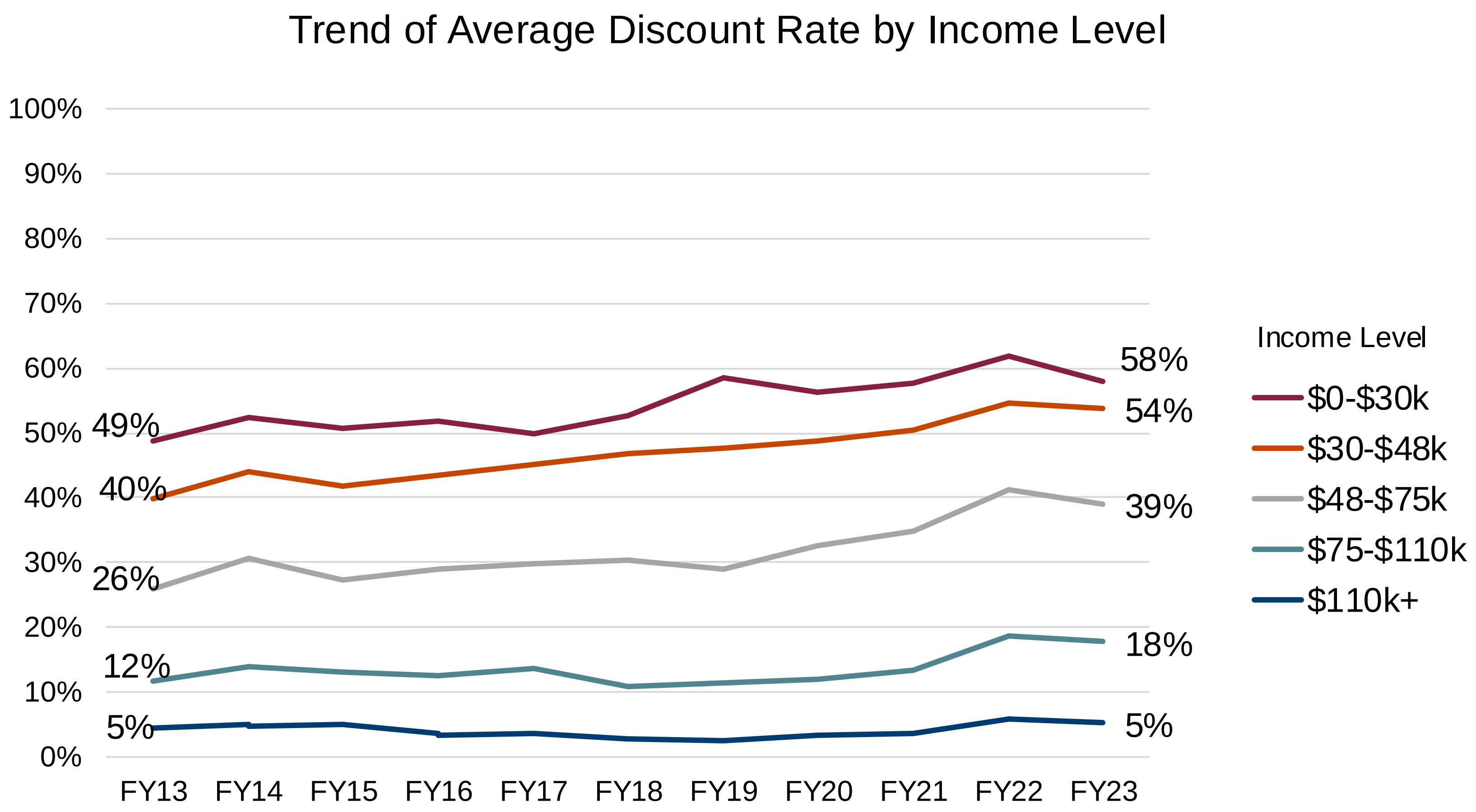
- Peer data comparing Cost of Attendance to Net Price to calculate an effective average discount rate by income level
- The university remains competitive on 'sticker price', but could continue to improve on average discount rate by income level




*This includes the University of Virginia and the College of William & Mary.*

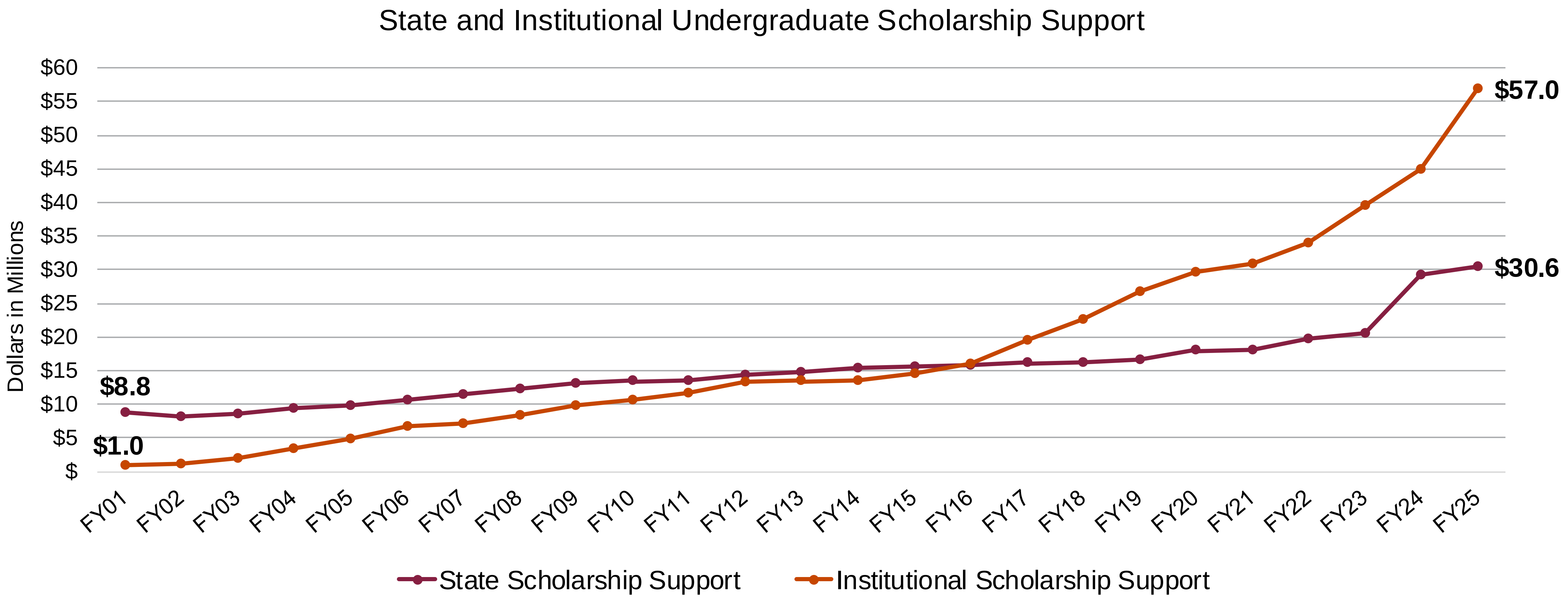
# Trend of VT Resident Undergraduate by Income Level

- Trend of VT discount rate by income level for resident undergraduates as computed by net price/cost of attendance
- Over the last 10 years, we have been able to materially increase discounts to lower income level families
- However, we remain behind peers and Virginia Tech Advantage will continue to focus on improving this trajectory



# Undergraduate Student Financial Aid






- Both state and particularly institutional support has increased markedly, particularly in the last 10 years
- However, this was from a very low base and Virginia Tech Advantage is focused on further improving this trajectory

# Discussion