

Ratification of Lease Activities Approved by the University

FINANCE AND RESOURCE MANAGEMENT COMMITTEE

September 28, 2023

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

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

On September 30, 2022, the university signed a five-year extension with the Virginia Tech Real Estate Foundation, Inc. for its leased space located at 400 and 460 Turner Street, Blacksburg, VA 24060. The university has occupied the space since November 2012. The net present value of the lease modification exceeds the capital project threshold and should have received prior board approval. The university seeks separate ratification for the leased space.

The university approved the following long-term leases payable activities in fiscal year 2023.

<u>Long-term Leases Payable Activities</u>	<u>Count</u>	<u>Debt Effect (in millions)</u>
400 and 460 Turner Street	1	\$ 3.3
New Leases	8	3.2
Lease Modifications	18	5.0
Early Terminations	5	(0.5)
Net New Obligations		11.0

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

The university also approved \$2.6 million of payments for long-term lease improvements and capitalized \$13.1 million of long-term lease improvements completed in fiscal year 2023. See Attachment B for more detail on the university's long-term lease improvement activities.

RECOMMENDATION:

That the fiscal year 2023 university approved lease activities be ratified, including the lease modification for the university's space at 400 and 460 Turner Street.

November 6, 2023

Long-Term Leases Payable Activity for the fiscal year ended June 30, 2023 <i>all dollars in thousands</i>						
	Beginning Balance	Additions: New Leases	Additions: Modifications	Retirements: Terminations	Retirements: Lease Payments	Ending Balance ⁶ <i>(unaudited)</i>
Value						
Previously approved lease activity	\$ 121,570	\$ -	\$ -	\$ -	\$ -	\$ 121,570
Board approved lease activity ¹						
VTRC-A Floors 2-6 Lease Novation ²	-	23,329	-	(5,431)	-	17,898
Gilbert Street Project ³	-	56,788	-	-	-	56,788
Research Swing Space ³	-	20,614	-	-	-	20,614
University approved lease activity ⁴						
400 and 460 Turner Street ⁵	-	-	3,319	-	-	3,319
Other university approved lease activity		3,239	5,008	(522)	(21,963)	(14,238)
Total value of long-term lease activity	\$ 121,570	\$ 103,970	\$ 8,327	\$ (5,953)	\$ (21,963)	\$ 205,951
Number						
Other university approved lease activity						
\$1,000,000 - \$2,999,999		1	1	-		
\$250,000 - \$999,999		2	7	-		
\$249,999 or less		5	10	5		
¹ Long-term lease activities with a present value equal to or greater than the capital projects threshold. ² Approved November 8, 2021. ³ Approved April 4, 2022. ⁴ All other long-term lease activities, ratified by the Board of Visitors annually. ⁵ Board ratification sought for university approved lease modification exceeding the capital projects threshold. ⁶ Leases with the Virginia Tech Foundation represent \$170.3 million (83%) of the ending value of long-term leases payable.						

Long-Term Lease Improvements Activity
for the fiscal year ended June 30, 2023
all dollars in thousands

	Beginning Balance	Additions: Payments	Reductions: Capitalized Projects	Ending Balance <i>(unaudited)</i>
Value				
Previously approved lease improvement activity	\$ 10,464	\$ -	\$ -	\$ 10,464
Board approved lease improvement activity ¹				
Gilbert Street Project	-	-	(10,320)	(10,320)
University approved lease improvement activity ²	-	2,631	(2,775)	(144)
Total lease improvement activity	\$ 10,464	\$ 2,631	\$ (13,095)	\$ -
Number				
\$1,000,000 - \$2,999,999		-		
\$250,000 - \$999,999		3		
\$249,999 or less		3		

¹Long-term lease improvement projects with a present value equal to or greater than the capital projects threshold.

²All other long-term lease improvement activities, ratified by the Board of Visitors annually.