

Financial Performance Report - Operating and Capital

FINANCE AND AUDIT COMMITTEE

July 1, 2016 to September 30, 2016

The Financial Performance Report of income and expenditures is prepared from two sources: actual accounting data as recorded at Virginia Tech and the annual budgets which are also recorded in the university accounting system. The actual accounting data reflect the modified accrual basis of accounting, which recognizes revenues when received rather than when earned and commitments to buy goods and services as encumbrances when obligated and as an expenditure when paid. The Original Budget was approved by the Board of Visitors at the June meeting. The Adjusted Budget reflects adjustments to incorporate actual experience or changes made during the fiscal year. These changes are presented for review and approval by the Finance and Audit Committee and the Board of Visitors through this report. Where adjustments impact appropriations at the state level, the university coordinates with the Department of Planning and Budget to ensure appropriations are reflected accurately.

The July to September 2016-17 budget (year-to-date) is prepared from historical data which reflects trends in expenditures from previous years as well as known changes in timing. Differences between the actual income and expenditures and the year-to-date budget may occur for a variety of reasons, such as an accelerated or delayed flow of documents through the accounting system, a change in spending patterns at the college level, or increases in revenues for a particular area.

Quarterly budget estimates are prepared to provide an intermediate measure of income and expenditures. Actual revenues and expenditures may vary from the budget estimates. The projected year-end budgets are, however, the final measure of budgetary performance.

**OPERATING BUDGET
2016-17**

Attachment O

Dollars in Thousands

	July 1, 2016 to September 30, 2016			Annual Budget for 2016-17		
	Actual	Budget	Change	Original	Adjusted	Change
Educational and General Programs						
<u>University Division</u>						
<u>Revenues</u>						
General Fund	\$47,263	\$47,263	\$0	\$166,480	\$163,776	\$-2,704 (9)
Tuition and Fees	239,363	238,922	441 (1)	480,035	474,289	-5,746 (10)
All Other Income	11,224	12,106	-882 (2)	41,544	42,480	936 (11)
Total Revenues	\$297,850	\$298,291	\$-441	\$688,059	\$680,545	\$-7,514
<u>Expenses</u>						
Academic Programs	\$-102,675	\$-100,728	\$-1,947 (3)	\$-428,056	\$-423,381	\$4,675
Support Programs	-62,622	-64,331	1,709 (4)	-260,003	-257,164	2,839
Total Expenses	\$-165,297	\$-165,059	\$-238	\$-688,059	\$-680,545	\$7,514 (9,10,11)
NET	\$132,553	\$133,232	\$-679	\$0	\$0	\$0
<u>CE/AES Division</u>						
<u>Revenues</u>						
General Fund	\$20,108	\$17,208	\$2,900 (5)	\$70,301	\$69,405	\$-896 (12)
Federal Appropriation	3,271	3,980	-709 (5)	15,640	15,640	0
All Other Income	248	202	46	933	933	0
Total Revenues	\$23,627	\$21,390	\$2,237	\$86,874	\$85,978	\$-896
<u>Expenses</u>						
Academic Programs	\$-22,851	\$-23,000	\$149	\$-80,047	\$-79,151	\$896
Support Programs	-1,767	-1,735	-32	-6,827	-6,827	0
Total Expenses	\$-24,618	\$-24,735	\$117	\$-86,874	\$-85,978	\$896 (12)
NET	\$-991	\$-3,345	\$2,354	\$0	\$0	\$0
Auxiliary Enterprises						
Revenues	\$119,474	\$120,795	\$-1,321 (6)	\$320,175	\$320,826	\$651 (6)
Expenses	-96,234	-98,260	2,026 (6)	-311,278	-330,587	-19,309 (6)
Reserve Drawdown (Deposit)	-23,240	-22,535	-705 (6)	-8,897	9,761	18,658 (6)
NET	\$0	\$0	\$0	\$0	\$0	\$0
Sponsored Programs						
Revenues	\$71,805	\$94,599	\$-22,794 (7)	\$341,952	\$341,952	\$0
Expenses	-90,150	-121,459	31,309 (7)	-341,952	-341,952	0
Reserve Drawdown (Deposit)	18,345	26,860	-8,515	0	0	0
NET	\$0	\$0	\$0	\$0	\$0	\$0
Student Financial Assistance						
Revenues	\$11,226	\$11,380	\$-154	\$21,712	\$23,242	\$1,530 (13)
Expenses	-9,517	-9,654	137	-21,712	-23,242	-1,530 (14)
Reserve Drawdown	0	0	0	0	0	0 (13,14)
NET	\$1,709	\$1,726	\$-17	\$0	\$0	\$0
All Other Programs *						
Revenue	\$1,566	\$1,558	\$8	\$9,253	\$6,807	\$-2,446 (15)
Expenses	-1,022	-1,216	194 (8)	-9,253	-7,316	1,937 (15)
Reserve Drawdown (Deposit)	-544	-342	-202 (8)	0	509	509 (15)
NET	\$0	\$0	\$0	\$0	\$0	\$0
Total University						
Revenues	\$525,548	\$548,013	\$-22,465	\$1,468,025	\$1,459,350	\$-8,675
Expenses	-386,838	-420,383	33,545	-1,459,128	-1,469,620	-10,492
Reserve Drawdown (Deposit)	-5,439	3,983	-9,422	-8,897	10,270	19,167
NET	\$133,271	\$131,613	\$1,658	\$0	\$0	\$0

* All Other Programs include federal work study, alumni affairs, surplus property, and unique military activities.

OPERATING BUDGET

1. Tuition and Fee revenue collections are slightly ahead of historical projections due to timing of tuition collections.
2. Activity levels in Continuing Education programs is lower than projected.
3. Academic program expenditures higher than projected due to timing of costs associated with the establishment of new academic programs.
4. Support program expenditures are lower than projected due to the timing of campus infrastructure projects.
5. The budget for federal revenue is established to match projected allotments from the federal government that are expected to be drawn down during the state fiscal year. All expenses in federal programs are covered by drawdowns of federal revenue up to allotted amounts. Federal revenue in the Cooperative Extension/Agriculture Experiment Station Division were less than the projected budget due to the timing of receipt of federal drawdowns.
6. Quarterly and projected annual variances are explained in the Auxiliary Enterprises section of this report.
7. Historical patterns have been used to develop a measure of the revenue and expenditure activity for Sponsored Programs. Actual revenues and expenses may vary from the budget estimates because projects are initiated and concluded on an individual bases without regard to fiscal year. Total sponsored research revenues and expenses are less than projected. Total sponsored research expenditures are 3.9% below September 30, 2015 due to lower federal grant and contract activity in the first quarter.
8. Expenses for All Other Programs were less than projected due to timing of surplus property expense activity.
9. The General Fund revenue budget was reduced \$2.7 million primarily due to the removal of the General Fund share of the planned compensation program. The corresponding expenditure budgets hve been adjusted accordingly.
10. The annual budget for Tuition and Fees has been decreased \$5.5 million for the finalization of the budgets for tuition and E&G fees, driven primarily by a refinement in projected enrollment growth. The E&G tuition and fee budget was decreased \$264,753 for earmarked revenues and nongeneral fund financial aid activity. The corresponding expenditure budgets have been adjusted accordingly.
11. The All Other Income revenue budget for the University Division has been increased \$935,800 for budget finalizations in Sales and Services and Continuing Education. The corresponding expenditure budgets have been adjusted accordingly.
12. The General Fund revenue budget was reduced \$895,368 primarily due to the removal of the General Fund share of the planned compensation program. The corresponding expenditure budgets have been adusted accordingly.
13. The revenue and expense budgets for Student Financial Assistance were increased \$400,000 for the Two-Year College Transfer Grant and \$72,000 for the VA Military Survivors and Dependent Program based on a projection of annual acitivity.
14. The student financial aid revenue and expense budgets were increased \$770,000 during budget finalizations and \$287,913 for a technical accounting change.
15. The projected annual budgets for All Other Programs was decreased \$2.4 million to finalize budgets and realignment of Alumni Affairs. The expense budget were increased \$511,174 for outstanding 2015-16 commitments that were initiated but not completed before June 30, 2016.

**UNIVERSITY DIVISION
AUXILIARY ENTERPRISES**

Attachment O

Dollars in Thousands

	July 1, 2016 to September 30, 2016			Annual Budget for 2016-17		
	Actual	Budget	Change	Original	Adjusted	Change
Residence and Dining Halls *						
Revenues	\$46,723	\$47,253	\$-530 (1)	\$116,762	\$116,623	\$-139 (6)
Expenses	-32,362	-32,341	-21	-111,989	-118,151	-6,162 (6,7,8)
Reserve Drawdown (Deposit)	-14,361	-14,912	551 (1)	-4,773	1,528	6,301 (6,7,8)
Net	\$0	\$0	\$0	\$0	\$0	\$0
Parking and Transportation						
Revenues	\$6,006	\$6,157	\$-151 (2)	\$13,858	\$13,704	\$-154 (9)
Expenses	-3,083	-3,370	287 (2)	-13,585	-13,595	-10 (7,8,9)
Reserve Drawdown (Deposit)	-2,923	-2,787	-136 (2)	-273	-109	164 (7,8,9)
Net	\$0	\$0	\$0	\$0	\$0	\$0
Telecommunications Services						
Revenues	\$6,341	\$6,308	\$33	\$19,498	\$20,794	\$1,296 (10)
Expenses	-5,871	-5,856	-15	-18,494	-21,871	-3,377 (7,8,10)
Reserve Drawdown (Deposit)	-470	-452	-18	-1,004	1,077	2,081 (7,8,10)
Net	\$0	\$0	\$0	\$0	\$0	\$0
University Services * **						
Revenues	\$23,012	\$22,922	\$90	\$46,680	\$46,690	\$10 (11)
Expenses	-17,939	-18,723	784 (3)	-45,875	-47,483	-1,608 (7,8,11)
Reserve Drawdown (Deposit)	-5,073	-4,199	-874 (3)	-805	793	1,598 (7,8,11)
Net	\$0	\$0	\$0	\$0	\$0	\$0
Intercollegiate Athletics *						
Revenues	\$22,856	\$23,662	\$-806 (4)	\$66,146	\$66,207	\$61 (12)
Expenses	-25,269	-25,220	-49	-65,848	-69,875	-4,027 (7,8,12)
Reserve Drawdown (Deposit)	2,413	1,558	855 (4)	-298	3,668	3,966 (7,8,12)
Net	\$0	\$0	\$0	\$0	\$0	\$0
Electric Service *						
Revenues	\$7,264	\$7,241	\$23	\$34,627	\$34,274	\$-353 (13)
Expenses	-8,091	-8,112	21	-34,067	-33,678	389 (8,13)
Reserve Drawdown (Deposit)	827	871	-44	-560	-596	-36 (8,13)
Net	\$0	\$0	\$0	\$0	\$0	\$0
Inn at Virginia Tech/Skelton Conf. Center						
Revenues	\$3,726	\$3,680	\$46	\$11,728	\$11,728	\$0
Expenses	-4,065	-4,247	182	-11,638	-11,908	-270 (7,8)
Reserve Drawdown (Deposit)	339	567	-228	-90	180	270 (7,8)
Net	\$0	\$0	\$0	\$0	\$0	\$0
Other Enterprise Functions ***						
Revenues	\$3,546	\$3,572	\$-26	\$10,876	\$10,806	\$-70 (14)
Expenses	445	-391	836 (5)	-9,782	-14,026	-4,244 (7,8,14)
Reserve Drawdown (Deposit)	-3,991	-3,181	-810 (5)	-1,094	3,220	4,314 (7,8,14)
Net	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL AUXILIARIES						
Revenues	\$119,474	\$120,795	\$-1,321	\$320,175	\$320,826	\$651
Expenses	-96,234	-98,260	2,026	-311,278	-330,587	-19,309
Reserve Drawdown (Deposit)	-23,240	-22,535	-705	-8,897	9,761	18,658
Net	\$0	\$0	\$0	\$0	\$0	\$0

* University Systems include Dormitory and Dining Hall System, University Services System, Intercollegiate Athletics System, and Electric Service System. The Systems were created to provide assurance to bond holders that system revenues are pledged for the payment of debt service and to allow for dedicated repair and replacement that are not subject to liens of any creditor of the university.

** University Services System includes Career Services, Center for the Arts, Health Services, Recreational Sports, Student Centers & Activities, Student Organizations, and the VT Rescue Squad.

*** Other Enterprise Functions include Golf Course, Hokie Passport, Library Café, Library Photocopy, Licensing & Trademark, Little Hokie Hangout, New Student and Family Programs, Pouring Rights, Printing Services, Software Sales, Student Athlete Academic Support Services (SAASS) and Tailor Shop.

AUXILIARY ENTERPRISE BUDGET

1. Revenues in Residence and Dining Halls are lower than projected due to lower than anticipated dorm occupancy and Dining meal plan sales from lower than budgeted freshmen student enrollment.
2. Revenues and expenses in Parking and Transportation Services are lower than projected due to lower than forecasted Fleet Services business volume.
3. Expenses for the University Services System are lower than projected due to the timing of expenses.
4. Revenues for Intercollegiate Athletics are lower than projected due to lower than projected football ticket sales.
5. Expenses for Other Enterprise Functions are lower than projected due to timing of operating expenses.
6. The projected annual revenue, expense, and reserve budgets for Residence and Dining Halls were adjusted for increased facility use agreement revenues and decreased Steger Center fall enrollment.
7. The projected annual expense budget for Auxiliary Enterprises was adjusted for \$9.9 million in outstanding 2015-16 commitments and projects that were initiated but not completed before June 30, 2016. This amount includes \$703,512 for Athletics, \$3.6 million for Residence Halls, and \$2.6 million in Dining Hall commitments and projects. The remainder is spread across the other auxiliary programs.
8. The projected annual expense and reserve budgets for the Auxiliary Enterprises were decreased \$596,057 to reduce the placeholder budgets for compensation and fringe benefits to final amounts.
9. The projected annual revenue, expense, and reserve budgets for Parking and Transportation Services were decreased for Parking Services reduced permit volume, self-generated revenue, and operating expenses. The Alternative Transportation expense budget was also decreased for reduced Blacksburg Transit contract expenses.
10. The projected annual revenue, expense, and reserve budgets for Telecommunications Services were increased \$1.3 million for special projects and expense budget increased \$1.8 million for network equipment refreshment.
11. The projected annual revenue, expense, and reserve budgets for the University Services System were adjusted for increased Rescue Squad revenues, additional student health Cook Counseling Center counselor position, expanded student center wage positions and Cultural Center renovations, career services mentoring position, and additional student health counseling space.
12. The projected annual revenue budget for Intercollegiate Athletics was adjusted \$61,000 to accommodate additional revenue of \$250,000 for neutral site game and \$15,000 for IMG multimedia, partially offset by decreased revenue of (\$204,000) from South End Zone premium seat revenue. Annual expense and reserve draw budgets were increased \$3.4 million to accommodate \$762,000 for football and basketball coaching staff transition costs, \$100,000 for athlete food and dietary supplies, and \$2.5 million for Rector Field House capital project expenses.
13. The projected annual revenue and expense budgets for the Electric Services auxiliary were decreased for reduced 2016-17 cost of wholesale electricity and the associated reduction in customers rates.
14. The projected annual revenue, expense, and reserve budgets for Other Enterprise Functions were increased for internal financings, and decreased for lower than expected activity level in Hokie Camp, Tailor Shop, and Printing Services.

**CAPITAL OUTLAY PROJECTS
AUTHORIZED AS OF SEPTEMBER 30, 2016**

Dollars in Thousands

PROJECT INITIATED	CURRENT YEAR			TOTAL PROJECT BUDGET					
	ORIGINAL ANNUAL BUDGET	REVISED ANNUAL BUDGET	YTD EXPENSES	STATE SUPPORT	NONGENERAL FUND	REVENUE BOND	TOTAL BUDGET	CUMULATIVE EXPENSES	
Educational and General Projects									
<u>Educational and General Maintenance Reserve</u>									
Maintenance Reserve	On-going	9,100	9,100	1,916	10,578	0	0	10,578	1,916 (1)
<u>Design Phase</u>									
Academic Buildings Renewal	Sep 2013	13,500	7,000	58	27,389	0	0	27,389	2,488 (2)
Improve Kentland Facilities	Sep 2013	4,500	3,000	87	8,618	0	0	8,618	769 (3)
BI Data Center Expansion	Sep 2015	4,800	4,800	13	0	5,900	0	5,900	338 (4)
Planning: Corps Leadership & Military Science Building	Dec 2015	1,920	1,375	605	0	2,100	0	2,100	1,329 (5)
Planning: Eastern Shore AREC Storage Building	Apr 2016	26	46	26	0	46	0	46	26 (6)
Planning: Renovate Undergraduate Science Laboratories	Jul 2016	0	600	1	0	600	0	600	1 (7)
Agriculture Production Facilities	Oct 2016	1,120	1,120	0	22,136	0	0	22,136	0 (8)
Chiller Plant Phase II	Oct 2016	2,000	2,000	0	31,024	9,797	0	40,821	0 (9)
Health Sciences & Technology	Oct 2016	3,380	1,600	0	48,307	23,793	0	72,100	0 (10)
Holden Hall Renovation	Oct 2016	3,670	2,000	0	44,386	17,500	0	61,886	0 (11)
<u>Construction Phase</u>									
Address Fire Alarm Systems and Access	Jun 2014	2,751	2,865	403	4,891	0	0	4,891	2,430 (12)
<u>Close-Out</u>									
Classroom Building	Dec 2012	8,530	10,641	7,928	42,652	0	0	42,652	39,939 (13)
TOTAL		55,297	46,147	11,036	239,981	59,736	-	299,717	49,234

Educational and General Projects

1. The total project budget amount reflects the balance of maintenance reserve appropriation carried forward from fiscal year 2016 and the state's fiscal year 2017 allocation of \$9.038 million of Maintenance Reserve funds.
2. This project is for the renovation of three academic buildings located in the core of main campus bordering the Drillfield: Davidson Hall-Front Section, Sandy Hall, and the Liberal Arts Building. The state authorized design funding effective July 2013 and construction funding effective July 2015. The \$27.389 million amount reflects the total project less equipment funding which is allocated separately after the start of construction. The project was hard bid in May 2016 and the low bid reflects a \$4.4 million cost overrun above the authorized budget, per the Department of General Services' consultation, the project is being hard bid again this fall. The university is working with the Commonwealth to obtain a General Fund supplement to advance the project to construction. The budget was adjusted in the first quarter to reflect expected cash outflows for fiscal year 2017.
3. This project is to provide a metabolism research laboratory, an applied reproduction facility, and a building for animal demonstration, handling, and holding spaces. The state authorized design funding effective July 2013 and construction funding effective July 2015. The \$8.618 million amount reflects the total project less equipment funding which is allocated separately after the start of construction. The early site package for the Applied Reproduction Facility is nearly complete, Working Drawings are complete and the project is out for construction bids with an anticipated start of construction in late fall 2016. The budget was adjusted in the first quarter to reflect expected cash outflows for fiscal year 2017.
4. This project will establish a new high performance data center within the existing Biocomplexity Institute's facilities. The Design-Build contract has been executed and construction is underway with the data center ready for use by Spring 2017.
5. This project is to plan a new 60,500 gross square foot Corps Leadership and Military Science Building that will be located in the northern portion of the existing Upper Quad near Lane Hall. The facility would provide a centralized and consolidated home to the wide range of Corps of Cadets and ROTC programs currently dispersed around the northern area of campus. Preliminary Design is under review and the project will now be put on hold pending full funding authorization. The annual budget was adjusted in the first quarter because expenses planned for fiscal year 2017 were processed in fiscal year 2016.
6. This project is to plan a new storage building for the Eastern Shore Agriculture Research and Extension Center (AREC). The facility's program provides space to store and secure modern research equipment on-site. Preliminary Designs are complete, and the project is out for bids with pricing expected in October 2016. The budget was adjusted in the first quarter to reflect expected cash outflows for fiscal year 2017.
7. This project is to plan for the renovations of up to ten undergraduate laboratories within Derring and Hahn Halls that are needed to accommodate the increased demand for introductory undergraduate science laboratory classes in biology, chemistry, physics, and micro-biology. The annual budget was established in the first quarter to reflect the project's approval to move forward at the June 2016 Board of Visitors meeting.
8. This project is for the first of two phases of the existing facilities renewal for the livestock and poultry programs. This first phase includes an approximate total scope of 126,000 gross square feet of new and renovated facilities at the Blacksburg campus and three nearby university production and research farms.
9. This project continues the strategic infrastructure advancements initiated by the Chiller Plant, Phase I project. This Phase II project includes the upgrade of campus utility systems and addresses several strategic needs for shifting the campus to a lower resource consuming cooling service.
10. This project calls for a Public Private Partnership delivery located adjacent to the existing Virginia Tech-Carilion Research Institute facility in Roanoke, Virginia. The 105,000 gross square foot building will serve as a fully operational and contained biomedical research and education facility. The budget was adjusted in the first quarter to reflect expected cash outflows for fiscal year 2017.
11. This project is for the renovation and expansion Holden Hall to accommodate the instruction and research programs of Material Science Engineering, Mining/Mineral Engineering, and Computer Science Engineering. The final project would be 101,000 gross square feet of engineering instruction and research space to accommodate these high demand engineering fields. The budget was adjusted in the first quarter to reflect expected cash outflows for fiscal year 2017.
12. This project will support progress on fire alarm systems and accessibility improvements for several E&G buildings. The implementation plan calls for improvements to be executed in multiple packages, and construction funding will be released on a package-by-package basis. The State has appropriated \$4.89 million of General Fund resources for the total project budget of which \$4.26 million has been committed to the following projects underway or completed: Food Science and Technology Building, Architecture Annex, Wallace Annex, War Memorial Hall, Lane Hall, Whittemore Hall, Patton Hall, and Randolph Hall. The budget was adjusted in the first quarter to reflect expected cash outflows for fiscal year 2017.
13. The project is complete and has been occupied since August 2016. The project may be closed and financial accounts terminated when final invoices are received and paid and completion of the authorized scope has been verified by the Chief Facilities Officer. The budget was adjusted in the first quarter to reflect expected cash outflows for fiscal year 2017.

Capital Outlay Projects Authorized as of September 30, 2016 (Continued)

Dollars in Thousands

PROJECT INITIATED	CURRENT YEAR			TOTAL PROJECT BUDGET					
	ORIGINAL ANNUAL BUDGET	REVISED ANNUAL BUDGET	YTD EXPENSES	STATE SUPPORT	NONGENERAL FUND	REVENUE BOND	TOTAL BUDGET	CUMULATIVE EXPENSES	
Auxiliary Enterprises Projects									
<u>Auxiliary Maintenance Reserve</u>									
Maintenance Reserve	On-going	7,000	7,000	2,813	0	7,000	0	7,000	2,813 (1)
<u>Design Phase</u>									
Planning: O'Shaughnessy Renovation	Apr 2016	1,720	1,720	254	0	1,750	0	1,750	256 (2)
Planning: Student Wellness Services	Jun 2016	2,000	2,000	83	0	0	3,071	3,071	293 (3)
<u>Construction Phase</u>									
Unified Communications & Network Renewal	Apr 2012	3,386	2,605	392	0	9,564	6,944	16,508	14,296 (4)
Upper Quad Residential Facilities	May 2013	24,905	21,300	7,044	0	28,620	62,380	91,000	71,576 (5)
Lane Substation Expansion	Sept 2015	4,000	4,000	103	0	2,000	4,500	6,500	540 (6)
Residential Door Access Improvements	Dec 2015	3,368	2,900	1,474	0	7,735	0	7,735	4,857 (7)
Athletic Facilities Improvements	Aug 2016	2,700	7,200	200	0	23,900	0	23,900	923 (8)
<u>Close-Out</u>									
Airport Hangar	Apr 2015	514	574	94	0	2,520	0	2,520	1,837 (9)
East Eggleston Renovation	Aug 2015	0	304	0	0	2,500	0	2,500	2,196 (10)
<u>On Hold and Not Funded</u>									
Parking Blanket Authorizations Balance	Jul 2002	0	0	0	0	0	16,547	16,547	0 (11)
New Residence Hall II	Jun 2007	0	0	0	0	0	27,000	27,000	182 (12)
Phase IV of Oak Lane Community (Houses 2 - 5)	Aug 2010	0	0	0	0	0	17,518	17,518	0 (13)
TOTAL		49,593	49,603	12,457	0	85,590	137,960	223,549	99,769
GRAND TOTAL		<u>\$ 104,890</u>	<u>\$ 95,750</u>	<u>\$ 23,494</u>	<u>\$ 239,981</u>	<u>\$ 145,326</u>	<u>\$ 137,960</u>	<u>\$ 523,266</u>	<u>\$ 149,003</u>

RECOMMENDATION:

That the report of income and expenditures for the University Division and the Cooperative Extension/Agricultural Experiment Station Division for the period of July 1, 2016 through September 30, 2016 and the Capital Outlay report be accepted.

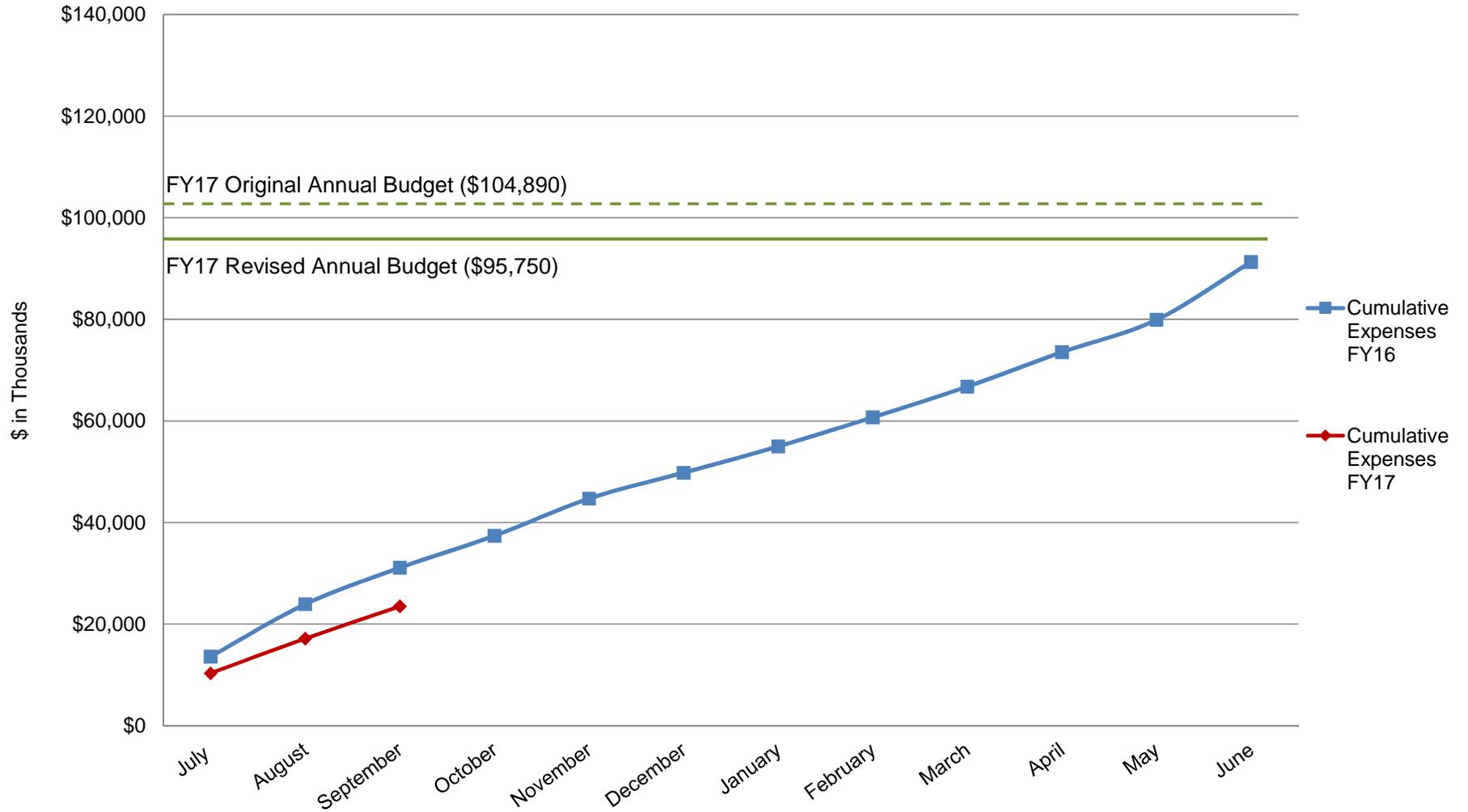
November 7, 2016

Auxiliary Enterprises Projects

1. Projects are scheduled and funded by the auxiliary enterprises during the annual Auxiliary Enterprise budgeting process. The units prepare five-year plans that outline their highest priority deferred maintenance needs. The annual budget and total budget reflect the spending plans of the auxiliary units on scheduled maintenance reserve work for fiscal year 2017. The auxiliary maintenance reserve program covers 104 assets with a total replacement value of \$1.1 billion.
2. This project will plan updates to O'Shaughnessy Hall's interior; mechanical, electrical, and plumbing systems; elevators; address other deferred maintenance items as needed; and installing air conditioning. Improvements include converting O'Shaughnessy into a living-learning community to modernize the residential program within the building.
3. This project, as authorized at the March 2016, Board of Visitors meeting, is to explore alternatives and prepare design documents for an expanded, comprehensive student wellness services solution to meet student expectations.
4. This project includes improvements to four complementary communication infrastructure components. The four components include a unified communications system, upgrading the Internet Protocol (IP) Network, upgrading the cable plant, and upgrading equipment rooms in various facilities. This project is being implemented in phases and is anticipated to be complete in spring 2017. The total expected costs are \$16.5 million. The budget was adjusted in the first quarter to reflect expected cash outflows for fiscal year 2017.
5. This project replaces Rasche and Brodie with two new residential facilities and razes Thomas and Monteith, effectively modernizing 1,000 beds in the residential inventory. Construction is underway. The first building, Pearson Hall, was occupied in November 2015. The second hall was originally scheduled to be occupied by fall 2016 and is behind schedule with anticipated substantial completion by spring 2017. The budget was adjusted in the first quarter to reflect expected cash outflows for fiscal year 2017.
6. This project will expand the Lane Substation on Innovation Drive. The project includes the purchase and installation of two 28,000 kilovolt-amperes (kVA) transformers, two circuit switchers, six distribution reclosers with space for an additional four reclosers, a control house and associated relay, and control equipment. Specifications for the transformers are being developed and equipment is being ordered. The entire project should be complete in late 2017 with an expected total cost of \$6.5 million.
7. This project will install electronic door access locks on approximately 4,520 student rooms in the existing residential system and improve access control to approximately 1,551 non-student doors. Installation is underway for the first half of the residence halls. The remaining half will be completed in the summer of 2017. The total cost is expected to be \$7.735 million. The budget was adjusted in the first quarter to reflect expected cash outflows for fiscal year 2017.
8. This project includes four high priority Athletic facility improvements: Rector Field House, Baseball Facilities, athletic nutrition center, and Tennis Facilities. Planning for the project was approved in November 2015. Rector Field House site work was approved August 2016 with construction expected in Summer 2017. Construction for Baseball Facilities was approved August 2016 and is expected to begin early winter 2016. Feasibility studies are underway for an athletic nutrition center and Tennis Facilities improvements. The annual budget was adjusted in the first quarter to reflect the project's supplemental approval for Rector and Baseball at the August 2016 Board of Visitors meeting.
9. This project is substantially complete and was occupied in April 2016. The total cost is expected to be \$2.3 million. The project may be closed and financial accounts terminated when completion of the authorized scope has been verified by the Chief Facilities Officer and all expenses moved to the capital project. The budget was adjusted in the first quarter to reflect expected cash outflows for fiscal year 2017.
10. This project is complete and was occupied in August 2015. The total cost is expected to be \$2.5 million. The project may be closed and financial accounts terminated when completion of the authorized scope has been verified by the Chief Facilities Officer and all expenses moved to the capital project. The budget was adjusted in the first quarter because expenses planned for fiscal year 2016 will be processed in fiscal year 2017.
11. The purpose of this unfunded parking blanket authorization balance is to complete future improvements and repair projects for the parking system as specific needs are identified and as funding becomes available.
12. This project envisioned a new residence hall of approximately 250 beds. Cost estimates exceed the project budget and the project is on hold while the university explores alternatives. Funding for the project may be considered pending a program plan and financial plan.
13. This is the remaining unallocated authorization of the original \$23.5 million Oak Lane Community, Phase IV project. The outstanding Oak Lane Community expansion, houses two through five and their necessary site improvements, may be constructed as organizations come forward with program and financing plans.

CAPITAL PROGRAM ANNUAL PERFORMANCE Cumulative Monthly Expenditures

Fiscal Year 2016 and YTD Fiscal Year 2017





Financial Performance Report

First Quarter 2016-17

Tim Hodge, Assistant Vice President for
Budget and Financial Planning

November 7, 2016



Overview

- The university continuously monitors financial performance
- Each quarter the university provides the Board with an update on financial performance
- The annual budget represents the university's projection of operations
 - The original budget is as reviewed with the Board in June
 - The adjusted budget is revised as new information becomes available



E&G Operating Budget

Annual Budget Change

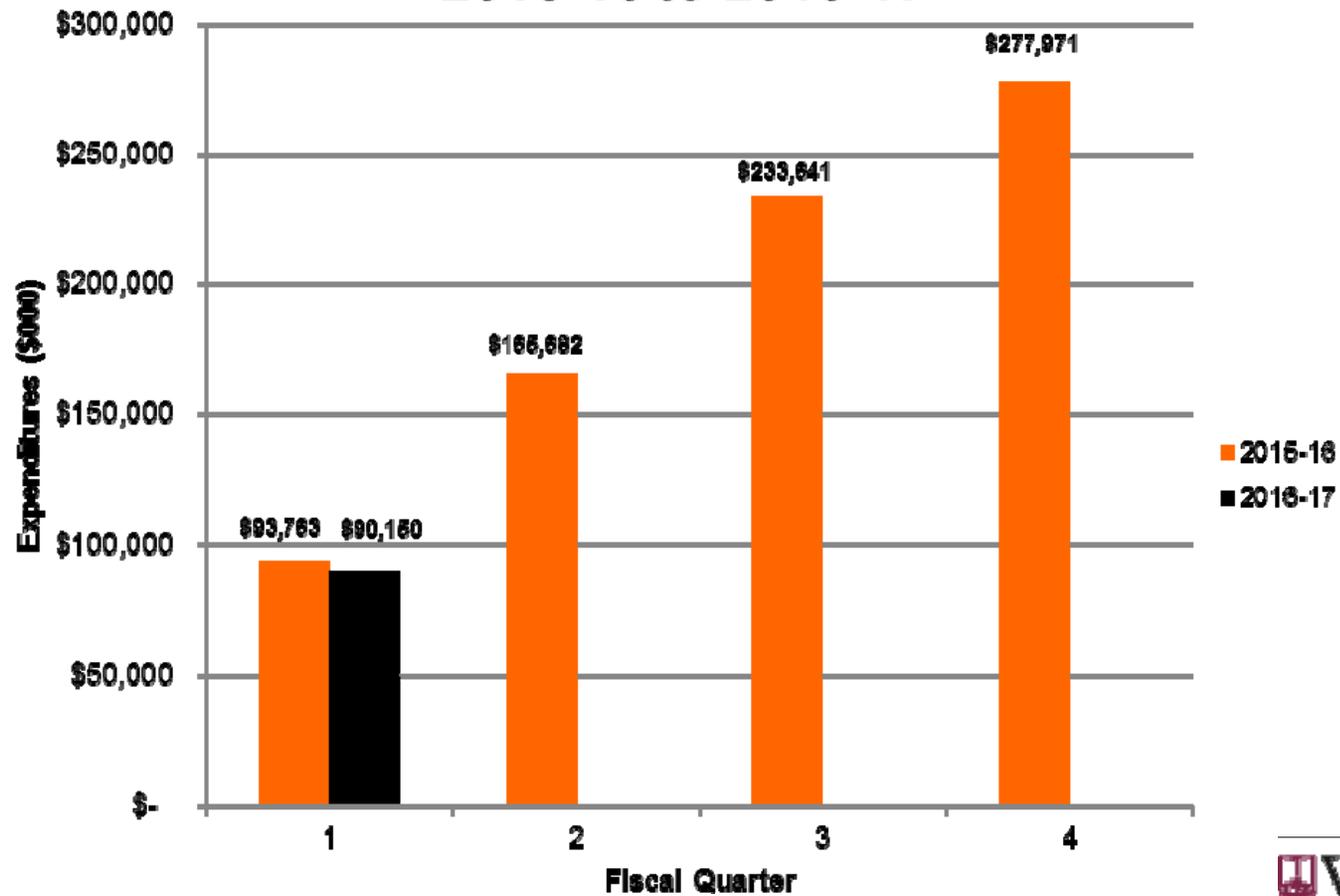
- University Division
 - Tuition: the forecast growth for 2016-17 was partially pulled back by \$5.7 million
 - General Fund: \$2.7 million decrease primarily due to elimination of the state share of the planned compensation program.
- Cooperative Extension/Agricultural Experiment Station (CE/AES)
 - General Fund: \$0.9 million decrease primarily due to elimination of the state share of the planned compensation program.

Performance

- Cooperative Extension/Agricultural Experiment Station (CE/AES)
 - Receipt of federal funds are lagging



Sponsored Programs Expenditures 2015-16 to 2016-17





Auxiliary Enterprises

Annual Budget Changes:

- \$9.9 million carryover of outstanding commitments & obligations:
 - \$3.6 million Residential
 - \$2.6 million Dining
 - \$3.8 million other
- Projects
 - Athletics: \$2.5 million Rector Field House
 - Telecommunications: \$3.1 million for equipment and projects
- Compensation: \$598k decrease to reduce placeholder budgets for compensation

Performance

- Dorms and Dining: lower than budgeted occupancy and meal plan sales
- Athletics: lower than budgeted season football tickets sales
- Other activities are performing well



Capital Outlay

- **Total capital program level currently authorized**
 - \$523.3 million over several years
- **Cumulative program expenses**
 - \$149 million inception-to-date
- **Significant total program adjustments**
 - Projects approved at the August 2016 Board meeting and added to the report:
 - ❖ Construction for Baseball Component of Athletic Facilities Improvements
 - ❖ Early Site work for Rector Component of Athletic Facilities Improvements
 - Projects approved by the State July 2016 and added to the report:
 - ❖ Agriculture Production Facilities
 - ❖ Chiller Plant, Phase II
 - ❖ Health Sciences & Technology
 - ❖ Holden Hall Renovation



Capital Outlay

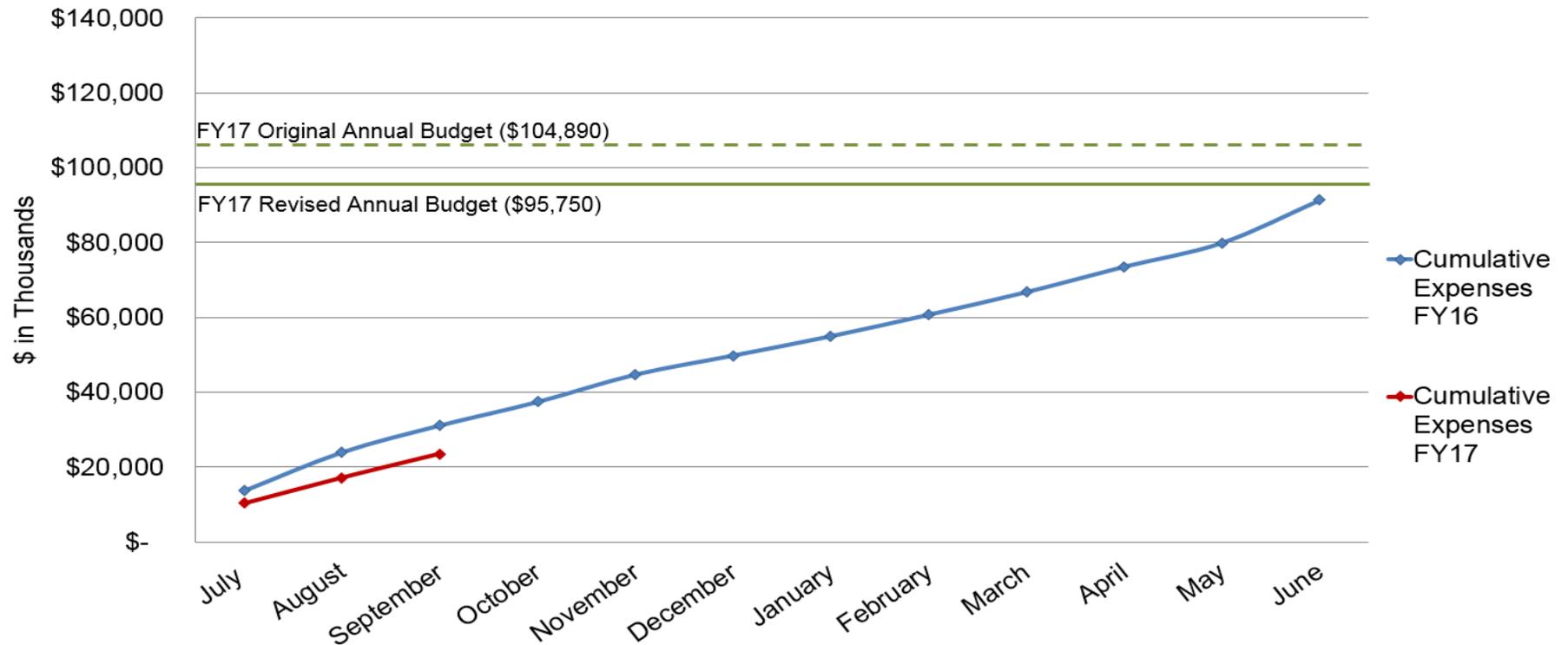
- **Revised Annual capital budget as of first quarter**
 - \$95.75 million
- **Annual expenses as of first quarter**
 - \$23.5 million
- **Annual budget adjustments this quarter**
 - Total project budgets unchanged.

❖ Academic Building Renewal	\$(6.5) million
❖ Health Sciences and Technology	\$(1.78) million
❖ Holden Hall Renovations	\$(1.67) million
❖ Improve Kentland Facilities	\$(1.5) million
❖ Upper Quad Residential Facilities	\$(3.6) million
❖ Classroom Building	\$2.1 million
❖ Athletic Facilities Improvements	\$4.5 million



Capital Outlay Trends: Annual Performance

CAPITAL PROGRAM ANNUAL PERFORMANCE
Cumulative Monthly Expenditures
 Fiscal Year 2016 and Fiscal Year 2017





Capital Outlay

- **Major Construction Underway**
 - Fire Alarm Systems and Access
 - Upper Quad Residential Facilities
 - Residential Door Access Improvements
 - Athletic Facilities Improvements



Questions?