

MINUTES
UNIVERSITY ADVISORY COUNCIL ON
STRATEGIC BUDGETING AND PLANNING
March 27, 2014

PRESENT: Bob Broyden, Martin Daniel, Leslie O'Brien, Wendy Herdman, William Knocke, Joe Merola, Quinton Nottingham, Ken Smith, Dwight Shelton, Jason Soileau, John Phillips

ABSENT: Renee Boyer, Amy Brunner, Elizabeth Fine, Balachandar Guiduri, Tim Hodge, Andrew McCoy, Mark McNamee, Theresa Pancotto, Timothy Scott, Connie Stovall, Sue Teel

1. CALL TO ORDER

Mr. Dwight Shelton, Vice President for Finance and CFO, called the meeting to order at 3:00 p.m.

2. APPROVAL OF THE FEBRUARY 27, 2014 MINUTES

Mr. Shelton announced that the minutes of the February 27, 2014 meeting have been electronically approved and sent to University Council for posting on the web.

3. UPDATE ON GENERAL ASSEMBLY SESSION

Mr. Shelton reported that the General Assembly is no closer to approving the state budget than it was when they met on March 8. A special session was held from March 24-26, but the two sides did not come to an agreement. Mr. Shelton noted that the House rejected Governor McAuliffe's proposed amendments, but the Senate did accept them. Therefore, there are still two budgets under consideration. Mr. Shelton stated that the items Mr. Tim Hodge, Assistant Vice President for Budget and Financial Planning, introduced at the last University Advisory Council on Strategic Budgeting and Planning meeting, are not likely to change much. When the General Assembly reconvenes on April 23, the Governor will have 30 days to make changes. The General Assembly can either accept these changes or override them. It could be as late as June before the new state budget is approved. This will delay Virginia Tech's work on development of the 2014-15 budget. Since the state is in the second year of the biennium, it is not likely that the General Assembly will go past June in adopting a new budget.

Mr. Shelton reported that the Board of Visitors met on March 24, and those discussions went well. He said that the effort to continue progress towards the 60th percentile for faculty salaries is continuing and we will ask the BOV to approve a tuition increase to cover the non-general funds portion of the salary increases. He noted that the staff compensation environment is more complex but the university is working to identify funding. Currently classified staff salaries are under the control of the state.

4. REVIEW OF CAPITAL OUTLAY PROCESS

Mr. Bob Broyden, Assistant Vice President for Capital Assets and Financial Management, gave a PowerPoint presentation and an overview on the capital outlay process. (Copies of Mr. Broyden's slides are attached to these minutes). Mr. Broyden noted that the state funding process for a capital project is a 2-phase process in which one allocation is made for the planning phase, and another is made for the construction phase. The amounts funded by the state (General Funds) are based on the state's estimate of what the project should cost. Mr. Broyden noted that this year, the state did not fund any new higher education capital projects partly because it has reached its 5% debt ratio. Going over 5% jeopardizes the state's AAA rating. Virginia Tech can incur debt for capital funding provided that it has a sufficient revenue stream that will cover repayment of the debt. Virginia Tech caps its debt ratio at 5% to maintain its external debt rating as required by Restructuring.

Mr. Broyden gave an update on what funding has been received for planning and major construction projects that are currently underway. He also updated Council members on the 6-year plan for advancement of new capital projects. More information on the 2014-2020 capital outlay plan can be found at www.cafm.vt.edu.

5. OTHER BUSINESS

No further business was discussed, and the meeting adjourned at 4:10 p.m.

Updates on Status of Capital Projects

Bob Broyden

March 27, 2014

Topics of Discussion

- Update on major construction funding
- Update on planning funding
- Advancing new projects on the 2014-2020 capital plan (www.cafm.vt.edu)
 - General Fund projects
 - Nongeneral fund projects

Update on Major Construction Funding
(Dollars = millions)

| Project | Project Budget | Occupancy |
|--|----------------|---------------|
| General Fund | | |
| Chiller Plant-1 | \$ 20.1 | July 2013 |
| Human Agriculture and Biosciences Building | 53.7 | February 2014 |
| Davidson Hall-1 | 31.1 | May 2014 |
| Signature Engineering Building | 95.2 | May 2014 |
| Classroom Building | 40.8 | Spring 2016 |
| Nongeneral Fund | | |
| Marching Virginians Practice Facility | 4.75 | January 2015 |
| Dairy Center | 14.0 | March 2015 |
| Indoor Practice Facility | 21.3 | August 2015 |
| Telecommunications | 16.5 | Fall 2016 |
| Upper Quad Residence Halls | 90.0 | July 2017 |

Update on Major Planning Funding
(Dollars = millions)

| Project | Requested Project Budget | Potential Construction Funding |
|--------------------------------|--------------------------|--------------------------------|
| General Fund | | |
| Academic Renovations Project | \$ 26.3 | July 2015 |
| Kentland Improvements | 7.6 | July 2015 |
| Sciences Building Laboratory-1 | 46.5 | July 2015/2016 |
| Nongeneral Fund | | |
| Recreation Fields Improvements | 4.6 | June 2014 |
| Health Center Addition | 2.8 | March 2015 |

General Fund Budget Requests

- Requires approval by the General Assembly
- E&G programs supported by General Fund:
 - Instruction
 - Research
 - Agency 229
- State capital program is designed to provide \$250 million annually, including higher education
- Debt ratio of five percent to help protect AAA credit rating

Nongeneral Fund Budget Requests

- May be approved by the Board of Visitors (budget and scope)
- The most common revenues for capital projects:
 - Private fund raising
 - Overhead funds
 - Auxiliary funds
- Units work with Finance to develop funding plans and identify potential timing that resources may be sufficient to support project costs
- Like the state, the university has a five percent debt ratio guideline to help ensure a credit rating of AA-
- Project design and construction executed by Facilities

Thank You

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