



**VIRGINIA COMMONWEALTH UNIVERSITY
BOARD OF VISITORS
FINANCE AND UNIVERSITY RESOURCES COMMITTEE
May 12, 2023
11:00 a.m.¹
James Branch Cabell Library
901 Park Avenue – Room 303
Richmond, VA**

AGENDA

- | | |
|--|---|
| 1. CALL TO ORDER
1 min. (11:00 - 11:01 a.m.) | Hon. Todd Haymore, Chair |
| 2. ACTION ITEM
3 min. (11:01 – 11:04 a.m.)
a. Approval of Minutes from March 24, 2023 | Hon. Todd Haymore, Chair |
| 3. FINANCE AND BUDGET UPDATE
20 min. (11:04 – 11:24 a.m.)
a. Military Waivers | Ms. Karol Kain Gray, Senior Vice
President and CFO |
| 4. GOVERNMENT RELATIONS UPDATE
15 min. (11:24– 11:39 a.m.) | Mr. Matthew Conrad, Vice
President for Government and
External Relations for VCU and
VCU Health |
| 5. DEVELOPMENT AND ALUMNI
RELATIONS UPDATE
15 min. (11:39 – 11:54 a.m.) | Ms. Karah Gunther, Vice President
for External Affairs and Health
Policy for VCU and VCU Health

Mr. Jay Davenport, Vice President
for Development and Alumni
Relations |

¹ The start time for the Board of Visitors meeting is approximate only. The meeting may begin either before or after the listed approximate start time as Board members are ready to proceed.

6. **CLOSED SESSION** – *Freedom of Information Act Sections 2.2-3711 (A) (9)*
1 min. (11:54 – 11:55 a.m.)
- i. Named Fund and Spaces Report
 - ii. Approved Named Funds Under \$50,000
3 min. (11:55 – 11:58 a.m.)
7. **RETURN TO OPEN SESSION AND CERTIFICATION**
1 min. (11:58 – 11:59 a.m.)
- i. **Action Item:**
Approval of items discussed in closed session
8. **MISCELLANEOUS REPORTS:**
1 min. (11:59 a.m. - 12:00 p.m.)
- For Informational Purposes Only:
- a. Sources and Uses Funding/Revenue and Expense Summary
 - b. Treasurer’s Report
 - c. Dashboard
 - d. VCU Health System and Financial Operations
9. **OTHER BUSINESS**
10. **ADJOURNMENT**
- Hon. Todd Haymore, Chair**
- Mr. Jay Davenport, Vice President for Development and Alumni Relations**
- Hon. Todd Haymore, Chair**
- Hon. Todd Haymore, Chair**
- Hon. Todd Haymore, Chair**

In accordance with the Board’s operating procedures and in compliance with the Virginia Freedom of Information Act, there will be no opportunity for public comment at this meeting.



Virginia Military Survivors & Dependents Education Program (VMSDEP)

KAROL KAIN GRAY
Senior Vice President & CFO

Virginia Military Survivors & Dependents Education Program (VMSDEP)

Education Benefits for spouses and children of military services members who were killed, missing in action, taken prisoner, or are 90-100% disabled as a result of their military service.

- Qualifications
 - Must be a current spouse, or
 - Must be a biological, legally adopted, or dependent step-child (*claimed on taxes*) between the ages of 16 and 29,
 - Must be Virginia residents,
 - Must attend a Virginia public college or university
- Benefits
 - Tuition and mandatory fee waiver
 - Benefits are covered for up to 8 semesters or the equivalent of 4 years

VCU Waivers - \$13,953,587
21% Increase from 2022
4691% Increase from 2007

2023

2023

VCU Waivers - \$11,543,574
25% Increase from 2021
3864% Increase from 2007

2022

2021

VCU Waivers - \$9,263,245
45% Increase from 2020
3081% Increase from 2007

2021

2021

VCU Waivers - \$6,385,431
496% Increase from 2015
2093% Increase from 2007

2020

2020

VCU Waivers - \$1,071,780
268% Increase

2015

2019

VCU Waivers - \$291,231

2007

2006

Between 2019 and 2023

Eligibility Changes

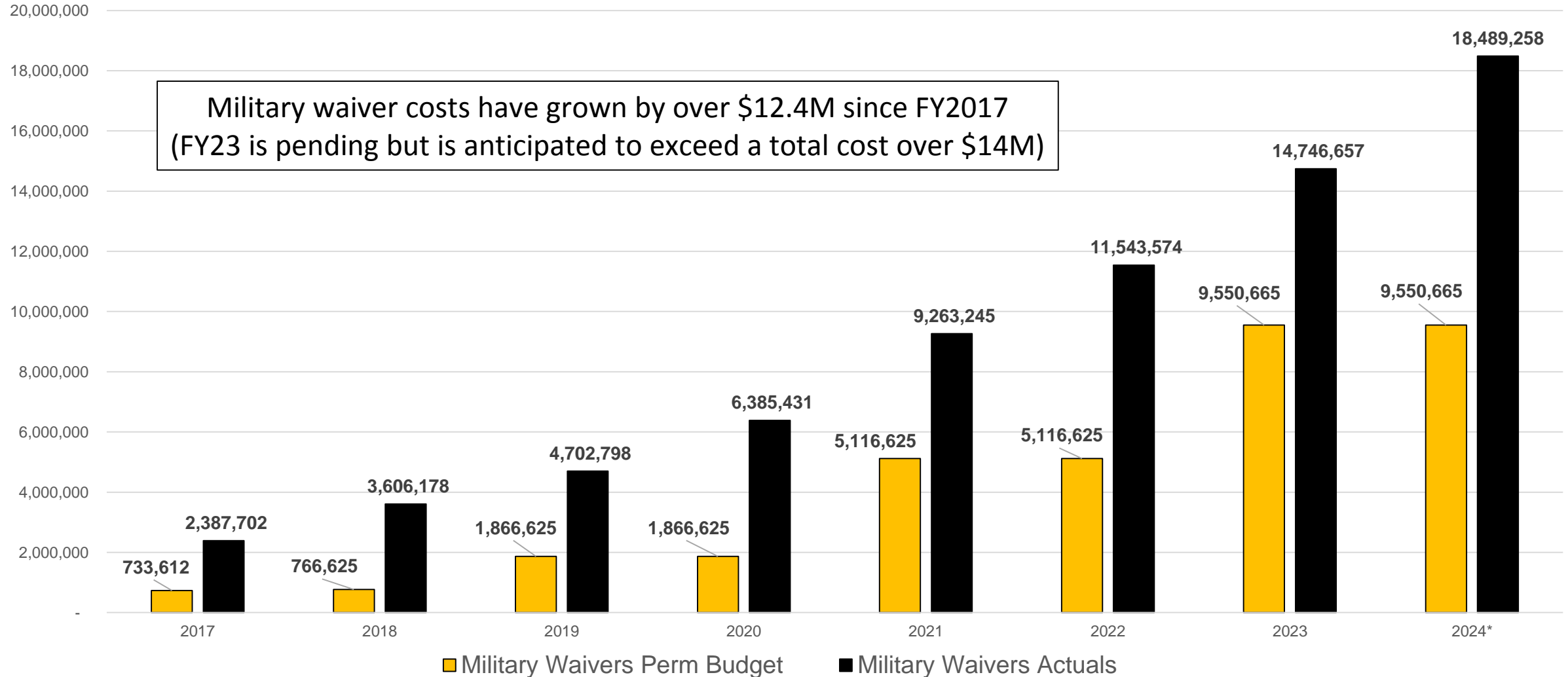
- Include step-children of veterans who are dependents and claimed on taxes.
- Changed language to adjust "permanently" disabled to a static rating of disabled.
- Shortened the domicile requirements from 5 to 1 year.
- Include non-combat service connected disabilities.

Virginia War Orphans Education Program renamed the Virginia Military Survivors and Dependents Education Program (VMSDEP)

Growth in Military Waivers

VCU cost share

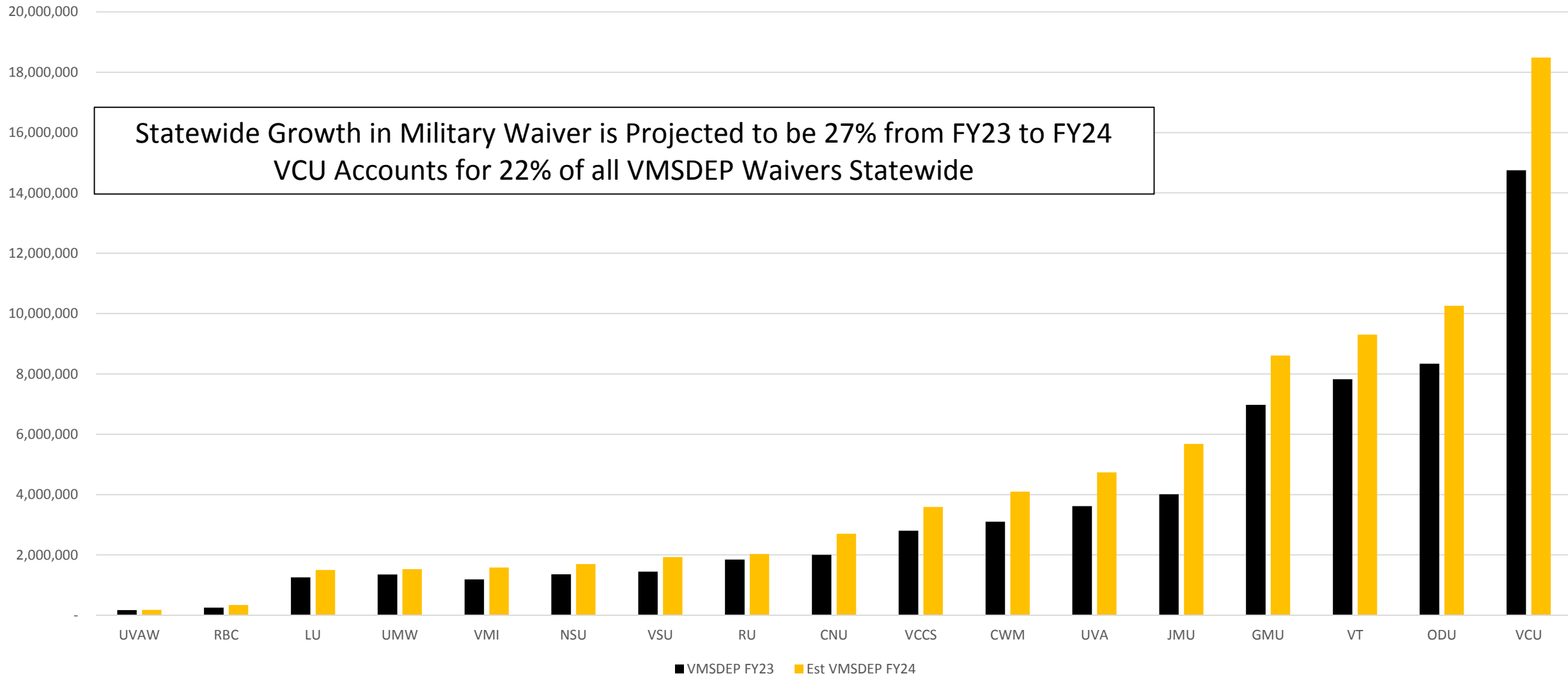
2017 to Est. 2024 VMSDEP Growth



Growth in Military Waivers

Statewide projections

VMSDEP Costs for FY23 & 24



Board of Visitors

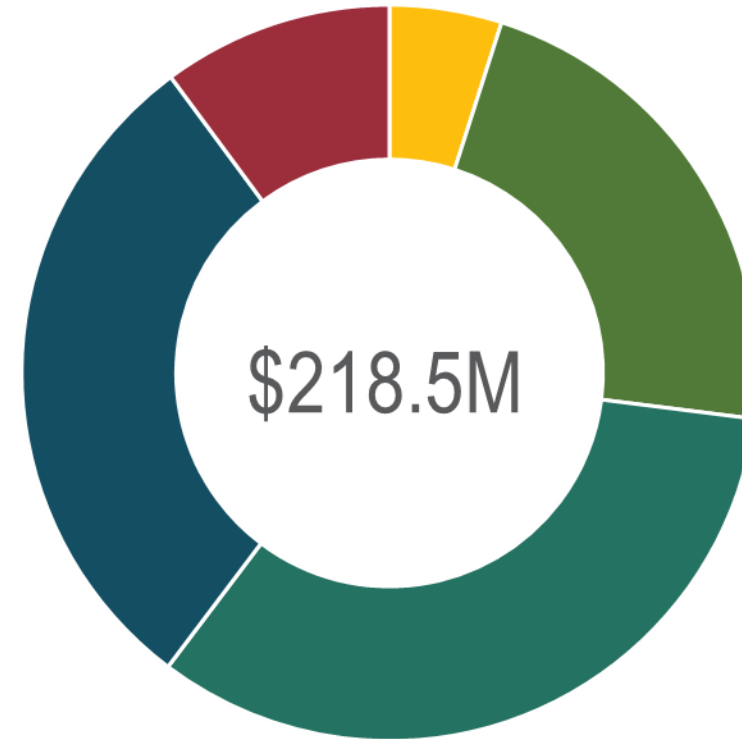
Jay Davenport, Vice President, Development and Alumni Relations
May 12, 2023



VCU

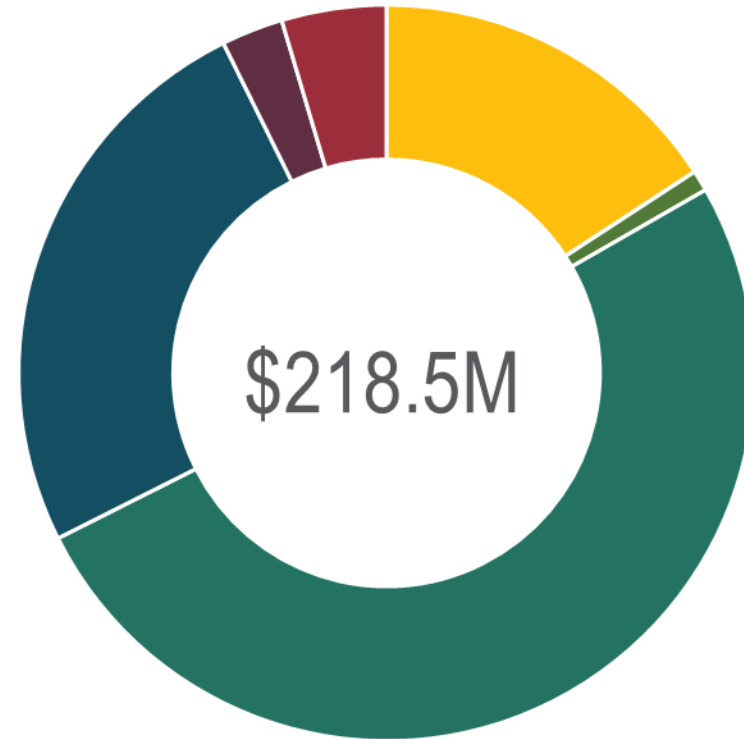
FY23 Campaign Totals by Source

■ 5%	Alumni	\$10.8M
■ 22%	Friends	\$48.2M
■ 33%	Corporations	\$72.7M
■ 30%	Foundations	\$64.6M
■ 10%	Organizations	\$22.1M



FY23 Campaign Totals by Purpose

■	16%	Students	\$34.5M
■	1%	Faculty	\$2.0M
■	51%	Research	\$111.1M
■	25%	Programs	\$54.8M
■	3%	Facilities	\$5.9M
■	5%	Unrestricted-Unit/Dept.	\$10.1M

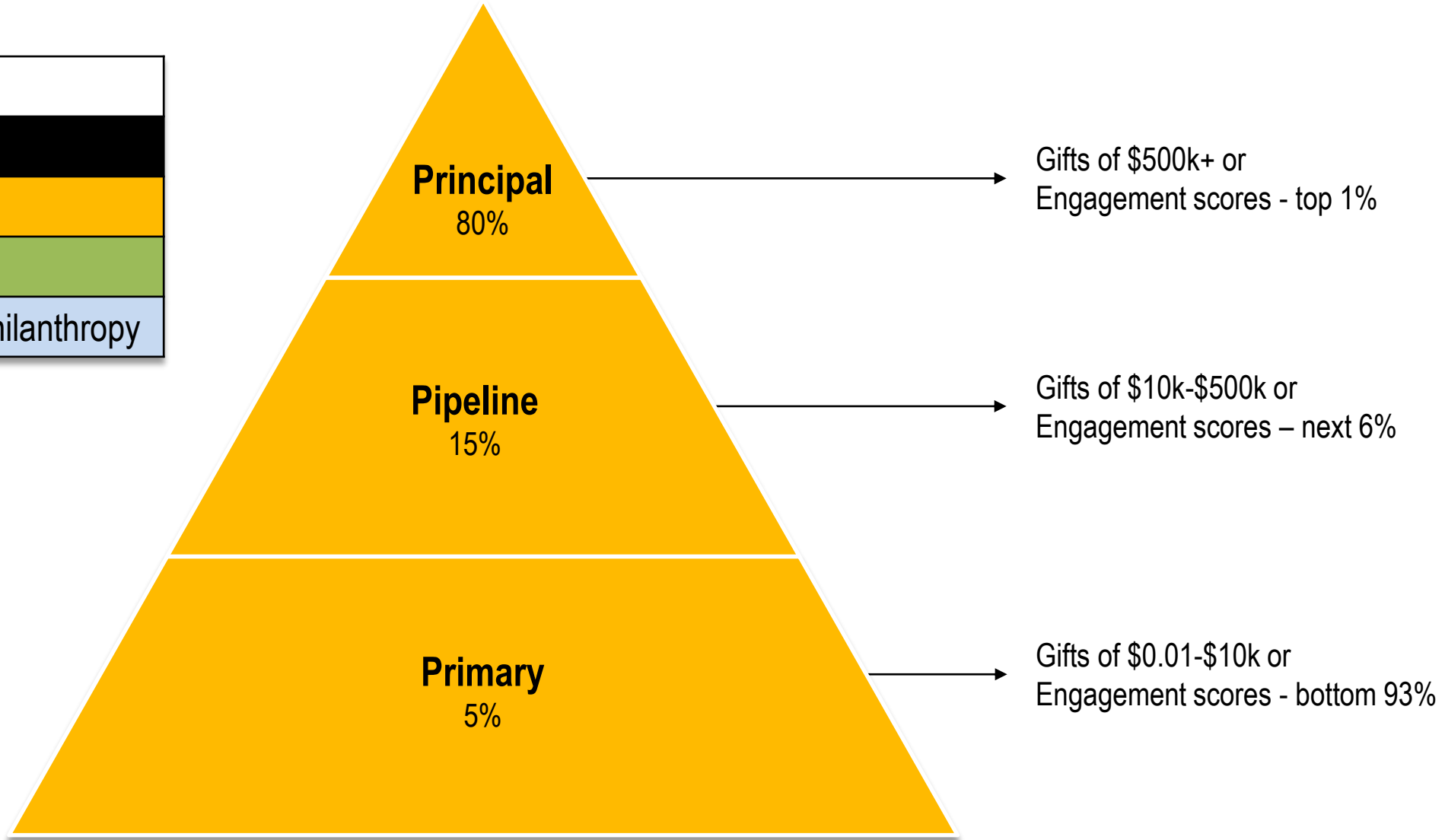


Development & Alumni Relations Metrics

Progress to Campaign Goal	
Preliminary Campaign Goal	\$1,000,000,000
Actual Campaign Dollars Raised	\$615,505,126
Progress to Goal	61.6%
Current FY Dollars Raised	\$218,476,852
Same Time Last Year	\$210,571,616
Percentage Change	3.8%
Annual Giving (gifts < \$50,000)	
Current FY	\$12,488,892
Same Time Last Year	\$12,597,808
Percentage Change	-0.9%

Alumni Giving	
Current FY	\$10,761,548
Same Time Last Year	\$13,053,603
Percentage Change	-17.6%
Alumni Donors	
Current FY	5,350
Same Time Last Year	5,407
Percentage Change	-1.1%
Alumni Engagement	
FY23Q1-3	19,755
FY22Q1-3	24,627
Percentage Change	-19.8%

AUDIENCES
All Constituents
Alumni
Grateful Patients
Inclusive Engagement and Philanthropy



Quarterly Report
FY2023 3rd Quarter Report
Dollars in Thousands

	<u>Actuals</u>				<u>Budget</u>	<u>Actuals</u>	<u>Historical</u>
	<u>FY22 Q3</u>	<u>FY23 Q3</u>	<u>\$ Change</u>	<u>% Change</u>	<u>BoV Book</u>	<u>FY22 YE</u>	<u>Forecast</u>
1 Revenue							
2 Tuition and Fees E&G	402,962	401,204	(1,758)	-0.4%	448,691	433,400	416,565
3 State General Fund E&G	161,420	197,630	36,210	22.4%	251,121	224,223	252,457
4 Other Income E&G	63,689	45,001	(18,688)	-29.3%	60,882	67,347	69,465
5 Educational and General Programs	628,072	643,835	15,763	2.5%	760,694	724,970	738,487
6 University and Student Health Fee	56,464	58,172	1,708	3.0%	65,116	59,353	60,374
7 Other Auxiliary Income	73,790	80,840	7,049	9.6%	95,774	85,195	89,421
8 Auxiliary Enterprises	130,255	139,012	8,758	6.7%	160,890	144,548	149,795
9 Sponsored Programs	223,252	199,609	(23,642)	-10.6%	364,862	278,511	265,042
10 FACR	26,553	41,546	14,993	56.5%	38,365	37,901	40,568
11 University Funds	47,543	59,337	11,794	24.8%	66,333	161,244	102,815
12 Student Financial Assistance	78,351	83,361	5,010	6.4%	90,921	95,323	107,409
13 Hospital Services	31,733	31,888	155	0.5%	48,158	37,686	42,169
14 Total Revenue	1,165,758	1,198,589	32,831	2.8%	1,530,223	1,480,183	1,446,285
15 Expenses							
16 Academic Programs E&G	323,073	567,746	244,673	75.7%	417,028	410,301	740,513
17 Support Programs E&G	230,065	56,059	(174,006)	-75.6%	343,666	314,893	73,118
18 Educational and General Programs	553,138	623,805	70,667	12.8%	760,694	725,193	813,630
19 Auxiliary Enterprises	104,109	121,839	17,730	17.0%	160,890	144,676	169,314
20 Sponsored Programs	204,588	203,737	(851)	-0.4%	364,862	259,597	270,523
21 FACR	24,268	26,866	2,598	10.7%	38,365	21,107	34,316
22 University Funds	48,866	62,855	13,989	28.6%	66,333	71,738	108,910
23 Student Financial Assistance	86,866	93,566	6,700	7.7%	90,921	94,700	102,004
24 Hospital Services	27,519	27,959	440	1.6%	48,158	38,211	36,973
25 Total Expenses	1,049,354	1,160,626	111,272	10.6%	1,530,223	1,355,222	1,535,671
26 Net	116,404	37,963	(78,441)	-67.4%	-	124,961	(89,386)

Treasurer's Report

As of March 31, 2023

Finance and University Resources Committee

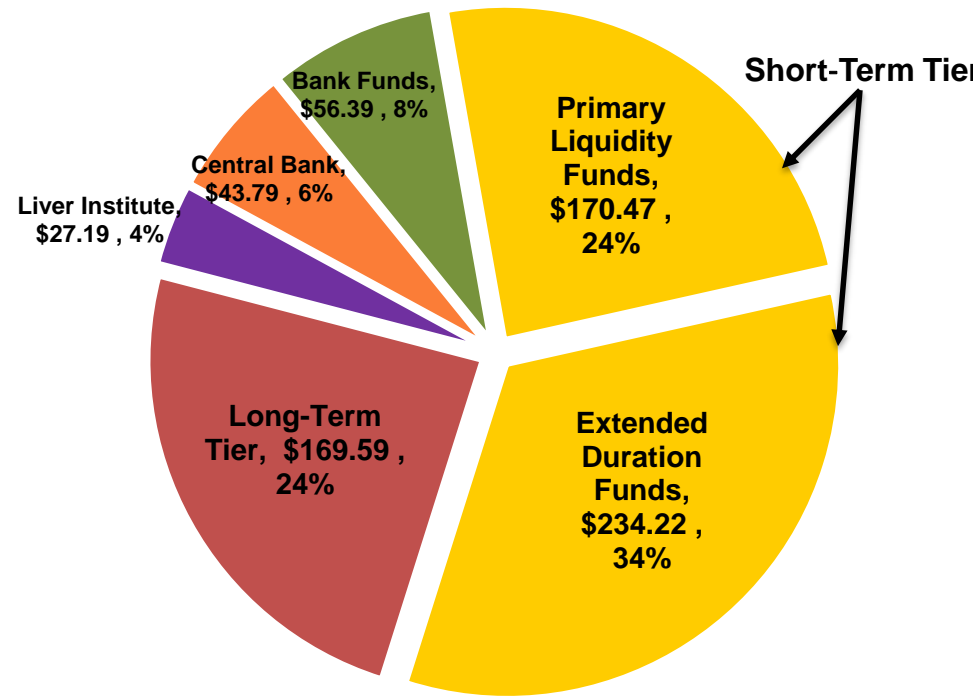
Karol Kain Gray

May 12, 2023



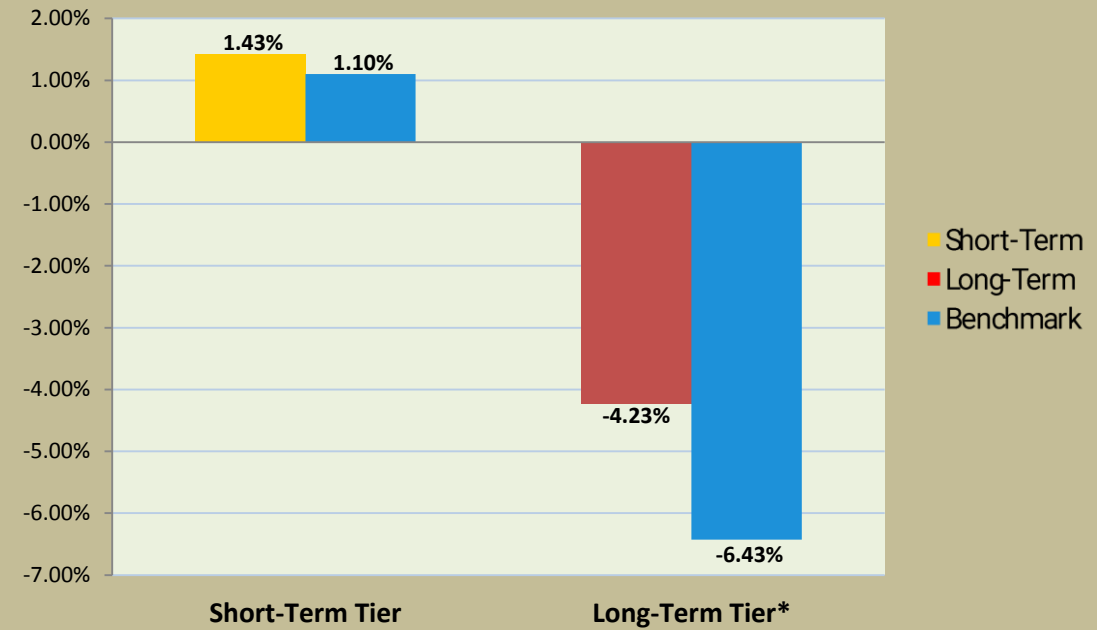
Total University Funds Overview for the Period Ending March 31, 2023

University Funds
Market Value (Millions)



**Total University Funds
\$701.65M**

1-Year Investment Funds Performance



* Long-Term Tier benchmark applies only to VCIMCO; VCIMCO manages 99.6% of the LT MV at 3/31/2023.

Short-Term Tier Performance Summary As of March 31, 2023

Performance Summary (Net of Fees)

	Market Value (M)	Current Allocation	1 Month	QTD	FYTD	1 Year	Annualized		
							3 Years	5 Years	Since 7/2009
Primary Liquidity Funds / Payden & Rygel	\$170.5	42.1%	0.37%	1.30%	2.79%	2.73%	1.01%	1.47%	0.72%
<i>iMoneyNet MM All Taxable</i>			<i>0.36%</i>	<i>1.01%</i>	<i>2.26%</i>	<i>2.35%</i>	<i>0.81%</i>	<i>1.16%</i>	<i>0.50%</i>
Extended Duration Funds / Merganser	\$234.2	57.9%	0.64%	1.36%	1.39%	0.51%	0.06%	1.41%	1.35%
<i>BofA ML US Corp & Govt 1-3 Year Blended¹</i>			<i>1.42%</i>	<i>1.49%</i>	<i>0.86%</i>	<i>0.23%</i>	<i>-0.36%</i>	<i>1.26%</i>	<i>3.74%</i>
Total Operating Funds	\$404.7	100.0%	0.52%	1.38%	1.98%	1.43%	0.64%	1.66%	1.19%
<i>Short-Term Tier Composite²</i>			<i>0.96%</i>	<i>1.35%</i>	<i>1.46%</i>	<i>1.10%</i>	<i>0.25%</i>	<i>1.46%</i>	<i>1.35%</i>

¹ BofA ML US Corp & Gov 1-3 Year Blended Index = Citi 6-Month T-Bill 7/31/2009 to 2/28/2010; BofA ML US Corp & Govt 1-3 Year AAA-A 3/31/2010 to 4/30/2016;
BofA ML Treasury 1-5 Year 5/31/2016 to 3/31/2017, BofA ML US Corp & Govt 1-3 year 4/30/2017 to present

² Short-Term Tier Composite = Weighted Average of iMoneyNet MM All Taxable/BofA ML US Corp & Gov 1-3 Year Blended Index

Long-Term Tier Performance Summary Estimated as of March 31, 2023

Estimated March 31, 2023	Mkt Value (M)	% Allocation	Since Inception						
			4/30/2016	5 Years	3 Years	1 Year	CYTD	FYTD	3 Mos
VCIMCO Funds	\$169.0	100.0%	6.46%	6.22%	15.10%	-4.30%	3.48%	5.37%	3.48%
<i>Long-Term Policy Benchmark¹</i>			6.62%	5.27%	10.11%	-6.43%	6.00%	6.86%	6.00%
Equity	\$103.6	61.3%	8.45%	6.79%	16.67%	-8.41%	5.61%	5.36%	5.61%
<i>MSCI All Country World</i>			9.04%	6.92%	15.36%	-7.44%	7.31%	9.75%	7.31%
Credit and Absolute Return	\$43.4	25.7%	6.10%	7.36%	14.65%	4.08%	3.09%	8.36%	3.09%
<i>Barclays US Corporate High Yield</i>			4.08%	3.21%	5.91%	-3.34%	3.57%	7.19%	3.57%
Real Assets	\$10.9	6.4%	0.75%	2.35%	16.71%	3.48%	3.78%	10.51%	3.78%
<i>MSCI All Country World Real Estate</i>			1.91%	0.54%	4.53%	-19.81%	0.50%	-6.77%	0.50%
Treasuries	\$0.0	0.0%	-0.04%	0.37%	-2.95%				
<i>Barclays US Treasury</i>			1.73%	2.85%	-2.93%				
Cash and Equivalents	\$11.1	6.6%							
VCU Long-Term Tier	\$169.6		6.32%	6.17%	14.99%	-4.23%	3.46%	5.44%	3.46%

Total VCU Long-Term Tier includes residual investments held by JP Morgan.

JP Morgan valuation is based on manager reporting. Totals may not sum due to rounding. Past performance is not predictive of future results.

Returns for periods greater than one year are annualized. Performance is estimated based on best available data as of April 6, 2023.

Performance includes reporting by 38 of 51 underlying private investments, which, with cash, represent 73.6% of Ram Private Assets Fund's net asset value as of December 31, 2022.

¹ *As of 7/1/2021, 70% MSCI All Country World, 30% Bloomberg US Aggregate; prior to 7/1/2021, 65% MSCI All Country World, 25% Bloomberg US Aggregate, 10% MSCI All Country World Real Estate*

**Monitoring Report
as of May 5, 2023 (Preliminary)**

Will be added on 5/8/2023

**Monitoring Report
as of May 5, 2023 (Preliminary- continued)**

Will be added on 5/8/2023

Finance and University Resources Committee
Dashboard Metrics *as of May 2023*

Area	Target/Goal	Actual	Notes
FINANCE			
<i>Supply Chain Diversity</i>			
1. Percentage of discretionary spend with minority-owned businesses	5.50%	7.02%	Through 3rd Qtr FY '23
2. Percentage of discretionary spend with woman-owned businesses	5.50%	4.00%	Through 3rd Qtr FY '23
<i>Bond Ratings</i>			
Moody's		Aa3	<i>VCU is at the minimum rating required to achieve Tier III status</i>
S&P		AA-	<i>VCU is at the minimum rating required to achieve Tier III status</i>
<i>Debt Ratio</i>			
	Debt Policy sets 4% limit (annual debt service / Operating Exp)	3%	As of June 2022 Approx. debt capacity of \$103M
<i>Investment Performance</i>		<i>Benchmark</i>	<i>One year as of December 31, 2022</i>
Short-term tier	-1.85%	-1.53%	
Long-term tier	-16.59%	-11.59%	
<i>Budget to Actual Performance</i>			<i>As of March 31, 2023</i>
Revenues	*Q1 - 36%, Q2 - 66%, Q3 - 84% , Q4 - 100%	Q3 - \$1,199M (78% of budget)	Revenue received is slightly behind projected Q3 budget mainly due to lower tuition revenues from enrollment loss.
Expenses	*Q1 - 28%, Q2 - 48%, Q3 - 77% , Q4 - 100% <small>(*based on 10-year averages)</small>	Q2 - \$1,1601M (76% of budget)	Expense are slightly behind projected Q3 budget due to lower sponsored research spending which follows the lower sponsored revenues.
DEVELOPMENT & ALUMNI RELATIONS			
<i>Increase Annual Giving & Alumni Engagement</i>			
Progress to Campaign Goal	Preliminary campaign goal - \$1,000,000,000	\$615,505,126 (61.6% progress towards goal)	Current FY dollars raised: \$218,476,852 Same Time Last Year: \$210,571,616 Percentage Change: 3.8%

Annual Giving (Gifts < \$50,000)		\$12,488,892	Same Time Last Year: \$12,597,808 Percentage Change: -0.9%
Alumni Giving		\$10,761,548	Same Time Last Year: \$13,053,603 Percentage Change: -17.6%
Alumni Donors		5,350	Same Time Last Year: 5,407 Percentage Change: -1.1%
Alumni Engagement		19,755 (FY23Q1-Q3)	24,627 (FY22Q1-Q3) Percentage Change: -19.8%

GOVERNMENT RELATIONS PRIORITIES

Increase Undergraduate financial aid

Increase funding for faculty salaries

Address structural underfunding of \$60M

Make permanent \$25M/year of Massey Cancer Center

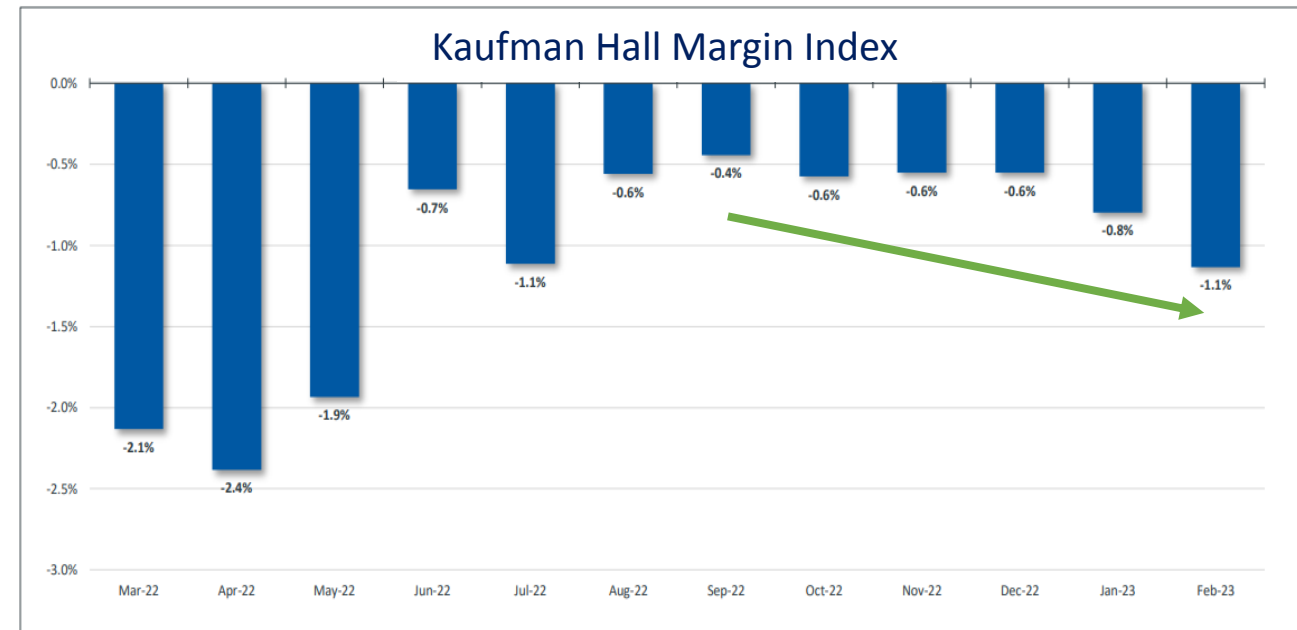
Secure authorization for School of Dentistry planning

**FY 2023 Financial Report for the
nine months ending March 31, 2023**

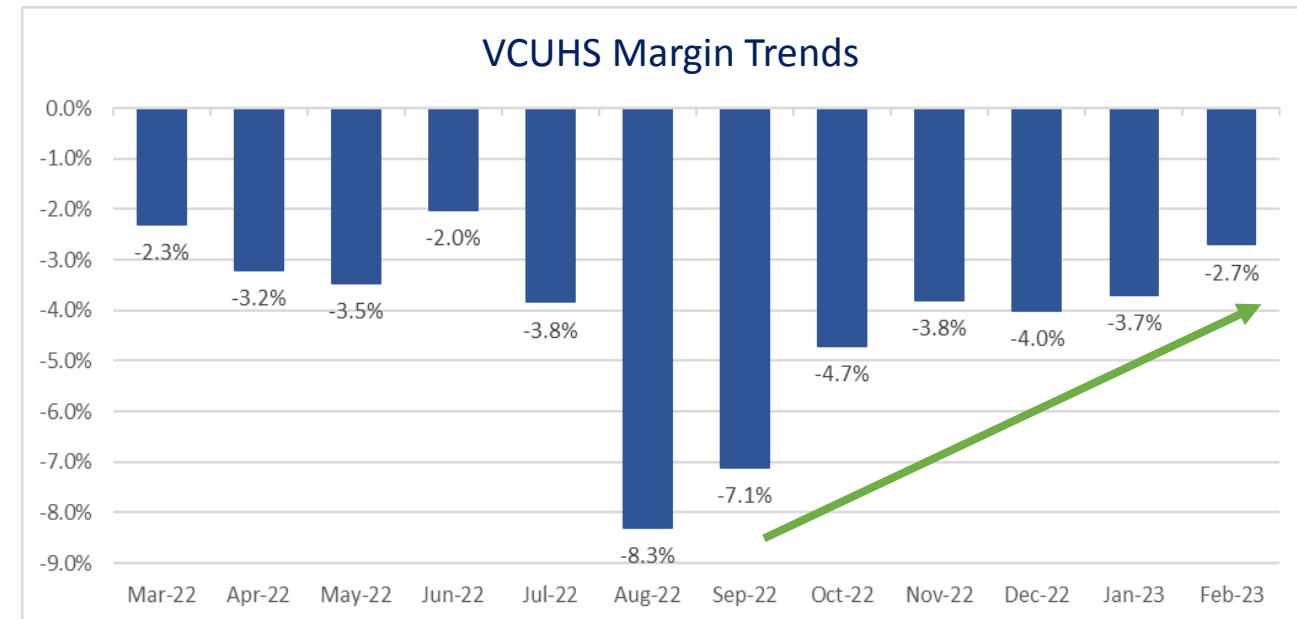
National Healthcare Optic

Moody's: 2022 NFP Healthcare Observations (April 11, 2023):

- **Operating results fell to five-year lows.** The median operating cash flow margin declined to 5.2% in 2022 from 9.3% in 2021. The end of federal CARES Act grants and heightened expense challenges both contributed to the deterioration of operating performance in 2022.
- **Expense growth reached historic highs while outpacing revenue growth.** The median operating expense growth rate increased to 9.6% in 2022 from 8.2% in 2021, while the median operating revenue growth rate dropped to 5.5% from 11.3%. Contract labor needs & inflation contributed to higher expenses, while volume softness hindered revenue growth.
- **Absolute and relative liquidity metrics reverted to pre-pandemic levels.** Median days cash on hand in 2022 declined to 210 from 271, nearly even with 2019, reflecting widespread investment declines, operating losses and repayments of temporary Medicare loans.
- **Leverage metrics moderated following operating losses.** Median debt service coverage sharply declined to 4.5x from 6.4x in 2021. Some hospitals fared worse, leading to tightened headroom for covenants and some covenant violations in 2022. Leverage metrics weakened as well, as debt to cash flow increased and cash to debt decreased.
- **Volume trends remained uneven.** Median inpatient admissions hit a five-year low in 2022. However, the median total admissions growth rate stabilized for the first time since before the pandemic. Median observation stays increased to a five-year high.



Kaufman Hall, National Hospital Flash Report (March 2023)

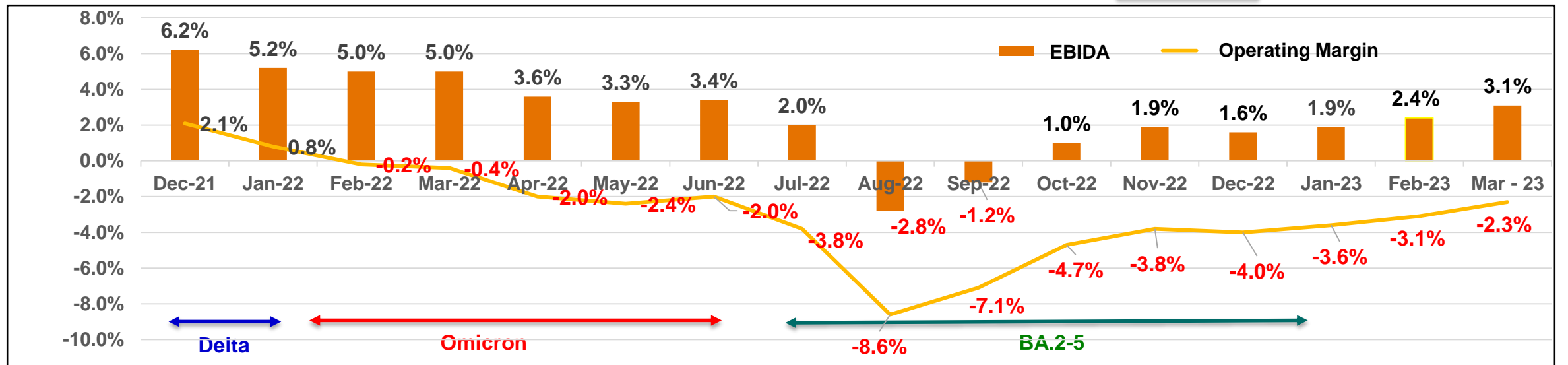


** Includes spreading of expenses throughout FY2022 year.

VCUHS – Consolidated Operating Margin & Liquidity

For the nine months ending March 31, 2023, as well as 16-month Trending Performance

	Actual FY20*	Actual FY21	Actual FY22	Budget FY23	Actual Mar YTD FY23	2021 S&P AA-Medians	Prelim 2022 Moody's Aa3 Medians
Total Operating Revenue (\$s in 000s)	\$ 3,813,592	\$ 2,553,422	\$ 2,870,972	\$ 3,113,328	\$ 2,233,463	N/A	N/A
Income for Operations(\$s in 000s)	\$ 88,090	\$ 46,774	\$ (53,321)	\$ 14,665	\$ (51,771)	N/A	N/A
Operating Margin %	2.3%	1.8%	-1.9%	1.0%	-2.3%	2.8%	1.5%
EBIDA %	5.6%	6.3%	3.5%	6.9%	3.1%	8.2%	5.9%
Debt to Capitalization	22.3%	18.6%	21.7%	17.5%	21.5%	25.0%	23.2%
Days Cash on Hand	221.1	338.7	234.0	198.5	233.0	291.9	262.4
Unrestricted Cash to Debt	327%	337%	221%	240%	236%	264%	273%
Maximum Annual Debt Service Coverage	4.20	4.90	2.34	4.10	3.1	6.10	6.30



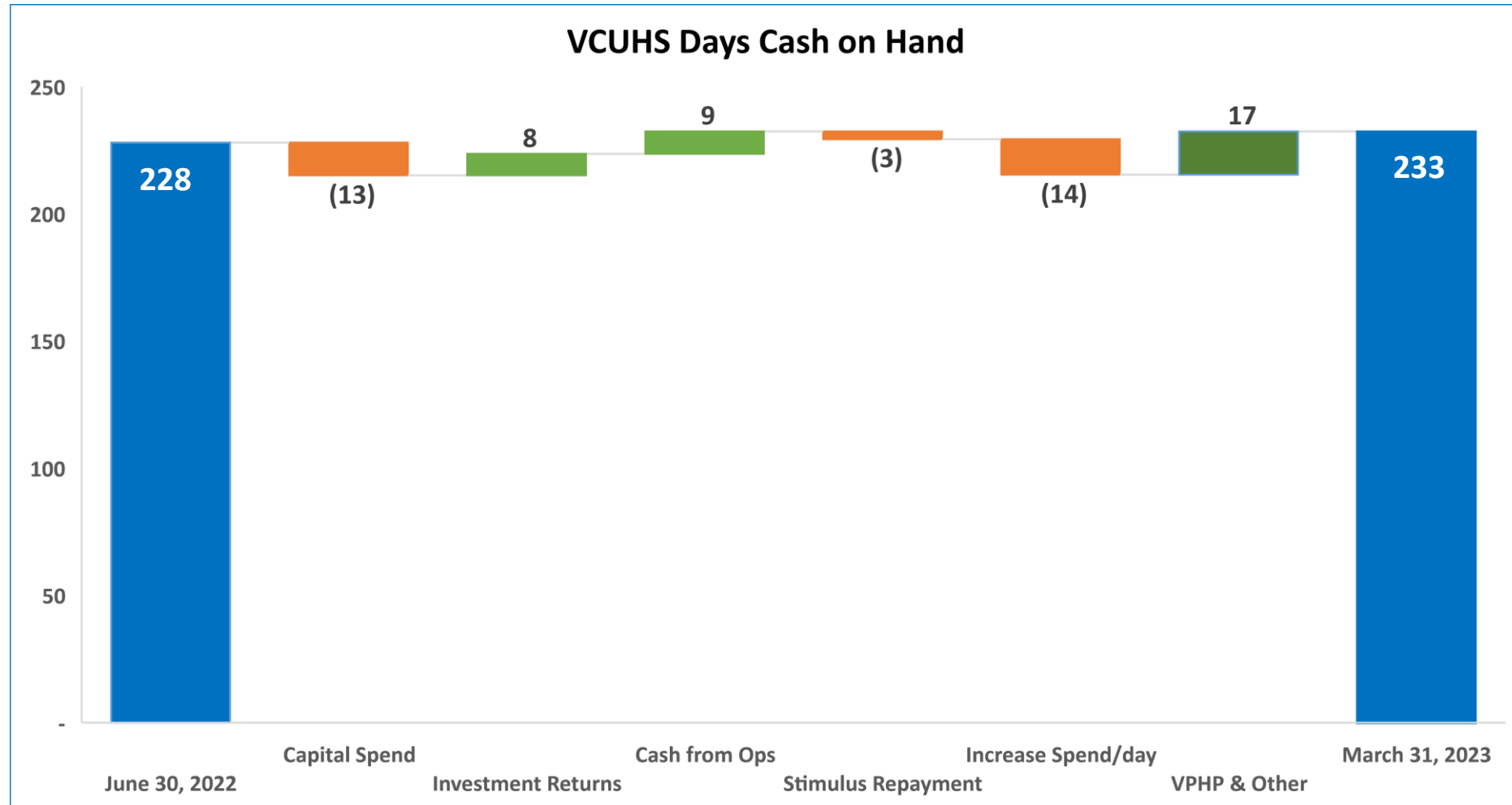
Appendix

VCUHS – Days Cash on Hand

As of March 31, 2023

S&P	Moody's
AA-	Aa3
291.9	262.4

Average Daily Expense increased by \$486K since June 30, 2022, from \$7.495M to \$7.981M per day or 14 Days Cash on Hand



VCUHS - Consolidated Income Statement (\$ in thousands)

For the nine months ending March 31, 2023

	<i>Percent</i>	FYTD 2023 <i>Actual</i>	FYTD 2023 <i>Plan</i>	FYTD 2022 <i>Actual</i>	<i>Variance Percent</i>
OPERATING REVENUE					
Net patient service revenue	-2.5%	\$ 2,191,580	\$ 2,248,368	\$ 2,038,425	7.5%
Contract and Other revenue	122.1%	41,883	18,858	50,580	-17.2%
Total Operating Revenues	-1.5%	\$ 2,233,463	\$ 2,267,226	\$ 2,089,005	6.9%
OPERATING EXPENSES					
Salaries, Wages and Benefits	-5.7%	\$ 1,263,864	\$ 1,195,508	\$ 1,127,680	-12.1%
Medical claims expense	7.7%	10,528	11,404	11,418	7.8%
Purchased services	-9.0%	238,943	219,212	209,608	-14.0%
Supplies	10.8%	256,443	287,545	238,558	-7.5%
Drugs	-2.9%	251,012	243,896	225,929	-11.1%
Other expenses	1.5%	142,524	144,698	170,391	16.4%
	-2.9%	\$ 2,163,314	\$ 2,102,263	\$ 1,983,584	-9.1%
OPERATING EBIDA					
	-57.5%	\$ 70,149	\$ 164,963	\$ 105,421	-33.5%
<i>EBIDA (%)</i>	3.1%		7.3%	5.0%	
Interest, Taxes, Depreciation and Amortization	7.5%	\$ 121,920	\$ 131,793	\$ 113,185	-7.7%
Total Operating Expenses	-2.3%	2,285,234	2,234,056	2,096,769	-9.0%
TOTAL OPERATING EXCESS/ (LOSS)		\$ (51,771)	\$ 33,170	\$ (7,764)	
<i>Operating Margin (%)</i>	-2.3%		1.5%	-0.4%	
NONOPERATING REVENUE AND EXPENSES					
Investment income	-156.8%	\$ 66,238	\$ (116,606)	\$ (52,274)	-226.7%
Other non-operating income(expense)	-172.9%	(10,886)	14,943	17,645	161.7%
		\$ 55,352	\$ (101,663)	\$ (34,629)	
EXCESS OF REV. OVER EXP. BEFORE TRANSFERS		\$ 3,581	\$ (68,493)	\$ (42,393)	
<i>Total Margin (%)</i>	0.2%		-3.2%	-2.1%	

Revenue Highlights:

- **Net patient service** is unfavorable to plan by over \$56.0M or 2.5%, although up 7.5% over prior year. Declines primarily due to shifts in high CMI service and payer mix as well as outpatient volumes against very aggressive targets. **Note:** in March, the medical center and ambulatory assets achieved record highs for discharges and ambulatory visits.
- **Discharges** are favorable plan by 0.7% and favorable to prior year by 11%.
- **Inpatient surgeries** are favorable to plan by 0.7% and vary from prior year by 3.4% favorably. **Outpatient surgeries** are off plan by 4.1% but favorable year over year by 1.4%. **Note:** Both IP & OP surgical growth has been challenged by critical staffing issues leading to unstaffed OR suites throughout the year.
- **CMI** of 2.12 is favorable to budget but trailing prior year by 0.02, or 2.14.
- **Ambulatory visits** are off plan by 4.7% but favorable to prior year by 7.9%. Month over month visit trends are improving against aggressive ramp up plans within the new AOP.
- **ED visits** are up 7.9% and 4.7% to prior year and budget, respectively.

Expenses Highlights:

- **Operating expenses**, both compared to plan and prior year are unfavorable to budget by 2.3% and 9.0% respectively. Performance continues to be challenged with high contract labor & broader market compensations adjustments and recruitment costs.
- Year over Year operating expense is driven also by strategic investments & associated operating costs (e. g. AOP, ASC, EPIC), specialty drugs and other inflationary factors.