



FINANCE, BUDGET AND INVESTMENT COMMITTEE

11:00 A.M.**

MAY 12, 2017

JAMES BRANCH CABELL LIBRARY

901 PARK AVENUE – ROOM 303

RICHMOND, VIRGINIA

DRAFT

AGENDA

- 1. CALL TO ORDER** *Mr. William Ginther, Chair*
- 2. APPROVAL OF MINUTES** *Mr. William Ginther, Chair*
(March 22, 2017)
- 3. ACTION ITEMS:**
 - a. **PROPOSED 2017-18 Tuition and Fees and UNIVERSITY BUDGET PLAN** *Ms. Karol Kain Gray, Vice President for Finance and Budget*
 - b. **APPROVAL OF 2018-2024 SIX YEAR CAPITAL PLAN** *Dr. Meredith Weiss, Vice President for Administration*
 - c. **AMENDMENT TO SIX YEAR CAPITAL PLAN**
 - i. Raleigh Building Renovation
 - ii. Scott House Renovation
- 4. REPORT FROM VICE PRESIDENT FOR ADMINISTRATION** *Dr. Meredith Weiss, Vice President for Administration*
 - a. **NOTIFICATION OF CONTRACT AWARD**
Allied Health Professions Building
- 5. REPORT FROM VICE PRESIDENT FOR FINANCE AND BUDGET** *Ms. Karol Kain Gray, Vice President for Finance and Budget*
 - a. **NEW BUDGET MODEL UPDATE**

**** 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. TREASURER’S REPORT

**Ms. Karol Kain Gray, Vice
President for Finance and Budget**

**7. MISCELLANEOUS REPORTS:
For Informational Purposes Only**

Mr. William Ginther, Chair

- a. Revenue and Expense Summary as of
March 31, 2017
- b. VCU Health System and Financial Operations
as of March 31, 2017
- c. Capital Projects Update
- d. Dashboards

8. CLOSED SESSION

Mr. William Ginther, Chair

Freedom of Information Act Section 2.2-3711 (A) (3),
Relating to the Acquisition or Disposition of Real Property
Adjacent to the Monroe Park Campus, and Section
2.2—3711 (A) (29), Relating to the negotiation and
award of a contract, prior to a contract being awarded.

9. RETURN TO OPEN SESSION AND CERTIFICATION

Mr. William Ginther, Chair

10. OTHER BUSINESS

Mr. William Ginther, Chair

11. ADJOURNMENT

Mr. William Ginther, Chair

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(March 22, 2017)



**MEETING
OF THE
FINANCE, BUDGET AND INVESTMENT COMMITTEE
11:00 A.M.
MARCH 22, 2017
JAMES CABELL LIBRARY
901 PARK AVENUE, ROOM 303, RICHMOND, VIRGINIA**

MINUTES

DRAFT

COMMITTEE MEMBERS PRESENT

Mr. William M. Ginther, chair
Ms. Phoebe Hall, vice rector
Mr. Keith Parker
Ms. Jacquelyn Stone
Dr. Shantaram Talegaonkar
Mr. Steve L. Worley

COMMITTEE MEMBER ABSENT

Mr. Alexander B. McMurtrie, Jr., Vice Chair
Honorable John W. Snow

BOARD MEMBERS PRESENT

Mr. John A. Luke Jr., rector

OTHERS PRESENT

Ms. Karol Kain Gray, Vice President for Finance and Budget
Dr. Meredith Weiss, Vice President of Administration

Staff and students from VCU and VCUHS

Members of the press

CALL TO ORDER

Mr. William M. Ginther, Chair of the Finance, Budget and Investment Committee, called the meeting to order at 11:05 a.m.

APPROVAL OF MINUTES

Mr. Ginther asked for a motion to approve the minutes of the December 9, 2016 joint meeting of the Board of Visitors and the Finance, Budget and Investment Committee, as published. After motion duly made and seconded the Minutes of the December 9, 2016 were approved. A copy of the minutes can be found at on the VCU website at the following webpage

<http://www.president.vcu.edu/board/committeeminutes.html>.

ACTION ITEMS

REQUEST FOR PROPOSALS

- a. **Cisco Systems, Inc.** Ms. Karol Kain Gray, Vice President for Finance and Budget, explained the need to advertise for a request for proposals to continue Cisco Systems, Inc., Master Contract for technology equipment and services. Cisco is extensively used by VCU and many other institutions providing the best compatibility, performance and reliability for VCU IT services. The current contract expires December 31, 2017. Ms. Gray explained that the anticipated term of the new contract will be January 1, 2018 to December 31, 2018, with four one-year renewal periods with annual expenditures expected to be approximately \$3 million per year. A
- b. **Custodial Services.** Ms. Gray also explained the need to advertise for a request for proposals for custodial services for the Monroe Park Campus. VCU custodial services are outsourced all for academic, research and medical facilities. She noted because of the size of VCU's overall requirement, two separate contracts have been awarded, one for each campus. Southeast Service Corporation (dba: SSC Service Solutions) serves as VCU's current custodial contractor for the Monroe Park Campus. Performance ends on March 18, 2018. Work on the Monroe Park Campus covers 155 properties, includes residence halls, parking decks and surface lots, and represents approximately 7 million square feet of coverage. Ms. Gray added that the anticipated annual contract amount is \$5.3 million and the total term will not exceed seven years.
- c. **Revised Investment Policy.** Ms. Gray also presented the Approval of Restated Investment Policy to the committee for approval. Ms. Gray explained that since the Board created VCIMCO and appointed it as the University's Investment Advisor, a revision to the *VCU Investment Policy* was required. Vice President Gray reviewed the changes to the current interim policy adding that the newly restated policy allows for the Short-Term Tier to be highly technical and prescriptive in nature as the investments are governed by the Investment of Public Funds Act, while the Long-Term Tier is more general and discretionary in nature as the investments are governed by the "prudent person standard" as described in the Uniform Prudent Management of Institutional Funds Act.

After discussion, Mr. Ginther asked for a motion to recommend to the Board that the University be authorized to issue a request for proposals (RFP) (1) for the Cisco Master Contract and (2) for the Monroe Park Campus Custodial Contract. After motions duly made and seconded, the committee unanimously approved to recommend to the Board that the University be authorized to issue a request for proposal for the Cisco Master Contract and a request for proposal for the Monroe Park Campus Custodial Contract.

Mr. Ginther also asked for a motion to recommend to the Board approval of the resolution entitled "Approval of VCU Investment Policy". After motion duly made and seconded the Committee unanimously authorized to recommend to the Board of Visitors approval of the resolution entitled "Approval of VCU Investment Policy" which is attached hereto as *Attachment A* and is made a part hereof.

REPORT FROM VICE PRESIDENT OF ADMINISTRATION

Dr. Weiss provided notification of the contract award for the Linden Street streetscaping project . The contract was awarded to Messer Contracting of Glen Allen, Virginia. The project will enhance the walkway between Linden and Harrison Streets near Grove Avenue. The total project budget is \$2.2 million from University Funds.

REPORT FROM VICE PRESIDENT OF FINANCE AND BUDGET

Ms. Gray introduced Ms. Karen Helderman, Audit Director for the Virginia Auditor of Public Accounts, who reported on the University's Financial Statement Opinion and Internal Controls. Ms. Helderman noted that the audit resulted in an unmodified opinion and cited only two deficiencies that are being addressed by VCU administration.

Ms. Gray also reviewed the annual reports of the various foundations affiliated with VCU including: VCU, VCU Real Estate, MCV, Engineering, Business, Intellectual Property and Alumni Associations.

Ms. Gray also presented the Treasurer's Report that was distributed to the Board for informational purposes. In addition, Ms. Gray also provided the Efficiency Report as mandated by the Joint Legislative Audit Review Commission. This report explained how the School of Dentistry utilized a curriculum technology specialist to incorporate new technologies into classroom curriculum generating savings of approximately \$400,000.

REPORTS FOR INFORMATIONAL PURPOSES

Mr. Ginther noted that there were several reports provided to the committee for informational purposes, specifically, the Revenue and Expense Summary as of December 31, 2016; the VCU Health System and Financial Operations as of January 31, 2017; VCU Intercollegiate Athletics

Programs, NCAA annual report; Capital Projects Update; and the Finance, Budget & Investment Committee Dashboards.

Ms. Gray also reminded the committee members of the upcoming April budget retreat at which the state budget and tuition rates will be reviewed in detail. Mr. Steve Worley asked about possible tuition increase and Ms. Gray answered that while the decision would be finalized in May after the April retreat, at this time the tuition increase would probably be between 3 and 5 % excluding increases in any student fees. She noted that this increase was necessary to stabilize the budget from the approximately \$8 million reduction in state support as well as the \$10 million unavoidable costs (due to cost of living and contractual obligations) to which the University is already committed. Dr. Shantaram Talegaonkar asked about the status of international students given the political climate towards immigration and Dr. Gail Hackett, provost, responded that at this time the University was not sure what to expect but she did not foresee a change in current international enrollment but that freshman international enrollment may be affected but it was too early to predict.

ADJOURNMENT

There being no further business Mr. Ginther, Chair, adjourned the meeting at 11:37 a.m.

ATTACHMENT A

RESOLUTION OF THE BOARD OF VISITORS OF
VIRGINIA COMMONWEALTH UNIVERSITY

APPROVAL OF VCU INVESTMENT POLICY

WHEREAS, on December 11, 2015, the Board approved the deposit of funds with the VCU Investment Management Company (“VCIMCO”) and delegation to VCIMCO of management and investment of the funds deposited with VCIMCO;

WHEREAS, prior to depositing funds with VCIMCO, the University adopted an Interim Investment Policy on April 25, 2016 which is limited in term to one year or less; and,

WHEREAS, the Board has heard and considered the Vice President for Finance and Budget’s recommendation for certain changes to the Interim Investment Policy as detailed in the final VCU Investment Policy.

NOW, THEREFORE BE IT RESOLVED BY THE BOARD OF VISITORS OF VIRGINIA COMMONWEALTH UNIVERSITY:

1. The Board on this date hereby approves and adopts the VCU Investment Policy as set forth in Exhibit A attached hereto and made a part hereof.
2. This Resolution shall take effect immediately upon its adoption.



[DRAFT] VCU Investment Policy

Policy Type: Board of Visitors

Responsible Office: Vice President for Finance and Budget, Treasury Services

Initial Policy Approved: 05/15/2009

Current Revision Approved: MM/DD/YYYY

Policy Statement and Purpose

Purpose:

The purpose of this Investment Policy is to define the financial goals, objectives, and legal limitations for the investment and management of Virginia Commonwealth University's funds and to articulate the responsibilities of the University, its investment managers, and its investment advisors, including performance measures and reporting requirements. This policy is subject to (a) applicable federal and state laws, rules and regulations, (b) resolutions and policies of the Board of Visitors or the Board's designated Committee, and (c) restrictions imposed by donors, funding agencies or deeds of trust. Nothing in this policy should be construed to authorize activities that violate any of the above.

This policy sets forth the parameters to be followed when investing university funds. The policy sets forth detailed asset allocations, permitted and prohibited investment options, and benchmarks for performance for operating and reserve funds and endowment funds. It also provides requirements of investment managers, and how investments managers should be monitored.

The University, by consultation with the Board of Visitors (the "Board") or designated Committee, has the following responsibilities:

1. To comply with the Board's asset allocation, diversification and quality guidelines for investment of funds as detailed in this policy;
2. To utilize approved qualified investment advisors, investment managers and consultants and to facilitate communication from these entities to the Board;
3. To ensure that the current spending requirements of the university are supported and the university's daily cash flow demands are met; and
4. To monitor and evaluate investment results and communicate the results to the Board or its designated committee.

It is the policy of the University to invest its funds solely in the interest of the University and in a manner that will provide the highest investment return within the specified risk tolerance, and to ensure the university's operating funds meet daily cash flow demands. In the investment of its funds, the University will conform to applicable federal and state laws and other legal requirements, including, but not limited to, that certain Management Agreement

dated November 15, 2007, by and between the Commonwealth of Virginia and the Rector and Visitors of Virginia Commonwealth University, as amended (Chapter 594 of the 2008 Virginia Acts of Assembly, including Exhibit F, Policy Governing Financial Operations and Management, thereto); the Security for Public Deposits Act, Chapter 44 (§ 2.2-4400 et seq.) of Title 2.2 of the Code of Virginia, as amended; the Investment of Public Funds Act, Chapter 45 (§ 2.2-4500 et seq.) of Title 2.2 of the Code of Virginia, as amended; the Uniform Prudent Management of Institutional Funds Act, Chapter 11 (§ 64.2-1100 et seq.) of Title 64.2 of the Code of Virginia, as amended; and § 23-50.10:01 of the Code of Virginia, as amended, concerning the University’s investment of endowment funds, endowment income, and gifts.

The University shall invest its operating funds and operating reserves in accordance with the Investment of Public Funds Act. Gifts, local funds, and nongeneral fund reserves and balances may be invested in accordance with the Uniform Prudent Management of Institutional Funds Act.

In the pursuit of its investment objectives, the University may engage the services of one or more investment advisors (each, an “Investment Advisor”) who if authorized, may select investment managers (each, an “Investment Manager”) for the assets. All Investment Advisors and Investment Managers appointed by the university must agree to invest the university’s funds in accordance with this policy.

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Definitions _____

There are no definitions associated with this policy.

Financial Objectives and Standard of Care _____

The University’s investment funds are split between two tiers, a Short-Term Tier and a Long-Term Tier. Each Tier has financial objectives, structure, and investment guidelines. Investment activities for both Tiers shall be guided by the appropriate objectives. The objectives will be defined in the relevant sections below.

The Short-Term Tier consists of the University’s operating funds and operating reserves, and shall be invested in accordance with the Investment of Public Funds Act.

The Long-Term Tier consists of gifts, local funds, and nongeneral fund reserves and balances that are endowments or have been designated by the Board to be treated as endowment (“quasi-endowments”). It shall be invested in accordance with the Uniform Prudent Management of Institutional Funds Act.

All investments shall be made with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

Short-Term Tier _____

A. Fund Structure and Financial Objectives

The Short-Term Tier will be divided into two funds: the Primary Liquidity Fund and the Extended Duration Fund. As components of the Short-Term Tier, both the Primary Liquidity Fund and the Extended Duration Fund shall be invested in compliance with the Investment of Public Funds Act.

Primary Liquidity Fund: The Primary Liquidity Fund will be the first source of liquidity for the University (in concert with the University's bank deposits). These funds must be readily available to meet the University's operating needs, and as such, a portion of this fund shall be continuously invested in short-term investments such as money market mutual funds, bank deposits, or overnight repurchase agreements to ensure funds are readily available for the University's obligations. Safety and liquidity are the primary objectives of this fund.

Extended Duration Fund: The remaining Short-Term Tier funds, collectively known as the Extended Duration Fund, will be a secondary source of liquidity for the University. These funds do not need to be continuously available to meet the University's operating needs but may be called upon at some point during the University's annual operating cycle. As such, they shall be invested in short- and intermediate-term investments. Preservation of capital and return are the primary objectives of this fund.

Both funds of the Short-Term Tier will consist of funds managed by external Investment Managers. Each fund and respective Investment Manager will have a specific mandate and related restrictions.

B. Short-Term Tier Investment Managers Under the Vice President's Purview

The Board delegates the management and investment of the Short-Term Tier to the Vice President for Finance and Budget, including the selection, hiring, monitoring, and termination of Short-Term Tier Investment Managers. The Vice President for Finance and Budget in turn may delegate these responsibilities to an Investment Advisor, including the selection, hiring, monitoring, and termination of Short-Term Tier Investment Managers. Only firms meeting the requirements of the **Investment Manager Requirements for the Short-Term Tier** section below may serve as Short-Term Tier Investment Managers, and on an ongoing basis, Short-Term Tier Investment Managers must comply with the duties outlined in both the **Monitoring and Reporting for the Short-Term Tier** and the **Investment Manager Requirements for the Short-Term Tier** sections below.

The Vice President for Finance and Budget and the Investment Advisor shall act in good faith, and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, in: a) selecting Investment Managers; b) monitoring the Investment Manager's performance and compliance with the scope and terms of this delegation.

C. Authorized Investments

Authorized investments for qualified public entities are set forth in the Investment of Public Funds Act of the Code of Virginia in § 2.2-4500 et seq. A qualified public entity is defined as any state agency having an internal or external public funds manager with professional investment management capabilities. The Investment of Public Funds Act authorizes qualified public entities to invest Short-Term Tier funds in the following securities:

1. *Treasury and Agency Securities:* Obligations issued or guaranteed by the U.S. Government, an agency thereof, or U.S. Government sponsored enterprises. This includes Agency Mortgage-Backed Securities. These securities can be held directly, in the form of repurchase agreements collateralized by such debt securities or in the form of registered money market or mutual funds provided that the portfolio is limited to such evidences of indebtedness (§ 2.2-4501).

2. Non-Negotiable CD's and Time Deposits: Non-negotiable certificates of deposit and time deposits of Virginia banks and savings institutions federally insured to the maximum extent possible and collateralized under the Virginia Security of Public Deposits Act, § 2.2-4400 et seq. of the Code of Virginia, and having a maturity not greater than five years (§ 2.2-4500).
3. Negotiable CD's and Bank Deposit Notes: Negotiable certificates of deposit and negotiable bank deposit notes of domestic banks and domestic offices of foreign banks with a rating of at least A-1 by Standard & Poor's and P-1 by Moody's Investors Service for maturities of one year or less. For maturities over one year and not exceeding five years, a rating of at least AA- by Standard & Poor's and at least Aa3 by Moody's Investors Service is required. This includes all levels of the "AA/Aa" rating (§ 2.2-4509).
4. Repurchase Agreements: Repurchase Agreements collateralized by securities of the U.S. Treasury, an agency thereof, or U.S. Government sponsored enterprises. The collateral on overnight or one day repurchase agreements is required to be at least 100% of the value of the repurchase agreement. Longer-term repurchase agreements are required to have collateralization in excess of 100% and be marked-to-market on a daily basis (§ 2.2-4507).
5. Banker's Acceptances: Banker's Acceptances with major domestic banks and domestic offices of foreign banks rated not lower than A-1 by Standard & Poor's and P-1 by Moody's Investors Service (§ 2.2-4504).
6. Commercial Paper: Prime quality commercial paper issued by domestic corporations. "Prime quality" shall be as rated by at least two of the following: Standard & Poor's within its rating of A-1, Moody's Investors Service within its rating of P-1, Fitch Investor's Services within its rating of F-1, Duff and Phelps within its rating of D-1, or by their respective corporate successors, provided that at the time of any such investment the corporation meets the criteria specified in Section 2.2-4502 of the *Code of Virginia* (§ 2.2-4502).
7. Money Market Funds: Money market and other open-end investment funds provided that they are registered under the Securities Act of the Commonwealth of Virginia or by the Federal Investment Company Act of 1940, and that the investments by such funds are restricted to investments otherwise permitted by qualified public entities within the Commonwealth of Virginia (§ 2.2-4508).
8. Corporate Debt: Corporate notes and bonds having a credit rating of at least A3/A- or equivalent by two nationally recognized rating agencies, one of which must be either Standard & Poor's or Moody's Investors Service. This includes all levels of the "A" rating (§ 2.2-4510).
9. Municipal Securities: Taxable and tax-exempt municipal securities of the following provided that at the time of any such investment the municipal security meets the criteria specified in Section 2.2-4501 of the *Code of Virginia*, including: (i) of any state of the United States, (ii) of any county, city, town, district, authority or other public body of the Commonwealth of Virginia, (iii) of any city, county, town or district situated in any one of the states of the United States provided that they are the direct legal obligations of the city, county, town, or district and the city, county, town, or district has power to levy taxes on the taxable real property therein for the payment of such obligations without limitation of rate or amount. The municipal securities must be rated at least A3/A- or equivalent by two nationally recognized rating agencies, one of which must be either Standard & Poor's or Moody's Investors Service. This includes all levels of the "A" rating (§ 2.2-4501).
10. Asset-Backed and Mortgage-Backed Securities: Asset-backed and non-Agency mortgage-backed securities with a duration of no more than five years and rated no less than AAA by at least two nationally

recognized rating agencies, one of which must be either Standard & Poor's or Moody's Investors Service. Authorized mortgage-backed investments include Commercial Mortgage-Backed Securities (CMBS), Agency and Non-Agency (private label) Mortgage-Backed Securities (MBS & RMBS) including pass-throughs, Collateralized Mortgage Obligations (CMOs) and Planned Amortization Classes (PACs) (§ 2.2-4511).

11. International Bank for Reconstruction and Development, Asian Development Bank, and African Development Bank Obligations: Dollar-denominated bonds and other obligations issued, guaranteed or assumed by the International Bank for Reconstruction and Development, by the Asian Development Bank, or by the African Development Bank having a maturity of no longer than five years and a credit rating of at least AAA by Standard & Poor's and Aaa by Moody's Investors Service (§ 2.2-4501).

Should a security be downgraded to a level that ceases to meet the credit quality guidelines above, the Investment Manager shall notify the University in writing within one business day of the downgrade. Unless the Vice President for Finance and Budget authorizes the retention of any such downgraded security in writing, such security must be sold within 30 calendar days.

Finally, the Short-Term Tier can only be invested in senior debt. Subordinated and convertible debt securities are not authorized investments. Investment securities not specifically authorized above are prohibited.

D. Prohibited Investments or Actions

1. Inverse floaters, Credit Default Swaps (CDSs), Collateralized Debt Obligations (CDOs), Collateralized Loan Obligations (CLOs), and Interest Only (IO), Principal Only (PO) and Z-tranche securities.
2. Futures, options, options on futures, margin buying, leveraging and commodities. Forward trades are permitted as long as they are procured during normal "when issued" periods for individual markets and as long as cash is reserved or a security will mature to cover the purchase at the time of settlement.
3. Securities with the ability to defer interest, securities with the ability to convert to perpetual maturities and 144A securities.

E. Asset Allocation Parameters and Short-Term Tier Constraints

Asset Allocation

As noted above, the Primary Liquidity Fund is intended to provide for the day-to-day working capital requirements of the University, with the remaining balance of the Short-Term Tier being invested in the Extended Duration Fund.

Duration and Maturity Limitations

As noted above, the maximum maturity may not exceed five years on any single non-negotiable certificate of deposit or time deposit of Virginia banks, negotiable certificate of deposit or bank deposit note. For any single asset-backed or mortgage-backed security, the maximum duration may not exceed five years at the time of purchase; in the event the duration subsequently exceeds this limit, the external Investment Manager shall notify the University in writing within one business day, and the University, in consultation with the Investment Manager, shall decide the appropriate action.

The target duration for the Primary Liquidity Fund and Extended Duration Fund are as follows:

	<u>Target Duration</u>
Primary Liquidity Fund	9 months or less
Extended Duration Fund	
Short Duration Portfolio	Per Applicable Benchmark
Intermediate Duration Portfolio	Per Applicable Benchmark
Long Duration Portfolio	Per Applicable Benchmark

Primary Liquidity Fund and Extended Duration Fund Investment Managers' maximum duration is limited to +10% of the Target Duration or the Applicable Benchmark duration. For purposes of this section, duration shall be defined as the industry standard effective duration as calculated by Bloomberg or other well established models available. In addition, for purposes of asset-backed securities and mortgage-backed securities, the prepayment assumptions to be used in the effective duration calculation will be the Bloomberg median prepayment assumptions or other well established models available. In the absence of a median prepayment assumption available in Bloomberg, the assumption to be used shall be that which provides the greatest principal protection to the portfolio.

F. Performance Measures

In accordance with the performance measures by which the State Council of Higher Education for Virginia measures investment performance as published annually in the Commonwealth of Virginia's Appropriations Act, the University should achieve a three-year average rate of return at least equal to the iMoney.net money market index fund.

Investment Managers should produce returns commensurate with the following benchmarks:

<u>Fund</u>	<u>Fund Benchmark(s)</u>
Primary Liquidity Fund	iMoney.net Money Market Index
Extended Duration Fund	
Short Duration Portfolio	BofA ML 1-3 Year US Treasury Index, BofA ML 1-3 year Govt/Corp Index, Barclays 1-3 Year Government Bond Index, or other benchmark(s) that more appropriately reflects the Investment Manager(s) style within this portfolio.
Intermediate Duration Portfolio	Barclays US Treasury Intermediate Index, Barclays US Intermediate Government Index, Barclays US Intermediate Gov/Credit Bond Index, or other benchmark(s) that more appropriately reflects the Investment Manager(s) style within this portfolio
Long Duration Portfolio	Barclays US Aggregate Treasury Index, Barclays U.S. Aggregate Government Index, Barclays US Aggregate Bond Index, or other benchmark(s) that more appropriately reflects the Investment

Manager(s) style within this particular portfolio.

Diversification

Each individual portfolio within the Primary Liquidity Fund and the Extended Duration Fund will be diversified with no more than 3% of the value of the respective portfolios invested in the securities or individual trusts of any single issuer. This limitation shall not apply to the U.S. Government, an agency thereof, or U.S. Government sponsored enterprises, securities fully insured and/or fully guaranteed by the U.S. Government, or money market funds.

At the time of purchase, the maximum percentage in each eligible security type for the Primary Liquidity Fund and the Extended Duration Fund shall be maintained as follows:

Authorized Investments	Primary Liquidity Fund	Extended Duration
U.S. Treasury and Agency Securities	100%	100%
Non-Negotiable Certificates of Deposit (CDs)	5%	0%
Negotiable CDs and/or Negotiable Bank Deposit Notes	20%	20%
Overnight/Open Treasury/Agency Repurchase	100%	0%
Overnight/Open non-Treasury/Agency Repurchase	50%	0%
Term Repurchase Agreements	20%	0%
Banker's Acceptances	40%	0%
Commercial Paper	35%	0%
Money Market Funds	35%	10%
Corporate Notes/Bonds	25%	40%
Municipal Securities	10%	10%
Asset-Backed Securities	0%	40%
Combined Agency MBS, Agency/Private CMOs, CMBS,	0%	50%
Agency Mortgage-Backed Securities (MBS)	0%	50%
Agency CMOs (including PACs)	0%	10%
Commercial Mortgage-Backed Securities (CMBS)	0%	10%
Private Label Residential Mortgages (including CMOs)	0%	5%
International Development Bank Obligations	0%	5%

G. Monitoring and Reporting for the Short-Term Tier

Quarterly, the Board will receive an investment report for the Short-Term Tier. At a minimum, this report will include the following information:

- Investment performance report (net of fees) for the Short-Term Tier as a whole, the Primary Liquidity Fund, and the Extended Duration Fund, versus the appropriate benchmarks above.
- Actual asset allocations of the Short-Term Tier as a whole, the Primary Liquidity Fund, and the Extended Duration Fund versus the allocation requirements above.
- Any investments that required management notification (such as credit downgrades or duration

changes), along with management's response to such notifications.

- A statement from each Investment Manager certifying compliance with the Virginia Investment of Public Funds Act.

Annually, the Board will receive the following information on the Short-Term Tier. At a minimum, this will include:

- A certificate showing compliance with the Investment Policy, specifically the **Authorized Investments**, the **Prohibited Investments or Actions**, and the **Asset Allocation Parameters and Short-Term Tier Constraints** sections above.

H. Investment Manager Requirements for the Short-Term Tier

Before an organization can provide investment management services for the Short-Term Tier, it must confirm in writing that it has received and reviewed this Investment Policy, and is able to comply with it. Investment Managers are not permitted to deviate from their specifically announced investment strategy and may utilize discretion only as approved by the Board or its designee. Only firms having the following qualifications may serve as Short-Term Tier Investment Managers:

- Registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940 or exempt from registration;
- Must have provided to the University an annual updated copy of Form ADV, if applicable;
- Must be registered to conduct business in the Commonwealth of Virginia; and,
- Must have proven experience in providing investment management services under the Virginia Investment of Public Funds Act.

Short-Term Tier Investment Managers shall have the following duties:

- Accept assets as directed by the University, and invest those assets in strict adherence to the Investment Policy and applicable laws;
- Reconcile all transactions, market values, security holdings, and cash flows with the custodian within 30 days of each month end;
- Calculate monthly performance against the appropriate benchmark and provide a written report within 35 days of each month end;
- Calculate quarterly performance against the appropriate benchmark and provide a written report within 35 days of each quarter end;
- Provide written quarterly reports concerning investment strategy, including quantitative performance attribution based on interest rate risk, sector allocation and security selection;
- Provide a written economic and investment outlook report within 30 days of each month end;
- Meet as required to review portfolio and investment results;
- Issue prospectuses, annual reports and other pertinent information on a timely basis;
- Notification in advance of potential material changes in fund and/or firm operations under consideration or about to be implemented, including organizational or strategy changes that may impact asset management;
- Notification of any non-compliant securities as further outlined above; and,
- Provide a written quarterly statement attesting to compliance with the Investment Policy.

Long-Term Tier

A. Fund Structure

The Long-Term Tier shall consist of endowments and Board-designated quasi-endowment funds. As the Long-Term Tier consists of gifts, local funds, and nongeneral fund reserves and balances designated for long-term investment, it shall be invested in accordance with the Uniform Prudent Management of Institutional Funds Act. The primary objective for the Long-Term Tier is to maximize long-term real returns commensurate with the University's risk tolerance.

B. Financial Objectives

The funds invested in the Long-Term Tier shall be treated as long-term assets managed to maintain the purchasing power of those assets in the future while being mindful of the cash flow and liquidity requirements of both the University and the endowed funds. The objective of the Long-Term Tier is to achieve a rate of return in excess of inflation, CPI + 5%, at an acceptable level of risk.

The University does not expect that this investment objective will be achievable every year and, as a result, investment performance over rolling three-, five-, and ten-year periods will carry greater significance. The University also recognizes that some level of investment risk, including volatility and illiquidity, is necessary to achieve the long-term investment objectives of the Long-Term Tier.

The overall return will be evaluated against a policy portfolio benchmark consisting of the sum of different asset class benchmarks weighted in accordance with the long-term policy targets designed to meet the Long-Term Tier objective.

C. Long-Term Tier Investment Managers Under the Investment Advisor's Purview

The Board has delegated the management and investment of the Long-Term Tier to the Investment Advisor, including the selection, hiring, monitoring, and termination of Investment Managers.

The Investment Advisor shall act in good faith, and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, in: a) selecting Investment Managers; b) monitoring the Investment Manager's performance and compliance with the scope and terms of the delegation.

D. Authorized Investments

Given the uncertain and continuously evolving nature of investment markets, no static list of security types, asset classes, or definitions of investment management strategies can continuously express prudent practice. Therefore, the process by which investment decisions are developed, analyzed, adopted, and executed must satisfy relevant standards of care.

Note: Investment Managers or the Investment Advisor are to vote shareholders' proxies. Such voting is to be solely in the best interest of the University's investment funds, given their stated policies, goals, and objectives. Where Investment Managers or fund vehicles have their own terms regarding proxy voting, such terms will be an attribute to be considered by the Investment Advisor in selecting and monitoring Investment Managers and investment vehicles.

E. Strategic Asset Allocation and Performance Measures

In developing and implementing the Long-Term Tier's Strategic Asset Allocation, the University will consider the risks associated with each investment strategy and asset class. Based upon the University's risk tolerance together with capital market risk and return estimates, the Board sets a strategic asset allocation designed to achieve the objectives stated in this Investment Policy Statement. The strategic asset allocation shall be prudently diversified across asset classes. The Investment Advisor will invest the Long-Term tier in keeping with the parameters of the Strategic Asset Allocation below.

Benchmark indices are selected to represent the risk and return profile of each asset class. Investment Managers should produce returns commensurate with the benchmark indices noted below. Key considerations in selecting benchmark indices include broad market coverage, ability to passively invest, transparency of index construction, and objectivity of the index provider.

Strategic Asset Allocation

Asset Class	<i>Long-Term</i>	<i>Range</i>	<i>Benchmark</i>
Equity	65	40-70	MSCI All Country World Equity
Real Assets	10	0-20	MSCI All Country World Real Estate
Fixed Income & Cash	25	5-45	Barclays Aggregate Bond Index
TOTAL	100%		Blended Benchmark

Annual Review

Annually, the University and the Investment Advisor shall informally review and assess the Strategic Asset Allocation. Should the University and the Investment Advisor recommend changes to the Strategic Asset Allocation, such proposed changes will be brought to the Board for consideration.

Rebalancing Policy

The Strategic Asset Allocation reflects targets for exposures to various asset classes as described above. The purpose of rebalancing is to maintain the risk/reward relationship implied by the stated long-term Strategic Asset Allocation targets adopted by the Board. The actual asset mix may diverge from the target allocations as a result of either market fluctuations or explicit tactical decisions. The role of the ranges within the Strategic Asset Allocation is to allow for these short-term fluctuations, and to provide limits for tactical investing.

Under stable market conditions, should actual asset allocations reside outside of allowable Strategic Asset Allocation ranges, unless otherwise directed by the Board, the Investment Advisor will rebalance the Long-Term Tier without prior Board discussion or approval. Cash flows to, from, or within the Long-Term Tier will be used to rebalance the portfolio and may be allocated to or from the underlying Investment Managers within the Long-Term Tier.

The Board recognizes that under distressed market conditions, a less static approach to rebalancing could provide the University with increased flexibility and a more productive rebalancing process. Should the Investment Advisor believe that such distressed market conditions exist, the Investment Advisor shall: 1) immediately notify the Vice President for Finance and Budget; 2) provide the Vice President for Finance and

Budget with recommended intermediate-term deviations from the Strategic Asset Allocation; and, 3) provide the Vice President for Finance and Budget with a recommended timeline for rebalancing the Long-Term Tier. After reviewing these three items with the Investment Advisor, the Vice President for Finance and Budget may authorize intermediate-term deviations from the Strategic Asset Allocation targets, and shall provide the recommended deviations and recommended rebalancing timeline for the Board's review at its next meeting.

F. Investment Restrictions

The Strategic Asset Allocation specifies risk controls in the form of ranges for Long-Term Tier asset allocations. The ranges help to ensure adequate diversification, define the permissible magnitude of tactical asset allocation, and constrain both absolute and relative risk. Risk control ranges express the acceptable variation from target asset allocations in normal market and economic circumstance. The Investment Advisor shall adopt risk controls principally considering the Tier's tolerance for volatility, but also to ensure adequate liquidity.

It is understood that the Long-Term Tier must maintain a certain minimum level of liquidity that is sufficient to fund annual programmatic activities, as well as to fund ongoing expenses, including capital calls. The Investment Advisor shall monitor on an ongoing basis the liquidity of the Long-Term tier.

G. Spending Policy

The Spending Policy is meant to maintain the purchasing power of the Long-Term Tier, with the goal of providing a predictable and sustainable level of income. This policy reflects industry best practices. Under this policy, spending for a given year equals the trailing three-year average market value of the Long-Term Tier multiplied by the long-term spending rate of 4.5%.

Payouts under this Spending Policy may exceed spending needs. At the discretion of the Vice President for Finance and Budget, the University may elect to reinvest any portion of the annual distribution back into the Long-Term Tier. Each year, the Vice President for Finance and Budget will prepare a report for the Board showing the current spending rate and allocating distributions made under this Spending Policy between those funds spent to meet University needs and those funds reinvested into the Long-Term Tier.

Annual payouts are assumed, and distributions are to be made on or before September 30. The University will communicate the planned distribution to the Investment Advisor approximately 180 days in advance, and the Advisor will confirm receipt to the University within five business days. The Advisor is responsible for wiring funds as directed.

If investment funds fall "underwater," the payout and distribution shall be in compliance with Virginia's Uniform Prudent Management of Institutional Funds Act (§ 64.2-1100 et seq., "UPMIFA"), determining what portion of investment funds is appropriate for expenditure or accumulation as the University and Investment Advisor determine is prudent for the uses, benefits, purposes, and duration for which the investment funds were established.

H. Monitoring and Reporting for the Long-Term Tier

Quarterly, the Board will receive the following information on the Long-Term Tier. At a minimum, this report will include:

- Investment performance (net of fees) for the Long-Term Tier versus the appropriate benchmarks above.
- Actual asset allocations of the Long-Term Tier versus the Strategic Asset Allocations above.

Annually, the Board will receive the following information on the Long-Term Tier. At a minimum, this report will include:

- A report showing compliance with the Investment Policy, specifically the **Authorized Investments, Strategic Asset Allocation and Performance Measures**, and **Investment Restrictions** sections above.
- The report specified under the **Spending Policy** section above.

I. Investment Advisor Requirements for the Long-Term Tier

The Investment Advisor shall prudently select Investment Managers, acting in good faith, and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. Investment Managers are not permitted to deviate from their specifically announced investment strategy and may utilize discretion only as approved by the Investment Advisor.

The Investment Advisor shall have the following duties:

- Accept assets as directed by the University, and invest those assets in strict adherence to the Investment Policy and applicable laws;
- Reconcile all transactions, market values, security holdings (as applicable), and cash flows with the Investment Managers;
- Calculate performance against the appropriate benchmarks and provide regular, written reports to the University;
- Provide written reports to the University concerning investment strategy, including quantitative performance attribution;
- Meet as required with the University to review portfolio and investment results;
- Issue investment reports and other pertinent information on a timely basis to the University;
- Notify the University of potential material changes in fund and/or firm operations under consideration or about to be implemented, including organizational or strategy changes that may impact asset management;
- Notify the University of any non-compliant investments; and,
- Provide a written quarterly statement attesting to compliance with the Investment Policy.

Establishing a Prudent Split Between the Short-Term and Long-Term Tiers —

The Short-Term and Long-Term Tiers have markedly different liquidity, risk, and volatility profiles. It is the responsibility of the Office of the Vice President for Finance and Budget to perform ongoing analysis and monitoring to recommend to the Board a prudent split between the Short-Term and Long-Term Tiers.

Procedures ---

No changes to this policy may be implemented without the approval of the Board or its designated committee.

Violations

Passive Violations: A passive violation occurs when a portfolio breaches a prescribed policy limit as the result of changing market or credit conditions, with the exception of the procedures outlined under the Rebalancing Policy for the Long-Term Tier. Other than the routine rebalancing of the Long-Term Tier under stable market conditions as described in the **Rebalancing Policy** above, the University will report any violations to the Board and will remedy the violation within 90 days of the violation or prepare a written action plan that must be approved by the Board to extend the cure period beyond 90 days. The Investment Advisor and Investment Managers will continuously monitor the portfolio for any Passive Violations, and will promptly notify the University as they occur.

Active Violations: An active violation is caused by entering into an agreement or investment that breaches a policy limit at inception or thereafter through failure to monitor. In this case, a thorough analysis of controls will ensue and be reported to the Board, as soon as practical. The Investment Advisor will seek to remedy the violation when possible. In instances where the costs of immediate remedies are prohibitive, the Investment Advisor will develop a corrective action plan that will be submitted to the University within a reasonable time after the violation occurs, not to exceed 15 days, depending on the nature and complexity of the investment holding and transactions needed to remedy the violation. The Board will be apprised of the violation at its next regularly scheduled meeting along with the corrective action plan.

Legal and Other Considerations

The University will, in accordance with law, consider the present and anticipated financial requirements of the University, the expected total returns on investments, the capital markets environment and general economic conditions.

§ 64.2-1102 of the Virginia Uniform Prudent Management of Institutional Funds Act sets forth specific factors that, if relevant, must be considered in managing and investing the Long-Term Tier. These factors are:

1. The duration and preservation of the Long-Term Tier funds;
2. The purposes of the institution and the Long-Term Tier funds;
3. General economic conditions;
4. The possible effect of inflation or deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the institution; and
7. The investment policy of the institution.

Upon request, the University will present an analysis of these factors to the Board to assist its decisions regarding managing and investing the Long-Term Tier.

Conflicts of Interest

Virginia Commonwealth University will take reasonable measures to assess the independence of Investment Advisors and Investment Managers. Members of the Board, University Management, and members of the internal financial staff must disclose any conflicts of interest prior to the approval of an Investment Advisor or Investment Manager.

Who Should Know This Policy

- The Board of Visitors;
- The Investment Advisor;
- Investment Managers;
- The staff of the Office of the Vice President for Finance and Budget, and
- Administrative staff involved in the appointment of Investment Advisors or Investment Managers.

Contacts

General and specific questions about this policy can be answered by VCU's Office of the Vice President for Finance and Budget

Related Documents

- VCU Debt Management Policy

Revision History

This policy supersedes the following archived policies:

05/15/2009	<i>VCU Operating Pool Investment Policy</i>
09/19/2013	<i>VCU Investment Policy</i>
04/25/2016	<i>VCU Investment Policy - Interim</i>

Forms

There are no forms associated with this policy.

FAQ

There are no FAQ associated with this policy and procedures.

Exhibit A

Annual Investment Conflict of Interest Disclosure Statement

Name:

Title:

[LIST OF CURRENT INVESTMENT ADVISOR(S) AND INVESTMENT MANAGER(S) – TO BE PROVIDED BY STAFF]

Except for the relationships and investments set forth below, I hereby certify to the best of my knowledge that neither I, nor any of my household family members has a *material* ownership interest in, or is directly employed by, any Investment Advisor or Investment Manager engaged by the University. I hereby certify that I have received a copy of the University's current Investment Policy, have read and understand the policy, and agree to abide by its provisions pertaining to Conflicts of Interest.

Signature: _____

Print Name: _____

Date: _____

PLEASE LIST ANY EXCEPTIONS BELOW:

APPROVAL OF 2018-2024 SIX YEAR CAPITAL PLAN

Six Year Capital Plan (2018-2024)

May 12, 2017



Purpose

- As part of the Commonwealth's biennial budget process, the University prepares a six-year projection of capital outlay needs.
- The capital projects in the Plan are segregated into those requesting State funding support and those funded with University funds.
- The Governor evaluates the University's State funding requests for inclusion in the executive budget for consideration by the 2018 General Assembly.

Six Year Planning Timeline

The six year capital plan is updated every two years.

The next six year plan covers:

- Biennium 2018-2020
- Biennium 2020-2022
- Biennium 2022-2024

The projects for the first Biennium are based on:

- 2013 master plan
- Quest for Distinction
- the recently completed current needs assessment and space study
- deferred maintenance priorities

The projects for the second and third are estimates based on these same factors and will be updated once our new master plan is complete. They will then be presented again to the board for approval in May of 2019.

Space Analysis Top Needs

Class Laboratories

Research Laboratories

Assembly + Exhibit Space

Recreation / Kinesiology

Student Centered Space

Areas in Most Need of Space

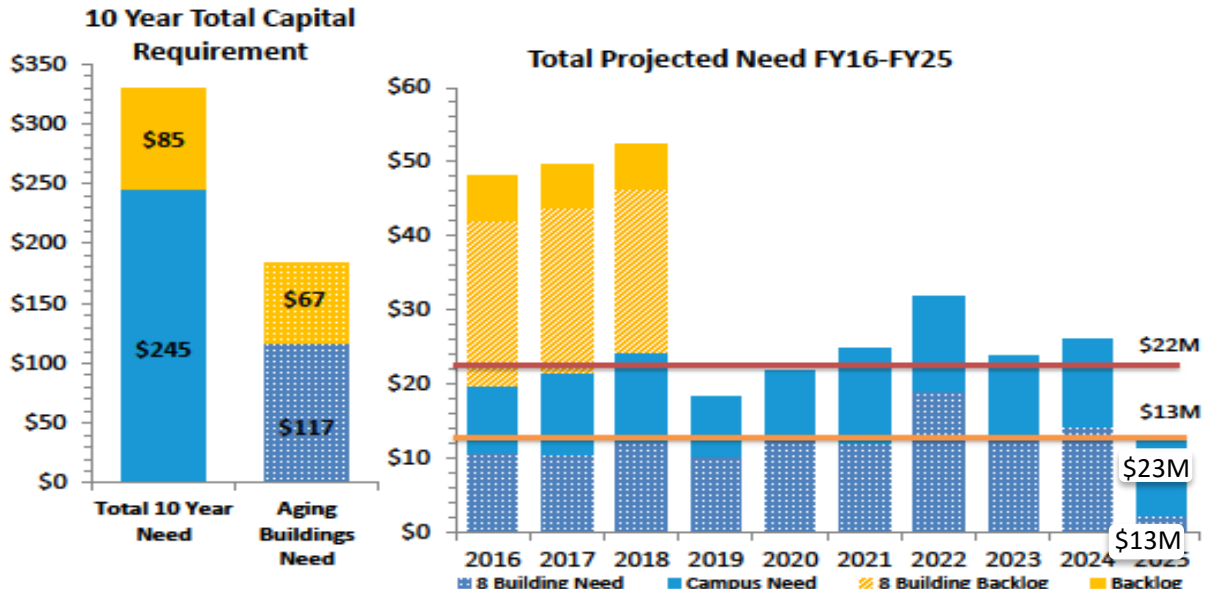
School of the Arts

College of Humanities and Sciences

School of Medicine

Academic Affairs

Total 10 Year Capital Needs: \$330M (2016-2025)



2018-2020 Biennium Request

Priority	Project	State General	Non-General Fund		Total
		Fund	Cash	Debt	
State Projects					
1	School of Allied Health Professions Equipment	\$ 7,409,000	\$ -	\$ -	\$ 7,409,000
2	School of Engineering Expansion Equipment	\$ 3,900,000	\$ -	\$ 3,900,000	\$ 7,800,000
3	Humanities & Sciences PH. 1: STEM Class Laboratories	\$ 80,500,000	\$ -	\$ -	\$ 80,500,000
4	Humanities & Sciences Ph 2: Admin. & Classroom Bldg.	\$ 35,000,000	\$ -	\$ -	\$ 35,000,000
5	Oliver Hall Physical Science Wing Renovation	\$ 41,000,000	\$ -	\$ -	\$ 41,000,000
6	Sanger Hall Renovations, Phase III	\$ 24,000,000	\$ -	\$ 8,000,000	\$ 32,000,000
University Projects *					
	Multiple School of Medicine Renovations	\$ -	\$ 10,000,000	\$ -	\$ 10,000,000
	Tennis Center	\$ -	\$ -	\$ 22,000,000	\$ 22,000,000
2018-20 Total		\$ 191,809,000	\$ 10,000,000	\$ 33,900,000	\$ 235,709,000

NOTE: Replacement of the School of Dentistry Clinical, Instructional and Research Space and Replacement of the "D" Parking Deck is under discussion with VCUHealth.

School of Allied Health Professions Building Equipment

- **Purpose:** Furnishings and equipment for the new 154,000 GSF building north of Leigh Street which will consolidate 11 departments that comprise the School of Allied Health Professions.
- **Cost:** \$7,409,000
- **Fund Source:** State General Fund



School of Engineering Research Building Equipment

- **Purpose:** Furnishings and equipment for the new 133,000 GSF building south of Engineering East to provide research and maker space for the School of Engineering.
- **Cost:** \$7,800,000
- **Fund Sources:**

State General Fund	\$3.9m
University Debt	\$3.9m



Humanities & Sciences Phase I: STEM Class Laboratories

- **Purpose:** New construction of class laboratories for the basic sciences to reduce overcrowding and provide high quality undergraduate teaching facilities.
- **Cost:** \$80,500,000
- **Fund Source:** State General Fund



Humanities & Sciences Phase II: Administrative & Classroom Building

- **Purpose:** New construction to consolidate administrative office space and provide additional instructional space for the College of Humanities and Sciences.
- **Cost:** \$35,000,000
- **Fund Source:** State General Fund



Oliver Hall Physical Science Wing Renovation

- **Purpose:** Renovation of the physical sciences wing of Oliver Hall to reduce the University's deferred maintenance burden and to upgrade instructional and research space for the College.
- **Cost:** \$41,000,000
- **Fund Source:** State General Fund



Sanger Hall Renovations, Phase III

- **Purpose:** This project continues the phased renovation of Sanger Hall to upgrade research and instructional space for the School of Medicine.
- **Cost:** \$32,000,000
- **Fund Sources:**

State General Fund	\$24m
University Debt	\$ 8m



School of Medicine Renovations

- **Purpose:** Renovation of administrative and research space in Sanger Hall and West Hospital driven by faculty recruitment and advancement of the School's mission.
- **Cost:** \$10,000,000
- **Fund Source:** School of Medicine Funds



Tennis Center

- **Purpose:** New construction of a tennis center for VCU Athletics with 6 indoor and 12 outdoor courts.
- **Cost:** \$22,000,000
- **Fund Source:** University Debt
- **Payback:**
 - \$18.4M Private Donations
 - Student fee revenue of \$291k per year starting in FY19 (under \$10 per student per year)
 - annual facility rental revenue of \$195k
 - approximate payback period 13 years



2020-2022 Biennium Request*

Priority	Project	State General	Non-General Fund		Total
		Fund	Cash	Debt	
State Funds					
	Performing Arts/Exhibit Phase 1	\$ 85,000,000	\$ -	\$ -	\$ 85,000,000
	Performing Arts/Exhibit Phase 2	\$ 51,300,000	\$ -	\$ -	\$ 51,300,000
	Classroom Building	\$ 85,000,000	\$ -	\$ -	\$ 85,000,000
	Renovation of McGuire Hall	\$ 33,700,000	\$ -	\$ 17,300,000	\$ 51,000,000
	Efficient Office Building	\$ 70,000,000	\$ -	\$ -	\$ 70,000,000
	Health Sciences Library/Health Affairs Academic Building	\$ 85,000,000	\$ -	\$ -	\$ 85,000,000
University Funds*					
	Athletics Field House	\$ -	\$ -	\$ 27,300,000	\$ 27,300,000
	School of Medicine Renovations	\$ -	\$ 5,700,000	\$ -	\$ 5,700,000
	2020-22 Total	\$ 325,000,000	\$ 5,700,000	\$ 44,600,000	\$ 375,300,000

*Will be revised in 2019 based on new academic strategic plan and master plan

2022-2024 Biennium Request*

Priority	Project	State General		Non-General Fund		Total
		Fund		Cash	Debt	
State Projects						
	Renovate James Branch Cabell Library	\$	50,000,000	\$	-	\$ 50,000,000
	Construct Class Labs/Maker Space	\$	83,200,000	\$	-	\$ 83,200,000
	Renovate Health Sciences Classrooms	\$	8,700,000	\$	-	\$ 8,700,000
University Projects						
	TBD Pending Master Plan	\$	-	\$	-	\$ -
2022-2024 Total		\$	141,900,000	\$	-	\$ 141,900,000

*Will be revised in 2019 based on new academic strategic plan and master plan

2018-2024 Six-Year Capital Plan

Parking Lot Potential Projects

(To Be Addressed and Evaluated During Master Planning Process)

Business Services Projects
Center for Urban Communities
Innovative Learning and Large Lecture Spaces
Library Space and Remote Storage
Older House Plan
Parking
Pollak Building Replacement
Randolph Minor Hall Renovation
Research Innovation District
School of Engineering – East of Madison Street
STEAM Incubator
Student Affairs Projects
Student Health & Wellness Building
Swing Space Building
West Hospital

Raleigh Building Renovation

**PROPOSED CHANGE IN PROJECT BUDGET
RALEIGH BUILDING RENOVATION**

REQUEST:

This is a request to increase the budget for the renovation of the Raleigh Building by \$845,768. Of the increased amount, \$726,600 will be provided from State funds and \$119,168 will be provided from University funds.

BACKGROUND:

The 2015 General Assembly provided funding to renovate the Raleigh Building at cost to be determined through the Commonwealth’s cost review process. The cost review resulted in a construction contract award for a total project cost of \$8,080,347. During the construction process, significant unforeseen conditions (asbestos, water, structural) were encountered which added \$845,768 to the cost of the project.

The University petitioned the Commonwealth for additional funding to address the budget shortfall and received additional State funds totaling \$726,600. The remaining \$119,168 must be provided by the University.

This is a request to increase the budget for the renovation of the Raleigh Building by \$845,768. Of the increased amount, \$726,600 will be provided from State funds and \$119,168 will be provided from University funds.

RECOMMENDATION:

Authorize the University to increase the Raleigh Building Renovation project budget by \$845,768 and infuse \$119,168 of University funds. The current and proposed budget is as follows:

Total Project Cost:	
Current	\$8,080,347
Proposed.....	\$8,926,115

Scott House Renovation

**AMENDMENT TO THE 2016-2022 SIX-YEAR CAPITAL PLAN
SCOTT HOUSE RENOVATION**

REQUEST

This is a request to add a \$7,000,000 capital project to the 2016-22 Six-Year Capital Plan to undertake major repairs to the Scott House located at 909 West Franklin Street on the Monroe Park Campus. The cost will be split equally between State and University funds as follows:

General Fund	\$3,500,000
University Funds	\$3,500,000

The purpose of the project is to provide academic, office and meeting space needs for the University. The annual operating costs are estimated to remain unchanged.

BACKGROUND:

The Scott House was constructed in 1911 and is listed on the National Registry of Historic Places. The structure contains 18,746 gross square feet. A recent assessment identified several building envelope problems, functional deficiencies and building system needs.

The University received the General Fund share of \$3,500,000 in the budget passed by the 2017 General Assembly.

RECOMMENDATION:

Approve amendment of the University’s 2016-2022 Six-Year Capital Plan to include the renovation of the Scott House at a total cost of \$7,000,000.

Allied Health Professions Building

Notification of Contract Award

Allied Health Professions Building

This new building will be located on the southwest corner of the block bounded by Leigh Street, 9th Street, Turpin Street and 10th Street. In order to construct the School of Allied Health Professions building on this site, the low rise dormitories; Bear Hall, Warner Hall, Rudd Hall and McRae Hall, located at 600 North 10th Street on the MCV Campus, were demolished.

The contract was awarded to The Whiting-Turner Contracting Company, Richmond, Virginia.

The Guaranteed Maximum Price Contract is \$61,494,549 and the total budget for this project is \$80,331,549 from State Supported Debt, University Supported Debt, and Auxiliary Enterprise.

5a. **New Budget Model Update**

- Model is ready for parallel reporting in FY2018
- Steering Committee approved allocation methods for E&G and Sponsored Research:
 - Tuition and fees
 - Indirect cost revenue
 - Institutionally-funded financial aid
 - Central costs
 - General funds
- Model reviewed by senior leadership, deans, and fiscal officers
- External review by outside consultants
- Focus now on reporting processes and infrastructure, and training for key personnel

TREASURER'S REPORT

Treasurer's Report As of March 31, 2017

Finance and Budget, Karol Kain Gray, May 12, 2017



VCU

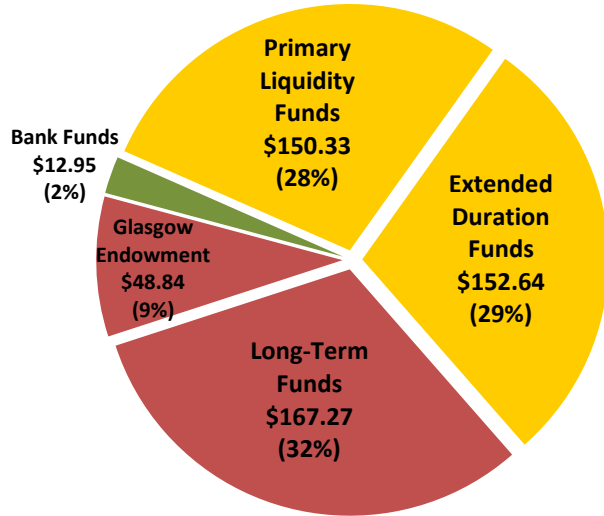
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TOTAL UNIVERSITY FUNDS OVERVIEW

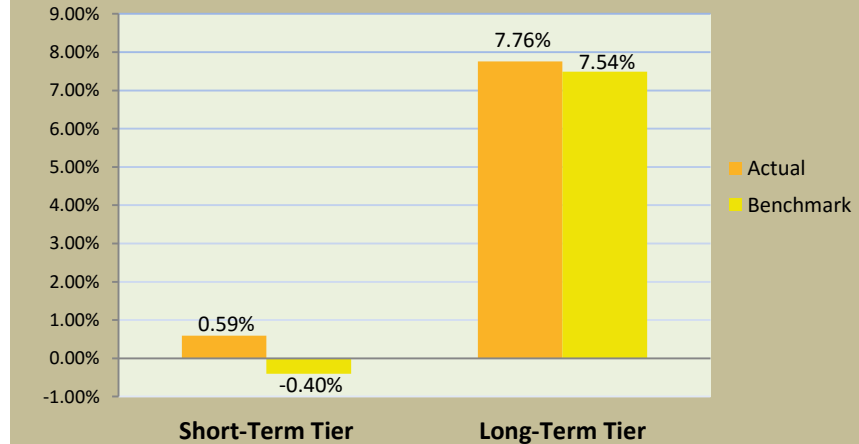
Total University Funds Overview for the Period Ending March 31, 2017

University Funds
Market Value (Millions)



Total University Funds
\$532.03M

1-Year Investment Funds Performance



SHORT-TERM TIER OVERVIEW

Short-Term Tier Performance (net of fees) for the Period Ending March 31, 2017

	<u>Market Value</u>	<u>Allocation</u>	<u>QTD</u>	<u>Fiscal YTD</u>	<u>1 Yr</u>	<u>3 Yrs</u>	<u>5 Yrs</u>	<u>Return</u>	<u>Since</u>
Total Operating Funds	\$302,974,364	100.00%	0.31%	0.30%	0.59%	0.79%	0.82%	0.97%	9-Jun
<i>Floating Operating Funds Index</i>			0.24%	-0.72%	-0.40%	0.41%	0.49%	--	9-Jun
Primary Liquidity Pool (Payden & Rygel)	\$150,334,652	49.62%	0.23%	0.50%	0.64%	0.25%	0.24%	0.21%	9-Jul
<i>iMoneyNet MM All Taxable</i>			0.07%	0.15%	0.18%	0.08%	0.05%	0.05%	9-Jul
Extended Duration Fund (Merganser)	\$152,639,712	50.38%	0.42%	0.23%	0.82%	1.03%	1.08%	1.43%	9-Jun
<i>Blended Index</i>			0.37%	-0.90%	0.00%	0.72%	0.76%	0.96%	9-Jun
<i>BofA Merrill Lynch US Treasuries 1-5 Yrs</i>			0.37%	-0.91%	-0.10%	1.14%	0.92%	1.60%	9-Jun

- Floating Custom Benchmark = Weighted Average of iMoneyNet MM All Taxable / BofA Merrill Lynch US Treasuries 1-5 Yr
- iMoneyNet MM All Taxable = iMoneyNet MM All Taxable (formerly Donohue)
- Blended Index = BofA Merrill Lynch US Treasuries 1-5 Yr

LONG-TERM TIER OVERVIEW

Long-Term Tier Performance and Asset Allocation as of March 31, 2017

VCU Finance Long-Term Tier Asset Allocation for the Period Ending: 3/31/2017

Asset Class	Market Value (est.)		VCU Strategic				Since	Since
	(\$)	(%)	Allocation (%)	Qtr Return	1 Yr Return	3 Yr Return	6/30/2013 Return	4/30/2012 Return
Total	\$ 216,108,533	100.0%	100.0%	2.58%	7.76%	3.14%	4.61%	5.40%
<i>Composite Benchmark</i>				2.84%	7.54%	1.33%	3.11%	3.22%
VCIMCO Total	\$ 211,913,069	98.1%						
JP Morgan Total	\$ 4,195,464	1.9%						
Equity	\$ 121,718,227	56.3%	65.0%	5.85%	13.25%	4.87%	6.95%	8.03%
<i>MSCI All Country World Index</i>				6.91%	15.04%	5.07%	8.48%	8.77%
VCIMCO Equity	\$ 119,313,510	55.2%						
JP Morgan Equity	\$ 2,404,717	1.1%						
Real Assets	\$ 1,154,091	0.5%	10.0%	-1.96%	3.56%	5.00%	5.42%	3.06%
<i>MSCI ACWI Real Estate Index</i>				4.88%	3.29%	6.41%	5.99%	7.35%
VCIMCO Real Assets	\$ -	0.0%						
JP Morgan Real Assets	\$ 1,154,091	0.5%						
Fixed Income and Cash	\$ 93,236,214	43.1%	25.0%	-2.32%	1.35%	0.90%	1.01%	1.50%
<i>Barclays Aggregate Index</i>				0.82%	0.44%	2.68%	2.75%	2.15%
VCIMCO Fixed Income and Cash	\$ 92,599,558	42.8%						
JP Morgan Fixed Income and Cash	\$ 636,656	0.3%						

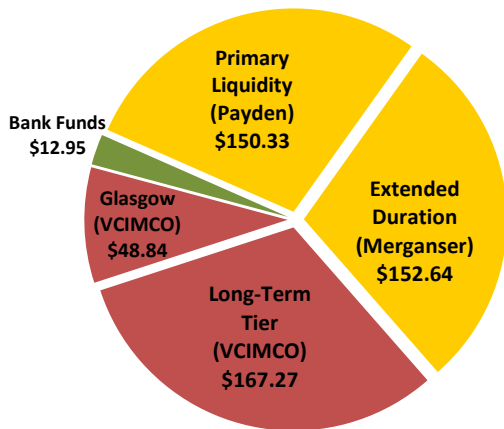
- \$46.06 of \$48.84 million of the Glasgow Endowment is transferred to VCIMCO with \$2.78 million remaining at JP Morgan, of which \$1.45 million should be received by June 2017 (hedge funds), and \$1.33 million by 2022 (private assets).
- \$165.86 of \$167.27 million of the Long-Term Tier is transferred to VCIMCO with \$1.41 million remaining at JP Morgan, all of which should be received by June 2017 (hedge funds).
- Hedge Fund managers for the portion remaining to be liquidated from JP Morgan may hold back approximately \$125K until June 2018.
- VCIMCO is currently in the process of hiring investment managers, and in the coming months the Long-Term Tier will consequently move closer to the Strategic Allocation targets above.

Composite Benchmark: 30% MSCI AC World Index, 40% HFRX Global Hedge Fund, 5% Bloomberg Commodities Index, 25% Barclays Capital US Aggregate Index

Note: The performance displayed in the table above are estimates, calculated by (1) blending the Glasgow and Long-Term portfolios on a dollar-weighted basis (as managed by JP Morgan historically) from 04/30/12 to 4/30/16, and (2) then blending these with the Ram Fund performance during the May-March transition period. These returns represent our best-efforts estimate of the total blended returns at the aggregate and asset class levels, but they are not official or audited performance values. Return for periods over 1 year are annualized.

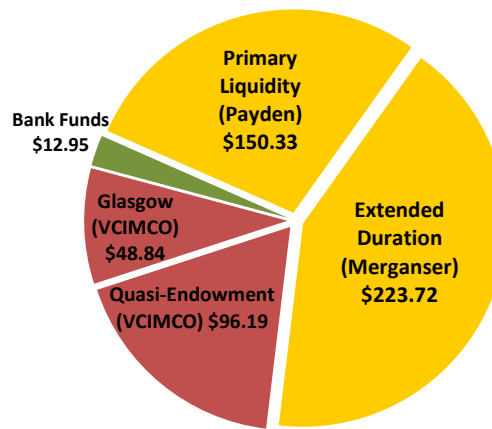
University Funds: Rebalancing Update

Existing University Funds – 3/31/17 balances:
(Millions)



Bank Funds	\$ 12.95	2%
Primary Liquidity (Payden & Rygel)	\$ 150.33	28%
Extended Duration (Merganser)	\$ 152.64	29%
Long-Term Tier (VCIMCO)	\$ 167.27	32%
Glasgow Endowment (VCIMCO)	\$ 48.84	9%
Total University Funds	\$ 532.03	100%

Post-Rebalancing University Funds – 3/31/17 balances:
(Millions) – Upon July 2017 completion



Bank Funds	\$ 12.95	2%
Primary Liquidity (Payden & Rygel)	\$ 150.33	28%
Extended Duration (Merganser)	\$ 223.72	42%
Quasi-Endowment (VCIMCO)	\$ 96.19	19%
Glasgow Endowment (VCIMCO)	\$ 48.84	9%
Total University Funds	\$ 532.03	100%

Cash, Investments & Debt Weekly Monitoring Report As of May 5, 2017

To be distributed

a. Revenue and Expense Summary as of March 31, 2017

Virginia Commonwealth University - Revenue & Expenses
Q3 FY2017

		FY 2017 Adjusted Budget	FY 2017 Q3 Actual	FY 2016 Q3 Actual	Variance	% Change FY16 to FY17	FY 2016 Actual	% Change FY16 Act to FY17 Budget
Revenues								
1	State General Funds	\$ 221,150	\$ 174,534	\$ 155,121	\$ 19,413	13%	\$ 204,507	8.1%
2	Nongeneral Funds:							
3	Educational and General Tuition and Fees	402,782	385,014	369,868	\$ 15,147	4%	394,285	2.2%
4	Grants and Contracts:							
5	Sponsored Programs	201,203	156,057	139,686	\$ 16,371	12%	192,049	4.8%
6	Financial Aid	30,769	30,140	29,461	\$ 679	2%	30,181	1.9%
7	Auxiliary Enterprises:							
8	VCUQ	39,880	30,148	30,860	\$ (712)	-2%	40,437	-1.4%
9	Gifts and Investment Income	43,259	32,353	28,728	\$ 3,625	13%	45,384	-4.7%
10	Sales and Services, Other Revenues							
		39,094	33,589	33,580	\$ 9	0%	53,286	-26.6%
11	Total Revenues	\$ 1,113,538	\$ 968,762	\$ 916,523	\$ 52,239	5.7%	\$ 1,099,850	1.2%
Expenses								
12	Educational and General Expenses	\$ 687,823	\$ 463,349	\$ 443,449	\$ 19,900	4%	\$ 664,997	3.4%
13	VCUQ	39,880	30,148	30,860	\$ (712)	-2%	40,437	-1.4%
14	Sponsored Programs	176,615	129,376	114,668	\$ 14,708	13%	157,321	12.3%
15	FACR	30,379	24,467	20,332	\$ 4,135	20%	28,079	8.2%
16	Auxiliary Enterprises	136,874	101,640	94,899	\$ 6,741	7%	131,241	4.3%
17	University Funds	41,790	40,317	41,250	\$ (933)	-2%	51,608	-19.0%
18	Student Financial Assistance	60,669	70,843	62,837	\$ 8,007	13%	69,604	-12.8%
19	Hospital Services	25,801	18,163	18,169	\$ (6)	0%	24,515	5.2%
20	Total Expenses	\$ 1,199,831	\$ 878,304	\$ 826,464	\$ 51,840	6.3%	\$ 1,167,802	2.7%

**b. VCU Health System and Financial Operations as of March 31,
2017**

FY 2017 Financial Report for the Nine Months Ending March 31, 2017

VCUHS Consolidated Income Statement (\$ in thousands)

March 31, 2017 Year to Date (9 months)

Operating Excess of \$71.9M is \$2.2M above budget

	<u>Percent</u>	<u>Variance Projected</u>	<u>FY 2017 Actual</u>	<u>FY 2017 Budget</u>	<u>FY 2016 Actual</u>	<u>Variance Prior Year</u>	<u>Percent</u>
Operating Revenues							
Net patient service revenue	3.3%	\$ 38,826	\$ 1,205,713	\$ 1,166,887	\$ 1,124,187	\$ 81,526	7.3%
Contract revenue	13.5%	1,628	13,721	12,093	13,127	594	4.5%
Premiums earned	-0.6%	(4,630)	793,738	798,368	765,867	\$ 27,871	3.6%
Other operating revenue	-16.9%	(3,314)	16,294	19,608	23,991	(7,697)	-32.1%
Total Operating Revenues	1.6%	\$ 32,510	\$ 2,029,466	\$ 1,996,956	\$ 1,927,172	\$ 102,294	5.3%
Operating Expenses							
Salaries and wages	-3.6%	\$ (23,196)	\$ 666,057	\$ 642,861	\$ 612,005	\$ (54,052)	-8.8%
Benefits	-1.2%	(2,243)	188,097	185,854	190,775	2,678	1.4%
Medical claims expense	1.1%	7,863	686,305	694,168	654,270	(32,035)	-4.9%
Purchased services	-5.3%	(5,090)	101,463	96,373	95,151	(6,312)	-6.6%
Supplies	-3.1%	(8,721)	293,457	284,736	267,094	(26,363)	-9.9%
Interest expense	-14.3%	(2,389)	19,065	16,676	16,568	(2,497)	-15.1%
Other expenses	6.2%	6,918	104,802	111,720	97,826	(6,976)	-7.1%
Provision for depreciation / amortization	-2.1%	(1,337)	64,902	63,565	56,341	(8,561)	-15.2%
Total Operating Expenses	-1.3%	\$ (28,195)	\$ 2,124,148	\$ 2,095,953	\$ 1,990,030	\$ (134,118)	-6.7%
Operating Excess/(Loss) w/o Quality of Earn./ Supplemental Revenue		\$ 4,315	\$ (94,682)	\$ (98,997)	\$ (62,858)	\$ (31,824)	
Quality of Earnings/Supplemental Revenue	-1.3%	\$ (2,161)	\$ 166,578	\$ 168,739	\$ 151,992	\$ (14,586)	-9.6%
Total Operating Excess/(Loss)		\$ 2,154	\$ 71,896	\$ 69,742	\$ 89,134	\$ (46,410)	
<i>Operating Margin (%)</i>			3.3%	3.2%	4.3%		
Nonoperating revenues and expenses:							
Investment income	152.2%	\$ 52,762	\$ 87,420	\$ 34,658	\$ (39,585)	\$ 127,005	-320.8%
Other non-operating income(expense)incl. taxes	-105.4%	23,328	1,201	(22,127)	4	(1,197)	-29925.0%
Donations and gifts		252	3,059	3,311	4,098	1,039	
Total Non-Operating Revenues and Expense		\$ 75,838	\$ 91,680	\$ 15,842	\$ (35,483)	\$ 126,847	
Total Excess / (Loss)		\$ 77,992	\$ 163,576	\$ 85,584	\$ 53,651	\$ 109,925	
<i>Total Margin (%)</i>			7.2%	3.9%	2.6%		



VCUHS Balance Sheet (\$ in thousands)

March 31, 2017 Year To Date (9 months)

	<u>FY 2017 (9mo)</u>	<u>FY 2016 Audit</u>
ASSETS & DEFERRED OUTFLOWS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 378,618	\$ 263,816
Patient accounts receivable, less allowances for doubtful accounts and contractual adjustments	235,538	264,986
Other current assets	160,801	159,198
TOTAL CURRENT ASSETS	774,957	688,000
ASSETS WHOSE IS LIMITED & LT INVESTMENTS	1,425,922	1,420,654
TOTAL CAPITAL ASSETS	861,328	792,499
TOTAL OTHER ASSETS	16,871	17,247
TOTAL DEFERRED OUTFLOWS	60,234	62,085
TOTAL ASSETS & DEFERRED OUTFLOWS	\$ 3,139,312	\$ 2,980,485
LIABILITIES, DEFERRED INFLOWS & NET POSITION		
CURRENT LIABILITIES		
Current portion of long-term debt and capital leases	\$ 7,316	\$ 7,913
Trade accounts payable	173,495	176,395
Accrued salaries, wages, and fringe benefits, leave	112,740	117,023
Other current liabilities	38,180	30,560
TOTAL CURRENT LIABILITIES	331,731	331,891
OTHER LIABILITIES		
Long-term debt and capital leases, less current portion	512,218	518,909
Other liabilities	175,076	171,124
TOTAL LIABILITIES	1,019,025	1,021,924
TOTAL DEFERRED INFLOWS	10,466	10,466
TOTAL NET POSITION	2,109,821	1,948,095
TOTAL LIABILITIES, DEFERRED INFLOWS & NET POSITION	\$ 3,139,312	\$ 2,980,485

VCUHS Cash Flow (\$ in thousands)

March 31, 2017 Year To Date (9 months)

	FY 2017 <u>Actual</u>
Cash and Investments at the Beginning of the Year	\$ 1,670.4
Sources of Cash:	
Total excess/(loss)	\$ 165.3
Depreciation expense (non-cash transaction)	65.0
Accounts receivable/ settlements decrease	34.4
Decrease/increase in Due from/to affiliates	117.3
Increase in Accts Payable	2.1
Decrease in Premiums/AR	1.1
Increase in claims liability	4.1
Deferred income/settlements due third parties	20.1
Other working capital changes	41.0
Total Sources of Cash	\$ 450.4
Uses of Cash:	
Acquisition and construction of capital assets	\$ (133.5)
Decrease in claims liability/Accts Payable	-
Settlements due to third parties/ AR increase	(5.0)
Transfer UHS / Hospital /Carolina Crescent/VCU	(2.0)
Increase/decrease in Due to/from affiliates	(119.3)
Intercompany note receivable - VPHP	(2.7)
Other working capital changes	(60.8)
Principal payments on long term debt and capital leases	(7.5)
Total Uses of Cash	\$ (330.8)
Net Change in Cash for the Period	\$ 119.6
Cash and Investments at the End of the Period	\$ 1,790.0

VCUHS Key Ratios

March 31, 2017 Year-to-Date (9 months)

	<u>Actual</u> <u>FY 2017</u>	<u>Audited</u> <u>FY 2016</u>	<u>S & P Median</u> <u>Benchmark</u>	<u>Trend</u>
LIQUIDITY RATIOS:				
Current	2.3	2.1	1.9	Favorable
Days in A/R	56.2	56.3	47.4	Unfavorable
Days Cash on Hand	227.1	235.6	289.4	Unfavorable
LEVERAGE RATIOS:				
Debt Service Coverage	7.0	9.1	5.9	Favorable
Long-Term Debt to Capitalization	23.0%	26.2%	27.2%	Favorable
Interest Coverage	9.6	7.9	4.9	Favorable
PROFITABILITY RATIOS:				
Operating Margin	3.3%	6.5%	>4.0%	Unfavorable
Total Margin	7.2%	5.0%	>7.2%	Favorable

VCUHS Statistical Indicators

March 31, 2017 Year-to-Date (9 months)

Volume trend continues to be mixed. Inpatient and clinic volume at MCVH and Physician WRVUs are above budget. CMH, CHoR-Brook Road and VPHP have volume below budget.

	FY17 Act	FY17 Bud	FY17A v FY17B		FY16 Act	FY17A v FY16A	
Total Hospital Discharges	30,454	30,237	217	0.7%	29,086	1,368	4.7%
<i>MCV Hospital</i>	28,191	27,780	411	1.5%	26,801	1,390	5.2%
<i>CMH</i>	2,263	2,457	(194)	-7.9%	2,285	(22)	-1.0%
Total Hospital Adjusted Discharges	55,698	55,804	(106)	-0.2%	53,368	2,330	4.4%
<i>MCV Hospital</i>	48,900	48,477	423	0.9%	46,863	2,037	4.3%
<i>CMH</i>	6,798	7,327	(529)	-7.2%	6,505	293	4.5%
Case Mix Index -Total excl. newborns (MCV)	1.92	2.07	(0.15)	-7.2%	1.90	0	1.1%
Case Mix Index - Medicare excl newborns (MCV)	2.16	2.19	(0.03)	-1.4%	2.15	0	0.5%
Patient Days (MCVH)	180,585	175,260	5,325	3.0%	170,811	9,774	5.7%
MCVH ALOS	6.4	6.3	0.1	1.6%	6.4	-	0.0%
Ambulatory clinic visits (MCV, MCVP)	529,596	507,874	21,722	4.3%	483,676	45,920	9.5%
Observation Stays (MCV)	7,919	8,114	(195)	-2.4%	7,627	292	3.8%
Surgeries - Total (MCV)	17,591	17,813	(222)	-1.2%	17,077	514	3.0%
<i>Surgeries-Inpatient</i>	8,514	8,257	257	3.1%	8,129	385	4.7%
<i>Surgeries-Outpatient</i>	9,077	9,556	(479)	-5.0%	8,948	129	1.4%
System FTEs (Excludes Contract)	-	10,464	10,464	100.0%	9,757	9,757	100.0%
WRVUs (MCVP)	2,216,685	2,144,941	71,744	3.3%	2,009,602	207,083	10.3%
ChoR - Brook Rd. -							
Equivalent Patient Days	24,016	25,182	(1,166)	-4.6%	24,206	(190)	-0.8%
VPHP member months	1,753,342	1,757,722	(4,380)	-0.2%	1,741,890	11,452	0.7%



Capital Projects Update

Virginia Commonwealth University
May 2017 Summary of Major Capital Projects

Project	Funding			Comments
	Amount	Source	Completion	
Completed Projects:				
Construction Underway:				
Institute for Contemporary Art	\$33,805,718 Private Funding \$7,392,810 University Reserves \$41,198,528 Total		Jun 2017	A 40,890 SF facility located at the corner of Broad and Belvidere Streets. Project behind schedule but continues to track an opening in October 2017.
Sanger Hall Phase II Renovations	\$17,214,620 General Funds \$7,040,600 University-supported debt \$1,366,919 University Funds \$1,795,000 State-Supported Debt \$27,417,139 Total		Oct 2015 (Part A only) Jan 2019 (all remaining phases)	The second phase of the floor by floor wet lab renovation of Sanger Hall. This phase will complete an additional 2 floors to the 4 already completed.
Rice Rivers Center - Inger Rice Lodge	\$1,768,440 Private Funding \$546,346 University Funds \$2,314,786 Total		Summer 2016 May 2017	A 4,800 SF facilities located on John Tyler Memorial Highway (State Route 5).
Raleigh Building Renovation	\$7,330,347 General Funds \$750,000 State-Supported Debt \$8,080,347 Total		Dec 2017	Total renovation of the building to house the Wilder School. Asbestos and structural issues encountered. Budget and schedule impact is being assessed.
Rhoads Hall Restroom Renovation	\$4,615,300 University Housing		Summer 2016 - Ph I Summer 2017 - Ph II	Building core toilet and shower renovations to floors 2-18. Phase I - Floors 2-5; and Phase II - Floors 6-18 scheduled to be completed in 2017
Allied Health Professions Building	\$69,256,000 State Appropriation request \$10,800,000 University-supported debt \$275,549 Auxiliary Enterprise \$80,331,549 Total		Aug 2019	Consolidation of eleven Allied Health Programs in one building. Demolition is completed.
Planning Underway:				
Engineering Research Building	\$43,000,000 State-Supported Debt \$43,000,000 University-Supported Debt \$86,000,000 Total		Fall 2020	Planning proceeding on schedule.
Other Projects of Interest:				
Virginia Treatment Center for Children	\$58,495,717 State Appropriation \$5,067,283 VCU Health Funds \$63,563,000 Total		Sep 2017	Replacement facility for the current VTCC located on the MCV Campus. Location on Brook Road campus.
Perioperative Suite Renovation	\$94,000,000 VCU Health Debt		Feb 2018	Renovation of 5th floor of Main Hospital and portions of adjacent buildings to provide 18 state of the art operating rooms and support areas. Phased for continuous operation.
Community Memorial Hospital (South Hill)	\$79,000,000 VCU Health Funds		Nov 2017	Program of 70 patient rooms and 4 operating rooms.
Comprehensive Medical Center (South Hill)	\$16,000,000 VCU Health Funds		Nov 2017	60,000 SF Medical Office Building
On Schedule	Delay			