



VCU

VIRGINIA COMMONWEALTH UNIVERSITY

FINANCE, BUDGET AND INVESTMENT COMMITTEE

9:20 A.M.**

DECEMBER 13, 2019

JAMES BRANCH CABELL LIBRARY

901 PARK AVENUE – ROOM 311

RICHMOND, VIRGINIA

DRAFT

OPEN SESSION AGENDA

1. **CALL TO ORDER** **Mr. Stuart Siegel, *Chair***

2. **APPROVAL OF AGENDA**

3. **APPROVAL OF MINUTES** **Mr. Stuart Siegel, *Chair***
[\(September 13, 2019\)](#)

4. **ACTION ITEMS:** **Dr. Meredith Weiss, *Vice President for Administration***
 - a. **Approval to Issue a Request for Proposals for Professional Architectural/Engineering Term Contracts**
 - b. **Approval of Project Plans for Sanger 9 Surgery Innovation Suite**
 - c. **Approval of Public-Private Education and Infrastructure Act (PPEA) Guidelines**
 - d. **Approval of Postdoctoral Scholars IRS Section 125 Plan**

5. **REPORT FROM SENIOR VICE PRESIDENT AND CFO** **Ms. Karol Kain Gray, *Senior Vice President and CFO***
 - a. University's Cash Position
 - b. Related Entity Financial Statements
 - c. Enrollment and Budget Update
 - d. University's Credit Ratings
 - e. SWAM Update

6. **REPORT FROM VICE PRESIDENT FOR ADMINISTRATION** **Dr. Meredith Weiss, *Vice President for Administration***
 - a. Sustainability/energy conservation

**** 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.**

- 7. MISCELLANEOUS REPORTS:
For Informational Purposes Only**
- a. Sources and Uses Funding FY20
 - b. Revenue and Expense Summary
 - c. VCU Health System and Financial Operations
 - d. Capital Projects Update
 - e. Dashboards
 - f. Treasurer's Report

Mr. Stuart Siegel, Chair

8. OTHER BUSINESS

Mr. Stuart Siegel, Chair

9. ADJOURNMENT

Mr. Stuart Siegel, Chair

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Approval to Issue a Request for Proposals Professional Architectural/Engineering Term Contracts

Background

Facilities Management routinely retains the services of architectural/engineering firms on five-year term contracts to provide professional services for construction and renovation projects, feasibility studies and planning initiatives.

The university will publicly advertise a Request for Proposals seeking qualified firms to start the new contract year in April 2020.

Considerations

This is a request for approval to advertise for architectural/engineering term contracts under the provisions of VCU's management agreement as part of the Restructuring Act. VCU limits spending with each firm to \$1M per year. Each firm has a one-year contract with four renewal options. Currently, 15 firms are included in the university's term contract.

Recommendation

Approve the competitive solicitation to establish a professional architectural/engineering services term contract with multiple firms.

Approval of Project Plans Sanger Hall 9 Surgery Innovation Suite

Background

VCU seeks approval of project plans to modernize outdated and inefficient 8,100 GSF in Sanger Hall to accommodate VCU School of Medicine's Surgery Innovation Suite. This project was originally approved by the Board of Visitors in May 2017 as part of the 2018-2024 Six Year Capital Plan. The project will provide two large and one small state-of-the-art surgery suites, ICU/recovery room, clinical chemistry/hematology room, locker room and scrub area, and instrument cleaning and sterile storage space. The existing wet laboratories will be renovated to accommodate state-of-the-art wet labs, a reanimation lab, a procedure lab, and a cell culture room.

Funding

The cost of the Sanger Hall 9 Surgery Innovation Suite renovation is \$6,187,800 and will be 100% funded from School of Medicine private donor funds.

Recommendation

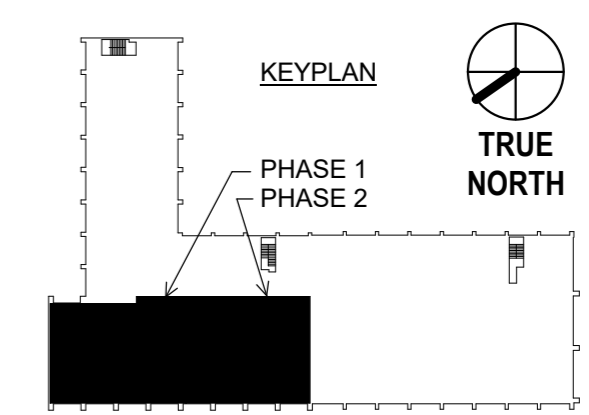
Approve project plans for the Sanger Hall 9 Surgery Innovation Suite.

Approval of Project Plans Sanger Hall 9 Surgery Innovation Suite



Department Legend

- CONFERENCE ROOM AND COMMON AREA
- RESEARCH LAB
- SURGERY



Approval of Public-Private Education and Infrastructure Act (PPEA) Guidelines

Background

Virginia's Public-Private Education and Infrastructure Act of 2002 (PPEA) enables public bodies to partner with private entities to bring private sector expertise to bear on public projects and encourage innovative approaches to financing construction and renovation. Qualifying projects include public buildings and facilities of all types and certain infrastructure and services.

VCU wishes to explore potential public-private partnerships (P3) under PPEA. VCU guidelines for PPEA provide a flexible framework for soliciting proposals and allow VCU to receive unsolicited proposals for potential P3 projects. Under PPEA guidelines, VCU may also lease large sections of P3 projects, which is restricted under current procurement guidelines for P3 projects. The ability to lease large sections of completed P3 projects may have significant cost benefits for VCU and therefore should be considered.

Considerations

VCU's PPEA guidelines are VCU-specific and written to align with Virginia's PPEA guidelines.

Recommendation

Approve VCU's Public-Private Education and Infrastructure Act (PPEA) Guidelines.

**RESOLUTION OF THE BOARD OF VISITORS OF
VIRGINIA COMMONWEALTH UNIVERSITY**

**AUTHORIZATION AND APPROVAL OF PUBLIC-PRIVATE EDUCATION
FACILITIES AND INFRASTRUCTURE ACT GUIDELINES**

WHEREAS, Chapter 6.1, Title 23 of the Code of Virginia of 1950, as amended (the "Virginia Code") establishes a public corporation under the name and style of Virginia Commonwealth University (the "University") which is governed by a Board of Visitors (the "Board") vested with the supervision, management and control of the University;

WHEREAS, Title 23 of the Virginia Code classifies the University as an educational institution of the Commonwealth of Virginia;

WHEREAS, the University intends to explore the possibility of developing property in the near future and potentially engage in other future projects under the Public-Private Education Facilities and Infrastructure Act of 2002 (PPEA);

WHEREAS, Virginia Code § 56-575.3:1(A) provides, “[a] responsible public entity shall, prior to requesting or considering a proposal for a qualifying project, adopt and make publicly available guidelines that are sufficient to enable the responsible public entity to comply with [the Act]. Such guidelines shall be reasonable, encourage competition, and guide the selection of projects under the purview of the responsible public entity.”

WHEREAS, the administration is proposing the adoption of the attached Guidelines for Projects under the Public-Private Education Facilities and Infrastructure Act of 2002;

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

1. The Board hereby approves the Guidelines for Projects under the Public-Private Education Facilities and Infrastructure Act of 2002 [in substantially the same form as attached hereto].

2. The Board authorizes the President of the University, or his designee, on behalf of the University, to pursue and implement projects under the PPEA according to applicable law and university policy.

3. This Resolution shall take effect immediately upon its adoption.

Approval of Postdoctoral Scholars IRS Section 125 Plan (Cafeteria Plan)

Background

The Office of Postdoctoral Services, part of the Office of the Vice President of Research and Innovation, administers policies governing salaries and benefits for VCU postdoctoral scholars (“postdocs”). An IRS Section 125 plan, or a cafeteria plan, allows employees to pay for certain benefits on a pre-tax basis. Currently VCU does not have an IRS Section 125 plan for postdocs, resulting in these trainees having to pay health insurance premiums with after-tax income. The Office of Postdoctoral Services contracted with Morgan, Lewis & Bockius, LLP to write an IRS Section 125 plan that will allow VCU Payroll to deduct health insurance payments from postdoc salaries on a pre-tax basis.

Considerations

The Office of Postdoctoral Services has obtained the support of the President’s Cabinet and, with Board of Visitors approval, is ready to implement this change in order to assist postdocs with this opt-in benefit.

Recommendation

Approve Postdoctoral Scholars IRS Section 125 Plan.

**RESOLUTION OF THE BOARD OF VISITORS OF
VIRGINIA COMMONWEALTH UNIVERSITY**

**AUTHORIZATION AND APPROVAL OF A PREMIUM CONVERSION PLAN FOR
POST DOCTORAL SCHOLARS**

WHEREAS, Chapter 6.1, Title 23 of the Code of Virginia of 1950, as amended (the "Virginia Code") establishes a public corporation under the name and style of Virginia Commonwealth University (the "University") which is governed by a Board of Visitors (the "Board") vested with the supervision, management and control of the University;

WHEREAS, Title 23 of the Virginia Code classifies the University as an educational institution of the Commonwealth of Virginia;

WHEREAS, by Chapter 4.10, Title 23 of the Virginia Code, the University entered into a management agreement with the Commonwealth of Virginia which was enacted as Chapter 594 of the Acts of Assembly of 2008 ("Management Agreement") which, as amended, classifies the University as a public institution of higher education with certain autonomous powers;

WHEREAS, the Management Agreement states that "any new plans, programs and material changes permitted under current law in University employee benefit plans, other than Classified Employee benefit plans, shall be approved by the Board of Visitors, including [...] the authority to implement cafeteria style benefits for University employees other than Classified Employees;"

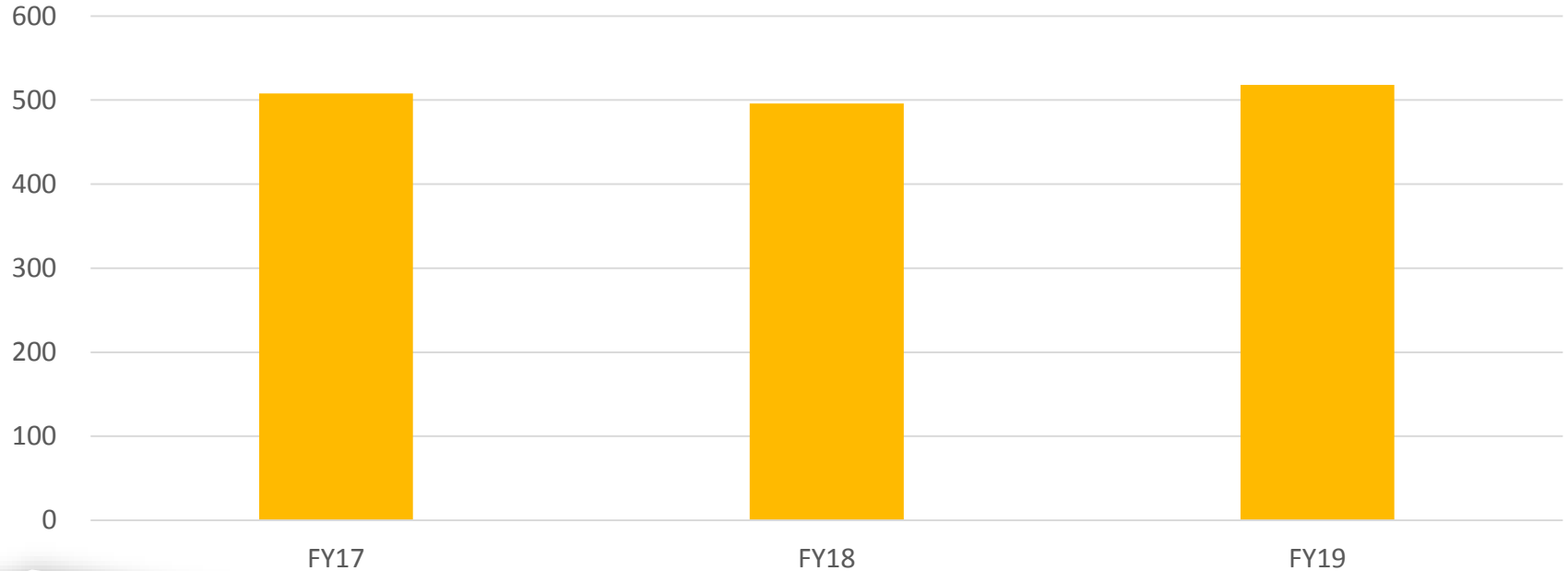
WHEREAS, the University wishes to permit its postdoctoral scholars to elect to have a portion of their compensation applied toward the cost of medical, dental, and life insurance benefits on a pre-tax basis;

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

1. The Board hereby adopts the Virginia Commonwealth Premium Conversion Plan, which provides postdoctoral scholars with a choice between cash and benefits under the welfare benefit plans maintained by the University (otherwise known as a "cafeteria style" benefit plan) pursuant to Section 125 of the Internal Revenue Code, [in substantially the same form as attached hereto].
2. The Board authorizes the President of the University, or his designee, on behalf of the University, to execute and deliver any documents required by and related to the plan.
3. This Resolution shall take effect immediately upon its adoption.

VCU Cash and Investments – Three Year Trend

(in Millions)



FY 19 VCU Related Entities Financial Statements

Karol Kain Gray, SVP and CFO

December 13, 2019



Financial Statement Summary

VCU Related Entities
as of June 30, 2019
(in Millions)

	<u>MCV Foundation</u>	<u>VCU Foundation</u>	<u>VCU Real Estate Foundation</u>	<u>VCU School of Business Foundation</u>	<u>VCU College of Engineering Foundation</u>	<u>Dentistry @ VCU</u>	<u>Total</u>
Assets:							
Cash	\$ 17.1	\$ 25.7	\$ 6.8	\$ 12.5	\$ 3.5	\$ 6.5	\$ 72.1
Investments and Endowments	577.9	83.5	-	43.4	73.6	7.6	786.0
PPE	2.1	-	78.3	24.8	39.2	-	144.4
Receivables and Other	25.1	9.7	8.2	5.9	1.6	3.3	53.8
Total Assets	622.2	118.9	93.3	86.6	117.9	17.4	1,056.3
Liabilities	10.4	37.7	54.8	40.4	66.0	8.2	217.5
Net Position	611.8	81.2	38.5	46.2	51.9	9.2	838.8
Total Liabilities and Net Position	\$ 622.2	\$ 118.9	\$ 93.3	\$ 86.6	\$ 117.9	\$ 17.4	\$ 1,056.3
Beginning Net Position	\$ 556.8	\$ 80.6	\$ 35.9	\$ 39.9	\$ 56.7	\$ 8.4	\$ 778.3
Revenues	83.2	14.3	9.3	13.5	7.2	18.0	145.5
Expenses	28.2	13.7	6.7	7.2	12.0	17.2	85.0
Change in Net Position	\$ 55.0	\$ 0.6	\$ 2.6	\$ 6.3	\$ (4.8)	\$.8	\$ 60.5

*Intellectual Properties and Alumni Associations are omitted due to immateriality.

General Comments

- Dentistry@VCU is a new discretely presented component unit for FY19
- All entities received unmodified opinions
- No material adjustments to financial statements
- No management letter comments



VCU

Provost Report: Enrollment and Budget

Introduction

The following documents serve as preliminary reading materials that will be referenced during the Enrollment and Budget presentation at the December 2019 Board of Visitors meeting:

- The Chronicle of Higher Education (2019). *The Looming Enrollment Crisis: How colleges are responding to shifting demographics and new student needs.*
- The Chronicle of Higher Education (September 2019). *The Great Enrollment Crash.*
- The Chronicle of Higher Education (October 2019). *Where Did All the Students Go: Five views on the great enrollment crash.*

Overview of the Provost Report: Enrollment and Budget Presentation

The Enrollment and Budget Presentation will serve as a follow up to the September 2019 Strategic Enrollment Management BOV discussion. The presentation will briefly review pre-read material on the national and/or state enrollment trends, provide the fall 2019 enrollment and budget impact followed by a brief discussion.

Enrollment and Budget



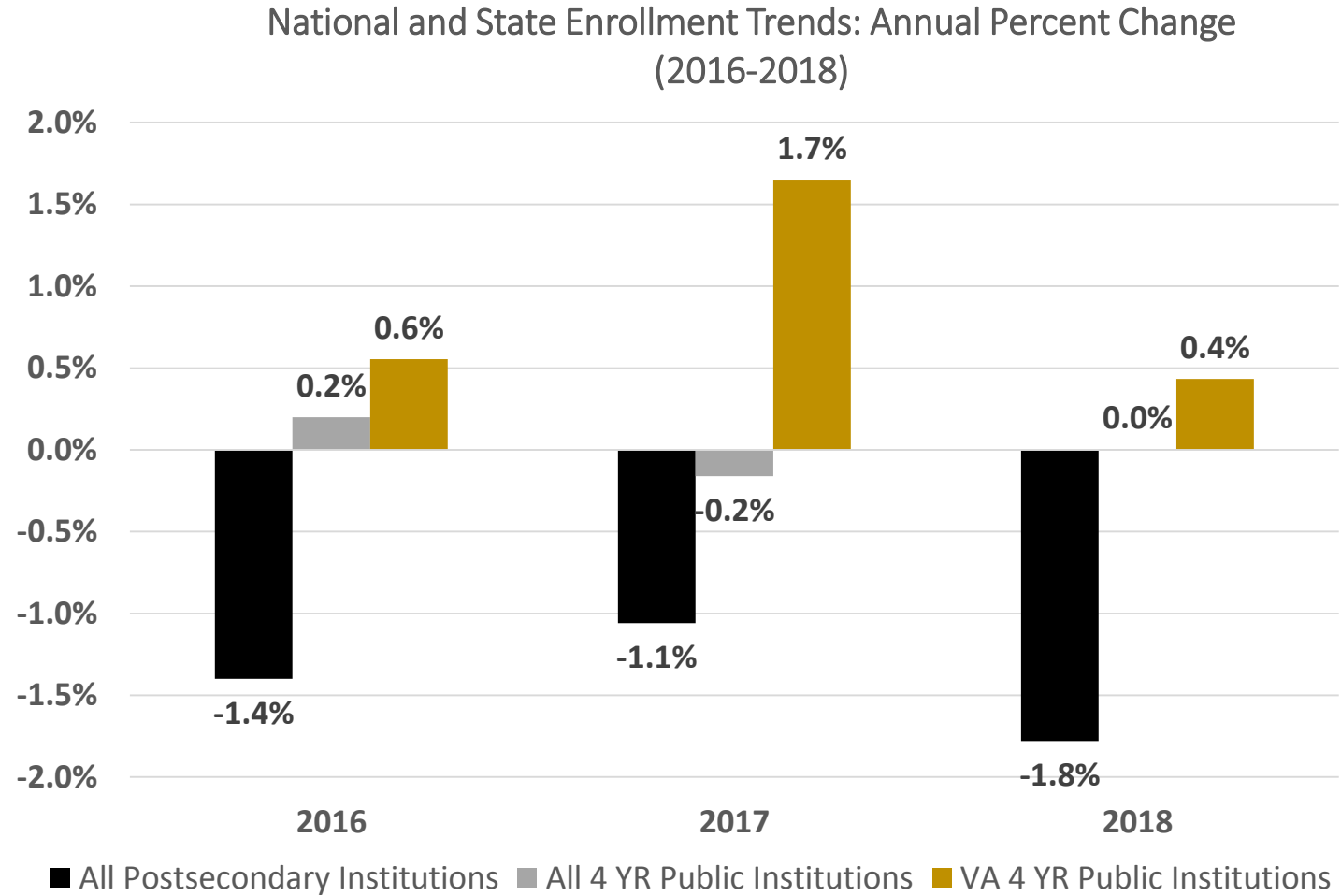
VCU

A New Higher Education Landscape

- Declining birthrates, financial concerns, and questions about the value of college are widely expected to lead to an enrollment crisis.
- The pool of likely students is expected to become much smaller and more racially diverse.
- Some colleges will have to make difficult choices about their enrollment practices, academic offerings, and makeup of their student body.
 - The most-selective private colleges and public flagships are expected to fare the best.
- Colleges cannot control demographics but can improve retention and graduation rates

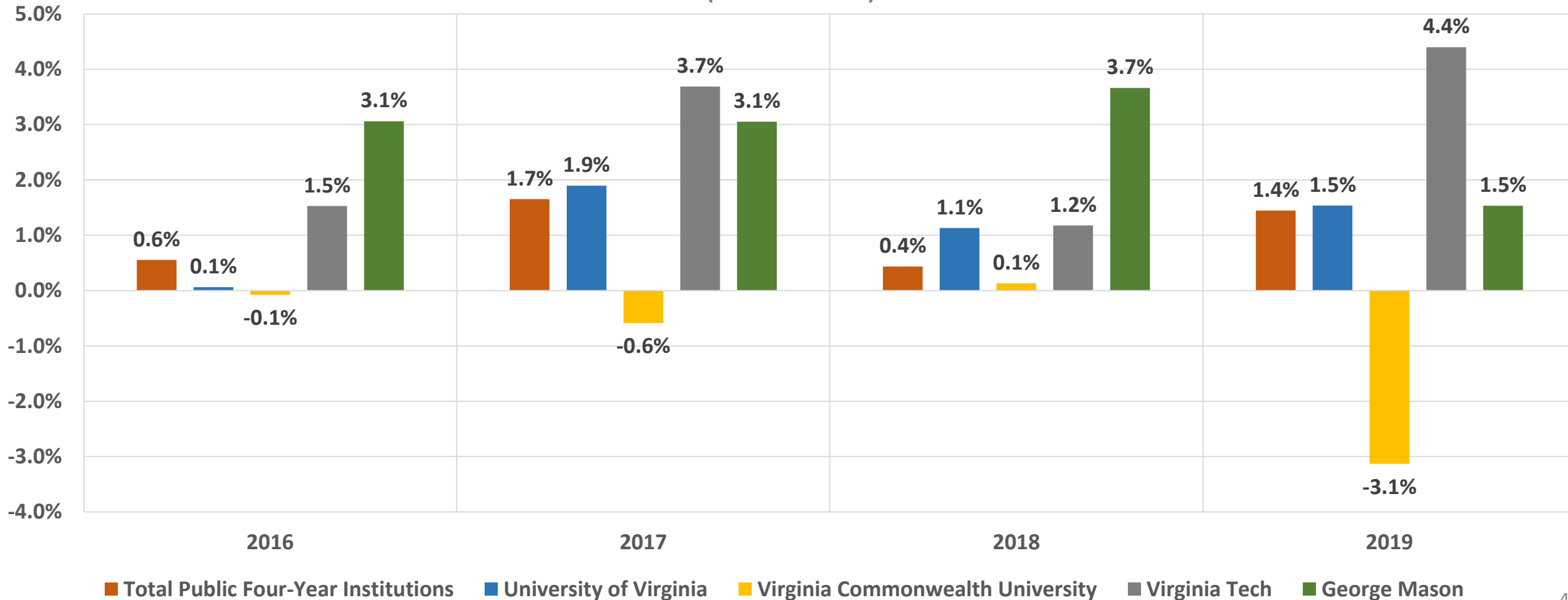
National and State Overall Enrollment Trends

- The declining trend in Postsecondary enrollment is largely impacted by the decline in for-profit and 2 YR public institutions.
- Virginia 4 YR public enrollment has trended more positively than national trends for the sector.
- Future enrollment projections suggest that Virginia enrollment trend is not sustainable.



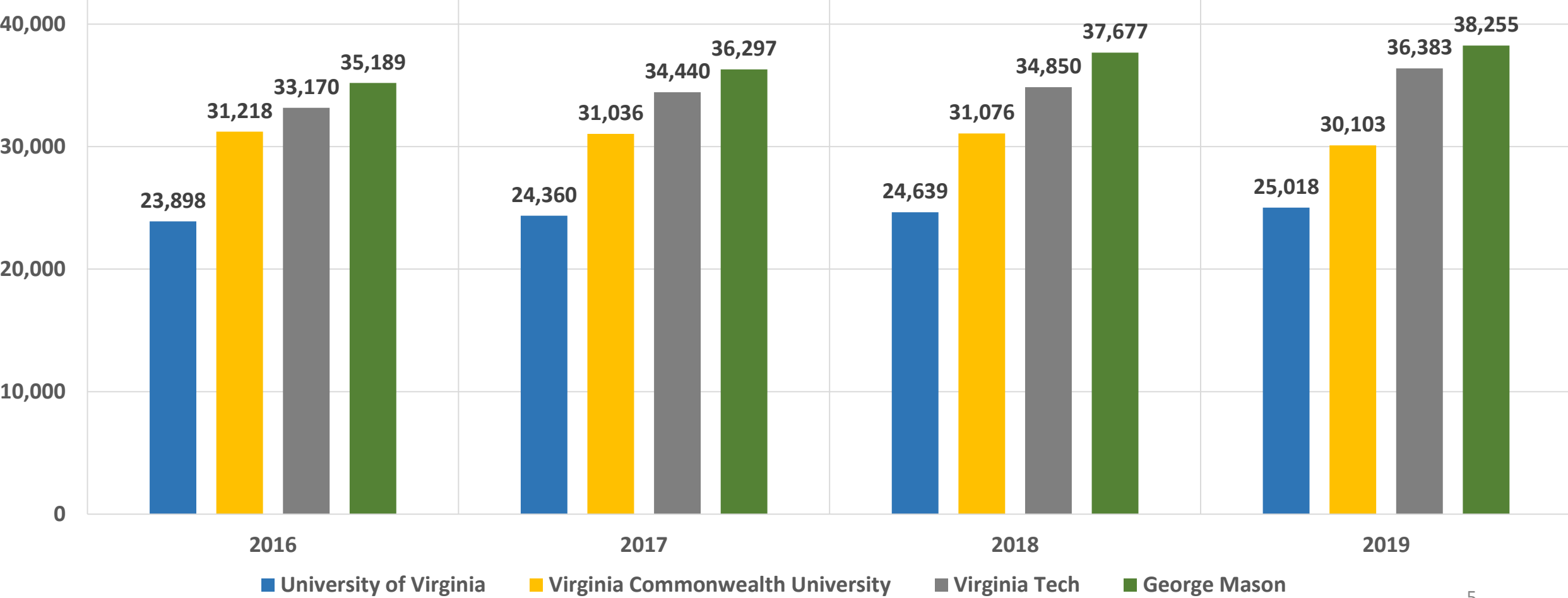
Research University Peers Overall Enrollment

Research Peers Overall Enrollment: Annual Percent Change
(2016-2019)



Research University Peers Overall Enrollment

Research Peers Overall Headcount
(2016-2019)



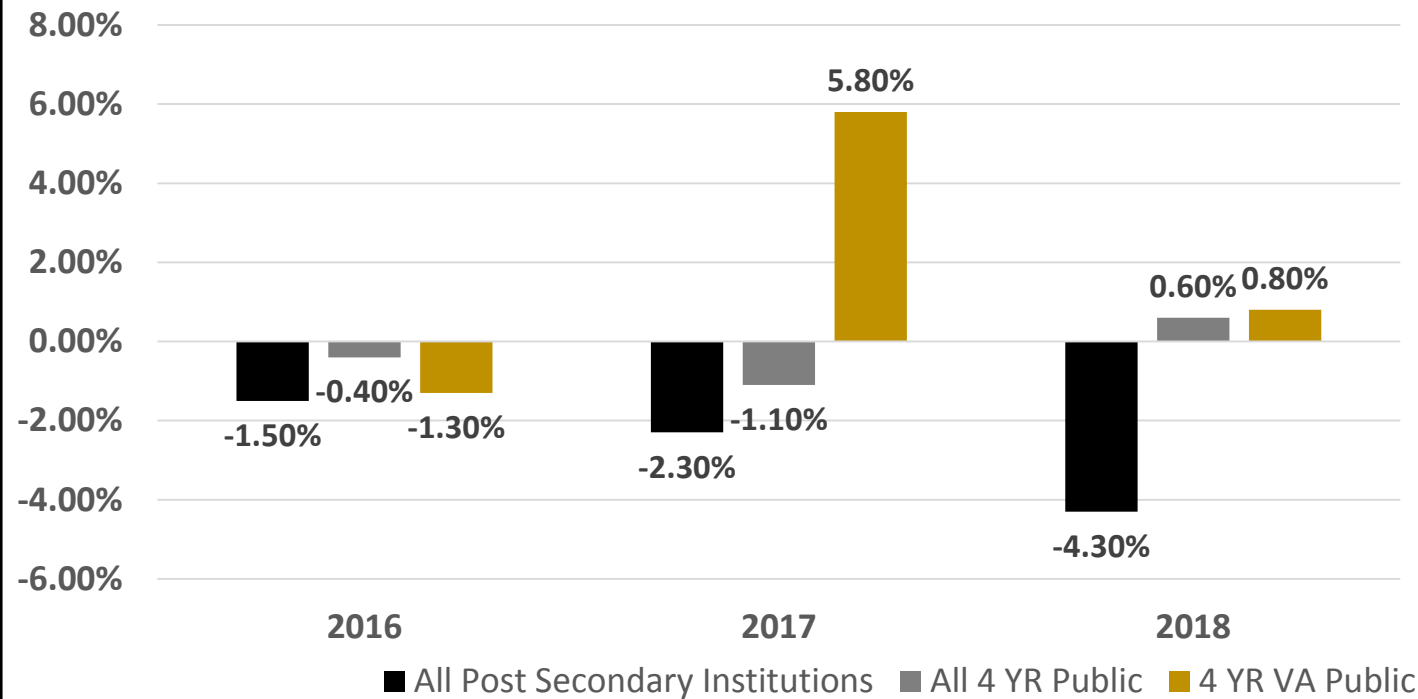
Source: [State Council of Higher Education for Virginia E02: Fall Headcount Enrollment \(1992 thru Current Year\)](#)

Undergraduate Enrollment

National, State and Local Trends

National and State First Time in College Enrollment

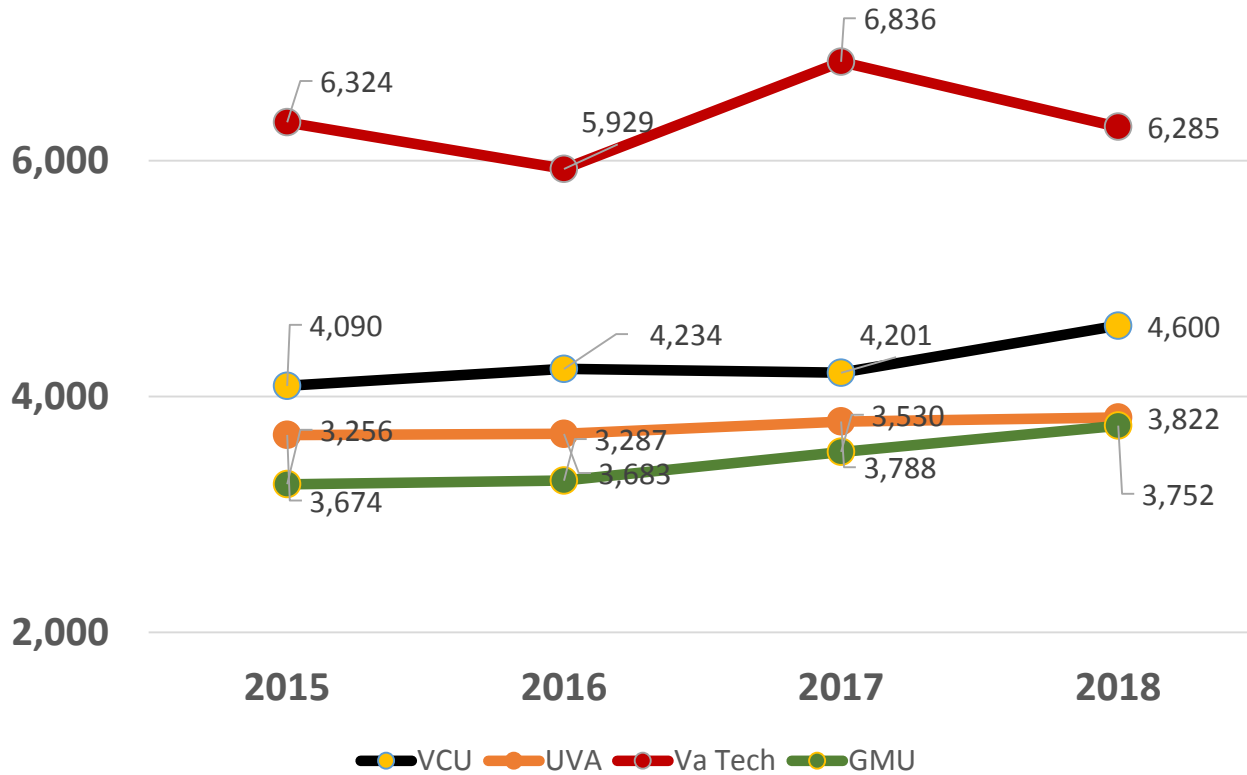
National and State First Time in College Enrollment
Trends: Annual Percent Change
(2016-2018)



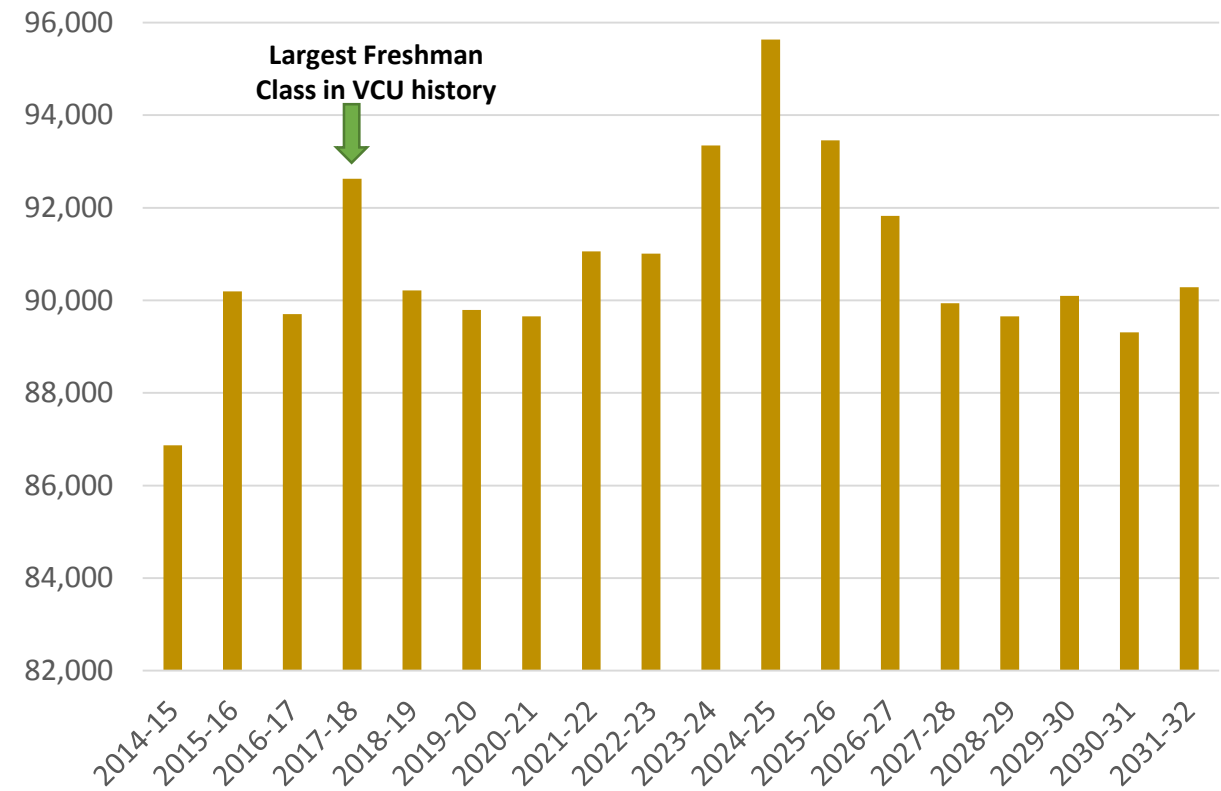
- Virginia has trended more positively than the nation in enrolling first time college students.
 - Possibly a result of increased high school graduates.
- 2018 first time in college enrollment at 4 YR publics improved
 - Increase (29.8%) of FTIC students over the age of 24.

Research University First Time in College Enrollment and High School Graduate Projections

Research University Peers New Freshman Enrollment
2015-2018



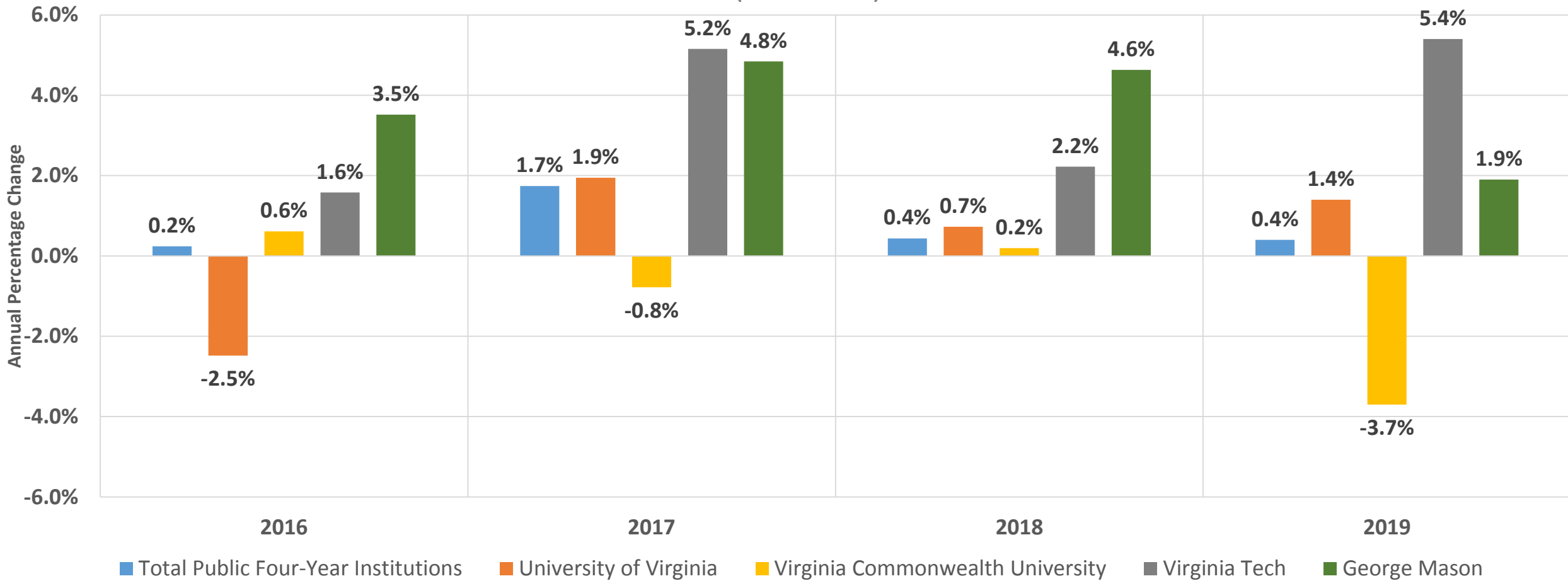
Virginia High School Graduates
Actuals (2014-2018)/ Projections (2019-2032)



* Fall 2019 New Freshman enrollment data was not available for VA Research Peers at the time of presentation development

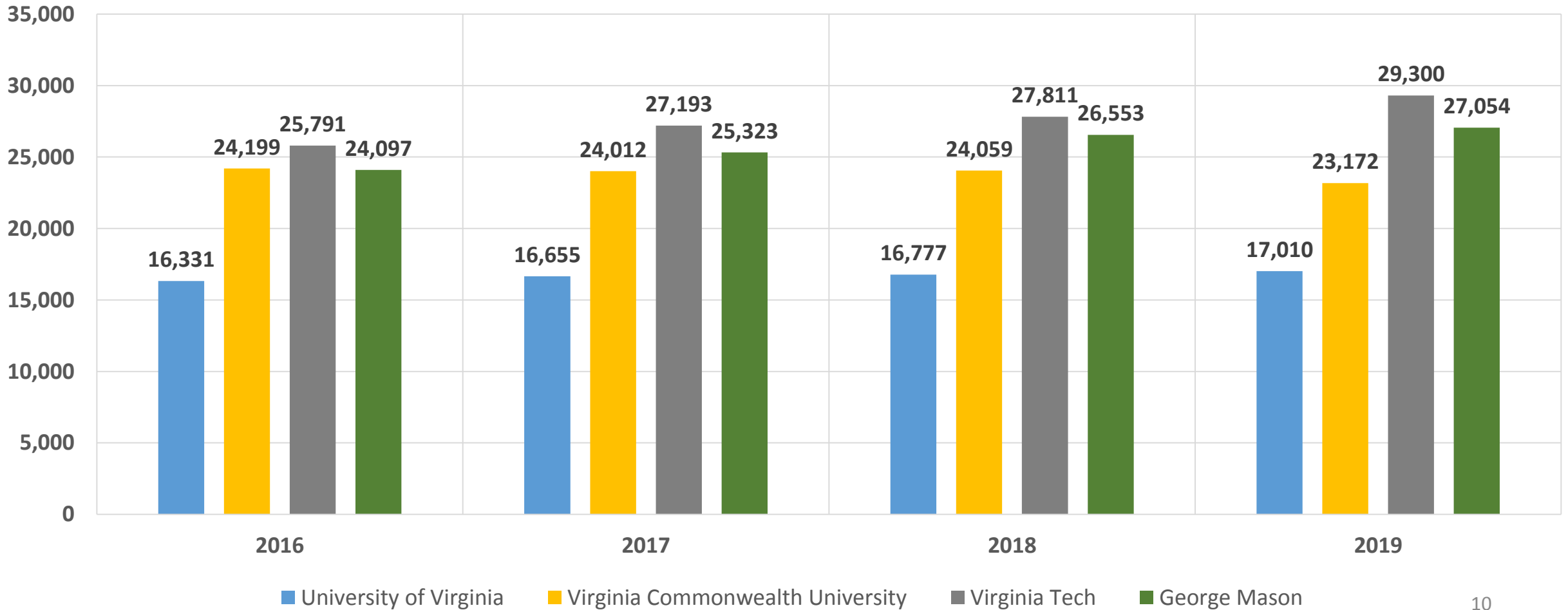
Research University Peers Undergraduate Enrollment

Research University Peers Undergraduate Enrollment: Annual Percent Change
(2016-2018)



Research University Peers Undergraduate Enrollment

Research University Peers Undergraduate Headcount
(2016-2018)

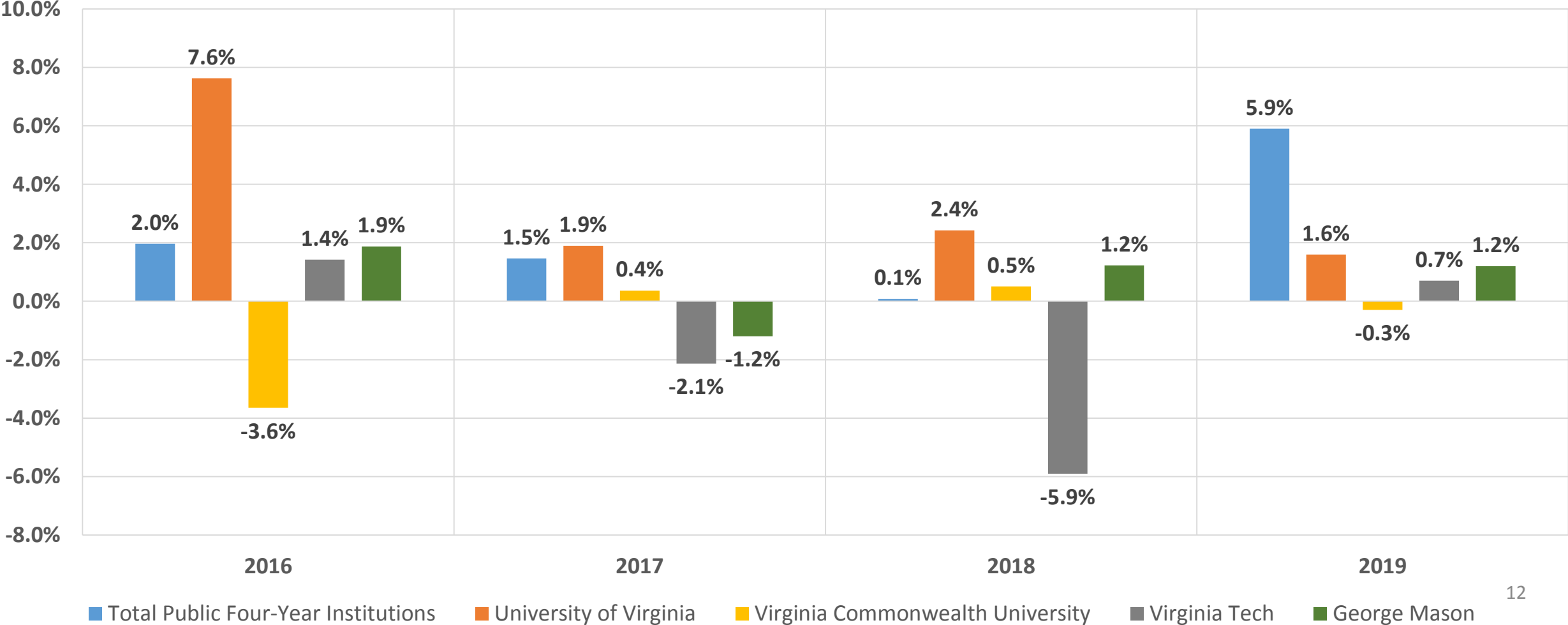


Graduate Enrollment

State and Local Trends

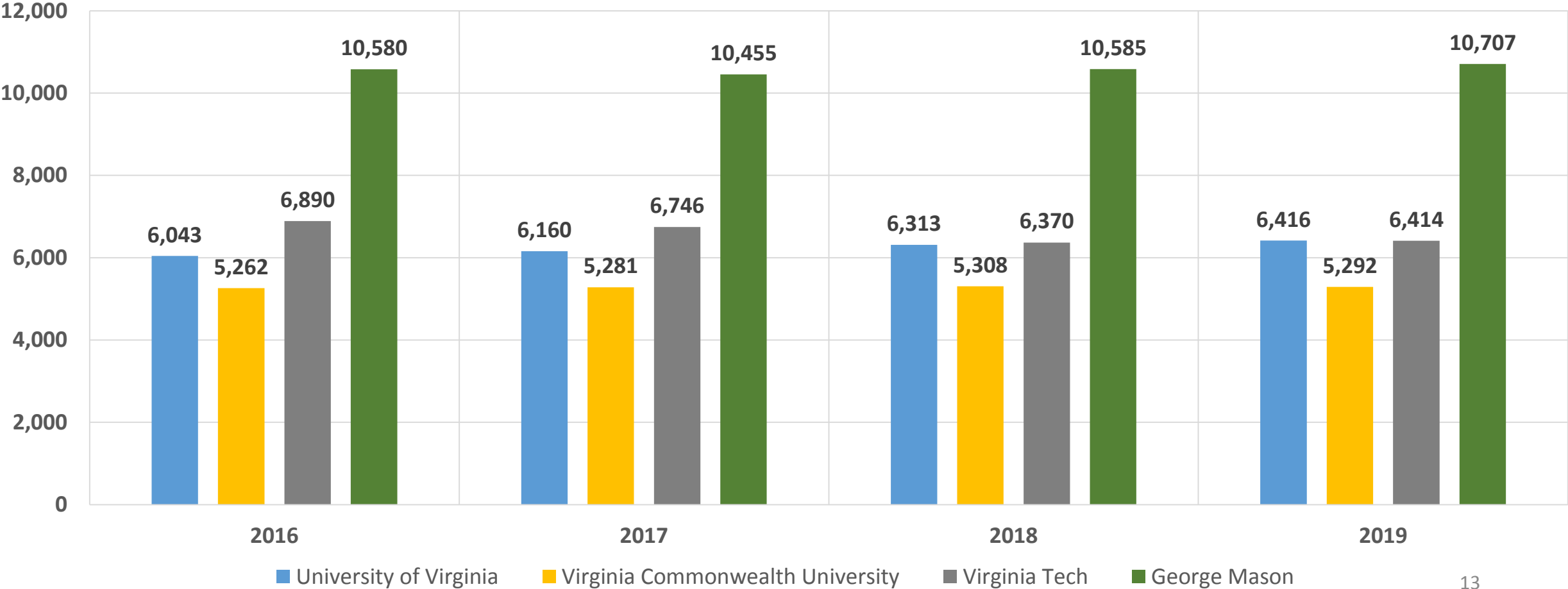
Research University Peers Graduate Enrollment

Research Peers Graduate Enrollment: Annual Percent Change
(2016-2018)



Research University Peers Graduate Enrollment

Research Peers Graduate Headcount (2016-2018)

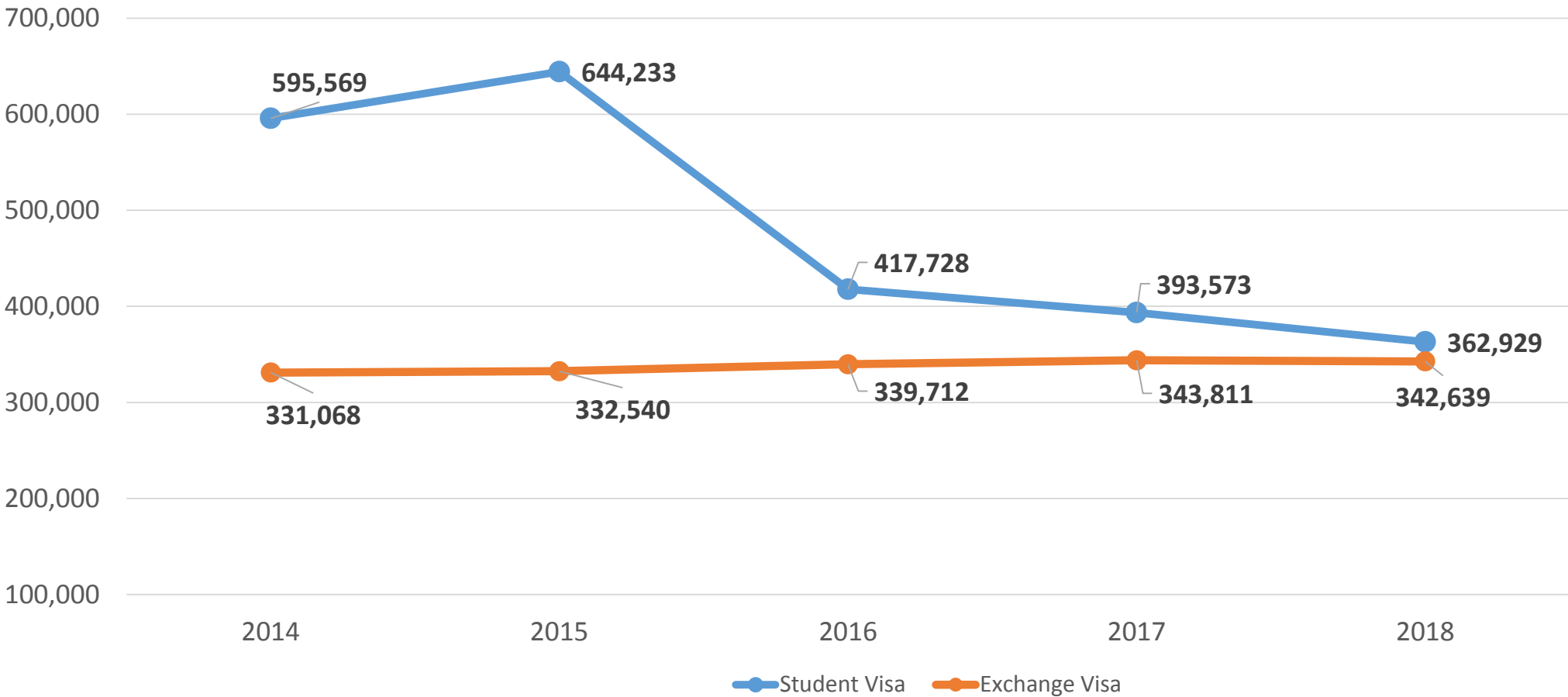


International Enrollment

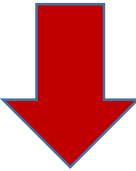
National and Local Trends

The significant decline in student visas issued is directly attributed to changes in foreign policy and implementation. A decline in student visas issued has direct correlation to international enrollment.

Nonimmigrant Visas Issued by US Department of State
FY 2014-2018



-64.1%
Student Visa
5 YR % Change



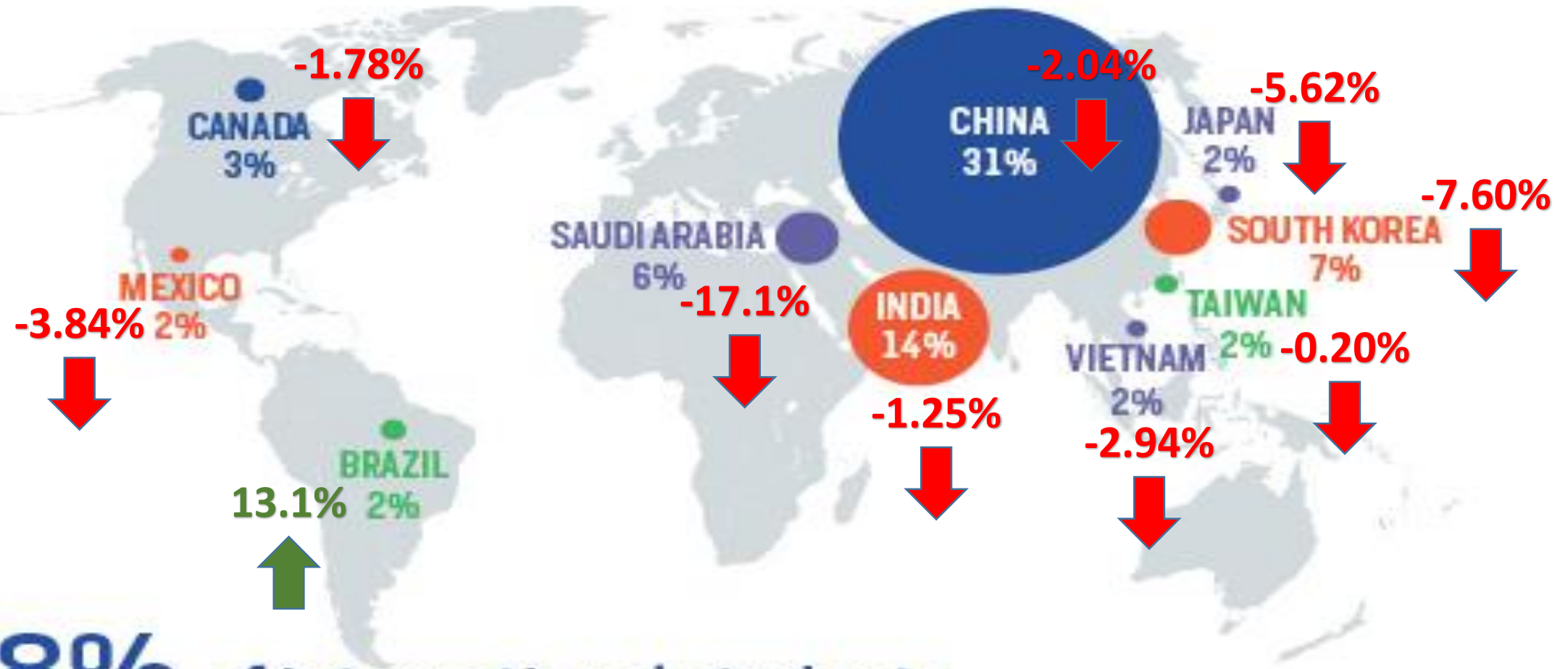
3.3%
Exchange Visa
5 YR % Change



Higher Education Landscape: International Enrollment

1 Year Change of Active Student Visa Holders (March 2018 to March 2019)

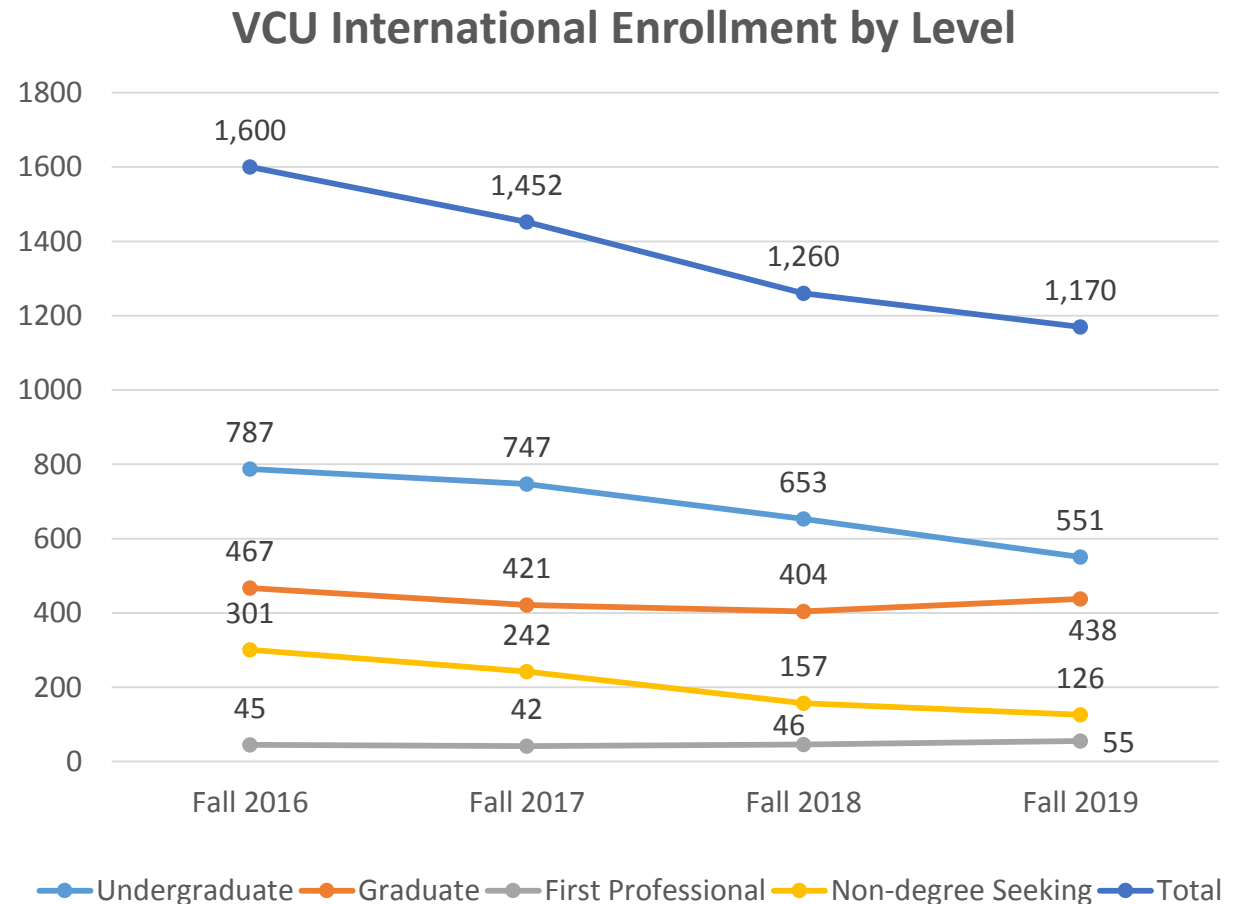
TOP TEN PLACES OF ORIGIN OF INTERNATIONAL STUDENTS



58% of international students come from China, India, South Korea, and Saudi Arabia.

VCU International Enrollment

- VCU international enrollment trend is consistent with the national trend.
- VCU sought Third Party Vendor (Navitas) support in this turbulent market
 - Projected Fall 2019 Enrollment: 25
 - Actual Fall 2019 Enrollment: 13
- Evaluating the viability of Navitas relationship
- Direct Recruitment
 - Capacity and relationship building
 - China
 - Vietnam
 - *Brazil*
 - *Country in Africa (Ethiopia, Nigeria, etc.)*



Certified Small, Women, & Minority (SWaM) Business Spend

Small Business and Supplier Diversity Class	FY19		1st Qtr FY20	
Non-SWaM	\$ 109,766,820	57.0%	\$ 26,186,640	54.8%
Certified Minority Owned Business	10,932,107	5.7%	2,333,618	4.9%
Certified Women Owned Business	11,051,563	5.7%	1,103,798	2.3%
Certified Small Business	60,904,273	31.6%	18,175,874	38.0%
Grand Total	\$ 192,654,763	100.0%	\$ 47,799,930	100.0%

1st Qtr FY20 source is vendors who self-identified in RealSource; some are not SBSD certified

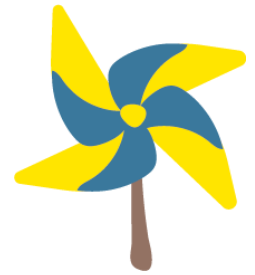
FY 20 Actions/Events Focused on SWaM Improvement

Events

- Hosted VASCUPP SWaMfest on October 9th and 10th; 706 vendors and companies participated
- Hosting another VCU SWaM Connect series in the second quarter to focus on vendors who provide furniture and furniture design
- Attending the City of Richmond's Office of Minority Business Development event in November
- Identifying vendors who self-registered as SWaM vendors in VCU's RealSource system, but are not SBSD certified so that organization can assist them in getting certified with the State

Sustainability at VCU

Dr. Meredith Weiss, Vice President for Administration



FOUR FOCUS AREAS

Renovations

Performance contracts (P3)
Retro-commissioning
Preventative maintenance
LED lights, low-flow faucets

Design and construction

LEED Silver Certification
Green space
Carbon sequestration
Stormwater

Sustainability Goals 2025

Reduce GHG by 17%
Energy savings of \$5.5M

Energy projects

Climate Commitment
Fault detection
Smart meters
Virtual power purchasing agreement

Behavioral change

Energy conservation
Recycling
Alternative transportation
Engagement
Messages from leadership

FY19 Savings: \$800,000

Behavioral Change


CONSERVE TO PRESERVE




Lights out
Turn off the lights when you leave the room. Use natural light when you can.

sustainability.vcu.edu 

CONSERVE TO PRESERVE



Set it and forget it
Set your thermostat to a reasonable temperature.

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CONSERVE TO PRESERVE



Take the stairs
Going up in an elevator uses almost 40 times as much power as going down. Consider the stairs if you are able.

sustainability.vcu.edu 

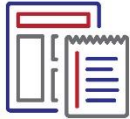
CONSERVE TO PRESERVE



Save water
Turn off the faucet when you brush your teeth, take a shorter shower and report water leaks.

sustainability.vcu.edu 

RECYCLING



PAPER

NEWSPAPERS, NOTES
MAGAZINES, POSTERS
NO SOILED PAPER



PLASTIC

PLASTICS #1-7, CUPS
JUGS, BOTTLES, TUBS
PLEASE RINSE



GLASS

JARS, JUGS, CUPS
BOTTLES, VASES
PLEASE RINSE



METAL

SODA/SOUP CANS
ALUMINUM FOIL
PLEASE RINSE



CARDBOARD

PIZZA BOXES, CEREAL BOXES
CARTONS, PAPER TOWEL ROLLS
NO FOOD OR SOILED CARDBOARD



**PLASTIC BAGS CANNOT
BE RECYCLED HERE.**



LID
PLASTIC #6

SLEEVE
CARDBOARD

CUP
SOILED PAPER



Virginia Commonwealth University
2019-2020 University Budget Plan
Revenue Summary (in thousands)

FY 2019-2020 Sources	Educational & General Programs	Sponsored Programs	Auxiliary Enterprises	Qatar	University Funds	Student Financial Assistance	Hospital Services	Total University	Change from 2018-19 Budget Plan
State General Fund									
Direct Appropriations	\$ 193,273	\$ 14,013	\$ -	\$ -	\$ -	\$ 35,196	\$ -	\$ 242,482	13.2%
Central Transfers		-	-	-	-	-	-	\$ -	-100.0%
State General Fund	\$ 193,273	\$ 14,013	\$ -	\$ -	\$ -	\$ 35,196	\$ -	\$ 242,482	11.2%
Nongeneral Funds									
Student Tuition and Fees	458,638	-	59,663	-	-	-	-	518,301	2.7%
Grants and Contracts	-	293,688	-	-	-	33,703	-	327,391	26.0%
Gifts and Investment Earnings	100	-	5,158	-	46,879	-	-	52,137	7.9%
Sales and Services	9,282	-	90,282	40,096	-	-	30,416	170,076	1.9%
Other Sources	4,969	-	8,353	-	5,246	-	-	18,568	67.2%
Total Nongeneral Funds	472,989	293,688	163,456	40,096	52,125	33,703	30,416	1,086,473	9.6%
Transfers (in) out	10,025	(10,025)	-	-	-	-	-	-	n/a
Total University Sources	\$ 676,287	\$ 297,676	\$ 163,456	\$ 40,096	\$ 52,125	\$ 68,899	\$ 30,416	\$ 1,328,955	9.9%

Virginia Commonwealth University
2019-2020 University Budget Plan
Expenditure Summary (in thousands)

FY 2019-2020 Uses	Educational & General Programs	Sponsored Programs	Auxiliary Enterprises	Qatar	University Funds	Student Financial Assistance	Hospital Services	Total University	Change from 2018-19 Budget Plan
Instruction	\$ 330,886	\$ -	\$ -	\$ 40,096	\$ 4,973	\$ -	\$ -	\$ 375,955	0.6%
Research	15,991	288,503	-	-	10,564	-	-	315,058	27.8%
Public Service	4,980	-	-	-	1,912	-	-	6,892	0.6%
Academic Support	111,579	729	-	-	12,327	-	-	124,635	11.8%
Student Services	16,360	-	-	-	705	-	-	17,065	3.3%
Institutional Support	103,805	1,178	-	-	9,854	-	-	114,837	19.6%
Operation and Maintenance of Plant	59,786	3,870	-	-	1,183	-	1,000	65,839	1.8%
Scholarships and Fellowships	5,446	1,716	-	-	10,607	101,688	-	119,457	12.2%
Auxiliary Enterprises	-	-	161,399	-	-	-	-	161,399	5.7%
Hospital Services	-	-	-	-	-	-	29,416	29,416	25.9%
Subtotal Uses	648,833	295,996	161,399	40,096	52,125	101,688	30,416	1,330,553	11.0%
Transfers (in) out ⁽¹⁾	28,661	-	4,128	-	-	(32,789)	-	-	n/a
Net Increase (Decrease) to Contingency	(1,207)	1,680	(2,071)	-	-	-	-	(1,598)	-114.7%
Total University Uses	\$ 676,287	\$ 297,676	\$ 163,456	\$ 40,096	\$ 52,125	\$ 68,899	\$ 30,416	\$ 1,328,955	9.9%

Virginia Commonwealth University - Revenue & Expenses

FY2020 Q1 Report

	Budget FY20	Actuals FY19 Q1	Actuals FY20 Q1	Actuals \$ Variance	Actuals % Variance	Actuals FY19 YE
1 Revenues						
2 State General Funds	193,273	52,150	54,236	2,087	4.0%	178,062
3 Educational and General						
4 Tuition	433,234	203,912	199,334	-4,577	-2.2%	388,625
5 Fees	27,852	12,632	13,071	439	3.5%	31,430
6 Sponsored Programs & FACR	307,701	63,138	73,237	10,099	16.0%	227,172
7 Student Financial Assistance	68,899	31,004	32,542	1,539	5.0%	109,775
8 Auxiliary Enterprises						
9 Auxiliary Revenue	104,351	41,038	41,208	169	0.4%	97,046
10 University Fee	59,506	28,444	29,139	695	2.4%	54,830
11 Hospital Services	30,416	6,466	7,417	951	14.7%	28,478
12 Qatar	40,096	5,943	4,261	-1,682	-28.3%	39,321
13 Gifts *	34,729	7,452	7,240	-212	-2.8%	33,167
14 Foundation, Endowment, and Investment Income *	12,250	2,671	3,066	394	14.8%	12,077
15 Sales, Services, and Other Revenues*	24,381	5,196	11,315	6,119	117.8%	36,297
16 Total Revenues	1,336,688	460,046	476,066	16,020	3.5%	1,236,280
17 Expenses						
18 Educational and General	643,498	167,097	169,924	2,827	1.7%	624,433
19 Sponsored Programs & FACR	297,676	70,838	75,401	4,562	6.4%	234,908
20 Auxiliary Enterprises	163,456	53,681	43,229	-10,452	-19.5%	152,027
21 Restricted & Unrestricted Funds	52,125	16,414	17,855	1,441	8.8%	61,673
22 Student Financial Assistance	101,688	47,663	52,215	4,553	9.6%	107,532
23 Hospital Services	30,416	8,462	8,287	-175	-2.1%	30,440
24 Qatar	40,096	7,457	10,492	3,034	40.7%	39,204
25 Total Expenses	1,328,955	371,612	377,402	5,790	1.6%	1,250,217

*Includes E&G, Restricted, and Unrestricted Funds



FY 2020 Financial Report for the
Four Months Ending
October 31, 2019

VCU Health System

Operating Results: For four months ending October 31, 2019 (\$ in thousands)

	FYTD 2020	FYTD 2020 Q1 Updated Plan	FYTD 2019 (adjusted for Shared Services)	FYTD 2019 (originally presented)
Clinical Enterprise	\$33,861 4.3%	\$48,929 6.1%	\$37,825 5.2%	\$41,577 5.8%
Virginia Premier	\$9,594 1.4%	\$3,793 0.6%	(\$33,960) (6.9%)	(\$37,712) (7.7%)
VCU Health System	\$48,978 3.4%	\$57,210 4.0%	\$3,865 0.3%	\$3,865 0.3%

Note: Aries is included in the VCUHS Total

VCUHS Balance Sheet (\$ in thousands)

October 31, 2019 Year To Date (4 months)

	<u>Oct 31, 2019</u>	<u>June 30, 2019</u>
ASSETS & DEFERRED OUTFLOWS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 153,010	\$ 408,846
Short-term investments	180,358	20,485
Patient accounts receivable, net	372,322	356,617
Other current assets	472,598	345,827
	\$ 1,178,288	\$ 1,131,775
ASSETS WHOSE USE IS LIMITED & LT INVESTMENTS		
	\$ 1,806,643	\$ 1,711,844
CAPITAL ASSETS		
	\$ 1,008,430	\$ 982,425
OTHER ASSETS		
	\$ 15,814	\$ 15,852
DEFERRED OUTFLOWS		
	\$ 40,333	\$ 41,295
TOTAL ASSETS & DEFERRED OUTFLOWS	\$ 4,049,508	\$ 3,883,191
LIABILITIES, DEFERRED INFLOWS & NET POSITION		
CURRENT LIABILITIES		
Current portion of long-term debt and capital leases	\$ 10,565	\$ 11,621
Estimated medical claims payable	202,828	174,863
Settlements due to Third Parties	123,310	26,367
Trade accounts payable	92,477	134,369
Accrued salaries, wages, and fringe benefits, leave	144,485	125,273
Other current liabilities	45,403	36,842
	\$ 619,068	\$ 509,335
OTHER LIABILITIES		
Long-term debt and capital leases, less current portion	\$ 676,861	\$ 684,198
Other liabilities	132,946	132,041
	\$ 1,428,875	\$ 1,325,574
DEFERRED INFLOWS		
	\$ 13,517	\$ 13,517
NET POSITION	\$ 2,607,116	\$ 2,544,100
TOTAL LIABILITIES, DEFERRED INFLOWS & NET POSITION	\$ 4,049,508	\$ 3,883,191



VCUHS Consolidated Income Statement (\$ in thousands)

October 31, 2019 Year to Date (4 months)

	<u>Percent</u>	<u>Variance Projected</u>	<u>FY 2020 Actual</u>	<u>FY 2020 Q1 Updated Plan</u>	<u>FY 2019 Actual</u>	<u>Variance Prior Year</u>	<u>Percent</u>
Operating Revenues							
Net patient service revenue	-2.6%	\$ (19,949)	\$ 741,706	\$ 761,655	\$ 689,037	\$ 52,669	7.6%
Premiums earned	0.5%	3,132	673,643	670,511	488,681	\$ 184,962	37.8%
Contract and Other revenue	3.2%	461	14,915	14,454	13,526	1,389	10.3%
Total Operating Revenues	-1.1%	\$ (16,356)	\$ 1,430,264	\$ 1,446,620	\$ 1,191,244	\$ 239,020	20.1%
Operating Expenses							
Salaries and wages	-0.3%	\$ (1,194)	\$ 382,699	\$ 381,505	\$ 349,936	\$ (32,763)	-9.4%
Benefits	0.4%	406	96,921	97,327	89,623	(7,298)	-8.1%
Medical claims expense	0.7%	3,957	590,181	594,138	441,846	(148,335)	-33.6%
Purchased services	8.7%	4,791	50,533	55,324	54,330	3,797	7.0%
Supplies	-1.8%	(1,765)	97,773	96,008	90,252	(7,521)	-8.3%
Drugs	2.3%	1,536	65,331	66,867	55,247	(10,084)	-18.3%
Other expenses	-0.8%	(420)	53,930	53,510	62,705	8,775	14.0%
Operating Excess (Loss)	0.5%	\$ 7,311	\$ 1,337,368	\$ 1,344,679	\$ 1,143,939	\$ (193,429)	-16.9%
EBITDA	-8.9%	\$ (9,044)	\$ 92,896	\$ 101,940	\$ 47,305	\$ 45,591	96.4%
<i>EBITDA (%)</i>			6.5%	7.0%	4.0%		
Interest, Taxes, Depreciation and Amortization							
Interest expense	1.4%	127	8,828	8,955	9,541	713	7.5%
Provision for depreciation / amortization	1.9%	685	35,090	35,775	33,898	(1,192)	-3.5%
	1.8%	812	\$ 43,918	\$ 44,730	\$ 43,439	(479)	-1.1%
Total Operating Expenses	0.6%	8,123	1,381,286	1,389,409	1,187,378	(193,908)	-16.3%
Total Operating Excess/(Loss)		\$ (8,232)	\$ 48,978	\$ 57,210	\$ 3,865	\$ 45,113	
<i>Operating Margin (%)</i>			3.4%	4.0%	0.3%		
Nonoperating revenues and expenses:							
Investment income	-169.0%	\$ 46,899	\$ 19,142	\$ (27,757)	\$ (21,278)	\$ 40,420	-190.0%
Other non-operating income(expense)incl. taxes	-232.8%	(2,589)	(1,477)	1,112	190	1,667	877.4%
Donations and gifts		(70)	419	349	(2,536)	(2,955)	
Total Non-Operating Revenues and Expense		\$ 44,240	\$ 18,084	\$ (26,296)	\$ (23,624)	\$ 39,132	
Excess of rev. over exp. before transfers		\$ 36,148	\$ 67,062	\$ 30,914	\$ (19,759)	\$ 86,821	
<i>Total Margin (%)</i>			4.6%	2.2%	-1.7%		



VCUHS Cash Flow (\$ in thousands)

October 31, 2019 Year To Date (4 months)

	<u>FYTD2020</u>	<u>FYTD2019</u>
Cash and Investments at the Beginning of the Year	\$ 2,123	\$ 2,063
Sources of Cash:		
Total excess/(loss)	\$ 62	\$ (20)
Depreciation expense (non-cash transaction)	34	34
Accounts receivable/ settlements decrease	24	33
Decrease/increase in Due from/to affiliates	2	92
Capital contribution MCVH	27	-
Increase in claims liability	13	-
Proceeds from new debt	-	75
Other working capital changes	48	3
Total Sources of Cash	<u>\$ 210</u>	<u>\$ 217</u>
Uses of Cash:		
Acquisition and construction of capital assets	\$ (61)	\$ (46)
Decrease in claims liability/Accts Payable	(17)	(70)
Settlements due to third parties/ AR increase	(29)	(13)
Transfer UHS / Hospital /Carolina Crescent/VCU	(4)	(0)
Increase/decrease in Due to/from affiliates	(54)	(95)
Intercompany note receivable - VPHP	(1)	(1)
Capital contribution CMH & CHoR (capital equip)	(15)	-
Other working capital changes	(24)	(26)
Principal payments on long term debt and capital leases	(9)	(8)
Total Uses of Cash	<u>\$ (214)</u>	<u>\$ (259)</u>
Net Change in Cash for the Period	<u>\$ (4)</u>	<u>\$ (42)</u>
 Cash and Investments at the End of the Period	 <u>\$ 2,119</u>	 <u>\$ 2,020</u>

VCUHS Key Ratios

October 31, 2019 Year-to-Date (4 months)

	Actual <u>FYTD 2020</u>	Actual <u>FY 2019</u>	COTH <u>Benchmark</u>	S&P's Median <u>Benchmark</u>	Fitch's Median <u>Benchmark</u>	<u>Trend</u>
LIQUIDITY RATIOS:						
Current	1.9	2.2			1.7	Favorable
Days in A/R	67.9	66.1	48.0	46.8	45.0	Unfavorable
Days Cash on Hand	191.4	204.4		216.7	256.1	Unfavorable
LEVERAGE RATIOS:						
Debt Service Coverage	7.8	5.7		4.6	4.2	Favorable
Long-Term Debt to Capitalization	21.1%	21.7%		30.4%	26.2%	Favorable
Interest Coverage	8.6	4.3			4.9	Favorable
Cash Flow to Debt	44.4%	29.0%		15.7%	25.0%	Favorable
PROFITABILITY RATIOS:						
EBITDA	6.5%	5.2%		>10.3%	>11.3%	Unfavorable
Operating Margin	3.4%	1.7%		>2.3%	>3.5%	Favorable
Total Margin	4.6%	3.8%		>4.1%	>5.1%	Favorable

Key Performance Indicators (YTD as of 10/2019)

Employee Engagement Score

4.08▲

As of 6/2018

4.14
Target

Debt Service Coverage Ratio

7.8▲

As of 10/2019

6.9
Target

Expenses per Day

\$11,230▼

As of 10/2019

\$11,296
Target

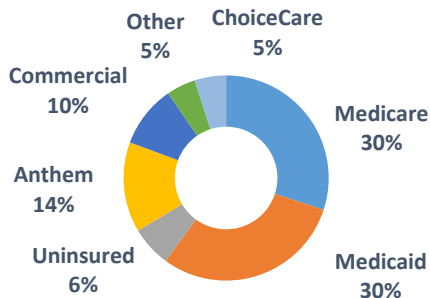
Return on Assets

5.02%▲

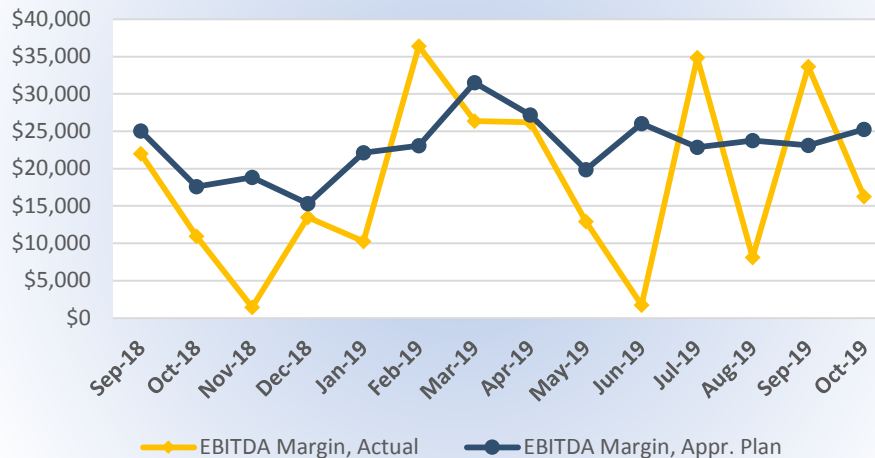
As of 10/2019

5.45%
Target

SYSTEM PAYER MIX



VCU Health System EBITDA Margin, by Month



Value and Efficiency

\$161.8M▲

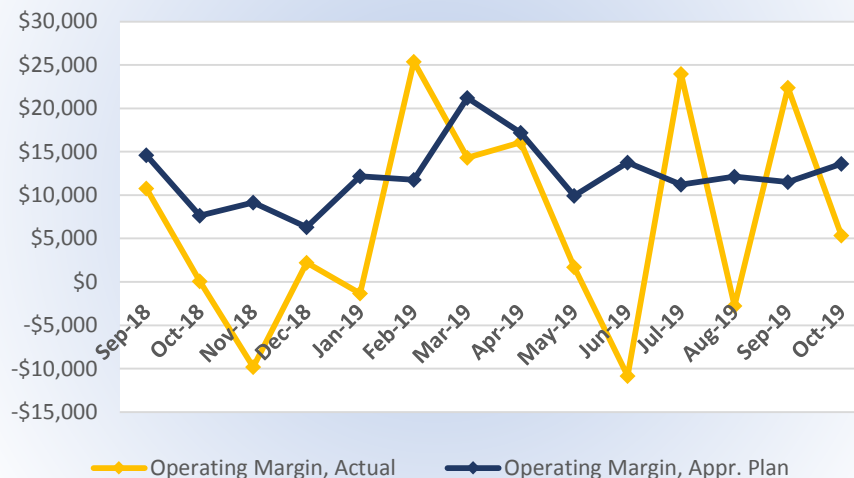
Target \$150.0M
June FY19 YTD

Operating Margin

3.4%▲

Target 3.4%

VCU Health System Operating Margin, by Month



EBITDA Margin

6.5%▲

Target 7.0%

Days' Cash on Hand

191.4▲

Target: 190

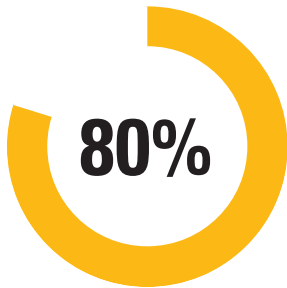
Small arrows indicates desired trend

Virginia Commonwealth University
December 2019 Summary of Major Capital Projects

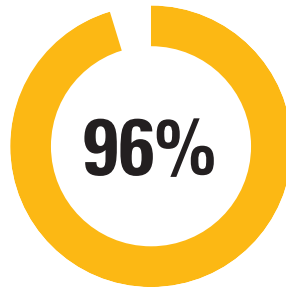
Project	Funding		Completion	Comments
	Amount	Source		
Completed Projects:				
West Main St Deck Restoration	\$1,910,767	University-Supported Debt	Jun 2019	
	\$1,910,767	Total		
Construction Underway:				
D Parking Deck Restoration (Corrosion)	\$3,102,225	University-Supported Debt	Nov 2019	Completion date extended due to continued unforeseen concrete repairs. Current estimates for completion are based on conditions experienced to date.
	\$1,152,233	Auxiliary Enterprise		
	\$4,254,458	Total		
Sanger Hall Phase II Renovations	\$17,214,620	General Funds	Oct 2015	This is the second phase of the floor-by-floor wet lab renovation of Sanger Hall. This phase will complete an additional two floors. Four floors are already complete.
	\$7,040,600	University-Supported Debt	(Part A only)	
	\$1,366,919	University Funds	Dec 2019 (all	
	\$1,795,000	State-Supported Debt	remaining phases)	
	\$27,417,139	Total		
Engineering Research Expansion	\$41,341,000	State-Supported Debt	Fall 2020	Construction started in June 2018.
	\$49,000,000	University-Supported Debt		
	\$10,300,000	General Funds		
	\$100,641,000	Total		
Johnson Hall & Shafer Court Dining Center Chilled Water Plants	\$2,850,000	Housing Revenues	Spring 2020	Contract awarded to Hourigan Construction, Baltimore, MD.
	\$2,850,000	Dining Revenues		
	\$5,700,000			
	\$4,335,000	Auxiliary Enterprise		
MCV Campus Steam Line Installation	\$1,365,000	Health Systems Funds	Summer 2020	Required additional funding authorization from BOV, which was approved as an amendment to the Six Year Capital Plan in March 2019.
	\$5,700,000	Total		
Scott House Renovation	\$3,500,000	State-Supported Debt	May 2020	
	\$3,500,000	University Funds		
	\$7,000,000	Total		
Trani Life Sciences Roof & HVAC Replacement	\$7,114,000	State-Supported Debt	Winter 2020	Funding for this project was approved by the State and the construction bid is within budget. A contract was awarded to Warwick Mechanical, Newport News, VA.
	\$7,114,000	Total		
Planning Underway:				
STEM Teaching Laboratory Building	\$113,505,000	State-Supported Debt	Dec 2022	Planning is underway.
	\$10,967,000	General Fund		
	\$124,472,000	Total		
West Hospital Dept of Transplant Surgery Reno	\$2,275,000	School of Medicine Funds	To Be Determined	
	\$2,275,000	Total		
Other Projects of Interest:				
On Schedule	Delay		Significant Delay	



By the numbers



VCU's non-faculty workforce in the new HR plan

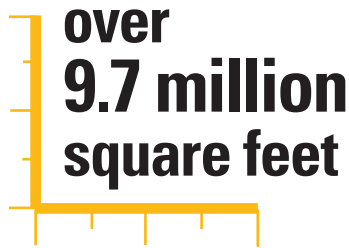


VCU community reporting feeling "safe" or "very safe"



73% increase

GRTC rides by VCU/VCU Health System employees and students from January 2019 (77,242 rides) to October 2019 (133,554 rides)



Added or renovated under Dr. Rao's leadership

\$2.91 per square foot

VCU's FY19 utility costs (water, gas and electric) were reduced by 5.5% from FY18, a savings of more than \$800K, as part of a new energy conservation initiative

\$172 million

Deferred maintenance backlog, \$397M = 10-year renewal need



Average number of wireless devices connected to VCU network (five times more than 2012)



Load capacity for conventional leased space allocated to each full-time employee (14 sq. ft. below industry average)



Number of 15-second customer service survey respondents who say our customer service met or exceeded their expectations

Accident rates since 2015





VCU

VIRGINIA COMMONWEALTH UNIVERSITY

Finance and Budget

Key Performance Measures and Projects

Report of VCU Finance and Budget Performance Indicators – Fiscal Year-to-Date as of September 30, 2019

Measure	Metrics/Performance as of September 30, 2019	Comments
Investments	Investment Balances	<ul style="list-style-type: none"> ▪ See 9/30/19 Treasurer’s Report
	Investment Returns	<ul style="list-style-type: none"> ▪ See 9/30/19 Treasurer’s Report
Debt	Bond ratings	<ul style="list-style-type: none"> ▪ AA-/Aa2 (Moody’s neg. outlook)
	Debt Ratio	
	FY18 Audited FY19 Estimated Unaudited	<ul style="list-style-type: none"> ▪ 4.35% (below 6% debt policy requirement And 7.0% Tier III requirement) ▪ 4.18% (below 6% debt policy requirement And 7.0% Tier III requirement)
Revenues and Expenses	Performance vs. Prior Year	<ul style="list-style-type: none"> ▪ Revenues (\$476M) are +3.5% above last year ▪ Expenses (\$377M) are +1.6% above last year. ▪ Adjustments underway to address anticipated year-end variance
Major Projects/Initiatives		Next Steps/Comments
VCIMCO		<ul style="list-style-type: none"> ▪ See 9/30/19 Treasurer’s Report

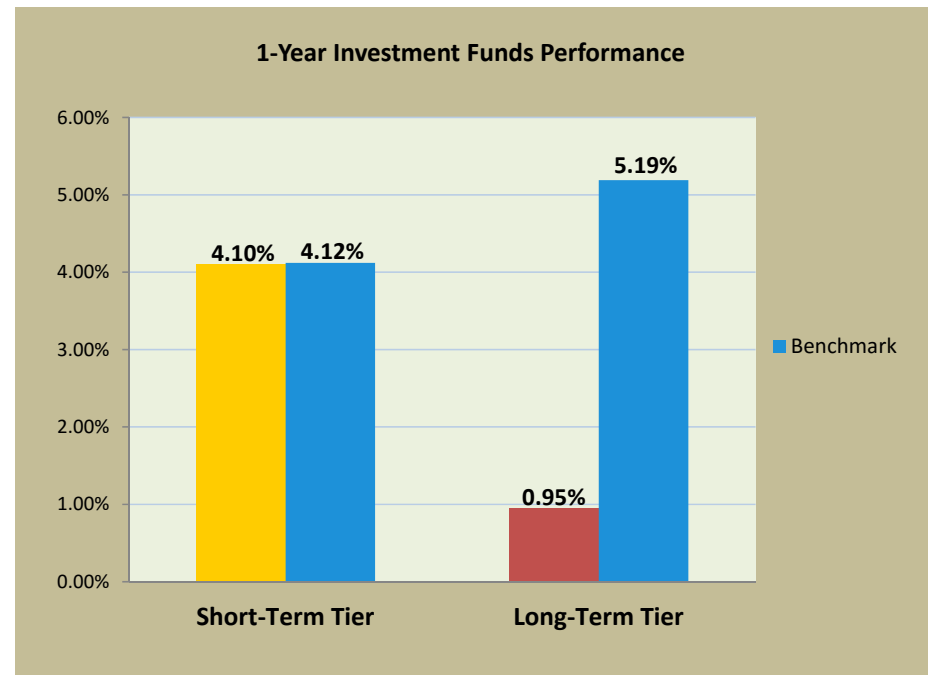
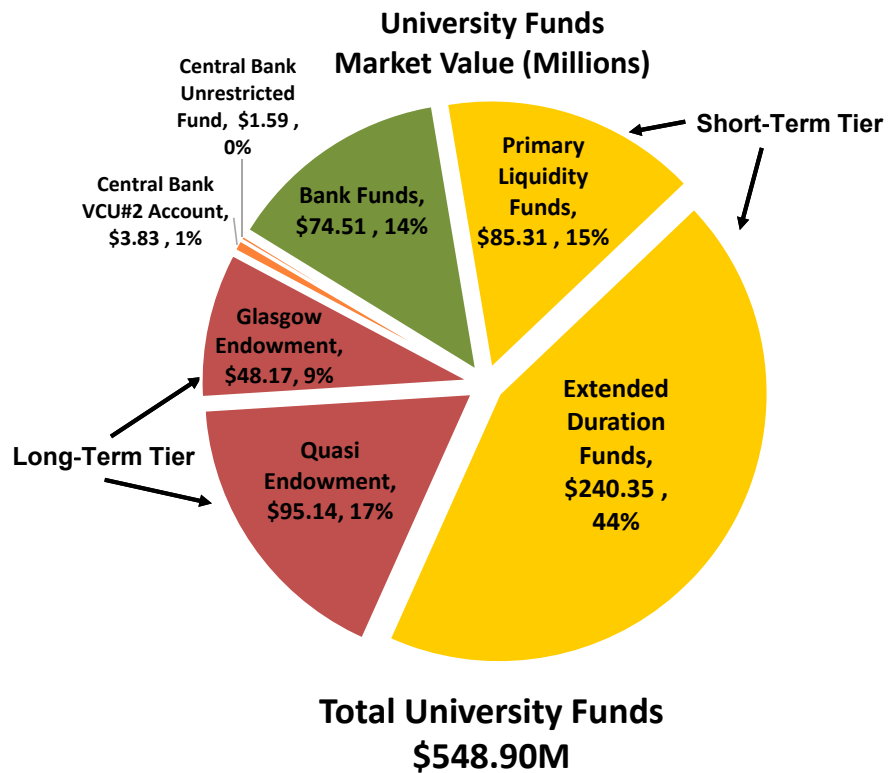
Treasurer's Report

As of September 30, 2019

Finance and Budget, Karol Kain Gray, December 13, 2019



Total University Funds Overview for the Period Ending September 30, 2019



Short-Term and Long-Term Tier Performance and Asset Allocation as of September 30, 2019

Short-Term Tier		Current		Qtr	1 Yr	3 Yrs	5 Yrs	Since July-09	
Asset Class	Market Value	Allocation		Return	Return	Return	Return	Return	
Primary Liquidity Funds (Payden & Rygel)	\$ 85,308,124	26.2%		Total Return	0.66%	2.33%	1.58%	1.01%	0.59%
<i>iMoneyNet MM All Taxable</i>					0.46%	1.98%	1.24%	0.76%	0.38%
				Price Return	-0.01%	0.09%	-0.05%	-0.08%	-0.16%
				Income Return	0.67%	2.24%	1.63%	1.09%	0.75%
Extended Duration Funds (Merganser)	\$ 240,353,450	73.8%		Total Return	0.78%	4.58%	1.97%	1.70%	1.65%
<i>BoFA ML US Corp & Gov 1-3Yr Blended Index</i>					0.70%	4.65%	1.84%	1.60%	1.03%
				Price Return	0.17%	2.14%	-0.18%	-0.25%	-0.47%
				Income Return	0.61%	2.44%	2.15%	1.95%	2.12%
Total Short-Term Tier	\$ 325,661,574	100.0%		Total Return	0.83%	4.10%	1.90%	1.50%	1.28%
<i>Short-Term Tier Composite</i>					0.75%	4.12%	1.73%	1.31%	1.57%
				Price Return	0.23%	1.75%	-0.07%	-0.15%	-0.34%
				Income Return	0.60%	2.35%	1.97%	1.65%	1.62%
Long-Term Tier		Current	VCU Strategic	Qtr	1 Yr	3 Yrs	5 Yrs	Since April-12	
Asset Class	Market Value	Allocation	Allocation	Return	Return	Return	Return	Return	
Equity									
VCIMCO Equity	\$ 88,920,122	61.9%							
JP Morgan Equity	\$ 149,947	0.1%							
Subtotal	\$ 89,070,069	62.0%	65.0%	-0.48%	0.48%	7.13%	4.77%	5.95%	
<i>MSCI All Country World Index</i>					-0.03%	1.38%	9.71%	6.83%	8.93%
Real Assets									
VCIMCO Real Assets	\$ 3,493,010	2.4%							
JP Morgan Real Assets	\$ 837,921	0.6%							
Subtotal	\$ 4,330,931	3.0%	10.0%	-1.98%	-3.40%	1.71%	3.75%	2.67%	
<i>MSCI ACWI Real Estate Index</i>					0.00%	12.41%	6.50%	7.22%	7.77%
Fixed Income and Cash									
VCIMCO Fixed Income and Cash	\$ 49,411,809	34.4%							
JP Morgan Fixed Income and Cash	\$ 768,718	0.5%							
Subtotal	\$ 50,180,527	34.9%	25.0%	0.16%	0.01%	-0.31%	0.27%	0.91%	
<i>Barclays US Aggregate Index</i>					0.00%	7.85%	2.16%	2.91%	2.60%
Total Investments									
VCIMCO - Total	\$ 141,824,941	98.8%							
JP Morgan - Total	\$ 1,756,586	1.2%							
Grand Total	\$ 143,581,527		100.0%	-0.27%	0.95%	4.80%	3.47%	3.89%	
<i>Composite Benchmark</i>					0.85%	5.19%	7.85%	4.97%	5.15%
Net Liabilities - VCIMCO Funds	\$ (275,493)								
Net Asset Value - Long-Term Tier	\$ 143,306,034								
Total Long Term Tier and Short Term Tier	\$ 468,967,608								

Note: The table above includes assets still held in custody by JPMorgan some of which will be transferred into The Ram Fund upon liquidation. These assets are not managed by VCIMCO but are included above at the request of VCU and for completeness of the Long-Term Tier.

Monitoring Report
As of December 6, 2019

Cash and Investments

	(in millions)	
	Quarter Ended	As of
	9/30/2019	12/6/2019
Bank Funds:		
Wells Fargo Checking	\$ 44.39	\$ 34.47
Restricted Cash Funds	41.42	39.67
Less: Outstanding Checks ^A	(11.29)	(13.96)
Total Bank Funds:	<u>\$ 74.51</u>	<u>\$ 60.18</u>
Short-Term Tier		
Primary Liquidity Fund (Payden & Rygel)	\$ 65.31	\$ 45.30
Extended Duration Fund (Morganster)	240.35	240.09
Central Bank Unrestricted Fund (Payden & Rygel)	1.59	1.77
Total Short-Term Tier (VCDMCO)	<u>\$ 327.25</u>	<u>\$ 287.17</u>
Long-Term Tier		
Equity (Ram Fund + PA Fund)	\$ 59.22	\$ 58.35
Fixed Income & Cash (Ram Fund + PA Fund)	33.62	31.96
Real Assets (Ram Fund + PA Fund)	2.14	1.92
JP Morgan (Equity + Cash)	0.15	0.18
	<u>\$ 95.13</u>	<u>\$ 92.41</u>
Central Bank VCU#2 Account (VCDMCO)	3.83	3.95
Total Long-Term Tier (VCDMCO)	<u>\$ 98.96</u>	<u>\$ 96.36</u>
Glasgow Endowment		
Equity (Ram Fund + PA Fund)	\$ 29.27	\$ 28.77
Fixed Income & Cash (Ram Fund + PA Fund)	16.26	15.43
Real Assets (Ram Fund + PA Fund)	1.04	0.93
JP Morgan (Equity + Real Assets + Cash)	1.61	1.62
Total Glasgow Endowment (VCDMCO)	<u>\$ 48.17</u>	<u>\$ 46.76</u>
Total University Funds:	<u>\$ 548.90</u>	<u>\$ 490.47</u>
	Quarter Ended	As of
	9/30/2019	12/6/2019
Comparative Federal Interest Rate:		
1-year	1.75	1.57
10-year	1.68	1.84

^A At FYE, the Controller's Office also adjusts the University's cash position with additional current year cash accruals.

Debt

	Latest Debt Report as of 6/30/2018	As of 12/6/2019
VCU Outstanding Debt:		
Outstanding Bonds	415,395,462	419,752,717
Capital Leases and Installment Obligations	5,100,019	4,188,959
	<u>\$ 420,495,481</u>	<u>\$ 423,941,676</u>
Debt Ratio:		
Audited Debt Ratio (as of 6/30/2018)	4.35%	
Estimated Unaudited Debt Ratio (as of 6/30/2019)	4.18%	
	(in millions)	
	Quarter Ended	As of
	9/30/2019	12/6/2019
VCU Commercial Paper (JP Morgan):		
Commercial Paper Outstanding Balance ^B :	\$20.78	\$20.68
Available Balance:	<u>\$34.42</u>	<u>\$34.32</u>
	<u>\$75.00</u>	<u>\$75.00</u>
Next Commercial Paper Put Date:	2/5/2020	
Effective Interest Rate Rate ^C :	1.40%	
^B Projects Financed by Commercial Paper, includes Cost of Issuance:		
Institute for Contemporary Art (ICA)	\$4.75	\$4.78
Energy Performance Contract (ESCO)	<u>\$15.63</u>	<u>\$15.90</u>
	<u>\$20.38</u>	<u>\$20.68</u>

^C Total cost of CP program also includes \$193K for ongoing standby liquidity facility, rating agency surveillance, and paying agent fees.