



**VIRGINIA COMMONWEALTH UNIVERSITY
BOARD OF VISITORS
FINANCE AND UNIVERSITY RESOURCES COMMITTEE**

December 9, 2022
James Branch Cabell Library
901 Park Avenue – Room 303
Richmond, VA

MINUTES

COMMITTEE MEMBERS PRESENT

Honorable Todd F. Haymore, Chair
Mr. Andrew Florence, Vice Chair
Mr. Anthony Bedell
Mr. Peter Farrell
Mr. Ed McCoy
Ms. Alexis Swann

COMMITTEE MEMBERS ABSENT

Ms. Ellen Fitzsimmons

OTHERS PRESENT

Dr. Michael Rao, President
Ms. Karol Kain Gray, Senior Vice President & Chief Financial Officer
Mr. Jay Davenport, Vice President for Development & Alumni Relations
Ms. Elizabeth Bass, Associate Vice President for Alumni Relations
Ms. Karah Gunther, Vice President for External Affairs and Health Policy for VCU and VCU Health
Mr. Matthew Conrad, Vice President for Government and External Relations for VCU and VCU Health
Ms. Erin Wilson, Board & Operations Assistant, Office of the President
Staff and students from VCU and VCUHS

CALL TO ORDER

The Honorable Todd Haymore, Chair of the Finance and University Resources Committee, called the meeting to order at 9:10 a.m.

ACTION ITEMS

Mr. Haymore reported an update on the agenda – indicating that Skilled Contracts will be discussed at a later date and that the VCUHS Financial Operations Report had been moved to Miscellaneous Reports. He then reviewed the items for action, noting that the first two items listed - the **Approval of Minutes from September for the Finance and University Resources Committee**, and the **dashboard for the Finance and University Resources Committee** - had been provided to the Committee in advance for review. He asked the Committee members if they had any changes to these, and hearing none, asked the Senior Vice President and CFO to present the **Investment and Liquidity Policy**. Ms. Gray explained that the reason for change to the liquidity policy was based on the management of the liver institute gift.

On a motion duly made and seconded the following items: 1) Minutes September 16, 2022 Finance and University Resources Committee meeting; 2) Finance and Resources Committee Dashboard; and the 3)

Investment and Liquidity Policy were approved unanimously. The minutes are posted at <https://bov.vcu.edu/meetings/minutes/>. A copy of the other actions items is attached hereto as **Attachment A** and is made a part hereof.

REPORTS

The Vice President for Government and External Relations for VCU and VCU Health Matthew Conrad and the Vice President for External Affairs and Health Policy for VCU and VCU Health Karah Gunther presented the **Government Relations update**. Mr. Conrad and Ms. Gunther expressed sadness at the recent loss of Rep. Donald McEachin, who had been a tremendous friend to VCU. They then outlined the process to develop session priorities. A new biennial budget was passed last year – we are currently in the first fiscal year of that budget. The upcoming session begins January 11, 2023 and will be a short session – 45 days. Since Virginia has a single term governor, they are only be able to pass a singular biennial budget during their term. VCU will continue to tell our story to the legislature; namely, that VCU serves the most Pell eligible and first-generation students in the commonwealth with substantial needs. Our per FTE funding remains low compared to our peers. Financial aid and faculty and staff salaries are priorities. We require \$40M of ongoing support just to bring our salaries up to our R1 peers. We continue to feel the effects of structural underfunding. These asks do not speak to our specific needs for next year. The Governor’s Budget will be released on December 15th.

The university has shared priorities with VCUHS – including bringing Massey to \$25M/year, planning authorization for a new school of dentistry. Remaining three goals are ensuring that type 1 funding remains adequate to cover disproportionate share of providing care for needy patients; identifying a permanent solution to fund the trauma fund; and collaborating with the broader healthcare industry to hold insurance companies accountable.

Next, the Vice President for Development and Alumni Relations Jay Davenport presented the **Development and Alumni Relations Update**. Mr. Davenport noted that they are organizing for next campaign. He recently returned from the annual CASE conference, where VCU was noted for exceptional fundraising. VCU had a record-setting year last year. In April, he will present their comprehensive plan to the BOD and BOV. The new fundraising strategy will be the basis for their strategic plan. Mr. Davenport reported that fundraising to date has been exceptionally strong – \$105.3M. Unusual that it’s more even this year between both campuses. Alumni totals will continue to rise over the next few weeks.

Mr. Davenport then introduced Associate Vice President for Alumni Relations, Ms. Elizabeth Bass. Ms. Bass is the first alumnus to be named Associate VP for Alumni Relations. Ms. Bass reported that the university and health system alumni associations merged together into a singular entity. The new Alumni Council has 50 members and held their first meeting in November. She has given the team a goal of having 50,000 points of contact with alumni. The Alumni Council members are very diverse – based on years, schools, campuses, background and experiences. Two big areas of focus will be DEI and early engagement. They want to live up to the good work of our African American Alumni Council Mentoring Circle.

The group is focused on getting alumni to give their time and treasure to VCU. The first VCU Magazine for alumni and donors will launch soon, and they are working to partner strategically to increase all channels. Anytime we can bring alumni together, the magic happens – they learn what is happening here, they want to get involved and give back. They want to get alums involved in recruitment, and mentioned VCU Link as a platform to connect alums, faculty and staff. A copy of the items is attached hereto as **Attachment B** and is made a part hereof.

CLOSED SESSION

On motion made and seconded, the Finance and University Resources Committee of the Virginia Commonwealth University Board of Visitors convened into closed session under Section 2.2- 3711 (A)(9) for the discussion of gifts, bequests, and fund-raising activities of the University, namely the Named Funds Report, the Approved Named Funds under \$50,000 Report, and other notable and significant gifts. The motion was approved unanimously.

RECONVENED SESSION

Following the closed session, the public was invited to return to the meeting. The Hon. Todd Haymore called the meeting to order. On a motion duly made and seconded the following resolution of certification was approved by a roll call vote:

Resolution of Certification

BE IT RESOLVED, that the Board of Visitors of Virginia Commonwealth University certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements under this chapter were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion by which the closed session was convened were heard, discussed or considered by the Board.

Vote	Ayes	Nays
Honorable Todd F. Haymore, Chair	X	
Mr. Andrew Florence, Vice Chair	X	
Mr. Anthony Bedell	X	
Mr. Peter Farrell	X	
Mr. Ed McCoy	X	
Ms. Alexis Swann	X	

All members present responding affirmatively, the resolution of certification was adopted.

REPORTS, CONTINUED

The Senior Vice President and CFO Karol Kain Gray presented the **Finance and Budget update**. Ms. Gray provided a report on the university's cash position, noting that the university is slightly up from 21-22, due to growth in sponsored research and the first gift to the liver institute, which puts the university in a better position as it approaches a Moody's review later in the month. Ms. Gray also noted an unmodified opinion following a recent audit.

Ms. Gray then reviewed VCU and Related Entity Financial Statements, stating that all of the related entities received unmodified opinions. In response to a question, Ms. Gray noted that VCIMCO manages most of the university foundations but MCV Foundation works with another investment firm and that each related entity has a board of visitors member on its committee. Ms. Gray also remarked that the Engineering Foundation is working with the university to determine the debt payment for the new Engineering Research building. Ms. Gray stated that she plans to come to the next Strategic Task Force meeting to discuss the related entities and the support to the university.

Next, Ms. Gray provided a budget update for fiscal year 2022-2023. The university held tuition flat for the past 4 years; however, with inflation and a 5% salary plan the impact of this on tuition dollars is significant and reduces its spending power. Because of this, the university has been doing more with less, including deferring many initiatives that we need to improve services we offer our students.

Ms. Gray explained that the university has been using one-time money to address the budget shortfall but the university needs a solution to permanently address this problem. The university is at a point where we have to decide if we want to compromise the quality of our academic programs. The university has been dealing with a structural inequity that has never been addressed. Ms. Gray explained that the university has already taken cuts to address these concerns, stating that the university has trimmed and saved everywhere it can; citing staffing cuts, procurement changes, delaying searches, and creating shared services as several examples. Cutting further would result in drastic changes to all services we provide.

Ms. Gray detailed the university's \$51M in needs for fiscal year 23-34, noting that the university would still need to manage internally \$14M of additional needs. The current state funding model rewards every institution the same and ignores the students we serve. The model has to change to provide more funding for the lower income students we serve.

Ms. Gray then reviewed the university's Credit Ratings, again noting the upcoming review with Moody's. Finally, Ms. Gray provided an update on Supplier Diversity, noting continued success with the university's utilization of SWaM vendors, giving credit to the work of John McHugh and Tricia Perkins. A copy of the items is attached hereto as **Attachment C** and is made a part hereof.

MISCELLANEOUS REPORTS

Ms. Gray provided overviews about the Sources and Uses Funding/Revenue and Expense Summary and the Treasurer's Report and Mr. James Siegel, CFO for VCU Health provided an overview of the VCU Health Systems Financial Operations update. A copy of the items is attached hereto as **Attachment D** and is made a part hereof.

ADJOURNMENT

There being no further business, the Hon. Todd Haymore adjourned the meeting at 10:47 a.m.

Finance and University Resources Committee
Dashboard Metrics

Area	Target/Goal	Actual	Notes
FINANCE			
<i>Supply Chain Diversity</i>			
1. Increase procurement with minority-owned businesses	4.50%	5.30%	
2. Increase procurement with woman-owned businesses	4.50%	3.90%	
<i>Bond Ratings</i>			
Moody's		Aa3	VCU is at the minimum rating required to maintain Tier III Status
S&P		AA-	VCU is at the minimum rating required to maintain Tier III Status
<i>Debt Ratio</i>			
	Internal policy sets 4% limit	3% as of June 2021, providing a debt capacity of approx. \$103M	
<i>Investment Performance</i>			
One year as of September 30, 2022			
Short-term tier	3.03%	2.78%	
Long-term tier	18.71%	14.03%	
<i>Budget to Actual Performance</i>			
As of September 30, 2022			
Revenues	*Q1 - 36%, Q2 - 66%, Q3 - 84%, Q4 - 100%	Q1 - \$488.6M (32% of budget)	
Expenses	*Q1 - 28%, Q2 - 48%, Q3 - 77%, Q4 - 100% (*based on 10-year averages)	Q1 - \$413.7M (27% of budget)	
DEVELOPMENT & ALUMNI RELATIONS			
<i>Increase Annual Giving & Alumni Engagement</i>			
Progress to Campaign Goal	Preliminary campaign goal - \$1,000,000,000	\$501,405,319 (50.14% progress towards goal)	Current FY dollars raised: \$105,288,914 Same Time Last Year: \$68,156,738 Percentage Change: 54.48%
Annual Giving (Gifts < \$50,000)		\$4,474,763	Same Time Last Year: \$4,541,545 Percentage Change: -1.47%
Alumni Giving		\$3,978,386	Same Time Last Year: \$6,448,087 Percentage Change: -38.3%

Alumni Donors		2,093	Same Time Last Year: 1,960 Percentage Change: 6.79%
Alumni Engagement		8,977 (FY23Q1)**	11,581 (FY22Q1) Percentage Change: -22.49%
			(**Data only available for FY23Q1. Season ticket holders have not been entered for FY23 which is contributing to the decline in alumni engagement.)
GOVERNMENT RELATIONS PRIORITIES			
<i>Increase Undergraduate financial aid</i>			
<i>Increase funding for faculty salaries</i>			
<i>Address structural underfunding of \$60M</i>			
<i>Make permanent \$25M/year of Massey Cancer Center</i>			
<i>Secure authorization for School of Dentistry planning</i>			

Revised Investment and Liquidity Policy

Excerpted change from [the policy](#):

The Senior Vice President and Chief Financial Officer may appoint an independent manager to invest funds designated for a specific purpose or institute outside of the manner outlined in this policy, on the condition that any such investments, whether short term or long term, must still comply with relevant law (including the Uniform Prudent Management of Institutional Funds Act, as applicable). The independent manager will provide regular reporting to the Senior Vice President and Chief Financial Officer or designee. Notice of such exceptions shall be provided to the Board at the next meeting of the Board. Timely reporting of the nature of the investments will also be provided to the Board.

To: The Board of Visitors of Virginia Commonwealth University

From: Procurement Services and Facilities Management

Subject: Approval for Skilled Trades Contracts Exceeding \$5 Million

Date: December 9, 2022

Recommendation

We recommend that the Board approve the contracts for skilled trades services and authorize the Senior Vice President and Chief Financial Officer to execute the contracts on behalf of Virginia Commonwealth University.

Background

The Office of the President issued the Delegation of Signatory Authority policy on May 10, 2019. Pursuant to the Delegation of Signatory Authority policy, contracts with a total actual or anticipated expenditure value exceeding \$5 million require prior approval by the Board. Virginia Commonwealth University wishes to enter into contracts with providers (Collectively the “Firms”) of various skilled trade services to support its Facilities Management operations. The total anticipated expenditure value over the term of the contracts will exceed \$5 million.

Discussion

The Firms will be selected through a competitive request for proposal process in accordance with University procurement policy to provide skilled trade services including, but not limited to, door installation and repair, roofing, fume hood repairs, electrical maintenance, lead, mold abatement and testing, masonry, carpentry and paving services for the Facilities Management Department. The contracts will allow the University to respond quickly by retaining a network of prequalified firms, including local, small, woman and minority-owned (SWaM) businesses, to provide services as needed.

The contracts shall have a one (1) year initial term (the “Initial Term”) and may be renewed by VCU upon mutual written agreement of authorized representatives of the Parties for seven (7) successive one (1) year periods (the “Renewal Term”) under the terms and conditions of the contract or as otherwise agreed in writing by the Parties at such time. It is anticipated that all optional renewals will be pursued.

University Impact

The contracts will benefit the University’s efforts to maintain, upgrade and renovate its campus buildings.

RESOLUTION OF THE BOARD OF VISITORS OF
VIRGINIA COMMONWEALTH UNIVERSITY

APPROVAL FOR CONTRACTS EXCEEDING \$5 MILLION

WHEREAS, the Office of the President issued the Delegation of Signatory Authority policy on May 10, 2019;

WHEREAS, pursuant to the Delegation of Signatory Authority policy, contracts with a total actual or anticipated expenditure value exceeding \$5 million require prior approval by the Board;

WHEREAS, Virginia Commonwealth University wishes to enter into contracts with providers of skilled trade services (Collectively the “Firms”) to purchase various services including, but not limited to, door installation and repair, roofing, fume hood repairs, electrical maintenance, lead, mold abatement and testing, masonry, carpentry, and paving services for the Facilities Management Department; and

WHEREAS, the total actual or anticipated expenditure value of the contracts will exceed \$5 million over the contracts term.

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

1. The Board approves execution of contracts with the Firms.
2. The Board authorizes the Senior Vice President and Chief Financial Officer to execute the contracts on behalf of Virginia Commonwealth University.
3. This Resolution will take effect immediately upon its adoption.

Board of Visitors

Jay Davenport, Vice President, Development and Alumni Relations

Elizabeth Bass, Associate Vice President, Alumni Relations

December 9, 2022



VCU

Overview

1

Campaign Planning Update

2

FY23 New Gifts and Pledges

3

Alumni Engagement Plan

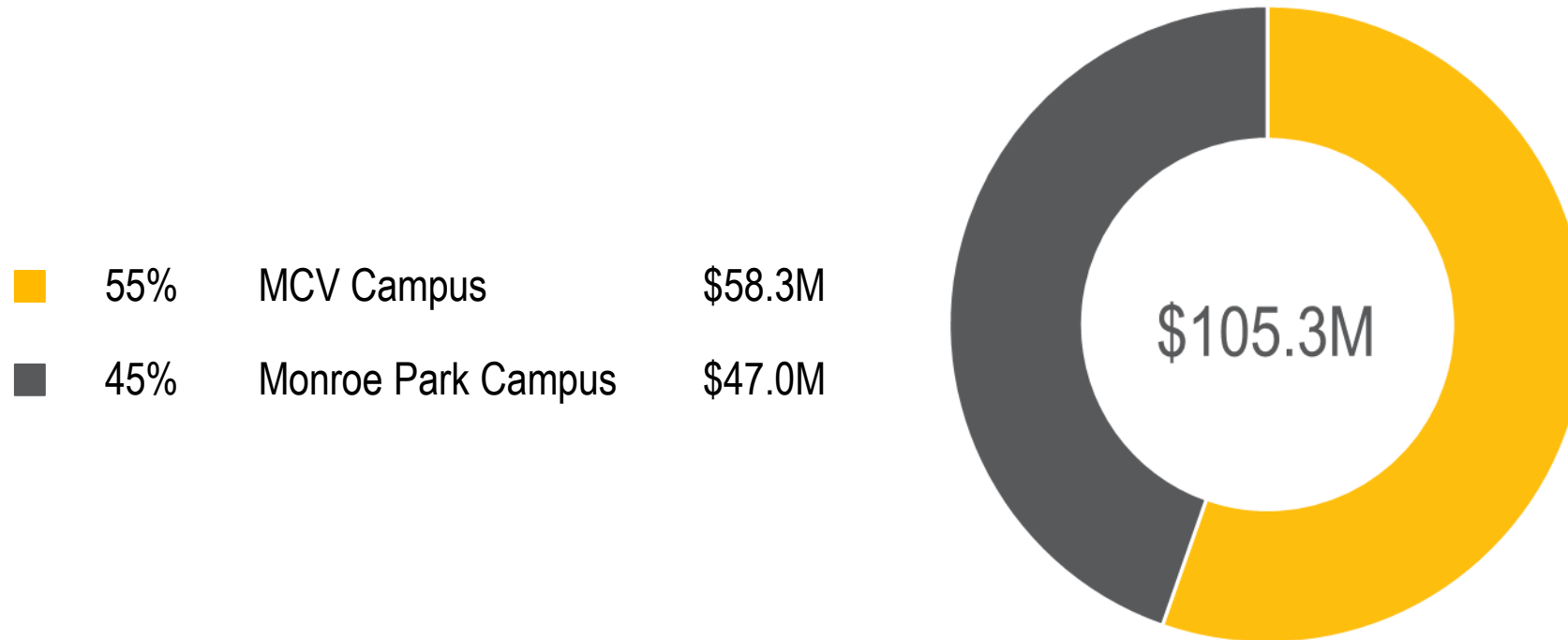
Campaign Planning Update



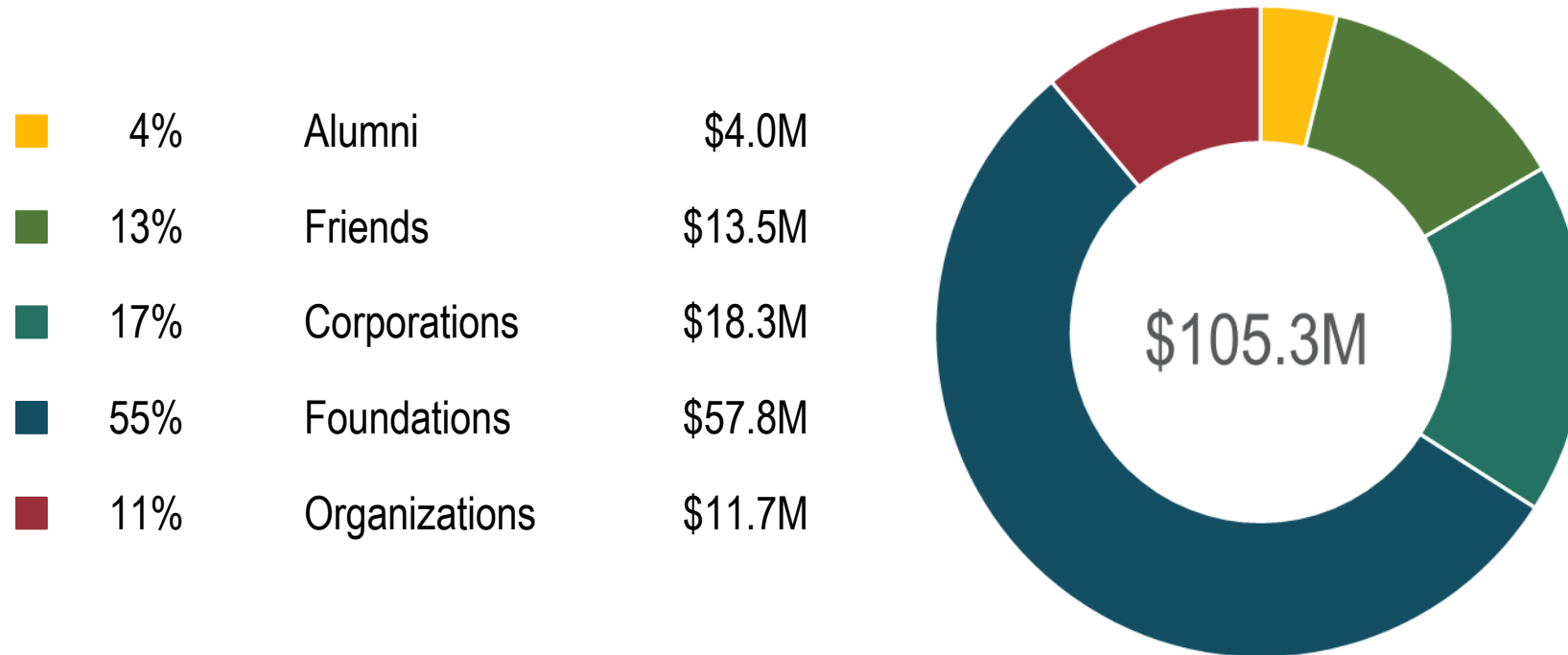
VCU's comprehensive campaign plan will be presented at the VCU BOV & VCUHS BOD Joint Meeting on April 11, 2023

- Meeting with every dean to confirm their campaign priorities and develop individual case statements
- Leadership Dinners planned around the country January – June 2023 to kick off Leadership Phase
- Campaign Cabinet being organized

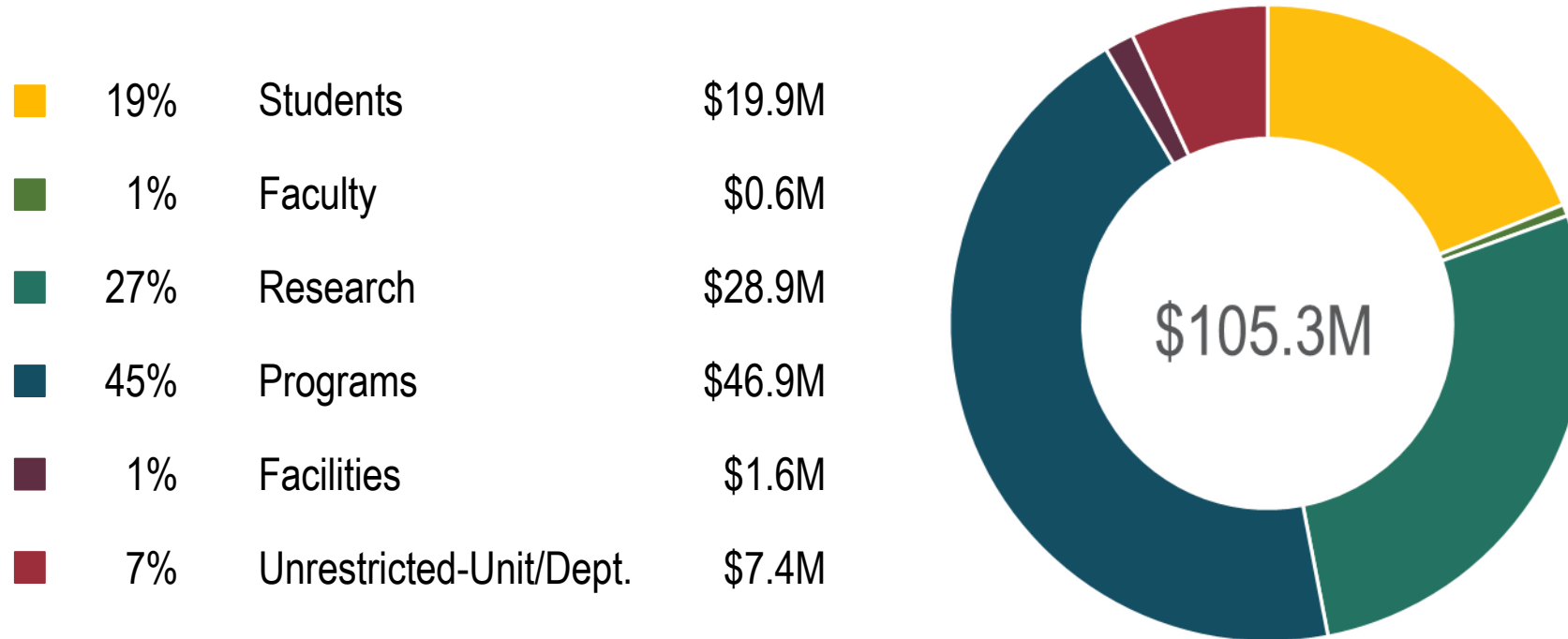
FY23 New Gifts and Pledges by Campus



FY23 New Gifts and Pledges by Source



FY23 New Gifts and Pledges by Purpose



VCU Office of Alumni Relations Strategic Plan

2022-2025

STRATEGIC PRIORITIES

1

Engagement

2

Inclusive Excellence

3

Volunteerism and Giving

4

Communications and Outreach

Engagement

We will create meaningful connections and opportunities for our alumni to advance a lifelong relationship with VCU. We will educate, engage and mobilize alumni and friends to be advocates and ambassadors.

GOALS

- Promote mentoring, internships and career networking for students and alumni by connecting them with mentoring programs around the university and digitally through VCU Link.
- Create opportunities for early engagement, such as involving alumni in the student recruitment process through an enhanced partnership with the Office of Admissions.
- Support the student-to-alumni transition by developing opportunities to bring recent graduates back to campus with new programming, such as an annual leadership conference.
- Increase regional impact by supporting local chapters and strengthening our partnership with VCU Athletics by offering co-sponsored programming in and out of the Richmond region.
- Build lifelong learning affinities by marketing VCU to alumni as a place for continuing education, specifically building on our partnerships with continuing and professional education opportunities.

Inclusive excellence

Diversity, equity and inclusion will be the cornerstone of all programs, initiatives and events. We aim to reflect and empower the voices of VCU's distinctive alumni community.

GOALS

- Leverage our constituent organizations to promote and co-sponsor staff-led DEI programs.
- Develop opportunities for international alumni to participate in virtual programs.
- Partner with New Student and Family Programs to offer parents and families of VCU students opportunities to engage and volunteer at alumni and chapter programs.
- Educate staff, students and volunteers on DEI and its importance to the university and the alumni program.

Engagement

RECENT GRADUATE COUNCIL

ADULTING
101



LET'S GET TO WORK

Resources, opportunities and events for alumni
at all stages of their careers

[learn more >>](#)

Inclusive Excellence



VCU Alumni



**AAAC
Mentoring
Circle**

LIFT EVERY VOICE



COMMUNICATIONS, MARKETING & MEDIA

LIFT EVERY VOICE



POLITICS & PUBLIC SERVICE PANEL

TECHNOLOGY PANEL

Volunteerism and giving

Through the creation of the VCU Alumni Council and other innovative volunteer programs, we will continually strive to create meaningful volunteer opportunities and a comprehensive alumni experience. Together, we will work to establish a culture of philanthropy that enhances the student experience and focuses on accessibility for future VCU alumni.

GOALS

- Create a strategy to allow alumni to volunteer in meaningful ways regardless of traditional hurdles such as time, proximity to campus and life stage.
- Manage the volunteer life cycle by developing a strategy for target markets to recruit, onboard, develop and debrief departing chapter leaders.
- Increase student giving by creating more awareness and participation in Students Today Alumni Tomorrow.
- Reach 100% giving by VCU Alumni Council members.
- Develop talking points about the importance of supporting VCU, to be shared at alumni events.

Communications and outreach

We will strive to work collaboratively and strategically with all university partners and stakeholders, and purposefully communicate through all channels and media. Together, we will enhance the lives and careers of our alumni community and promote their stories and experiences.

GOALS

- Launch a combined website for alumni and donors that offers greater engagement opportunities to increase brand awareness and visits.
- Launch VCU Magazine, a university flagship publication for alumni and donors, and a companion microsite and increase household distribution of the print magazine by 70%, from 85,000 to 150,000.
- Develop integrated strategic marketing communications that elevate the awareness and importance of alumni engagement.
- Grow our social media presence by annually increasing the number of followers on Facebook, Instagram and Twitter.
- Segment emails to reach targeted audiences and provide them with constituent-centric content that enhances their connection to the university.

Volunteerism & Giving

VOLUNTEER



VCU ALUMNI
VOLUNTEER LEADERS SUMMIT

Communications & Outreach



**STAY CONNECTED
WHEREVER YOU GO!**

Download the VCU Mobile app
and select "alumni experience."

Mentoring and Internships

STRATEGIC PRIORITY #1

Engagement

We will create meaningful connections and opportunities for our alumni to advance a lifelong relationship with VCU. We will educate, engage and mobilize alumni and friends to be advocates and ambassadors.

GOALS

- Promote mentoring, internships and career networking for students and alumni by connecting them with mentoring programs around the university and digitally through VCU Link.
- Create opportunities for early engagement, such as involving alumni in the student recruitment process through an enhanced partnership with the Office of Admissions.
- Support the student-to-alumni transition by developing opportunities to bring recent graduates back to campus with new programming, such as an annual leadership conference.
- Increase regional impact by supporting local chapters and strengthening our partnership with VCU Athletics by offering co-sponsored programming in and out of the Richmond region.
- Build lifelong learning affinities by marketing VCU to alumni as a place for continuing education, specifically building on our partnerships with continuing and professional education opportunities.

Promote mentoring, internships and career networking for students and alumni by connecting them with mentoring programs around the university and digitally through VCU Link

- Hosted VCU Link Fest – Weeks of Welcome
- VCU Alumni Council: Alumni Programs and Networking Committee
- AAAC Mentoring Circle program staffing

Student Enrollment

STRATEGIC PRIORITY #1

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Create opportunities for early engagement, such as involving alumni in the student recruitment process through an enhanced partnership with the Office of Admissions

- Liaison for Strategy, Enrollment Management and Student Success and the Office of Admissions
- Parent/student open house weekend
- VCU Alumni Council: Campus Connections Committee

VCU Link

VCU Link is the university's online community for building real-life connections, whether that's alumni to student or alumni to alumni

Real-life connections

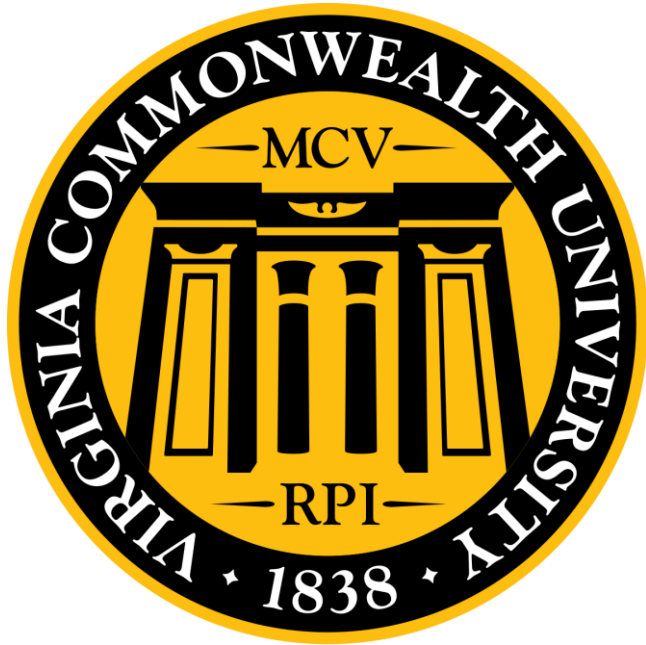
Whether you're a current student, recent grad or longtime Ram fan, we all have something in common: a desire to connect and help one another. Unique job opportunities, career support, a chance to mentor or seek mentorship, and countless resources are all available to you here. In one place.



Expand your network, unlock opportunity

Find your fit. Build your social capital. Stand out among the crowd. With VCU Link, you get exposure to different industries and jobs, resume advice and tips to hone your interviewing skills. Employers are looking for specific skills and experience — the VCU Link community may hold the key.

VCU Alumni Council



Leadership Committee

Alumni Programs & Networking Committee

Campus Connections Committee

Constituent Organization & Chapter Support Committee

Culture, Values & Diversity Committee

Grants & Awards Committee

Leadership Committee



Michelle Peace
(Ph.D.'05/M)
*Alumni Council
Chair*



Linda Warren
(B.S.'75/B)
*Alumni Council
Vice Chair*



Elizabeth Bass
(M.S.W.'03/SW)
*AVP for Alumni
Relations & Alumni
Council Secretary*

COMMITTEE CHAIRS



Faith Wilkerson
(B.S.'03/MC;
M.Ed.'05/E;
Ed.D.'15/E)



Andrea Hart
(B.A.'12/H&S)



Patty Slattum
(B.S.'85/P;
Ph.D.'89/P)



Timmy Nguyen
(B.S.'11/B)



Ashley Bacon-Ward
(B.A.'07/H&S)



Warren Satchell
(B.A.'00/A)



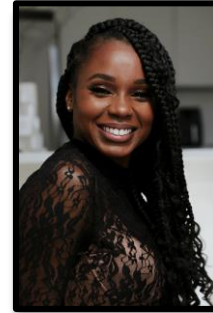
Amy Yarcich
(M.P.A.'04/GPA)

Alumni Programs & Networking Committee

CHAIR



Faith Wilkerson
(B.S.'03/MC;
M.Ed.'05/E;
Ed.D.'15/E)



Altimeese Curry
(B.S.'07/MC)



Tylen Hazard
(B.A.'08/H&S)



Mike Housden
(B.S.'95/B)



Tracey Jackson
(Ph.D.'13/GPA)



Bassam Kawwass
(M.H.A.'80/HP)



Valerie Williamston
(B.S.'88/B)

Campus Connections Committee

CO-CHAIRS



Andrea Hart
(B.A.'12/H&S)



Patty Slattum
(B.S.'85/P;
Ph.D.'89/P)



Bronwyn Burnham
(B.S.'89/P)



Shakeema Daniels
(B.A.'11/H&S;
Cert. '21/B)



Barbie Dunn
(B.S.'70/N;
Ph.D.'84/SW)



Faby Helme
(B.S.'16/B)



John Kelly
(B.S.'87/H&S)



Becky Perdue
(B.S.'62/HP)



Maresa Spangler
(B.S.'86/MC)



Connie Tran
(B.S.'18/B)



Aaron Varella
(B.S.'19/B)



Steve Wistrom
(B.S.'13/En)

Constituent Organization & Chapter Support Committee

CO-CHAIRS



Timmy Nguyen
(B.S.'11/B)



Ashley Bacon-Ward
(B.A.'07/H&S)



Steve Andrews
(Ph.D.'87/H&S)



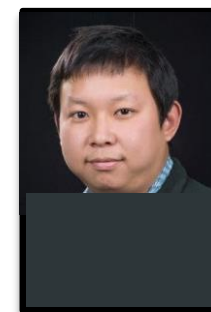
Andy Hobson
(B.S.'12/En)



Beth Lucchesi
(M.B.A.'15/B)



Meghan Manangon
(B.S.'13/N)



Ike Smith
(B.A.'10/GPA)

Culture, Values & Diversity Committee

CHAIR



Warren Satchell
(B.A.'00/A)



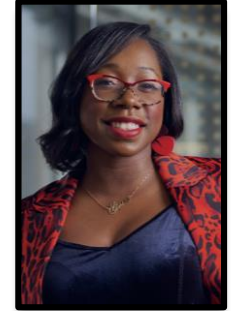
Kevin Bruny
(M.Ed.'91/E)



Madhu Chalasani
(B.S.'94/H&S;
M.D.'98/M)



Kavitha Chunchu
(B.S.'02/H&S;
M.D.'06/M)



Carita Marrow
(B.F.A.'07/A)



Aaron Moody
(B.S.'04/En)



Hayley Pottle
(B.S.'17/MC)



DaNika Robinson
(B.A.'11/H&S;
Cert.'14/GPA;
M.P.A.'15/GPA;
Ed.D.'18/E)

Grants & Awards Committee

CHAIR



Amy Yarcich
(M.P.A.'04/GPA)



Mikell Brown
(B.F.A.'81/A;
M.A.'91/A;
Ph.D.'05/A)



LeQuan Hylton
(Ph.D.'16/GPA)



Beth Hoettels
(B.S.'05/N)



Martina James
(B.A.'06/H&S)



Brandon Jennings
(Pharm.D.'06/P)



Eric Rowsey
(B.S.'13/B)



Linda Warren
(B.S.'75/B)

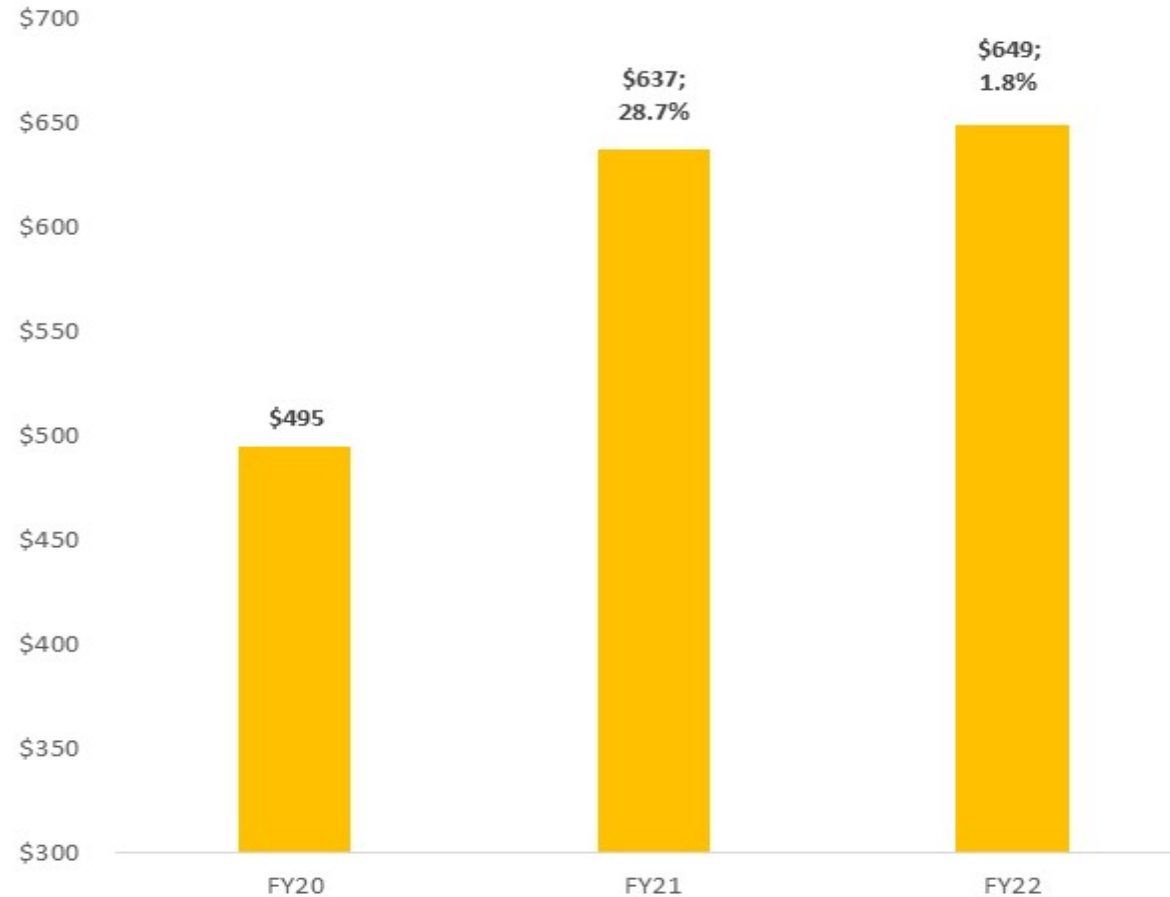
Finance and Budget Update

Karol Kain Gray, Senior Vice President and CFO



University Cash and Investments - Three Year Trend

As of June 30
(in Millions)



Financial Statement Summary

VCU

as of June 30

(In Millions)

Assets:	<u>FY21</u>	<u>FY22</u>	<u>\$ Change</u>	<u>% Change</u>
Cash and Investments	\$ 637.3	\$ 648.9	\$ 11.6	1.8%
Receivables and Other	383.2	443.4	60.2	15.7%
PPE	1,344.4	1,368.9	24.5	1.8%
Total Assets	<u>\$ 2,364.9</u>	<u>\$ 2,461.2</u>	<u>\$ 96.3</u>	<u>4.1%</u>
Liabilities	1,414.0	1,365.2	(48.8)	-3.5%
Net Postion	<u>950.9</u>	<u>1,096.0</u>	<u>145.1</u>	<u>15.3%</u>
Total Liabilitites and Net Position	<u>\$ 2,364.9</u>	<u>\$ 2,461.2</u>	<u>\$ 96.3</u>	<u>4.1%</u>
 Beginning Net Position	 791.8	 950.9	 159.1	 20.1%
Revenues	1,357.6	1,364.8	7.2	0.5%
Expenses	<u>1,198.5</u>	<u>1,219.7</u>	<u>21.2</u>	<u>1.8%</u>
Change in Net Postion	<u>\$ 159.1</u>	<u>\$ 145.1</u>	<u>\$ (14.0)</u>	<u>-8.8%</u>

VCU Related Entities Financial Statement Summary

as of June 30

(in Millions)

	MCV Foundation	VCU Foundation	VCU Real Estate Foundation	VCU School of Business Foundation	VCU College of Engineering Foundation	Dentistry@ VCU	FY22 Total	FY21 Total
Assets:								
Cash	\$ 35.3	\$ 30.0	\$ 2.0	\$ 7.3	\$ 1.9	\$ 5.6	\$ 82.1	\$ 94.0
Investments & Endowments	774.3	101.5	3.7	53.0	75.9	12.9	1,021.3	1,091.5
PPE	1.7	-	83.5	20.8	32.2	-	138.2	138.0
Receivables and Other	16.7	6.2	10.4	2.7	2.6	5.5	44.1	50.4
Total Assets	828.0	137.7	99.6	83.8	112.6	24.0	1,285.7	1,373.9
Liabilities	7.8	41.6	51.6	31.9	70.0	12.0	214.9	227.6
Net Position	820.2	96.1	48.0	51.9	42.6	12.0	1,070.8	1,146.3
Total Liabilities and Net Position	\$ 828.0	\$ 137.7	\$ 99.6	\$ 83.8	\$ 112.6	\$ 24.0	\$ 1,285.7	\$ 1,373.9
Beginning Net Position	872.0	97.1	46.1	60.9	56.2	14.0	1,146.3	865.4
Revenues	37.8	17.1	9.4	4.7	9.8	17.4	96.2	392.0
Expenses	89.6	18.1	7.5	13.7	23.4	19.4	171.7	111.1
Change in Net Position	\$ (51.8)	\$ (1.0)	\$ 1.9	\$ (9.0)	\$ (13.6)	\$ (2.0)	\$ (75.5)	\$ 280.9
% Change in Net Position	-5.9%	-1.0%	4.1%	-14.8%	-24.2%	-14.3%	-6.6%	32.5%

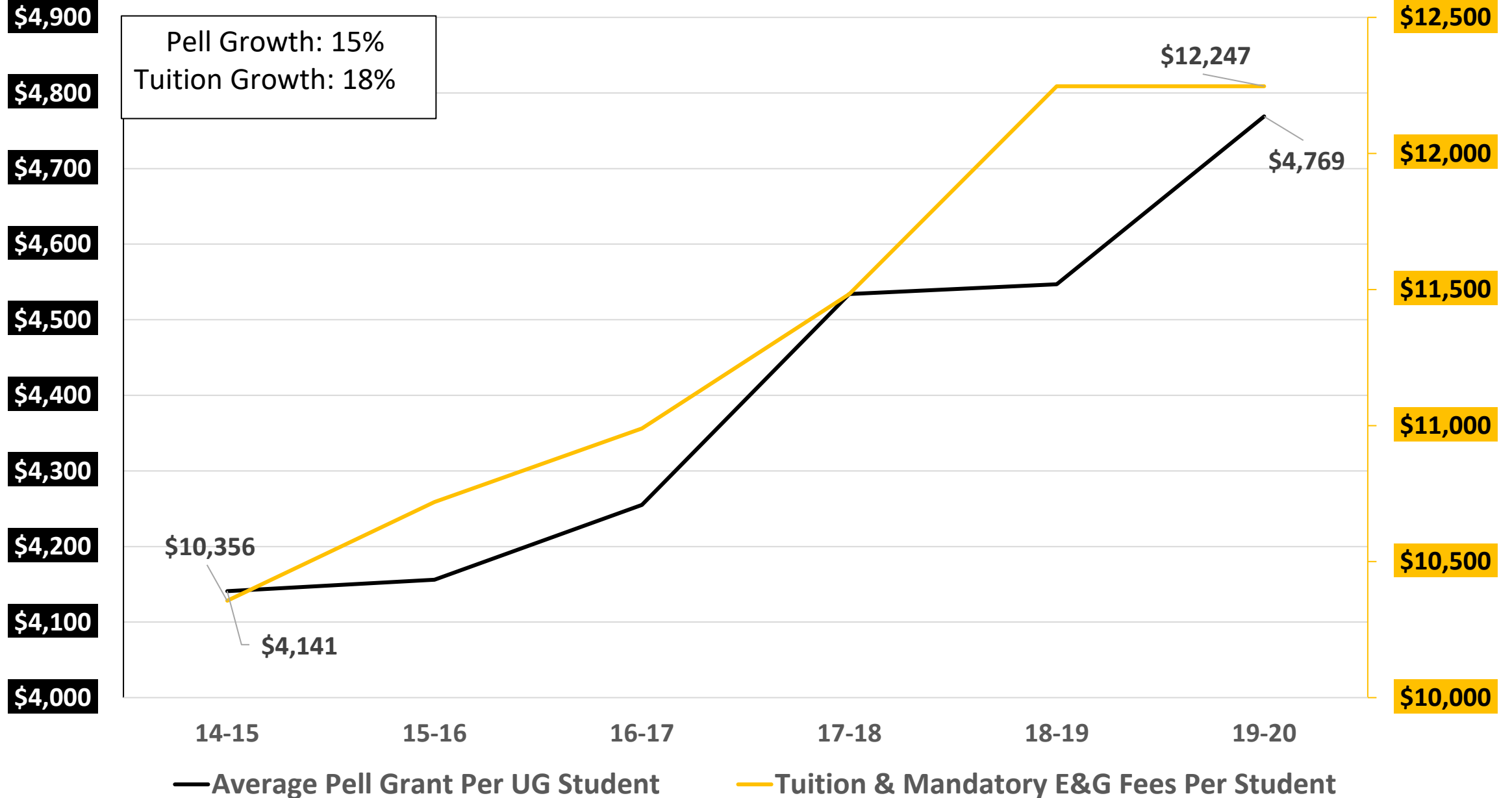
General Comments

- All related entities received unmodified opinions
- No management letter comments
- Change in net position largely due to decrease in market value of investments as of June 30, 2022

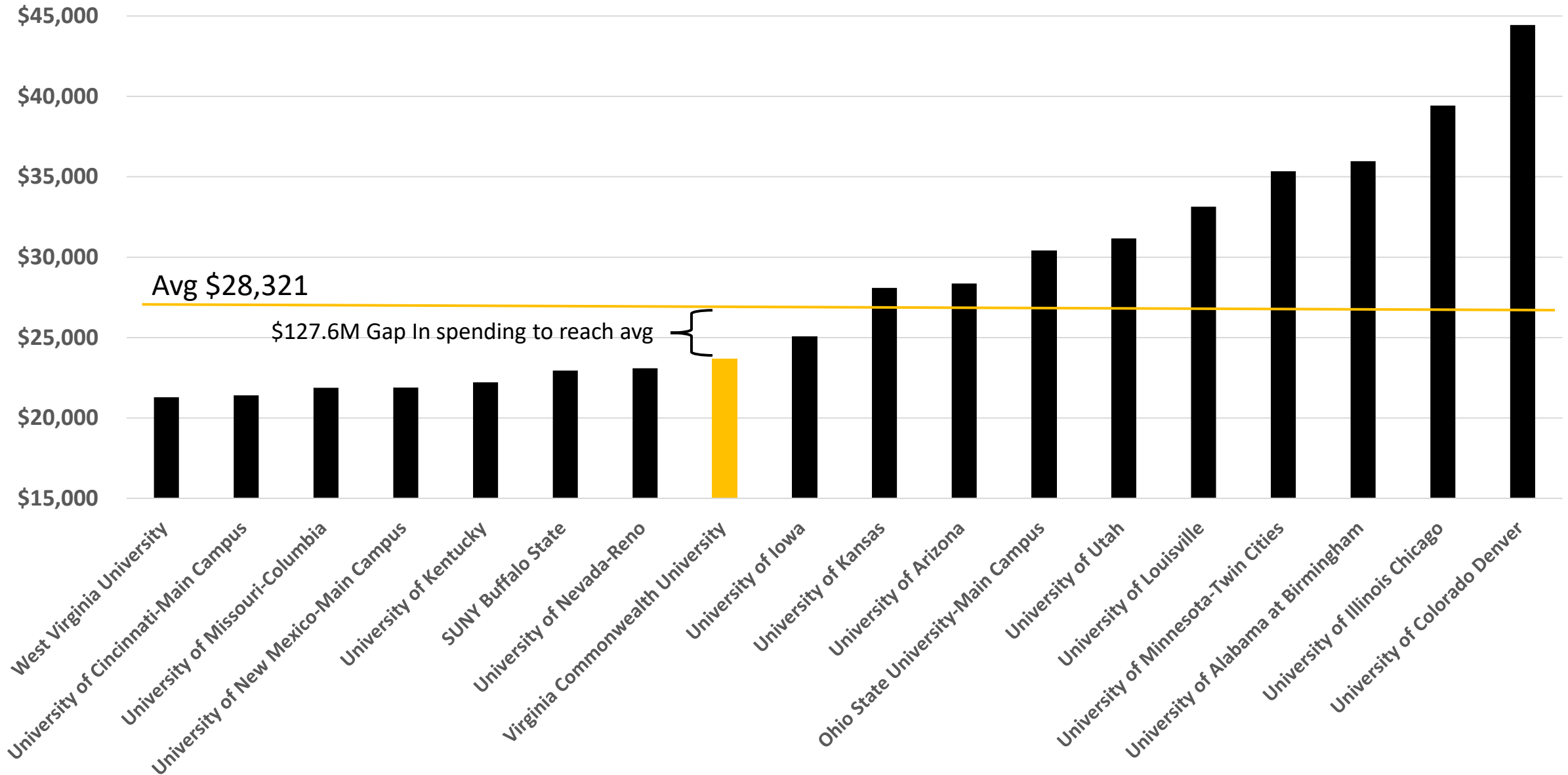


Budget Update

Pell & Tuition Growth per UG Student

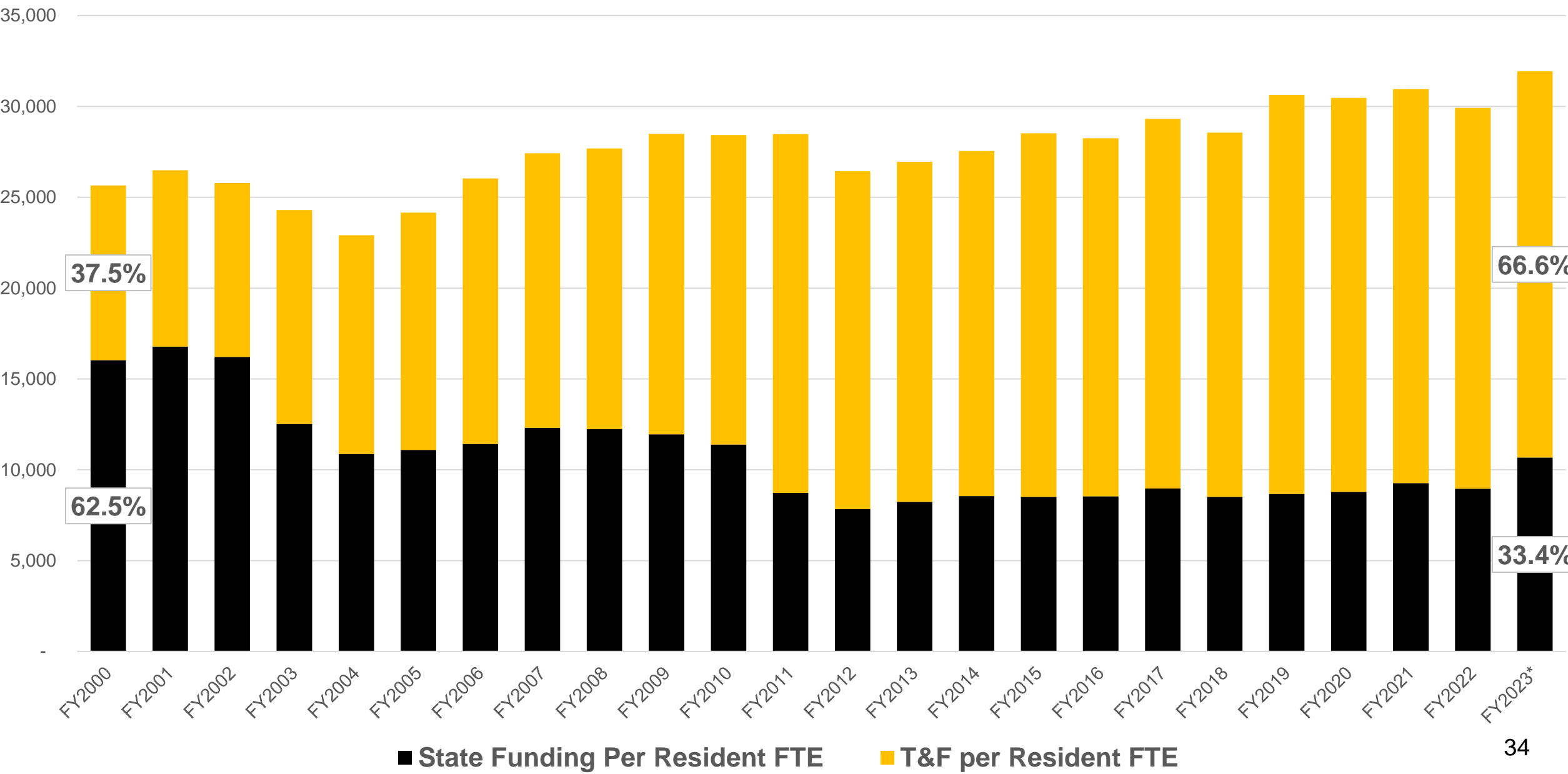


SCHEV Public Peers Instructional Spending per Student FTE FY2020

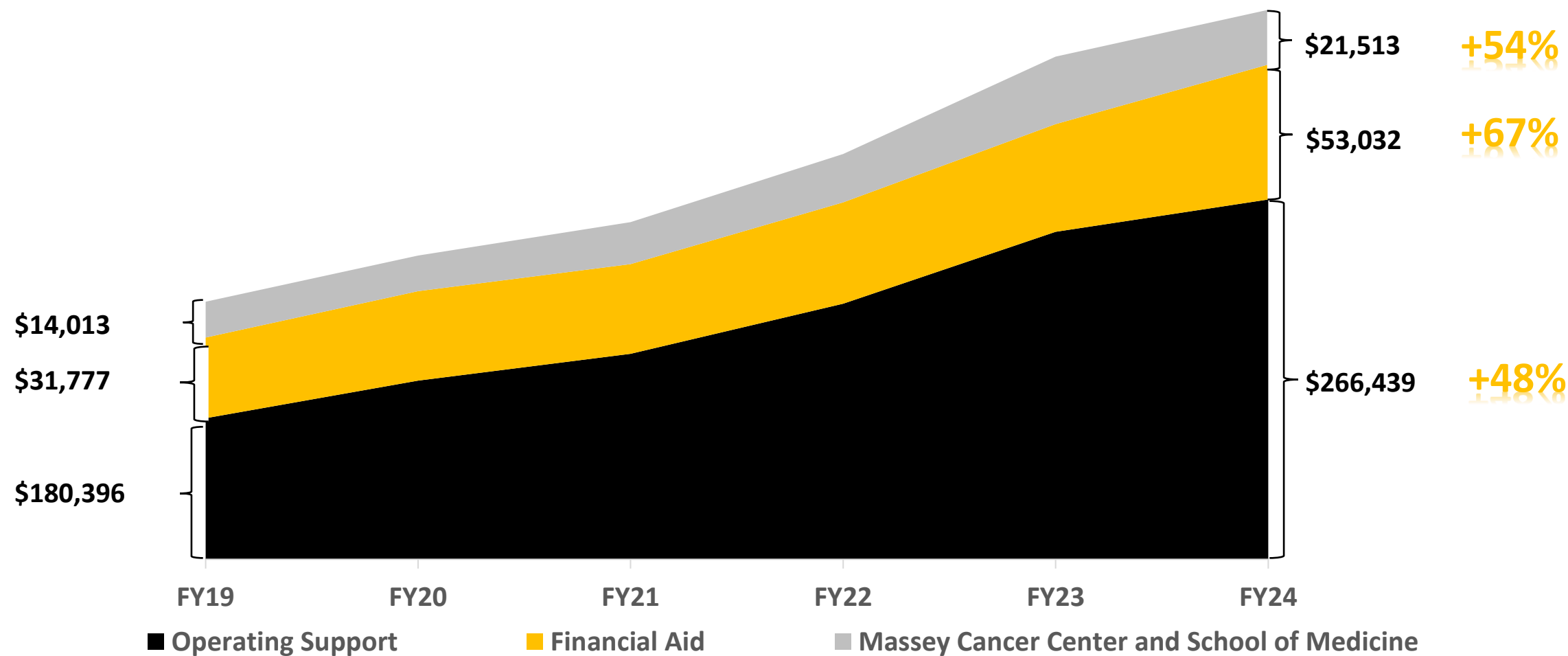


Source: Spending data from IPEDS for categories Instruction, Academic, Student & Institution Support

State Funding & Tuition & Fee Funding per FTE

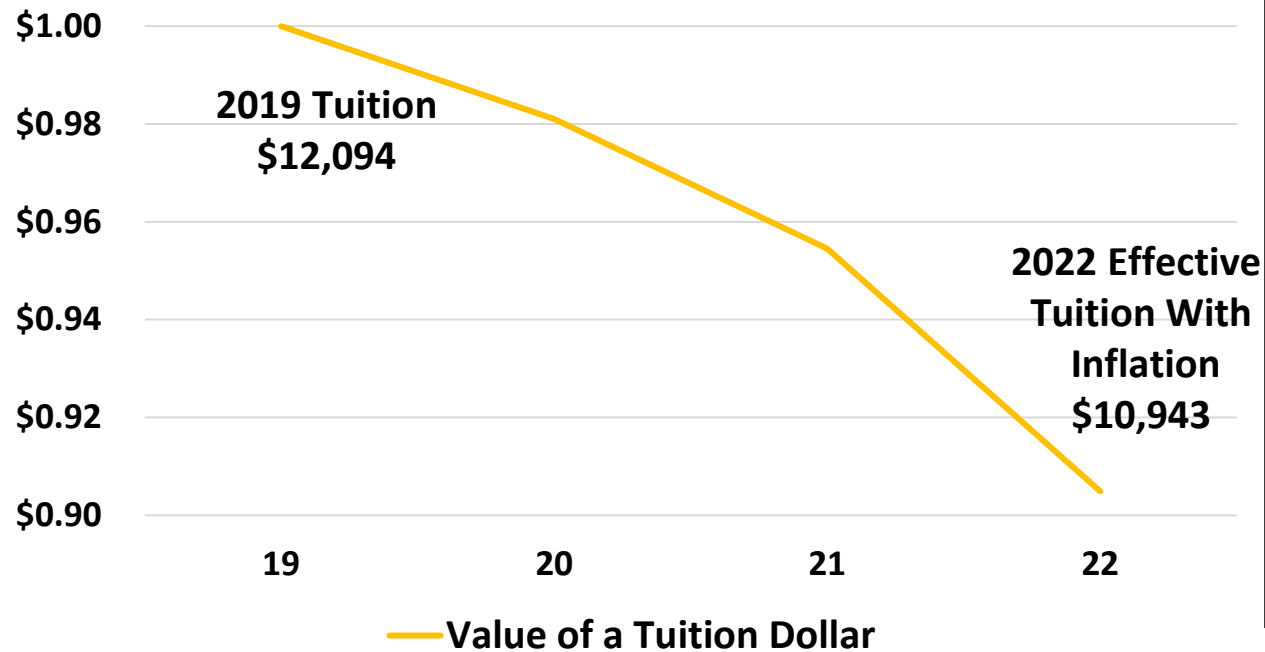


Growth in State Support *in thousands*

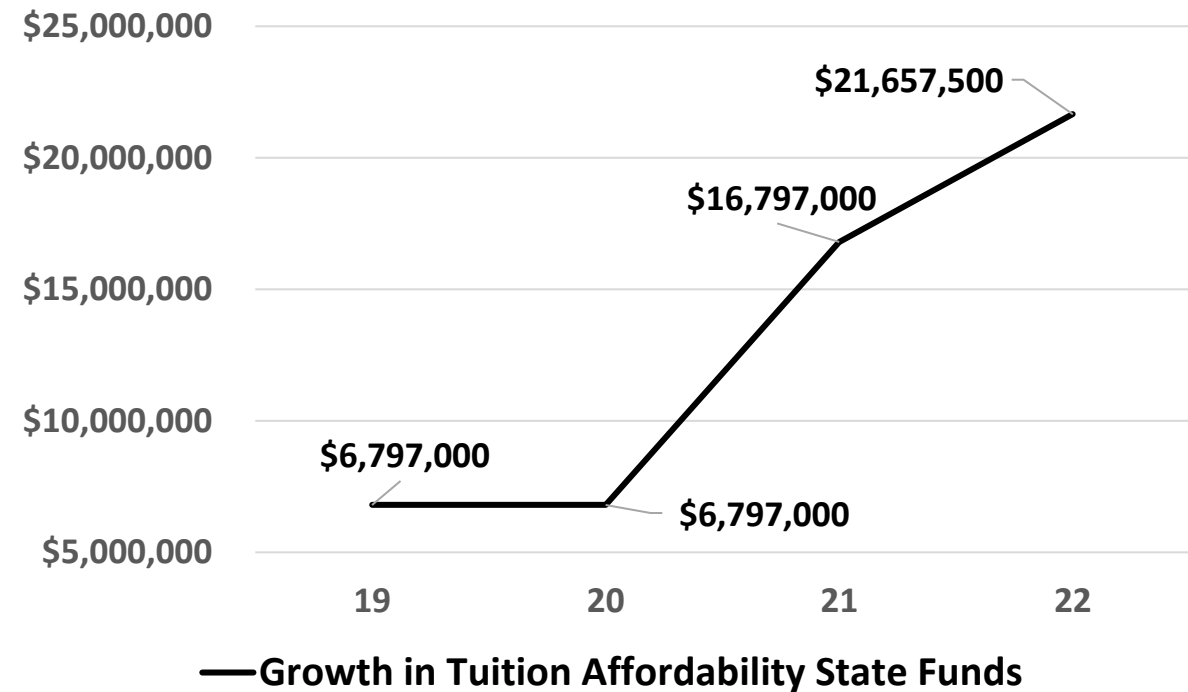


Impact of Inflation with New State Funds

Impacts of Inflation on Tuition



Growth in State Tuition Affordability Funds



Inflation loss of \$42M in tuition spending power

Gain of \$21.6M in Tuition Affordability State Funding

Loss of \$20.4M in tuition spending power
with an increase in state funds

2023 Deferral and No Funding Decisions

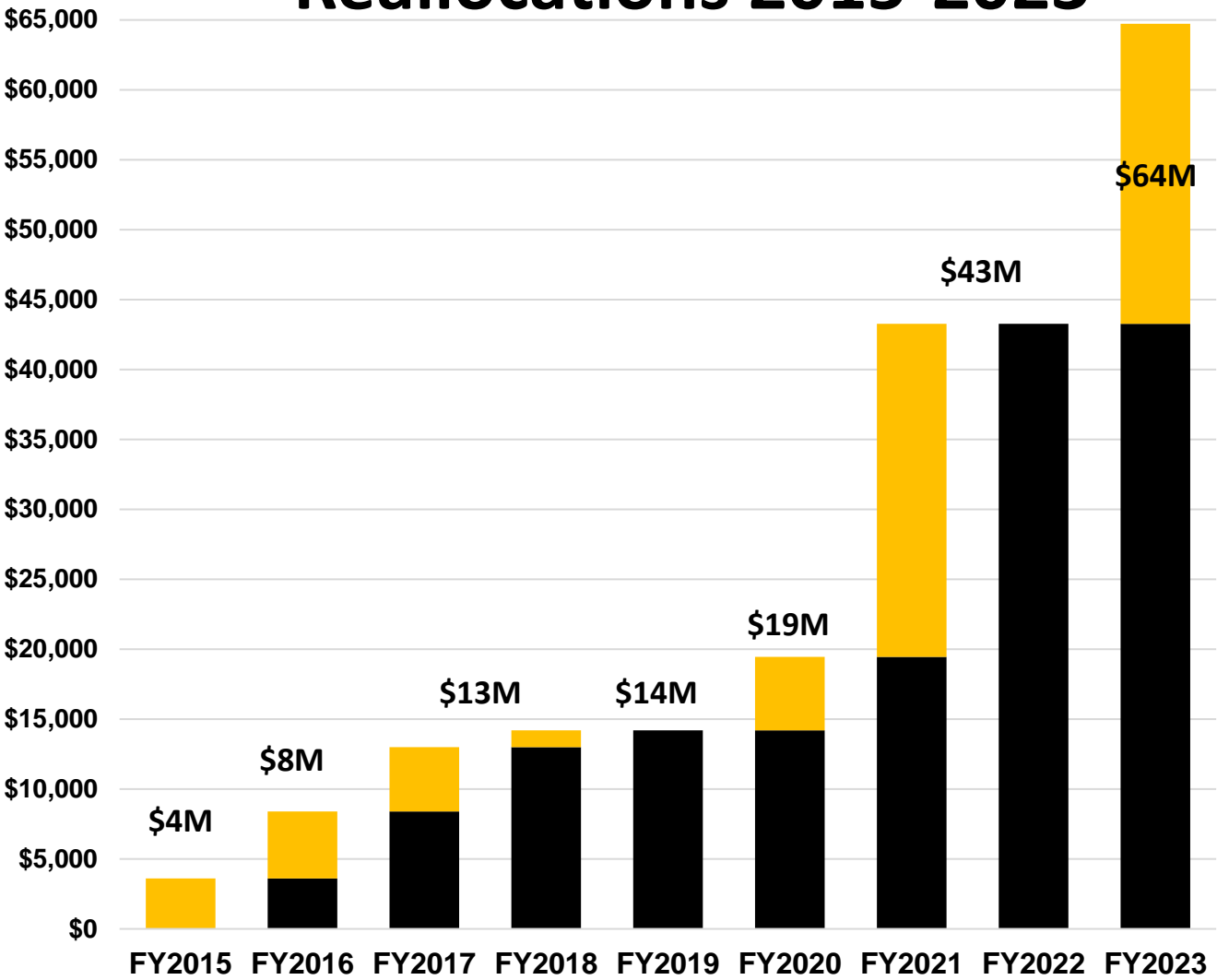
Reallocations 2015-2023

Impacting student and faculty success

- Deferred market salary adjustment for university advisors
- Deferred investment in faculty recruitment and retention; Continued salary inequities for tenure and non-tenured faculty
- Deferred funding for a second year for library acquisitions
- Deferring funds to enhance online program growth
- Deferring funds to for strategic cluster hires

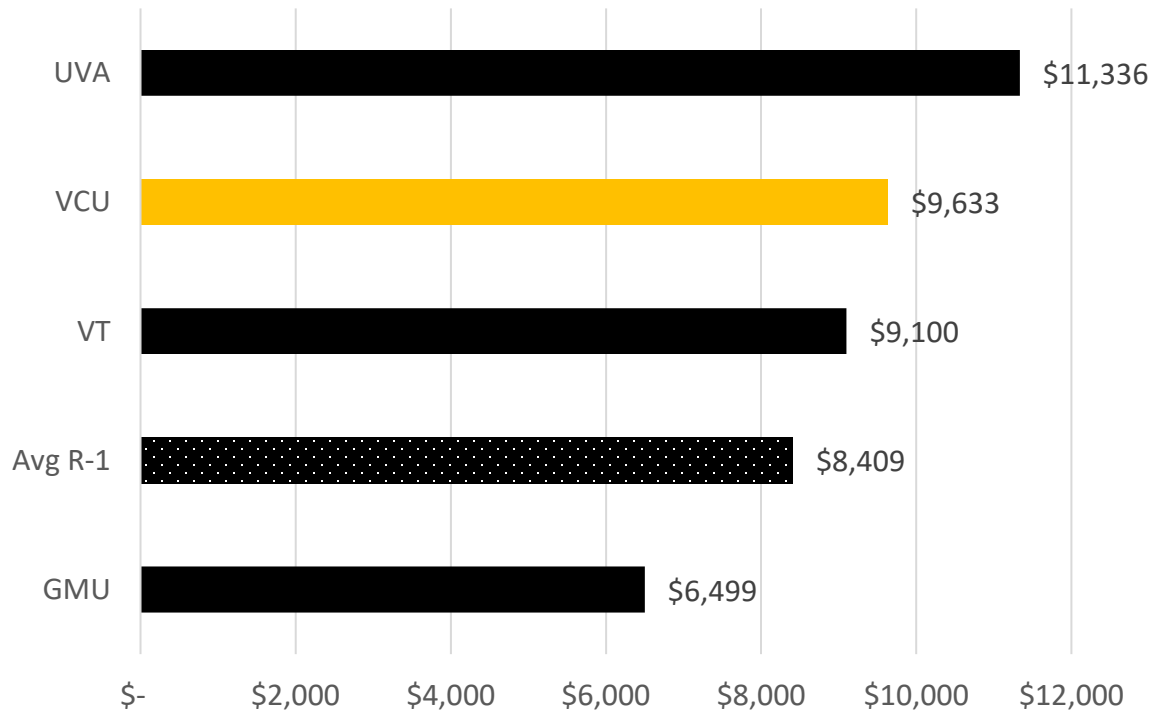
Impacting campus operations, health and safety

- Funding shortfall for utility rate increases of \$2.3 million (used one-time savings for FY23 only)
- Funding shortfall of \$.750M for Compliance

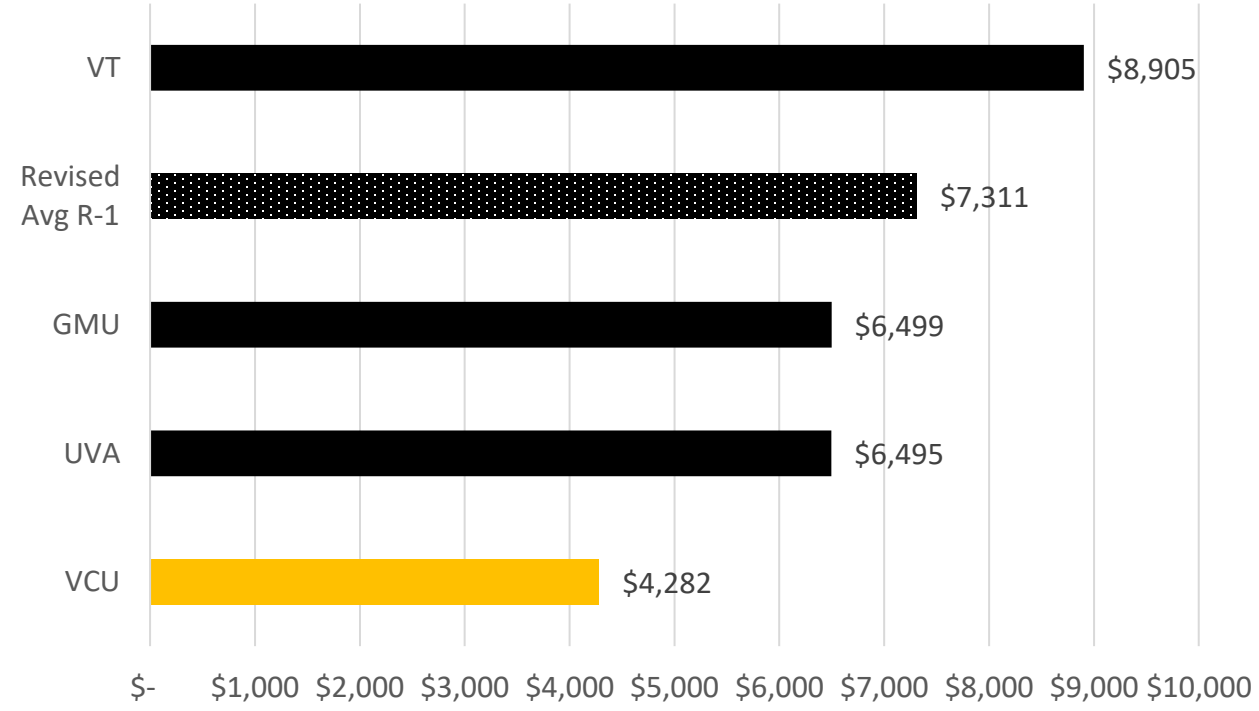


Structural Equity Adjustment

2022 State Funding by Fall 21 In-State FTE



2022 State Funding by Fall 21 In-State FTE adjusted for Vet Med, Medical, Pharmacy, Dentistry State Funding

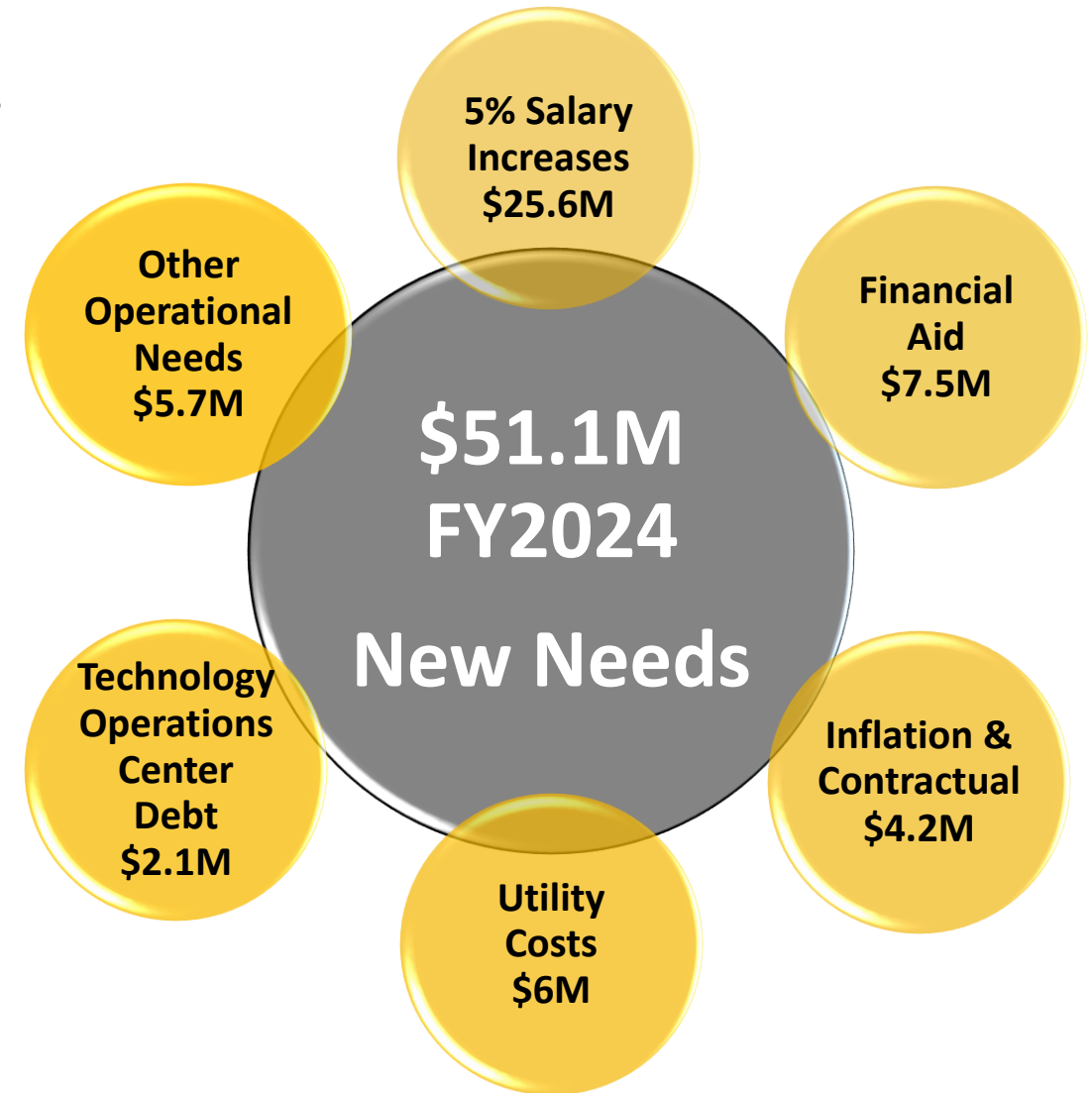


- The revised right hand table presents adjusted state budgets for schools of Veterinary Medicine, Medicine, Pharmacy, and Dentistry. Law Schools are excluded as they are often expected to be self supported
- VT funding has been adjusted for their Vet program along with an assumed 40% overhead for that program.
- Other first professional programs as defined by SCHEV are not included including, Chiropractic, osteopathic medicine (VT's program is a 501c3), rabbinical and Talmudic studies, podiatry, divinity/ministry. Currently, not other R-1 Universities have these programs.

FY2024 Budget

New Critical Needs & Inflationary Costs

- 5% Salary increases total cost \$25.6M
- Financial Aid \$7.5M (In addition to state aid)
- Inflation & Contractual \$4.2M
- Utility Costs \$6M
- Technology Operations Center Debt \$2.1M
- Other Operational Needs \$5.7M



FY2024 E&G Budget Overview

	1st State Scenario 0% Tuition Inc.	1st State Scenario & 3% Tuition Inc.	1st State Scenario & 5% Tuition Inc.	2nd State Scenario 0% Tuition Inc.
FY24 Projected Revenue				
Tuition & Enrollment	\$ 2,028	\$ 12,947	\$ 20,227	\$ 2,028
New State Operational Support	17,521	17,521	17,521	23,481
5% Salary Increase (49%)	12,469	12,469	12,469	12,469
State Full Funding 5% Salary increase				13,141
Total Revenue Growth	32,018	42,937	50,217	51,119
FY24 Projected Needs				
5% Salary Increases	\$ (25,610)	\$ (25,610)	\$ (25,610)	\$ (25,610)
Strategic Investments & Inflationary Costs	(25,509)	(25,509)	(25,509)	(25,509)
New Expense Needs (W/ 5% Salary)	(51,119)	(51,119)	(51,119)	(51,119)
University Reallocations	(19,101)	(8,182)	(902)	-

FY2024 Budget

Additional Needs Currently Not Included in FY2024 Budget:

- Recruit and retain counseling staff and eliminate salary inequity in University Counseling Services as demand rises nationally (\$1.6M)
- Sustain new online mental health services and replace HEERF monies funding the 2023 launch (\$480k)
- Expand online education and curricular innovation to enhance student recruitment, geographic reach and student retention (\$6M)
- Enhance student success, research growth and rankings with added tenure-eligible high impact faculty positions (cluster hiring model (\$6M))
- Non-utility inflationary growth for operations

Credit Ratings

Why Ratings Matter

- Investors evaluate credit of issuer when investing in bonds; the better the credit rating, the broader the investor interest and thus the lower the cost of the debt to the issuer
- Double-A rating was a condition to be granted for Tier 3 status; the goal is to maintain this rating
- VCU was awarded Tier 3 status in March, 2008

Ratings / Outlook History

Date	LT Rating	ST Rating	Outlook
Standard & Poor's			
11/18/2016	AA-		Stable
6/14/2019	AA-	A-1+	Stable
5/12/2020	AA-	A-1+	Negative
4/1/2022	AA-	A-1+	Stable
Moody's			
3/28/2017	Aa2		Stable
10/2/2018	Aa2		Stable
6/17/2019	Aa2	P-1	Negative
5/6/2020	Aa3	P-1	Stable

Favorable / Unfavorable

“One VCU” Not Ignored by Rating Agencies

- While both entities are individually rated for an issuer credit rating and with each public market debt issuance, the “One VCU” is not ignored by the rating agencies
 - The combined financial statement is used in the Moody’s medians, making university-to-university comparisons difficult because of the Health System
 - The University’s rating includes the cash and investments from the Health System
 - The credit rating rationale narrative for the University often includes mention of the Health System

Recent Ratings Rationale

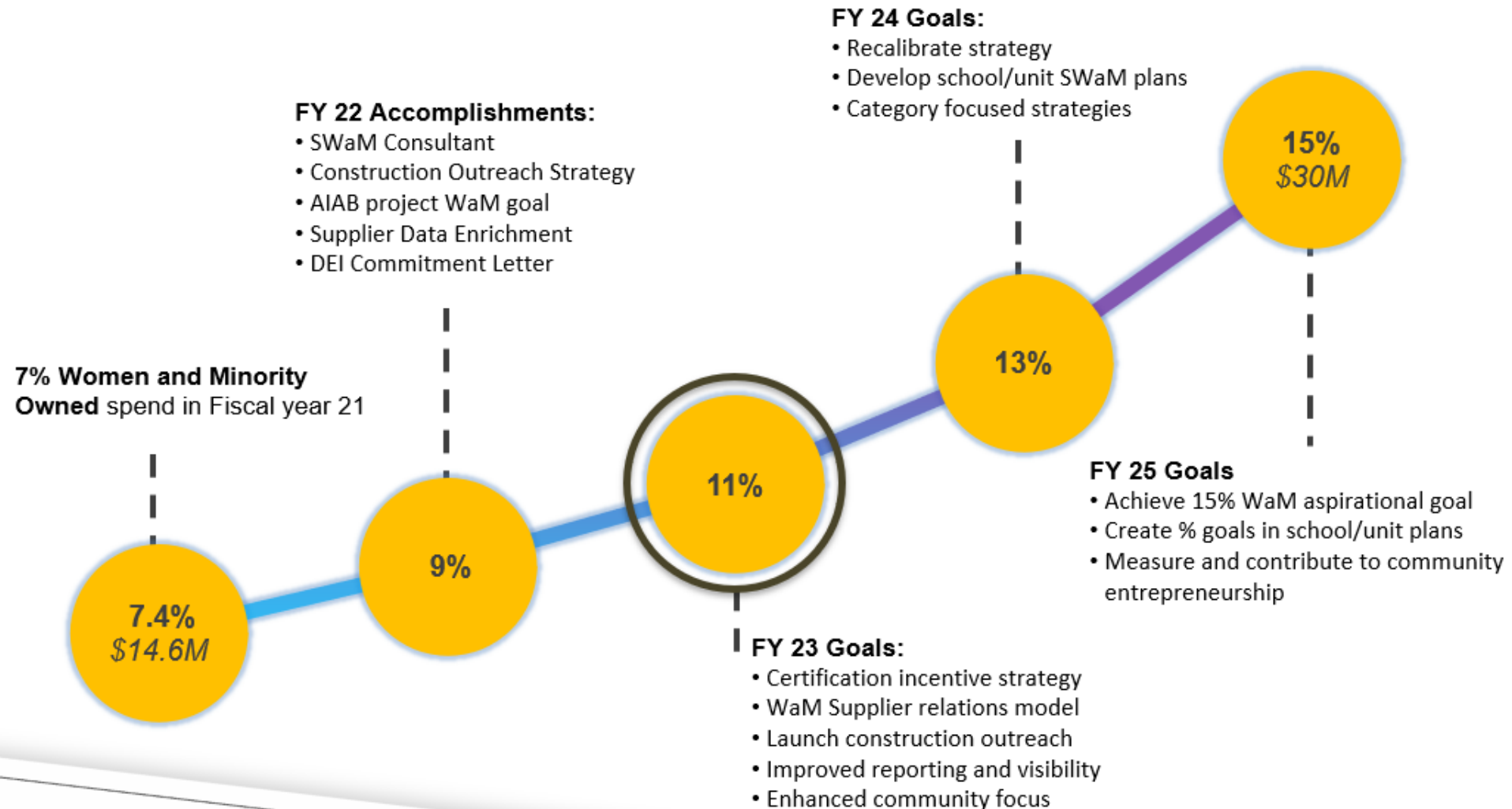
- Standard and Poor's, AA-, May 2020
 - Outlook to "Stable" from Negative, April 2022
 - ↑ Available resources (from investments, operations, State, Fed appropriations)
 - ↑↓ Graduate enrollment (Fall '21) despite 3-year FTE trend
- Moody's, downgraded Aa3 from Aa2, May 2020
 - Outlook "Stable" from Negative, May 2020
 - ↓ Weak operating performance
 - ↓ Declining liquidity
 - ↓ Modest debt service coverage (1.1x in 2019)
 - ↓ Softening in wealth and liquidity due to investment losses
 - Customary credit review scheduled December 2022

Questions?

SUPPLY CHAIN DIVERSITY

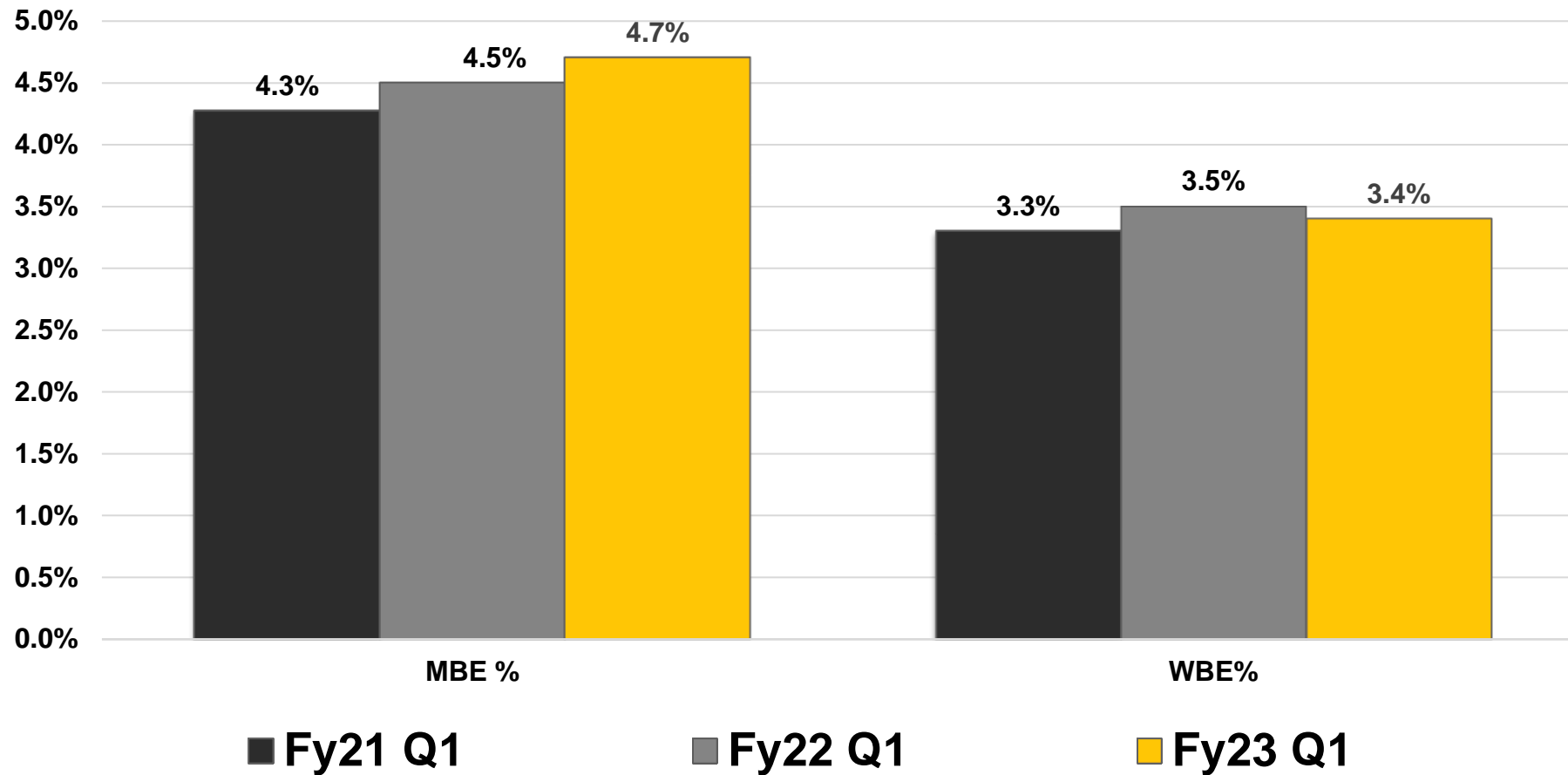
Women and Minority-Owned Supplier Enhancement

Intentional and Focused



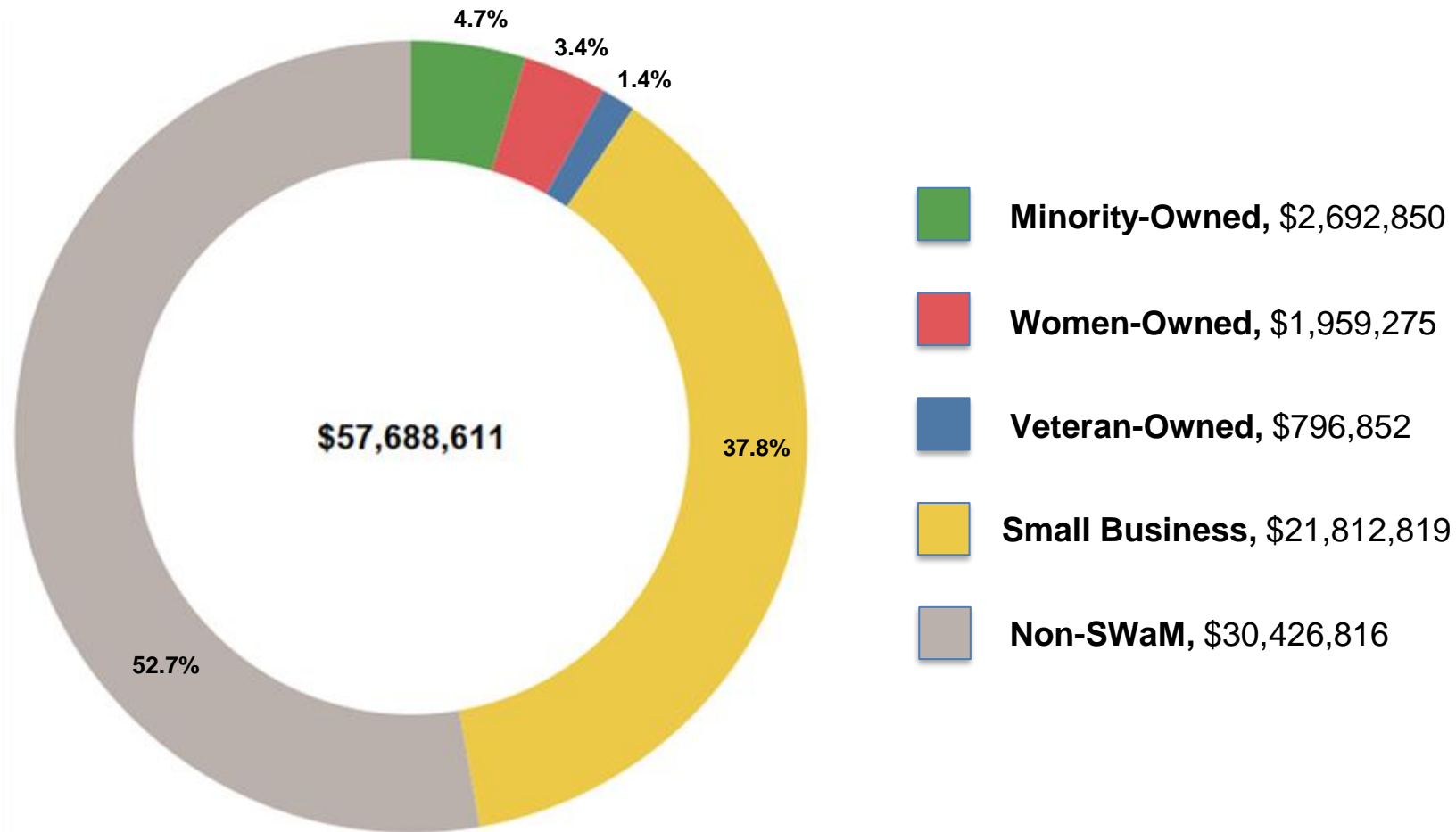
SUPPLY CHAIN DIVERSITY PERFORMANCE

Quarter 1 comparison over last three Fiscal Years



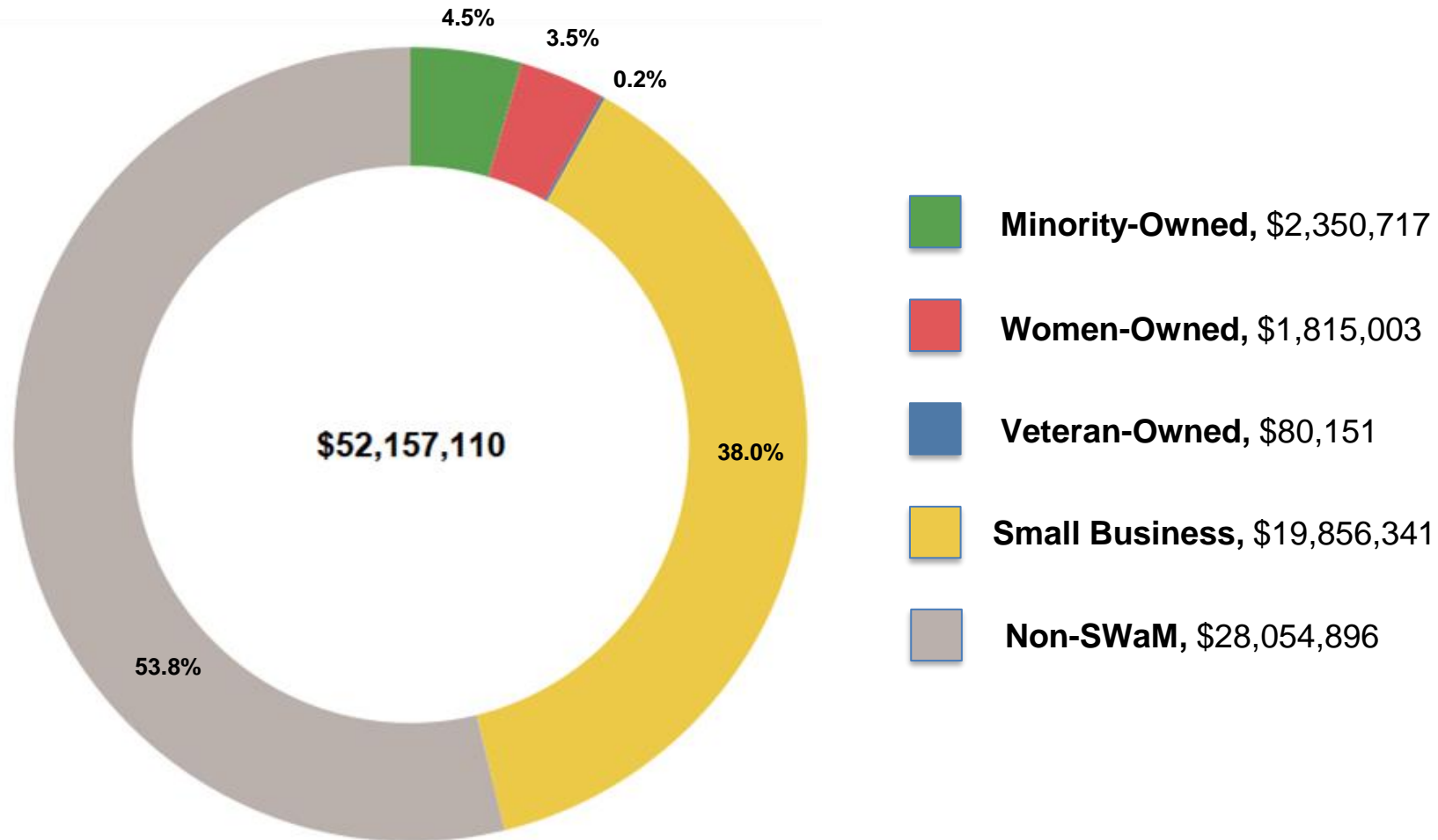
SUMMARY OF ALL DIVERSITY SPEND

Quarter 1, Fiscal Year 2023



QUARTERLY COMPARISON OF DIVERSITY SPEND

Quarter 1, Fiscal Year 2022



Local Women and Minority-Owned Expenditures

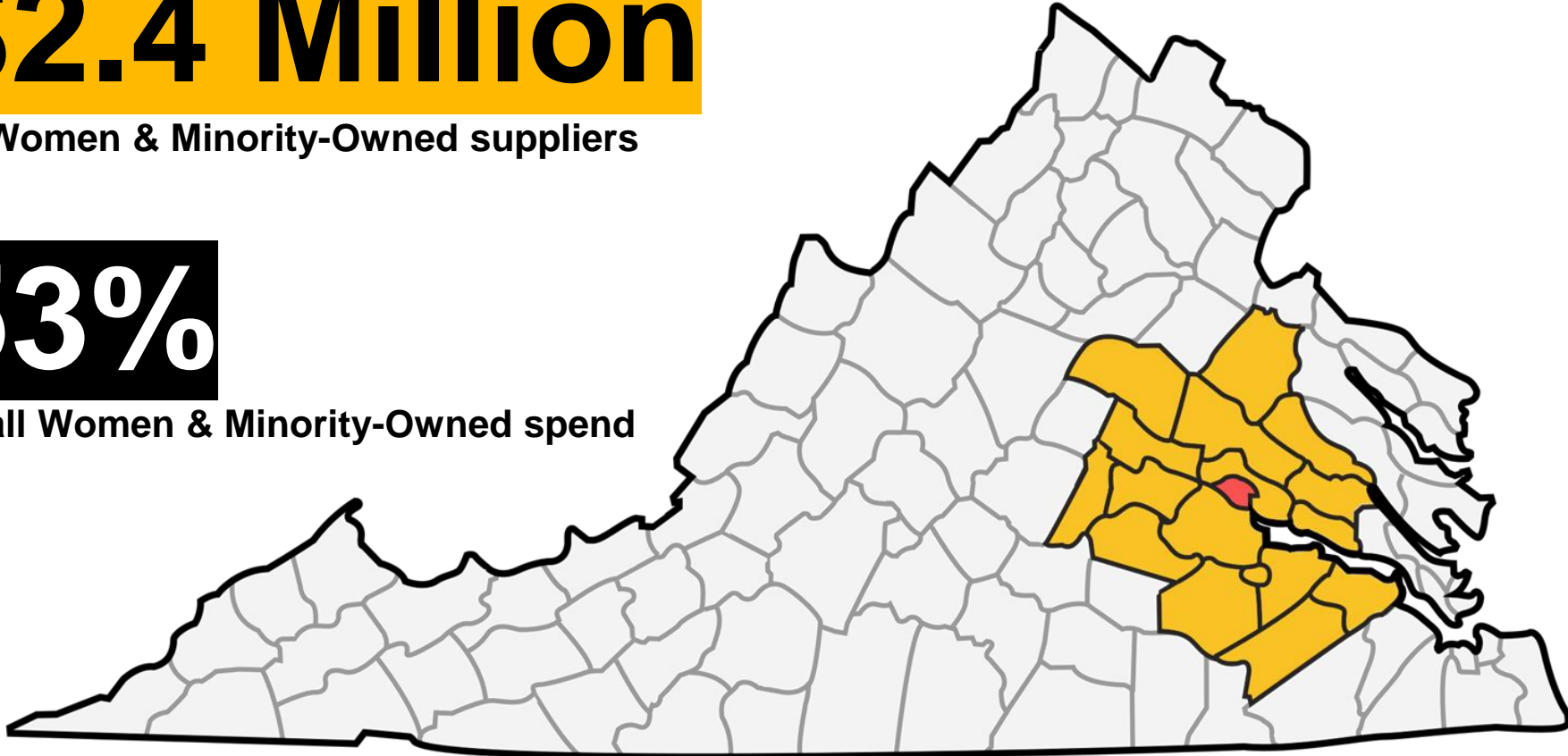
Impact within the greater Richmond region, Quarter 1, Fiscal Year 2023

\$2.4 Million

56 Women & Minority-Owned suppliers

53%

Of all Women & Minority-Owned spend



STRATEGIC PLAN ACCOMPLISHMENTS

In Fiscal Year 2023



**Leadership, Community
Engagement**



Vision Alignment



**Tracking &
Monitoring**



**Continuous
Improvement**

- Hosted 17th SWaMFest in RVA – Largest attendance to date
- Assisted nine businesses achieve certification
- Created supplier diversity performance dashboard for VCU departments
- Developing department level supplier diversity strategies and goals
- Participate in Chamber RVA's Supplier Diversity Community of Practice
- Partnering with IEES to enhance diversity of supply chain
- Measuring Local WAM impact
- New goal: Grow local woman and minority-owned expenditures by 10%

Quarterly Report
FY2023 1st Quarter Report
Dollars in Thousands

ATTACHMENT D

		Actuals				Budget	Actuals	Pro-Rated
		FY22 Q1	FY23 Q1	\$ Change	% Change	BoV Book	FY22 YE	YE
1	Revenue							
2	Tuition and Fees E&G	207,010	205,586	(1,424)	-0.7%	448,691	395,095	392,376
3	State General Fund E&G	57,678	60,002	2,324	4.0%	251,121	224,223	233,259
4	Other Income E&G	8,905	11,491	2,586	29.0%	60,882	105,652	136,334
5	Educational and General Programs	273,593	277,079	3,486	1.3%	760,694	724,970	734,207
6	University and Student Health Fee	31,295	32,519	1,224	3.9%	65,116	59,353	61,674
7	Other Auxiliary Income	36,597	39,739	3,142	8.6%	95,774	85,195	92,508
8	Auxiliary Enterprises	67,893	72,258	4,366	6.4%	160,890	144,548	153,842
9	Sponsored Programs	75,804	64,946	(10,859)	-14.3%	364,862	278,511	238,616
10	FACR	13,676	14,841	1,165	8.5%	38,365	37,901	41,129
11	University Funds	16,036	11,597	(4,438)	-27.7%	66,333	161,244	116,617
12	Student Financial Assistance	35,284	37,274	1,990	5.6%	90,921	95,323	100,700
13	Hospital Services and COVID Relief Funds	15,544	10,647	(4,897)	-31.5%	48,158	37,686	25,814
14	Total Revenue	497,831	488,644	(9,187)	-1.8%	1,530,223	1,480,183	1,410,925
15	Expenses							
16	Academic Programs E&G	107,522	109,900	2,378	2.2%	396,374	410,301	419,377
17	Support Programs E&G	94,655	109,715	15,059	15.9%	364,320	314,893	364,991
18	Educational and General Programs	202,177	219,615	17,438	8.6%	760,694	725,193	787,741
19	Auxiliary Enterprises	35,244	40,711	5,468	15.5%	160,890	144,676	167,120
20	Sponsored Programs	79,896	79,128	(768)	-1.0%	364,862	259,597	257,100
21	FACR	9,674	9,748	74	0.8%	38,365	21,107	21,269
22	University Funds	8,745	14,454	5,709	65.3%	66,333	71,738	118,569
23	Student Financial Assistance	38,868	40,588	1,720	4.4%	90,921	94,700	98,891
24	Hospital Services and COVID Relief Funds	8,935	9,426	491	5.5%	48,158	38,211	40,310
25	Total Expenses	383,539	413,670	30,131	7.9%	1,530,223	1,355,222	1,491,001
26	Net	114,291	74,973	(39,318)	-34.4%	-	124,961	(80,075)

Description of the VCU Sources and Uses Report

The **Sources and Uses Report**, also known as the Quarterly Report or Revenue and Expense Summary, is a report that presents the year-over-year change at quarterly increments in actuals as well as comparisons for the annual budget and previous fiscal year end. The report provides insights into operating performance across all fund types for the institution.

1

2

3

4

5

	Actuals				Budget	Actuals	Pro-Rated
	FY22 Q1	FY23 Q1	\$ Change	% Change	BoV Book	FY22 YE	YE
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25 Total Expenses	383,539	413,670	30,131	7.9%	1,530,223	1,355,222	1,491,001
26 Net	114,291	74,973	(39,318)	-34.4%	-	124,961	(80,075)

*The numbers are reported in thousands (000's).

1. The major fund types of the University, some are further divided to provide additional detail. Each fund type has a revenue and expense section.
2. A comparison of actuals of the current fiscal year to the previous fiscal year at the same point in time.
3. The Permanent Budget of the University as adopted by the board and published online. Does not include any carryforward/reserve funds or adjustments since the BOV budget adoption.
4. The previous year's ending actuals.
5. A simple pro-rated forecast of the current year. If the change in actuals from the current period matches the magnitude of change from last year this would be the year-end position.

Treasurer's Report

As of September 30, 2022

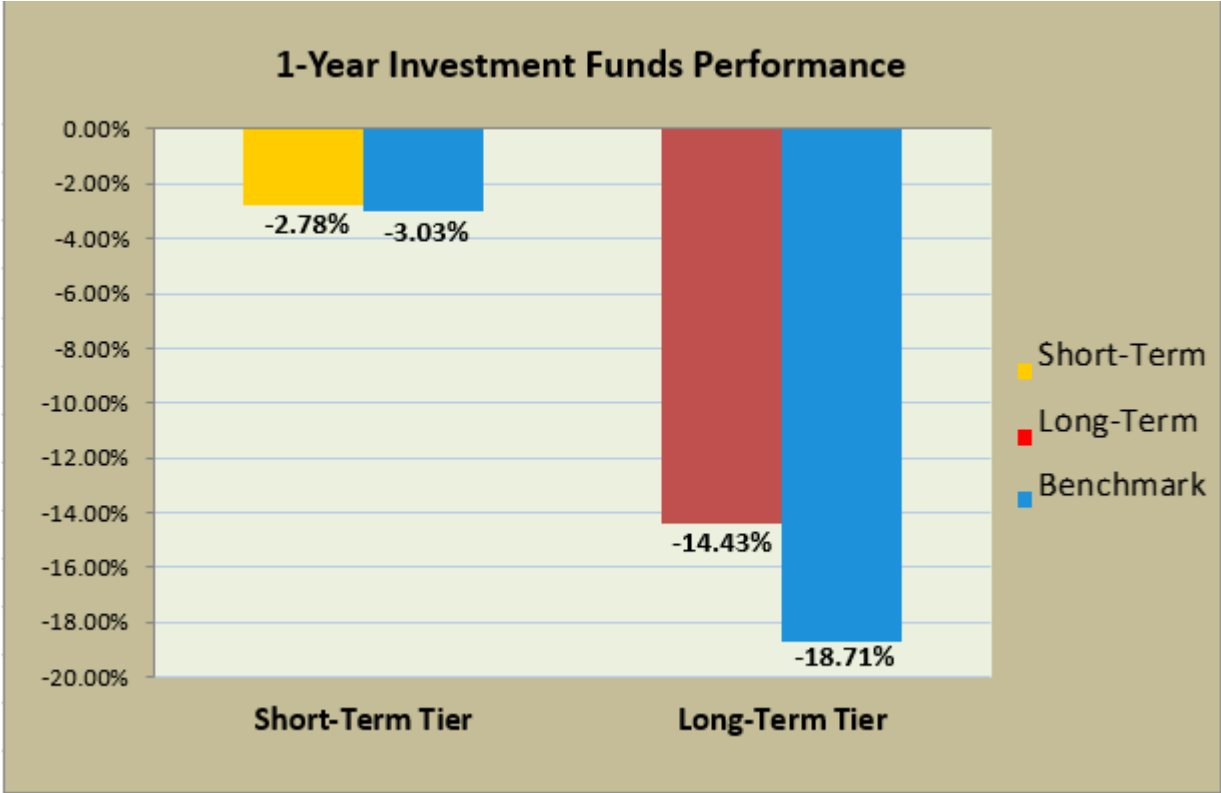
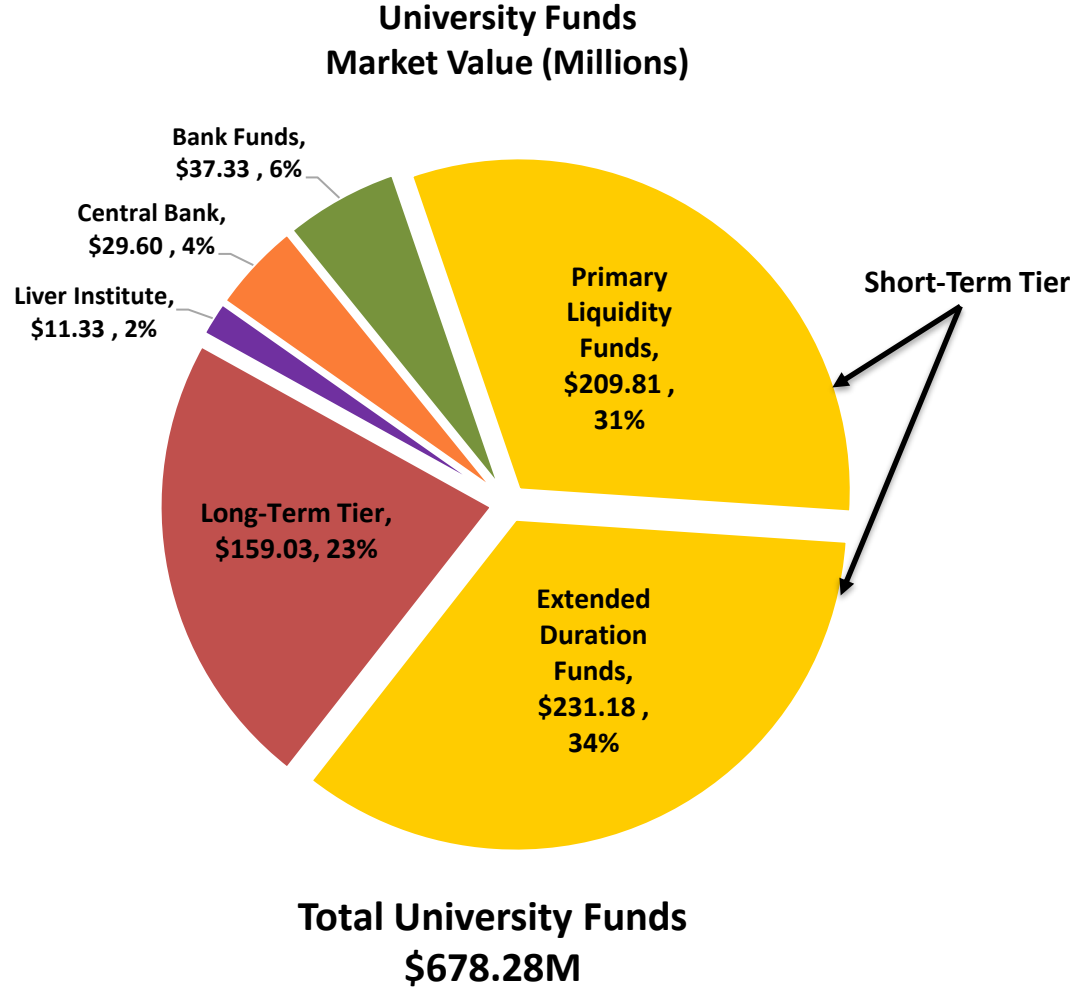
Finance and University Resources Committee

Karol Kain Gray

December 9, 2022



Total University Funds Overview for the Period Ending September 30, 2022



Short-Term Tier Performance Summary As of September 30, 2022

Performance Summary (Net of Fees)

	Market Value (M)	Current Allocation	1 Month	QTD	FYTD	1 Year	Annualized		
							3 Years	5 Years	Since 7/2009
Primary Liquidity Funds / Payden & Rygel	\$209.8	47.6%	0.22%	0.60%	0.60%	0.39%	0.58%	1.13%	0.59%
<i>iMoneyNet MM All Taxable</i>			0.17%	0.42%	0.42%	0.52%	0.42%	0.89%	0.39%
Extended Duration Funds / Merganser	\$231.2	52.4%	-0.97%	-0.88%	-0.88%	-4.69%	-0.21%	0.88%	1.23%
<i>BofA ML US Corp & Govt 1-3 Year Blended¹</i>			-1.24%	-1.50%	-1.50%	-5.15%	-0.42%	0.71%	3.72%
Total Operating Funds	\$441.0	100.0%	-0.49%	-0.31%	-0.31%	-2.78%	0.33%	1.18%	1.06%
<i>Short-Term Tier Composite²</i>			-0.66%	-0.76%	-0.76%	-3.03%	0.11%	0.99%	1.23%

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

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

Long-Term Tier Performance Summary

Estimated as of September 30, 2022

Estimated September 30, 2022	Mkt Value (M)	% Allocation	Since Inception 4/30/2016	5 Years	3 Years	1 Year	CYTD	FYTD	3 Mos
VCIMCO Funds	\$158.6	100.0%	5.92%	5.17%	7.26%	-14.10%	-14.50%	-1.13%	-1.13%
<i>Long-Term Policy Benchmark¹</i>			<i>5.00%</i>	<i>3.15%</i>	<i>1.55%</i>	<i>-18.71%</i>	<i>-22.35%</i>	<i>-6.15%</i>	<i>-6.15%</i>
Equity	\$97.9	61.7%	7.86%	5.67%	7.35%	-21.25%	-21.78%	-1.45%	-1.45%
<i>MSCI All Country World</i>			<i>7.01%</i>	<i>4.44%</i>	<i>3.74%</i>	<i>-20.66%</i>	<i>-25.63%</i>	<i>-6.82%</i>	<i>-6.82%</i>
Credit and Absolute Return	\$39.9	25.2%	5.22%	5.61%	9.60%	2.04%	2.00%	-0.09%	-0.09%
<i>Barclays US Corporate High Yield</i>			<i>3.14%</i>	<i>1.57%</i>	<i>-0.45%</i>	<i>-14.14%</i>	<i>-14.74%</i>	<i>-0.65%</i>	<i>-0.65%</i>
Real Assets	\$6.8	4.3%	-1.58%	-2.43%	-3.11%	-4.65%	-8.09%	-5.28%	-5.28%
<i>MSCI All Country World Real Estate</i>			<i>1.08%</i>	<i>-0.61%</i>	<i>-5.57%</i>	<i>-22.46%</i>	<i>-28.80%</i>	<i>-12.39%</i>	<i>-12.39%</i>
Treasuries	\$0.0	0.0%	-0.04%	0.08%	-1.07%	-5.02%	-2.47%		
<i>Barclays US Treasury</i>			<i>1.73%</i>	<i>2.26%</i>	<i>0.62%</i>	<i>-2.85%</i>	<i>-3.03%</i>		
Cash and Equivalents	\$13.9	8.8%							
VCU Long-Term Tier	\$159.0		5.77%	5.08%	7.21%	-14.03%	-14.43%	-1.13%	-1.13%

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

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

Returns for periods greater than one year are annualized. Performance is estimated based on best available data as of October 12, 2022.

Performance includes reporting by 47 of 48 underlying private investments, which, with cash, represent 99.7% of Ram Private Assets Fund's net asset value as of June 30, 2022.

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

Monitoring Report as of November 30, 2022 (Estimated)

Cash and Investments			
	Quarter Ended 9/30/2022	(in millions) As of 11/25/2022	As of 11/30/2022
Bank Funds			
Bank of America Checking	\$ 26.21	\$ 33.40	\$ 70.40
Restricted Cash Funds	25.60	32.13	25.64
Unspent Bond Proceeds	1.10	1.09	1.08
Less: Outstanding Checks - Bank of America ^A	(15.58)	(17.00)	(18.99)
Total Bank Funds	\$ 37.33	\$ 49.62	\$ 78.13
Short-Term Tier			
Primary Liquidity Fund (Payden & Rygel)	\$ 209.81	\$ 174.78	\$ 124.84
Extended Duration Fund (Merganser)	231.18	231.57	231.93
Total Short-Term Tier (VCIMCO)	\$ 440.99	\$ 406.35	\$ 356.77
Long-Term Tier ^B			
Ram Fund + PA Fund	\$ 111.02	\$ 106.06	\$ 109.24
Central Bank Capital Reserve (VCIMCO)	22.46	22.76	32.98
Central Bank Unrestricted (VCIMCO)	7.14	7.24	9.22
Total Long-Term Tier (VCIMCO)	\$ 140.62	\$ 136.06	\$ 151.45
Glasgow Endowment ^B			
Total Glasgow Endowment (VCIMCO)	\$ 48.01	\$ 46.27	\$ 47.63
Liver Institute ^{BC}	\$ 11.33	\$ 11.72	\$ 12.14
Total University Funds:	\$ 678.28	\$ 650.03	\$ 646.12
<i>Indicates restricted funds</i>			
Comparative Federal Interest Rate:	Quarter Ended 9/30/2022	As of 11/25/2022	As of 11/30/2022
1-year	2.80	4.76	4.74
10-year	2.98	3.68	3.68
^A At FYE, the Controller's Office also adjusts the University's cash position with additional current year cash accruals.			
^B Updated monthly.			
^C Brunckhorst Gift for Liver Foundation, received to date \$15MM of \$100MM; includes the distribution to the Institute of \$2.75MM on 9/19/2022.			

Monitoring Report as of November 30, 2022 (Estimated- continued)

Debt			
	As of	(in millions) Quarter Ended	As of
	FY 2022	9/30/2022	11/30/2022
VCU Long-Term Debt:			
Outstanding Bonds	\$ 400.05	\$ 390.78	\$ 388.31
VCBA 9d	\$ 80.89	\$ 72.69	\$ 72.69
VCBA 9d balances covered by Financing Agreements	\$ 3.53	\$ 2.45	\$ 2.45
VCU 9c	\$ 47.72	\$ 47.72	\$ 47.72
VCU 9d	\$ 195.87	\$ 195.87	\$ 195.87
VCU 9d balances covered by Financing Agreements	\$ 72.05	\$ 72.05	\$ 69.58
Capital Leases and Installment Obligations	\$ 2.66	\$ 3.08	\$ 3.08
	\$ 402.71	\$ 393.86	\$ 391.39
Debt Ratio:			
Debt Ratio (preliminary)	3.11%		
Estimated Unaudited Debt Ratio		2.77%	2.77%
	As of	(in millions) Quarter Ended	As of
	FY 2022	9/30/2022	11/30/2022
VCU Commercial Paper (JP Morgan):			
Current Outstanding:			
ICA, Parking Sunoco, Tech Ops - Tax-Exempt	\$9.41	\$9.41	\$9.41
REF Broad & Belvidere Renovation - Taxable	\$4.27	\$4.27	\$4.27
Athletics Village (Bourne, ABC) - Taxable	\$8.85	\$8.85	\$8.85
Subtotal	\$22.53	\$22.53	\$22.53
Anticipated Future Draws (FY 2023)	-	-	\$0.00
Commercial Paper Program Authorization:	\$75.00	\$75.00	\$75.00
Projected Available Commercial Paper Balance:	\$52.47	\$52.47	\$52.47
Next Tax-Exempt Commercial Paper Put Date :			12/6/2022
Tax-Exempt Effective Interest Rate Rate ^D :			2.45%
Next Taxable Commercial Paper Put Date :			12/6/2022
Taxable Effective Interest Rate Rate ^D :			2.90%
^D Total cost of CP program also includes \$193K for ongoing standby liquidity facility, rating agency surveillance, and paying agent fees.			

KaufmanHall

OCTOBER 2022

National Hospital Flash Report

Real Data. Real Insight. Real Time.

Based on September Data from More Than 900 Hospitals

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Key Takeaways

1. Margins remain negative in September.

Hospital operating margins in September were negative, and are still negative for the year to date, reversing modest gains from previous months. Year to date, the hospital operating margin stands at -0.1%.

2. Revenue decreases drive negative margins.

A drop in revenues across the board, with declines in discharges, inpatient minutes, and operating minutes, kept hospital margins in the red in September.

3. Sicker patients affect discharges and lengths of stay.

Sicker patients and labor shortages in post-acute settings drove the decline in discharges and an increase in the average length of stay fueled by more observation days.

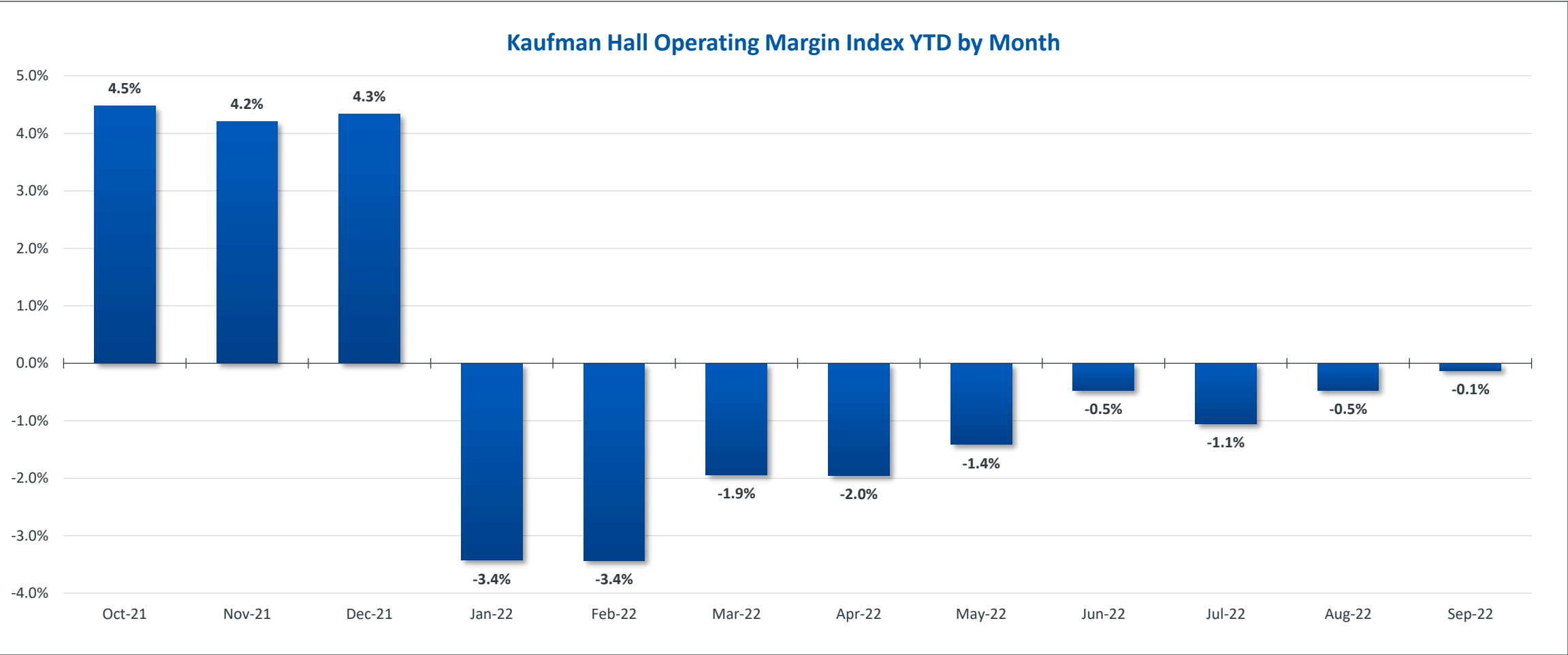
4. Expenses slow but not enough.

Hospital expenses decreased slightly in September but could not keep pace with the drop in revenue and volume. Year to date, when adjusted for volume, expenses have actually increased; they have improved year over year and month over month, however.

5. Margin performance may force hospitals into difficult decisions.

When taken altogether, the expense pressures and volume and revenue declines could force hospitals to make difficult decisions around the services they are able to safely provide to patients.

Margins



Kaufman Hall, National Hospital Flash Report (October 2022)

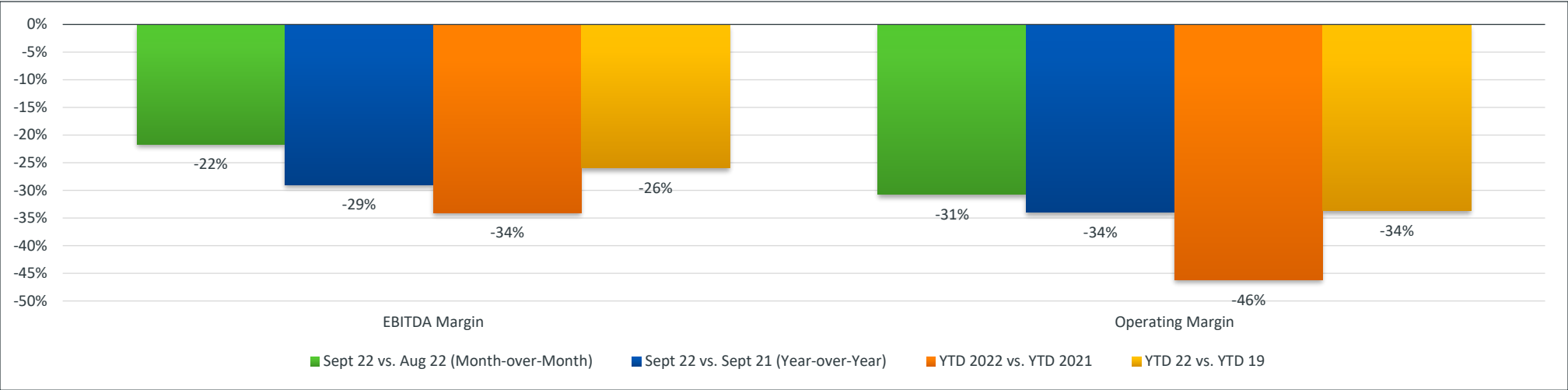
* Note: The Kaufman Hall Hospital Operating Margin and Operating EBITDA Margin Indices are comprised of the national median of our dataset adjusted for allocations to hospitals from corporate, physician, and other entities.

National and Regional Data

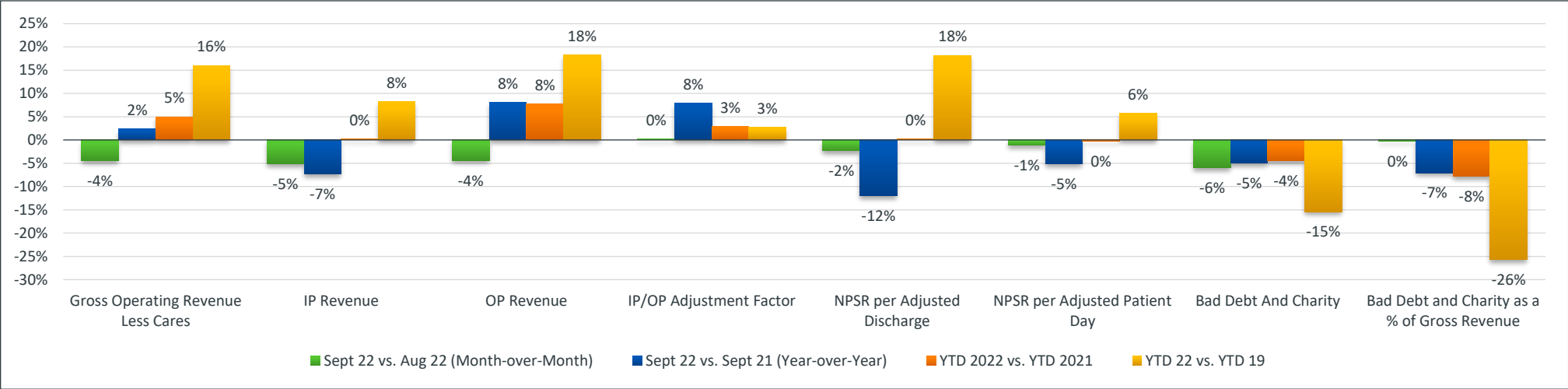
Profitability, Revenue, Expense, and Volume

National Data

Profitability

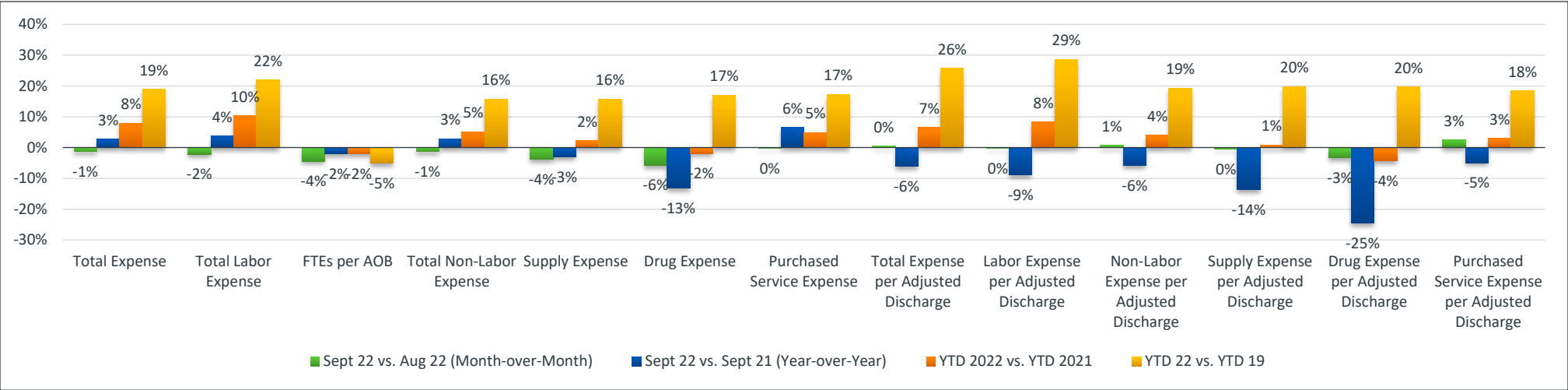


Revenue

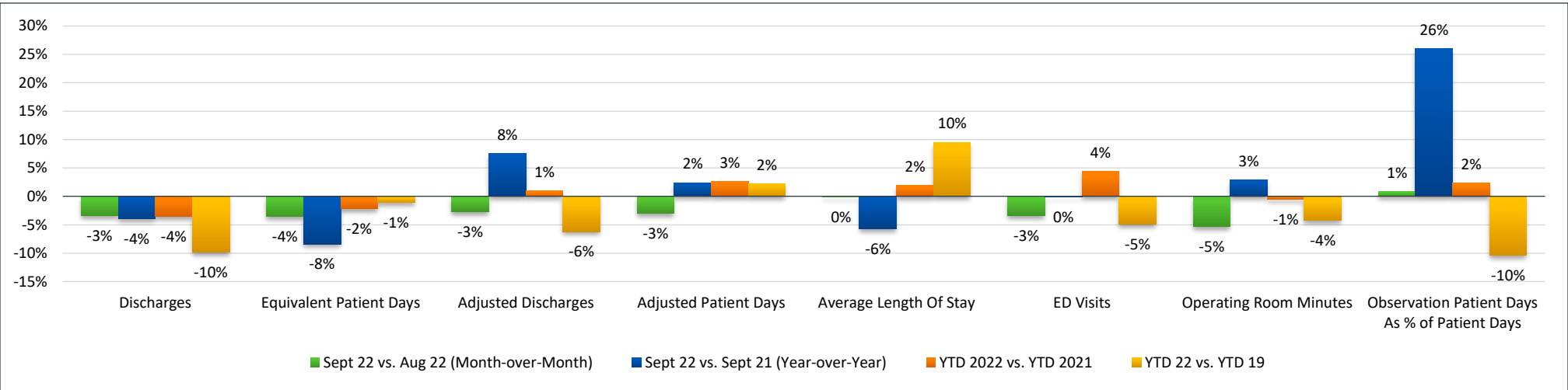


National Data *(continued)*

Expense

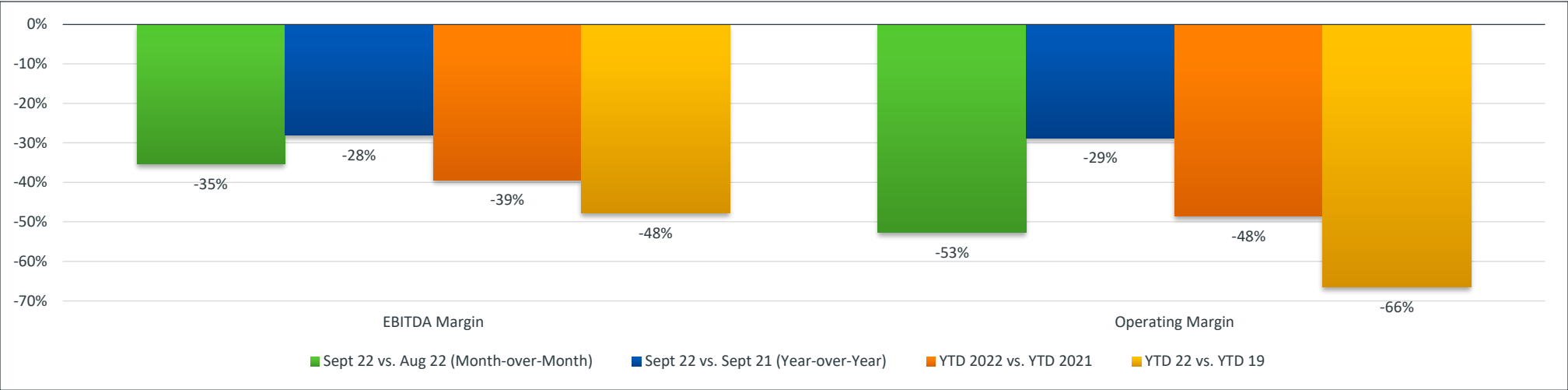


Volume

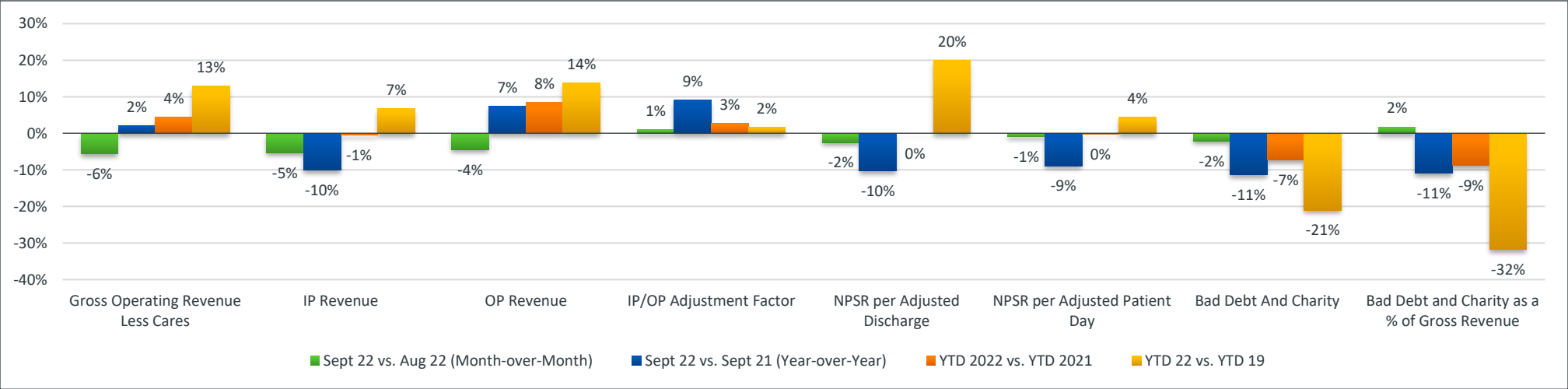


Regional Data: West

Profitability

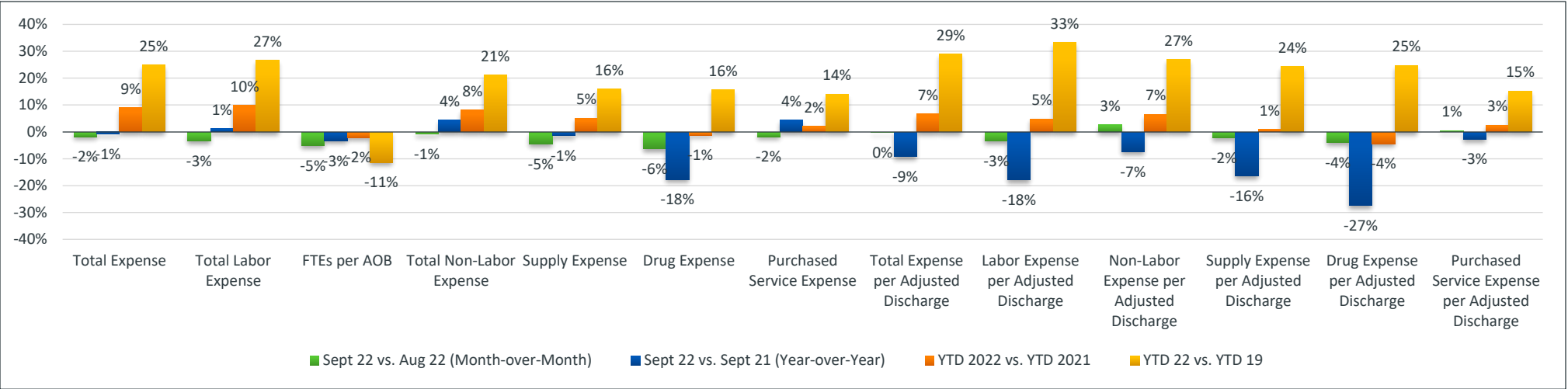


Revenue

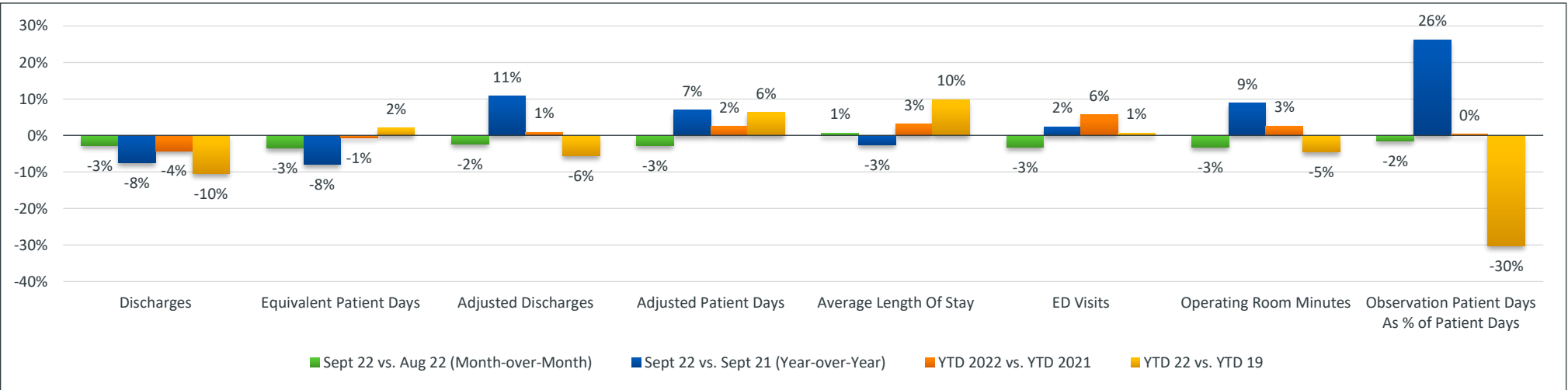


Regional Data: West (continued)

Expense

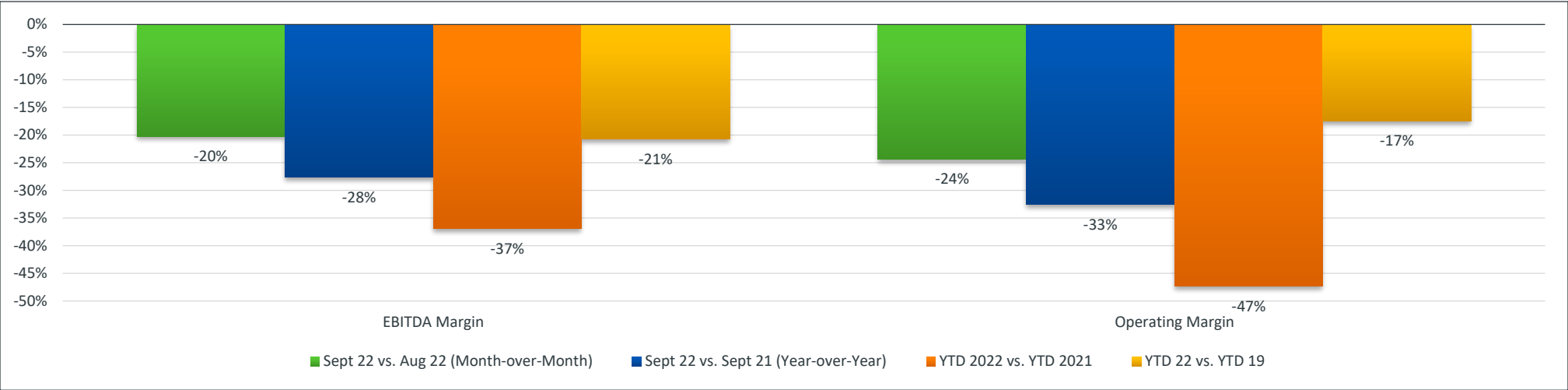


Volume

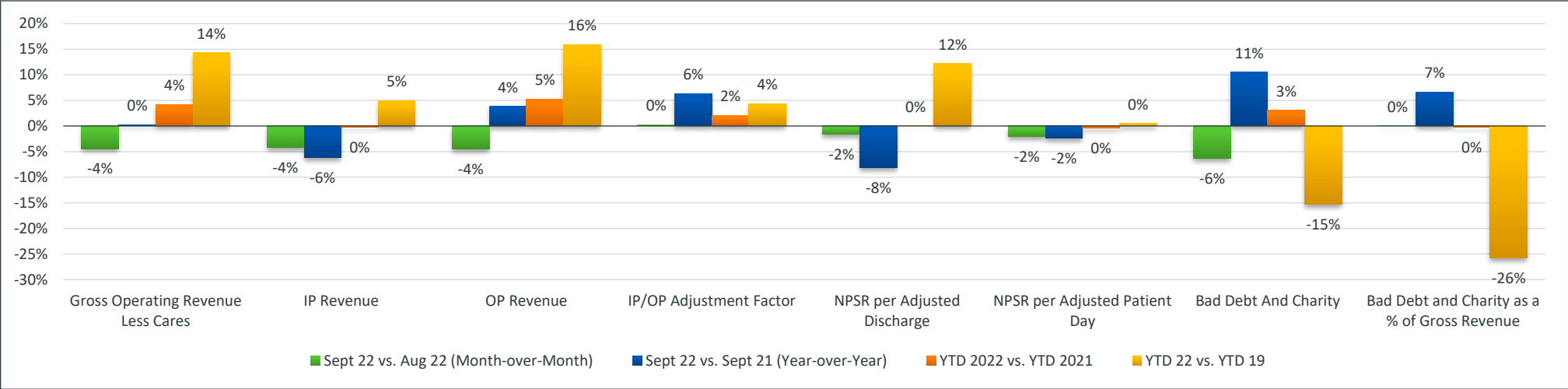


Regional Data: Midwest

Profitability

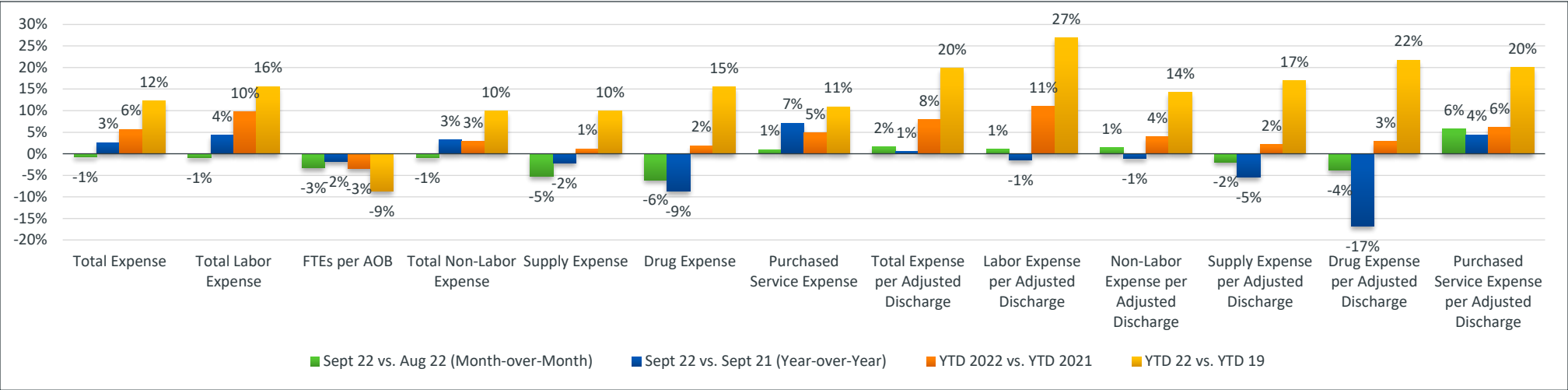


Revenue

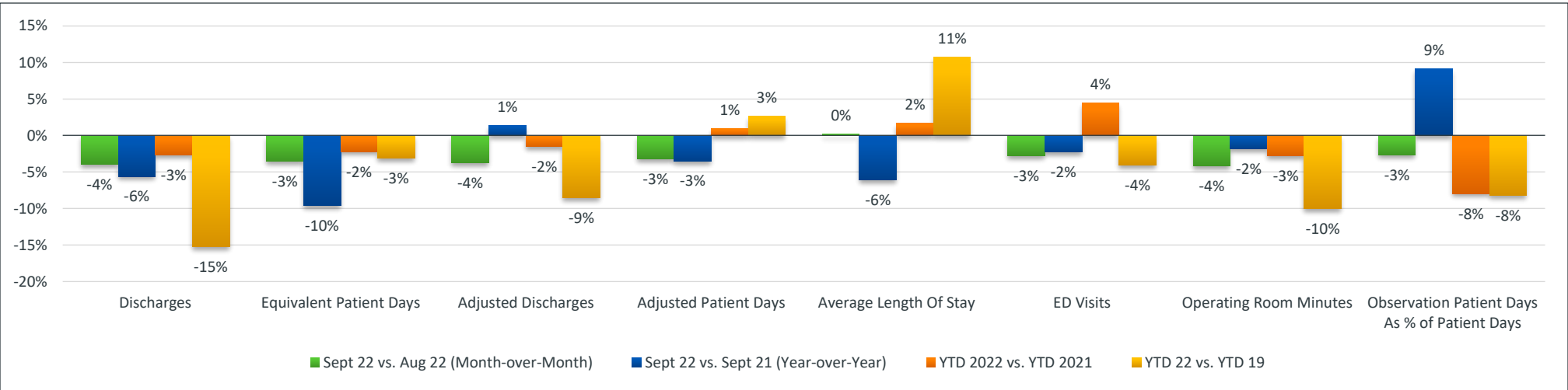


Regional Data: Midwest *(continued)*

Expense

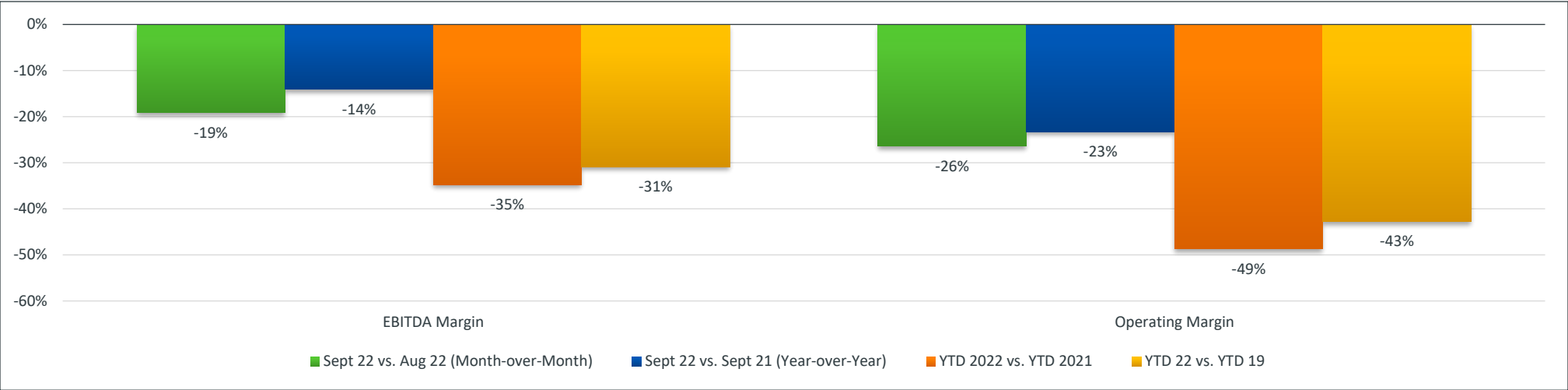


Volume

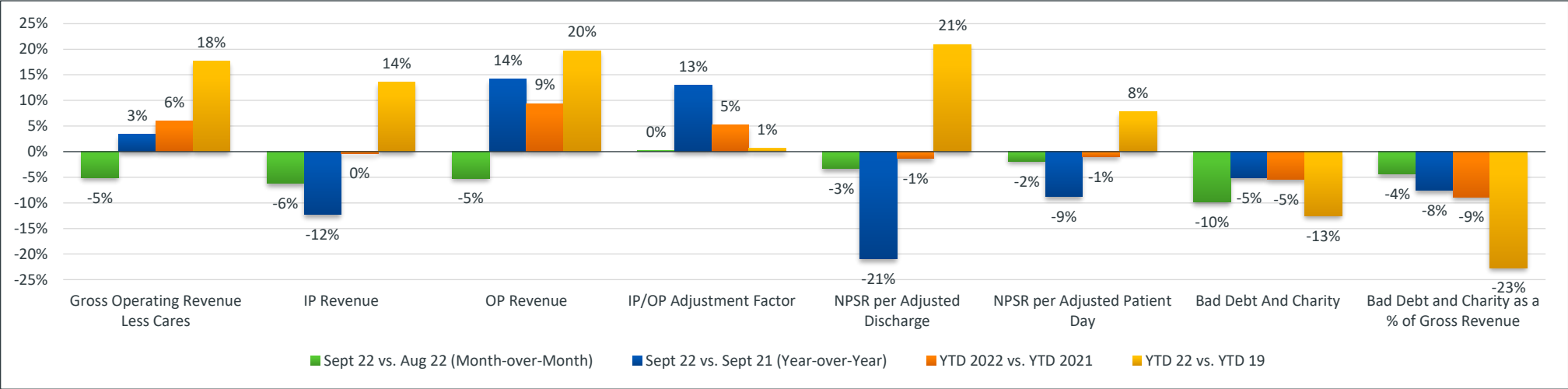


Regional Data: South

Profitability

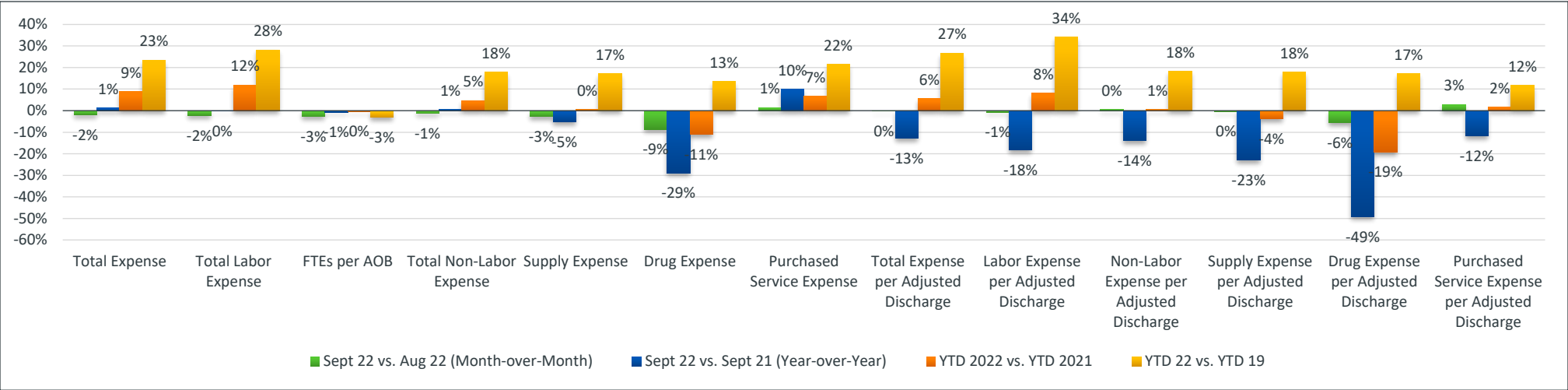


Revenue

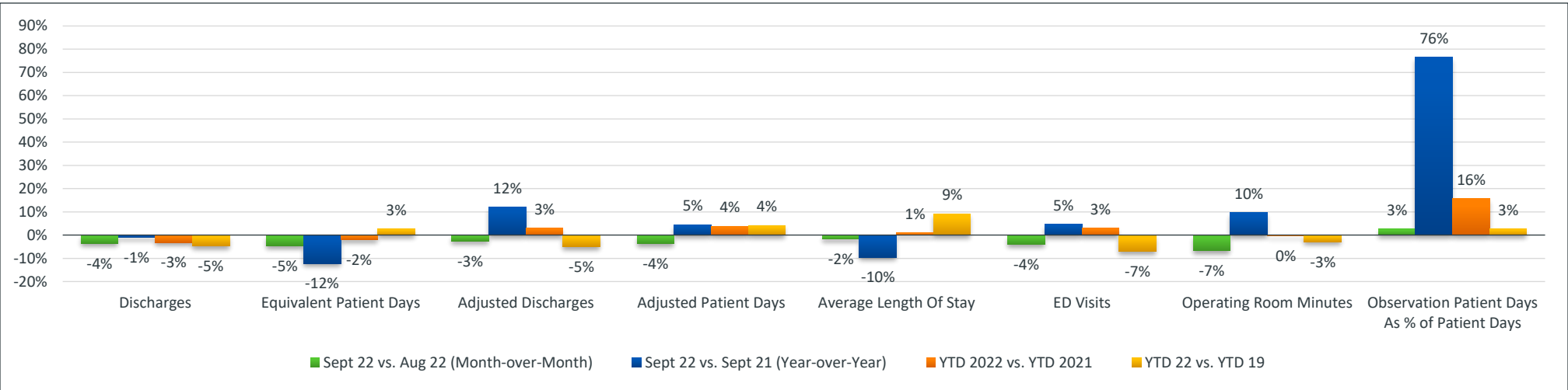


Regional Data: South (continued)

Expense

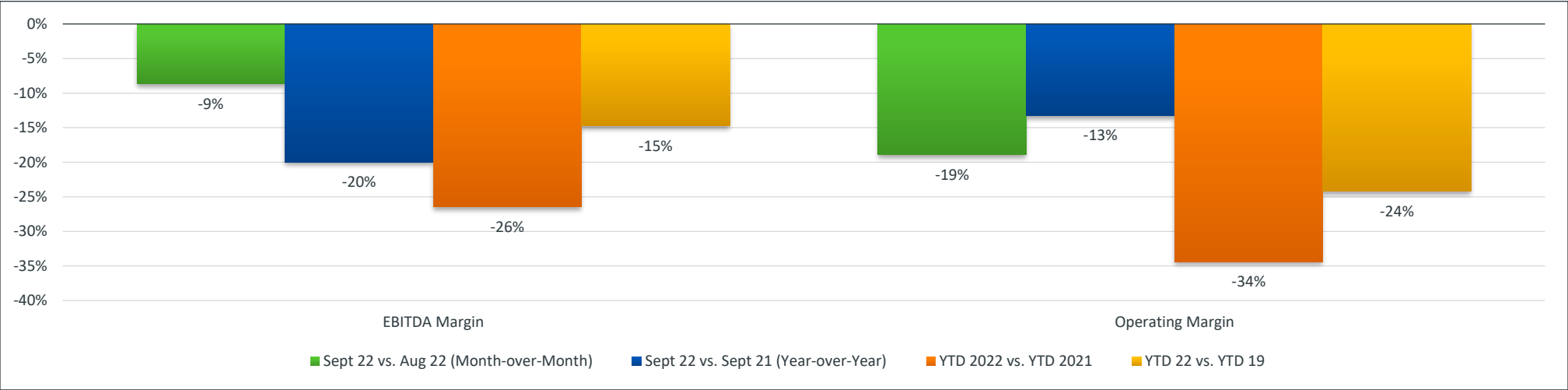


Volume

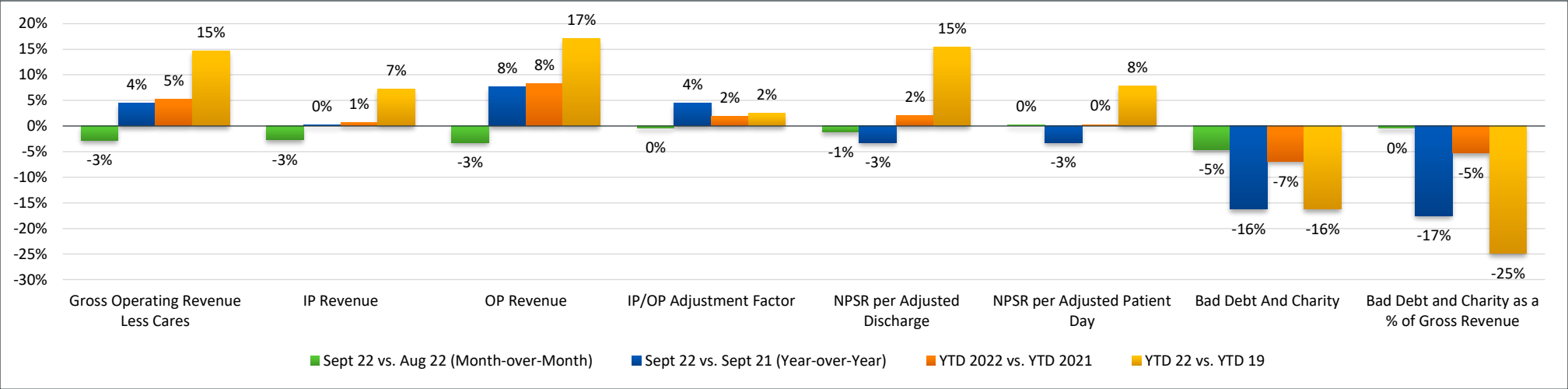


Regional Data: Northeast/Mid-Atlantic

Profitability

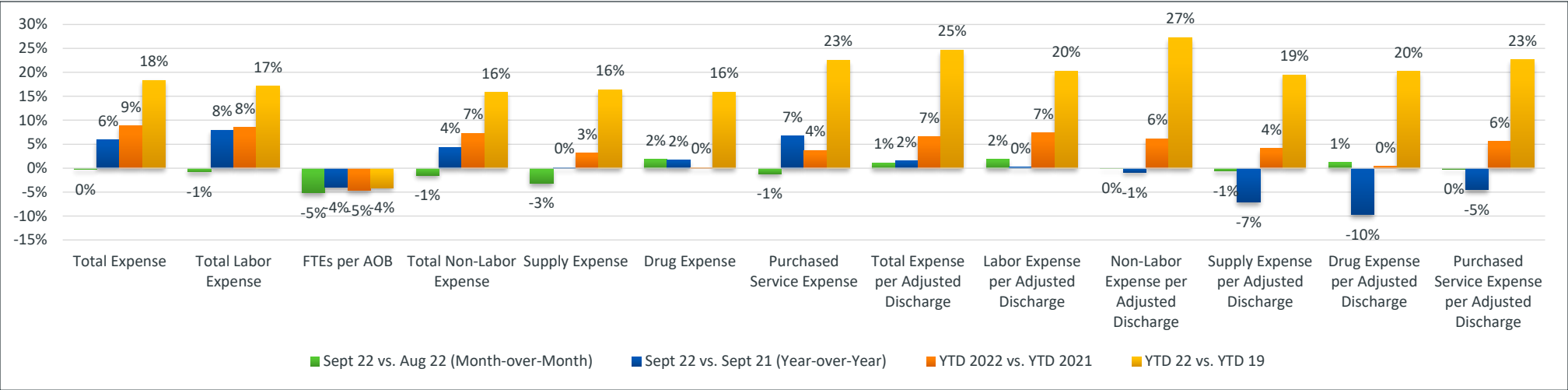


Revenue

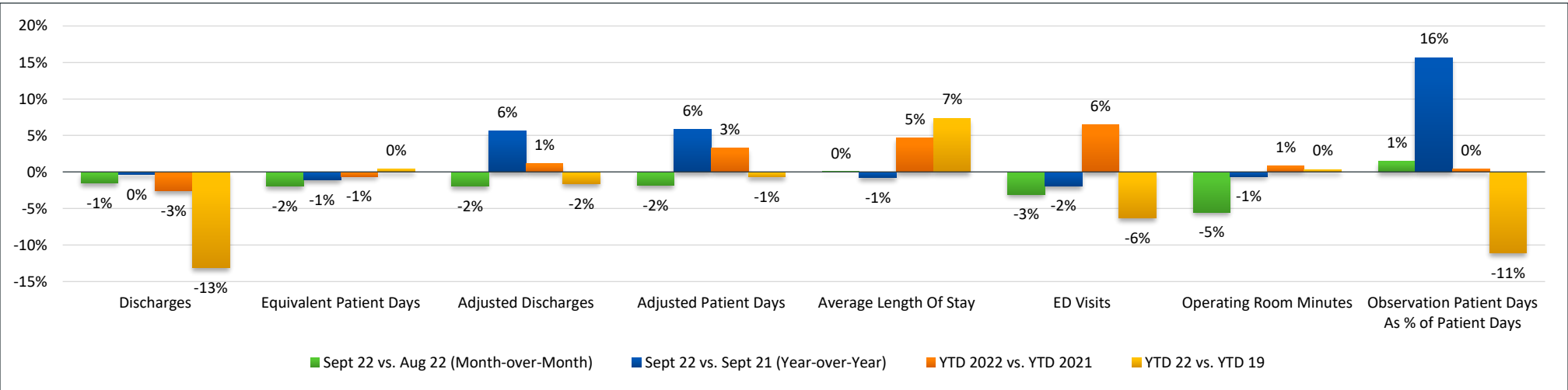


Regional Data: Northeast/Mid-Atlantic *(continued)*

Expense

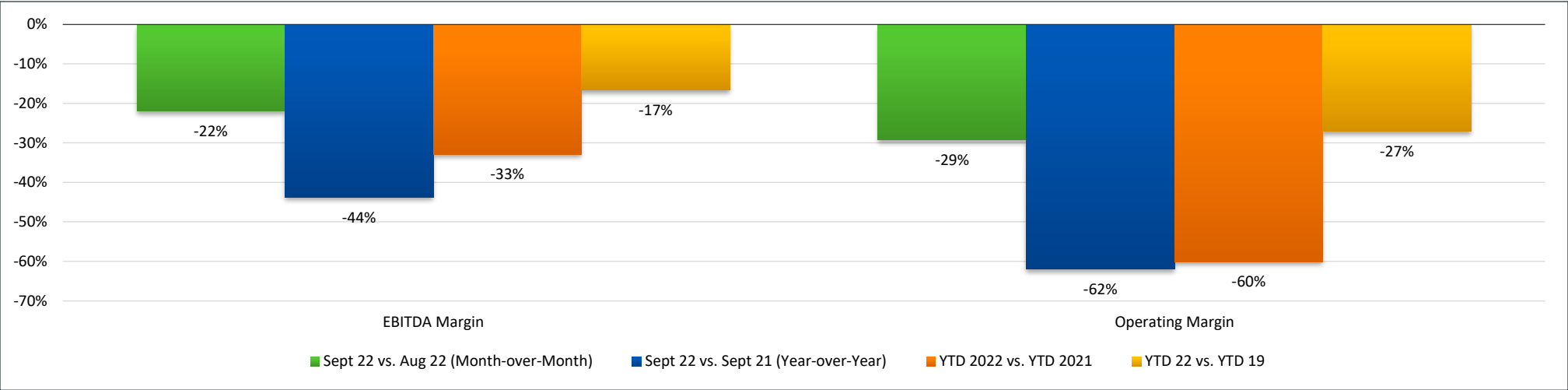


Volume

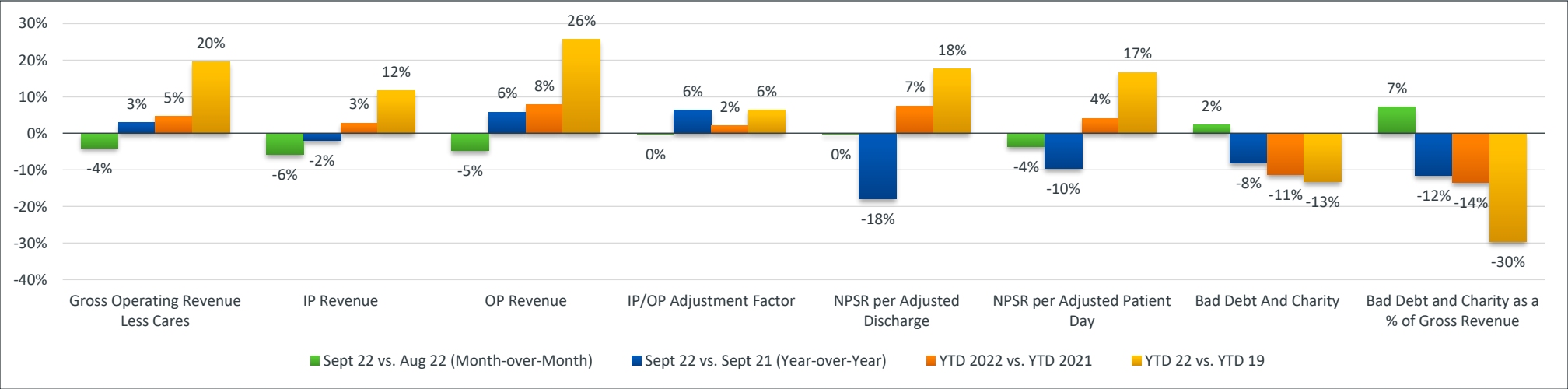


Regional Data: Great Plains

Profitability

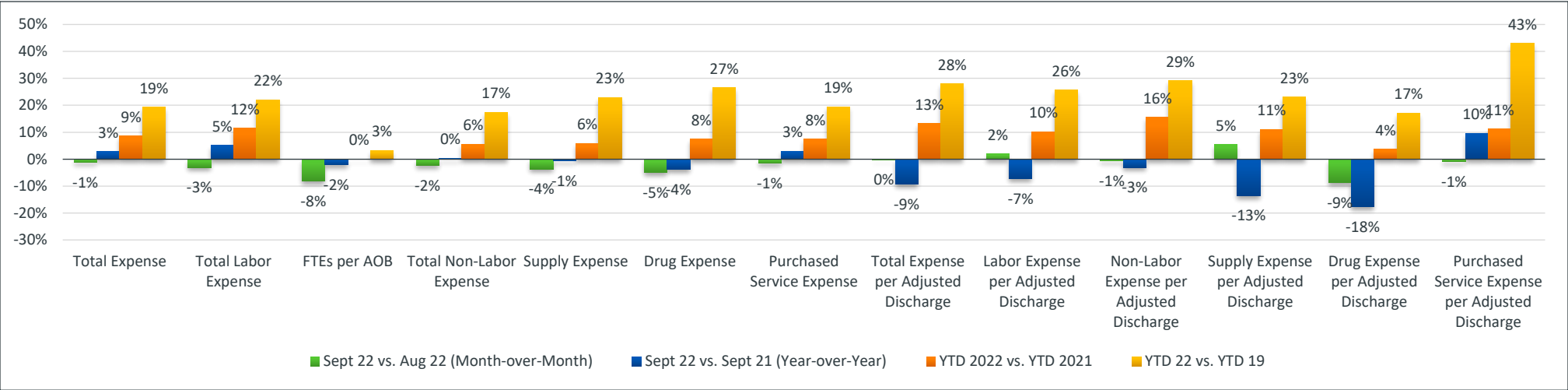


Revenue

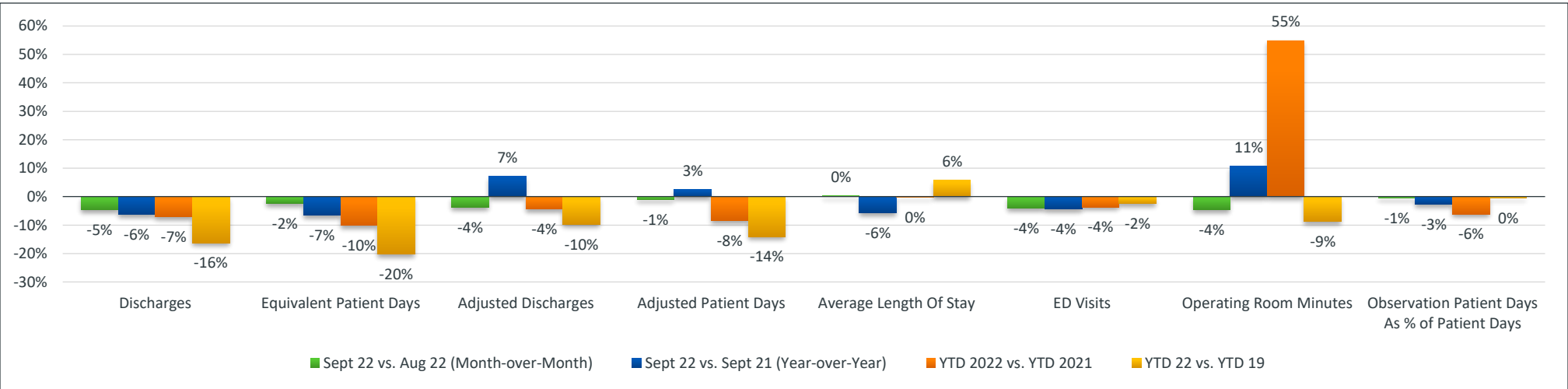


Regional Data: Great Plains *(continued)*

Expense



Volume





Data by Hospital Bed Size

Profitability, Revenue, Expense, and Volume

0-25 Beds

	Sept 22 vs. Aug 22 (Month-over-Month)	Sept 22 vs. Sept 21 (Year-over-Year)	YTD 2022 vs. YTD 2021	YTD 22 vs. YTD 19
Margin				
EBITDA Margin	-20%	-35%	-23%	-1%
EBITDA Margin Less Cares	-27%	-22%	-19%	-5%
Operating Margin	-31%	-47%	-27%	13%
Operating Margin Less Cares	-35%	-38%	-27%	-1%
Revenue				
Gross Operating Revenue Less Cares	-5%	0%	7%	20%
IP Revenue	-9%	-17%	-1%	1%
OP Revenue	-5%	4%	9%	25%
IP/OP Adjustment Factor	2%	22%	4%	9%
NPSR per Adjusted Discharge	-4%	-20%	1%	12%
NPSR per Adjusted Patient Day	-2%	-13%	2%	4%
Bad Debt And Charity	-8%	-11%	-9%	-18%
Bad Debt and Charity as a % of Gross Revenue	-2%	-12%	-12%	-31%
Expense				
Total Expense	-1%	3%	9%	16%
Total Labor Expense	-2%	4%	9%	19%
FTEs per AOB	-3%	-6%	-4%	-14%
Total Non-Labor Expense	-2%	3%	8%	14%
Supply Expense	-3%	-6%	6%	16%
Drug Expense	-5%	-8%	4%	10%
Purchased Service Expense	-1%	6%	7%	17%
Total Expense per Adjusted Discharge	0%	-9%	4%	13%
Labor Expense per Adjusted Discharge	-3%	-15%	5%	13%
Non-Labor Expense per Adjusted Discharge	4%	-6%	2%	9%
Supply Expense per Adjusted Discharge	4%	-18%	3%	13%
Drug Expense per Adjusted Discharge	-4%	-19%	-1%	5%
Purchased Service Expense per Adjusted Discharge	2%	-7%	5%	13%
Volume				
Discharges	-7%	-18%	-3%	-17%
Equivalent Patient Days	-5%	-14%	-4%	-11%
Adjusted Discharges	-6%	13%	2%	-3%
Adjusted Patient Days	-1%	6%	2%	-4%
Average Length Of Stay	1%	-4%	-2%	3%
ED Visits	-4%	-1%	8%	2%
Operating Room Minutes	4%	1%	-7%	-5%
Observation Patient Days As % of Patient Days	6%	16%	-4%	-18%

26-99 Beds

	Sept 22 vs. Aug 22 (Month-over-Month)	Sept 22 vs. Sept 21 (Year-over-Year)	YTD 2022 vs. YTD 2021	YTD 22 vs. YTD 19
Margin				
EBITDA Margin	-36%	-29%	-35%	-21%
EBITDA Margin Less Cares	-39%	-20%	-31%	-28%
Operating Margin	-53%	-31%	-44%	-24%
Operating Margin Less Cares	-54%	-26%	-44%	-45%
Revenue				
Gross Operating Revenue Less Cares	-6%	0%	4%	16%
IP Revenue	-7%	-22%	-4%	4%
OP Revenue	-6%	8%	7%	20%
IP/OP Adjustment Factor	0%	23%	5%	6%
NPSR per Adjusted Discharge	-6%	-19%	-5%	11%
NPSR per Adjusted Patient Day	-3%	-14%	-3%	2%
Bad Debt And Charity	-6%	-3%	-4%	-8%
Bad Debt and Charity as a % of Gross Revenue	0%	-1%	-6%	-23%
Expense				
Total Expense	-2%	2%	7%	18%
Total Labor Expense	-3%	2%	10%	23%
FTEs per AOB	-5%	-7%	-3%	-12%
Total Non-Labor Expense	-1%	2%	5%	15%
Supply Expense	-4%	-6%	0%	18%
Drug Expense	-9%	-23%	-6%	11%
Purchased Service Expense	0%	6%	5%	17%
Total Expense per Adjusted Discharge	0%	-11%	4%	18%
Labor Expense per Adjusted Discharge	0%	-15%	7%	23%
Non-Labor Expense per Adjusted Discharge	1%	-15%	1%	11%
Supply Expense per Adjusted Discharge	0%	-28%	-2%	6%
Drug Expense per Adjusted Discharge	-10%	-42%	-12%	15%
Purchased Service Expense per Adjusted Discharge	3%	-7%	2%	19%
Volume				
Discharges	-2%	-12%	-4%	-3%
Equivalent Patient Days	-7%	-18%	-5%	4%
Adjusted Discharges	-2%	12%	3%	-2%
Adjusted Patient Days	-5%	5%	4%	12%
Average Length Of Stay	-2%	-11%	3%	8%
ED Visits	-6%	-1%	6%	0%
Operating Room Minutes	-6%	-5%	1%	-4%
Observation Patient Days As % of Patient Days	3%	95%	2%	-4%

100-199 Beds

	Sept 22 vs. Aug 22 (Month-over-Month)	Sept 22 vs. Sept 21 (Year-over-Year)	YTD 2022 vs. YTD 2021	YTD 22 vs. YTD 19
Margin				
EBITDA Margin	-13%	-17%	-32%	-27%
EBITDA Margin Less Cares	-13%	-20%	-34%	-32%
Operating Margin	-14%	-20%	-47%	-28%
Operating Margin Less Cares	-13%	-21%	-49%	-30%
Revenue				
Gross Operating Revenue Less Cares	-5%	2%	5%	14%
IP Revenue	-5%	-7%	1%	13%
OP Revenue	-5%	11%	7%	16%
IP/OP Adjustment Factor	0%	10%	2%	1%
NPSR per Adjusted Discharge	-2%	-13%	-1%	19%
NPSR per Adjusted Patient Day	0%	-3%	1%	7%
Bad Debt And Charity	-9%	6%	-5%	-19%
Bad Debt and Charity as a % of Gross Revenue	-1%	-3%	-9%	-32%
Expense				
Total Expense	-2%	0%	8%	19%
Total Labor Expense	-3%	0%	11%	23%
FTEs per AOB	-4%	-2%	-1%	-4%
Total Non-Labor Expense	-1%	1%	5%	16%
Supply Expense	-5%	-5%	1%	16%
Drug Expense	-7%	-19%	-4%	21%
Purchased Service Expense	2%	6%	4%	16%
Total Expense per Adjusted Discharge	0%	-13%	8%	30%
Labor Expense per Adjusted Discharge	-1%	-15%	8%	34%
Non-Labor Expense per Adjusted Discharge	1%	-13%	3%	20%
Supply Expense per Adjusted Discharge	-2%	-22%	0%	23%
Drug Expense per Adjusted Discharge	-8%	-45%	-10%	23%
Purchased Service Expense per Adjusted Discharge	2%	-10%	4%	15%
Volume				
Discharges	-2%	-3%	-4%	-7%
Equivalent Patient Days	-4%	-12%	-2%	-1%
Adjusted Discharges	-2%	11%	0%	-9%
Adjusted Patient Days	-4%	1%	1%	0%
Average Length Of Stay	-2%	-9%	0%	8%
ED Visits	-4%	-1%	2%	-7%
Operating Room Minutes	-6%	8%	1%	-4%
Observation Patient Days As % of Patient Days	-4%	43%	-1%	-23%

200-299 Beds

	Sept 22 vs. Aug 22 (Month-over-Month)	Sept 22 vs. Sept 21 (Year-over-Year)	YTD 2022 vs. YTD 2021	YTD 22 vs. YTD 19
Margin				
EBITDA Margin	-11%	-42%	-42%	-39%
EBITDA Margin Less Cares	-10%	-43%	-36%	-42%
Operating Margin	-15%	-56%	-58%	-57%
Operating Margin Less Cares	-2%	-56%	-46%	-56%
Revenue				
Gross Operating Revenue Less Cares	-3%	4%	5%	13%
IP Revenue	-5%	-4%	2%	10%
OP Revenue	-3%	10%	7%	15%
IP/OP Adjustment Factor	0%	7%	3%	2%
NPSR per Adjusted Discharge	-1%	-4%	1%	20%
NPSR per Adjusted Patient Day	0%	-3%	0%	7%
Bad Debt And Charity	-5%	-5%	-6%	-11%
Bad Debt and Charity as a % of Gross Revenue	-2%	-11%	-7%	-21%
Expense				
Total Expense	-1%	4%	9%	18%
Total Labor Expense	-1%	7%	11%	21%
FTEs per AOB	-5%	-1%	-2%	-3%
Total Non-Labor Expense	-2%	5%	5%	16%
Supply Expense	-5%	-1%	2%	16%
Drug Expense	-8%	-12%	-1%	16%
Purchased Service Expense	-2%	9%	5%	19%
Total Expense per Adjusted Discharge	1%	1%	7%	29%
Labor Expense per Adjusted Discharge	1%	0%	11%	29%
Non-Labor Expense per Adjusted Discharge	1%	-2%	4%	27%
Supply Expense per Adjusted Discharge	-4%	-5%	1%	26%
Drug Expense per Adjusted Discharge	-5%	-16%	-2%	33%
Purchased Service Expense per Adjusted Discharge	1%	-3%	1%	22%
Volume				
Discharges	-4%	-4%	-2%	-9%
Equivalent Patient Days	-4%	-6%	-2%	-2%
Adjusted Discharges	-4%	5%	1%	-4%
Adjusted Patient Days	-3%	2%	3%	-2%
Average Length Of Stay	0%	-1%	3%	10%
ED Visits	-3%	1%	4%	-10%
Operating Room Minutes	-5%	2%	-2%	-8%
Observation Patient Days As % of Patient Days	-1%	26%	7%	-11%

300-499 Beds

	Sept 22 vs. Aug 22 (Month-over-Month)	Sept 22 vs. Sept 21 (Year-over-Year)	YTD 2022 vs. YTD 2021	YTD 22 vs. YTD 19
Margin				
EBITDA Margin	-31%	-36%	-51%	-56%
EBITDA Margin Less Cares	-30%	-30%	-44%	-62%
Operating Margin	-40%	-46%	-80%	-80%
Operating Margin Less Cares	-34%	-41%	-74%	-86%
Revenue				
Gross Operating Revenue Less Cares	-4%	3%	4%	14%
IP Revenue	-4%	-2%	0%	10%
OP Revenue	-4%	9%	7%	17%
IP/OP Adjustment Factor	0%	6%	3%	3%
NPSR per Adjusted Discharge	-1%	-4%	1%	20%
NPSR per Adjusted Patient Day	-1%	-2%	-2%	7%
Bad Debt And Charity	-5%	-11%	-5%	-16%
Bad Debt and Charity as a % of Gross Revenue	1%	-11%	-7%	-25%
Expense				
Total Expense	-1%	4%	8%	20%
Total Labor Expense	-1%	4%	11%	24%
FTEs per AOB	-3%	-1%	-2%	-4%
Total Non-Labor Expense	0%	5%	4%	15%
Supply Expense	-4%	-1%	2%	16%
Drug Expense	0%	-7%	-3%	15%
Purchased Service Expense	3%	5%	7%	13%
Total Expense per Adjusted Discharge	2%	-2%	7%	30%
Labor Expense per Adjusted Discharge	1%	-5%	11%	36%
Non-Labor Expense per Adjusted Discharge	4%	-1%	7%	27%
Supply Expense per Adjusted Discharge	2%	-8%	1%	24%
Drug Expense per Adjusted Discharge	3%	-14%	-4%	22%
Purchased Service Expense per Adjusted Discharge	4%	0%	4%	18%
Volume				
Discharges	-4%	-1%	-3%	-11%
Equivalent Patient Days	-3%	-4%	0%	-1%
Adjusted Discharges	-3%	4%	0%	-7%
Adjusted Patient Days	-3%	1%	3%	2%
Average Length Of Stay	0%	-5%	3%	12%
ED Visits	-3%	2%	4%	-8%
Operating Room Minutes	-5%	2%	-1%	-6%
Observation Patient Days As % of Patient Days	2%	27%	9%	-2%

500+ Beds

	Sept 22 vs. Aug 22 (Month-over-Month)	Sept 22 vs. Sept 21 (Year-over-Year)	YTD 2022 vs. YTD 2021	YTD 22 vs. YTD 19
Margin				
EBITDA Margin	-2%	-7%	-34%	-47%
EBITDA Margin Less Cares	-2%	-7%	-39%	-55%
Operating Margin	-3%	-14%	-54%	-64%
Operating Margin Less Cares	-3%	-13%	-67%	-75%
Revenue				
Gross Operating Revenue Less Cares	-3%	7%	5%	16%
IP Revenue	-3%	3%	3%	15%
OP Revenue	-4%	10%	8%	18%
IP/OP Adjustment Factor	0%	4%	2%	2%
NPSR per Adjusted Discharge	-2%	-3%	4%	18%
NPSR per Adjusted Patient Day	-2%	0%	1%	7%
Bad Debt And Charity	-3%	-11%	1%	-10%
Bad Debt and Charity as a % of Gross Revenue	1%	-12%	-3%	-14%
Expense				
Total Expense	-1%	5%	7%	22%
Total Labor Expense	-2%	8%	9%	26%
FTEs per AOB	-4%	2%	0%	-2%
Total Non-Labor Expense	-2%	4%	7%	20%
Supply Expense	-3%	3%	5%	17%
Drug Expense	-3%	0%	3%	23%
Purchased Service Expense	-2%	8%	5%	18%
Total Expense per Adjusted Discharge	0%	3%	8%	30%
Labor Expense per Adjusted Discharge	0%	4%	13%	38%
Non-Labor Expense per Adjusted Discharge	-1%	2%	7%	29%
Supply Expense per Adjusted Discharge	-1%	0%	7%	22%
Drug Expense per Adjusted Discharge	0%	-9%	5%	26%
Purchased Service Expense per Adjusted Discharge	1%	1%	5%	23%
Volume				
Discharges	-2%	0%	-4%	-7%
Equivalent Patient Days	-2%	-4%	0%	1%
Adjusted Discharges	-2%	2%	-1%	-8%
Adjusted Patient Days	-2%	0%	3%	4%
Average Length Of Stay	0%	-4%	3%	9%
ED Visits	-1%	1%	4%	-7%
Operating Room Minutes	-6%	3%	-2%	-2%
Observation Patient Days As % of Patient Days	-2%	9%	6%	-18%

Non-Operating

National Non-Operating Results

KHA Perspective

- The Consumer Price Index (CPI) rose 0.4% in September and U.S. consumer prices were up 8.2% from a year ago
- Grocery prices jumped 13.0% year-over-year with milk and eggs leading the way with price increases of 15.2% and 30.5%, respectively
- The FOMC raised the benchmark federal funds rate by another 75 basis points in September which was the fifth increase this year bringing the federal funds rate to a range of 3.00%-3.25%
- Policy makers reiterated the high likelihood of future rate hikes as the Fed further rolls back monetary policy amid their entrenched battle with inflation
- The Fed continues to reduce its bond holdings at a capped rate of \$95.0 billion per month since the Fed's economic support ballooned following the outbreak of the COVID-19 pandemic
- Nonfarm payrolls rose by 263,000 in September while the unemployment rate fell down 3.5%, slightly below August's rate of 3.7%
- September marked the 21st consecutive month of job growth
- The S&P 500 index continued to fall in September, decreasing 9.3%, bringing the YTD loss to nearly 25% and the year-over-year loss to nearly 17%

General Non-Operating Observations

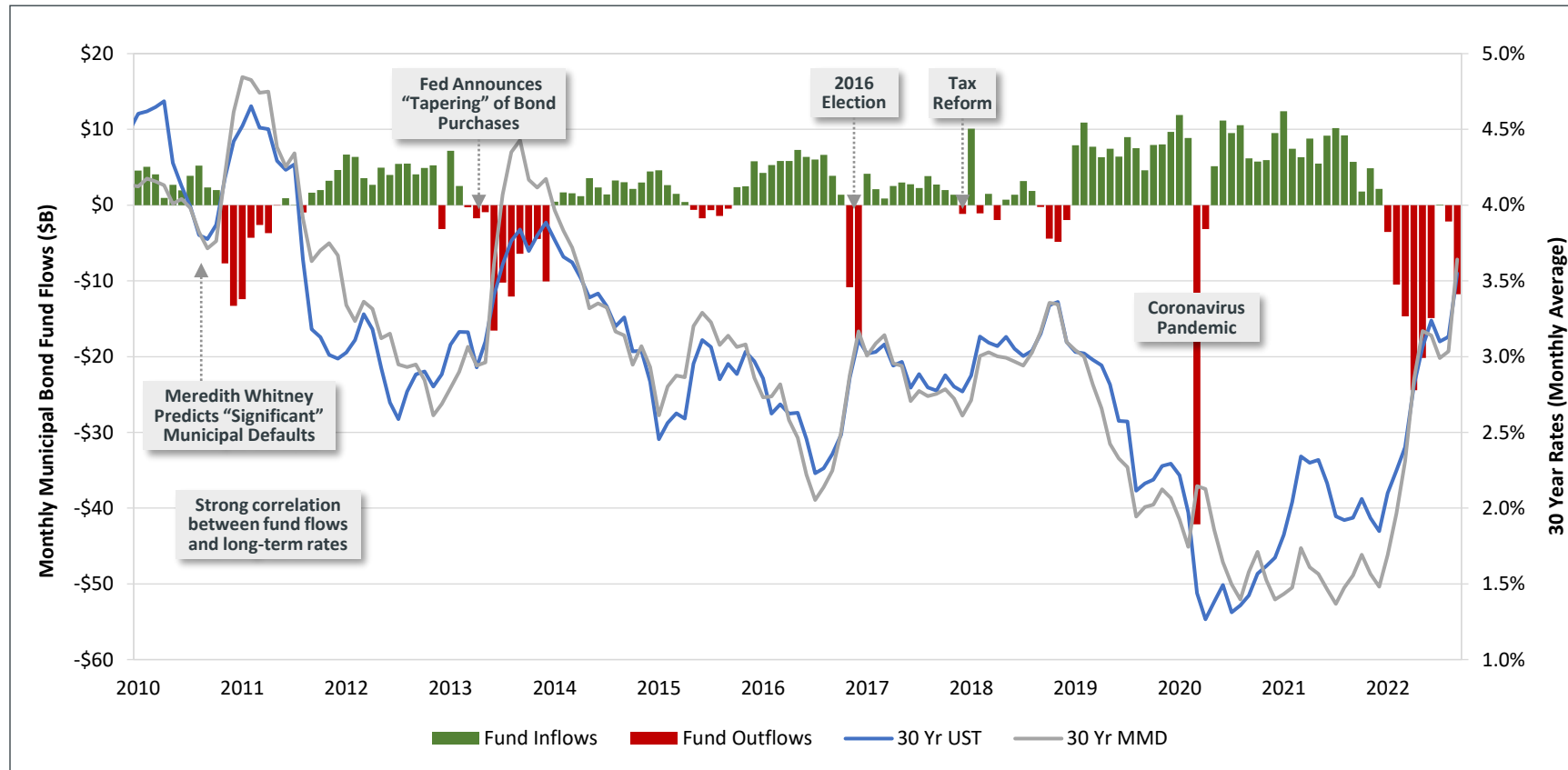
	September 2022	M-o-M Change	Y-o-Y Change
General			
GDP Growth*	-0.6%	n/a	n/a
Unemployment Rate	3.5%	-0.2%	-1.2%
Personal Consumption Expenditures (YoY)	4.9%	n/c	+1.0%
Liabilities			
1m LIBOR	3.14%	+59 bps	+306 bps
SIFMA	2.46%	+96 bps	+241 bps
30yr MMD	3.90%	+61 bps	+223 bps
30yr Treasury	3.78%	+48 bps	+173 bps
Assets			
60/40 Asset Allocation [†]	n/a	-7.6%	-17.9%

*U.S. Bureau of Economic Analysis, Q2 2022 "Third Estimate"

[†]60/40 Asset Allocation assumes 30% S&P 500 Index, 20% MSCI World Index, 10% MSCI Emerging Markets Index, 40% Barclays US Aggregate Bond Index

Non-Operating Liabilities

Long Term – Monthly Municipal Bond Fund Flows with 30-Year U.S. Treasury and 30-Year MMD



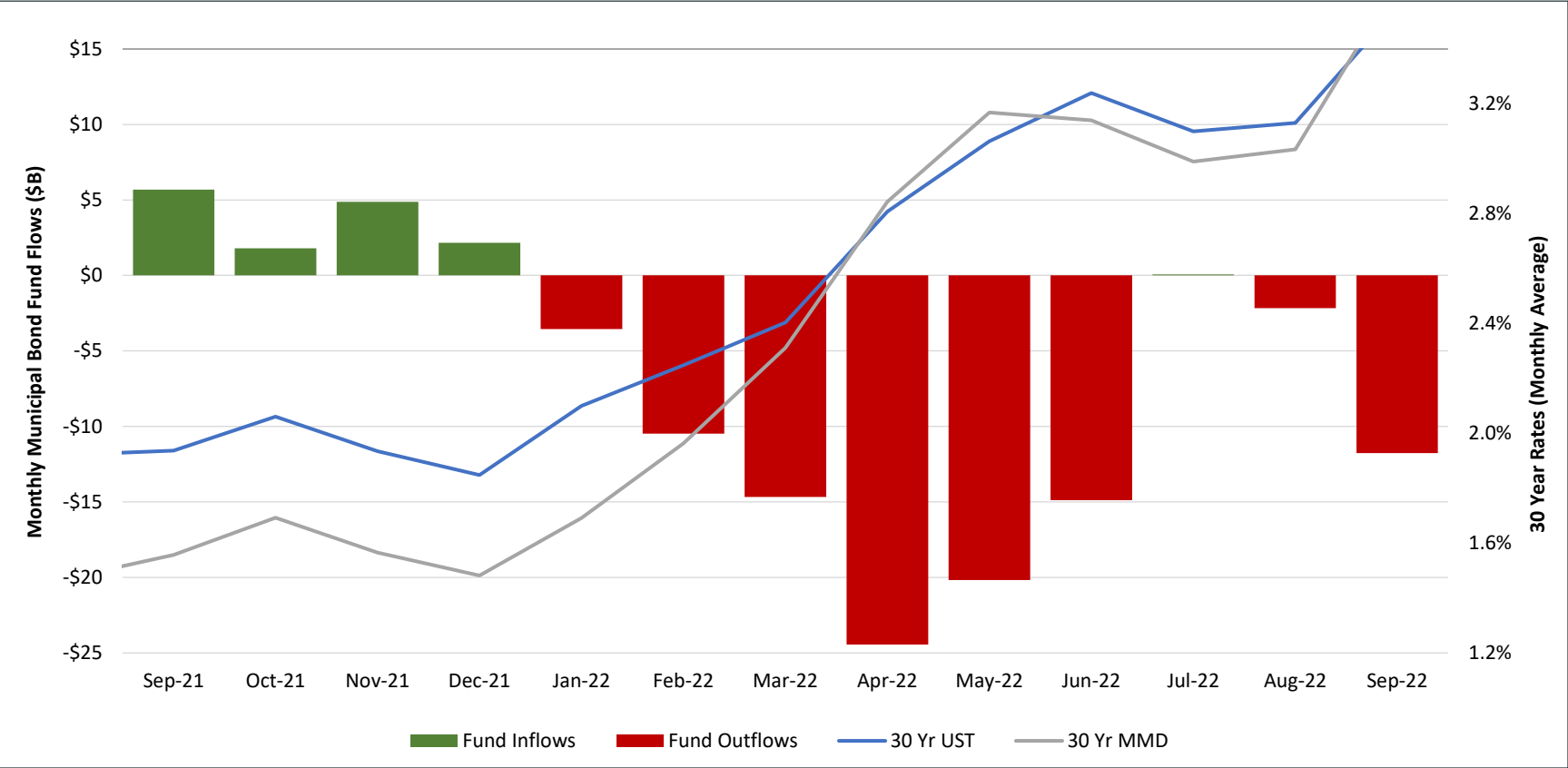
Kaufman Hall, National Hospital Flash Report (October 2022)

Taxable and tax-exempt debt capital markets, as approximated here by the '30-yr U.S. Treasury' and '30-yr MMD Index', are dependent upon macroeconomic conditions, including inflation expectations, GDP growth and investment opportunities elsewhere in the market. A key measure to track is bond fund flows, particularly in the more supply and demand sensitive tax-exempt market. Fund flows are monies moving into bond funds from new investment and principal and interest payments on existing and maturing holdings. Strong fund flows generally signal that investors have more cash to put to work, a boon to the demand. Fund inflows generally are moderate and consistent over time while fund outflows are typically large and sudden, as external events affect investor sentiment, resulting in quick position liquidation which can drive yields up considerably in a short amount of time.

The yield on the 30-year Treasury bond increased 48 basis points in September to 3.78%. Comparatively, the yield on the tax-exempt benchmark 30-year MMD rate rose 61 basis points over the last month, up to 3.90% with Muni-Treasury ratios rising throughout the curve alongside interest rates. September saw \$11.8 billion of outflows from municipal bond funds. Outflows from the municipal bond market intensified this month and selling pressures remained elevated as municipal bond funds have lost \$99.9 billion YTD. September, historically a light issuance month, continued to see slumping primary market issuance driven by a decline in taxable muni-bond sales. Issuers are delaying debt sales for new projects and look to be more strategic as they navigate rising interest rates, reluctant investors, and a challenging operating environment.

Non-Operating Liabilities *(continued)*

Last Twelve Months – Monthly Municipal Bond Fund Flows with 30-Year U.S. Treasury and 30-Year MMD

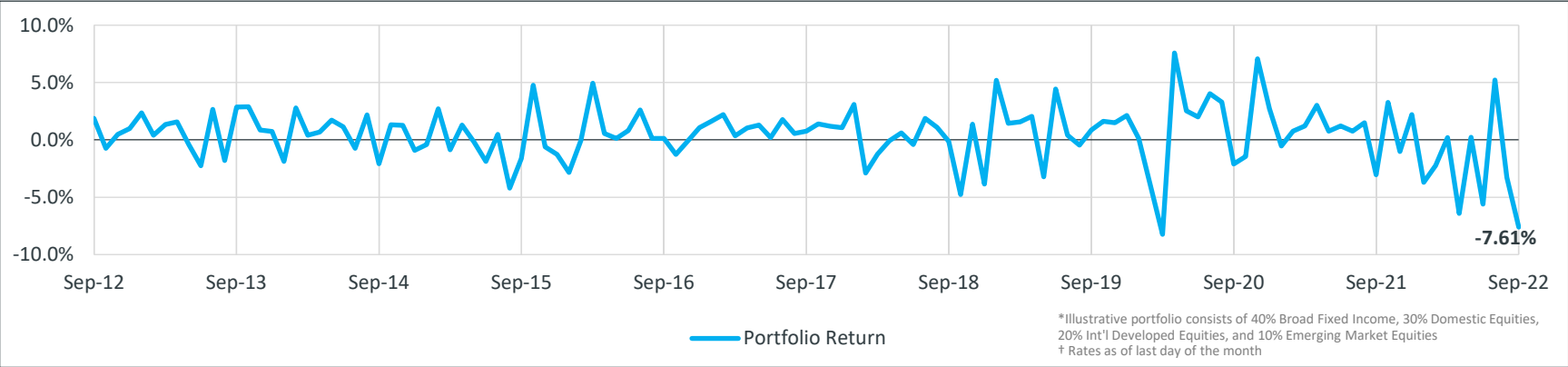


Kaufman Hall, National Hospital Flash Report (October 2022)

Taxable and tax-exempt debt capital markets, as approximated here by the '30-yr U.S. Treasury' and '30-yr MMD Index', are dependent upon macroeconomic conditions, including inflation expectations, GDP growth and investment opportunities elsewhere in the market. A key measure to track is bond fund flows, particularly in the more supply and demand sensitive tax-exempt market. Fund flows are monies moving into bond funds from new investment and principal and interest payments on existing and maturing holdings. Strong fund flows generally signal that investors have more cash to put to work, a boon to the demand. Fund inflows generally are moderate and consistent over time while fund outflows are typically large and sudden, as external events affect investor sentiment, resulting in quick position liquidation which can drive yields up considerably in a short amount of time.

Non-Operating Assets

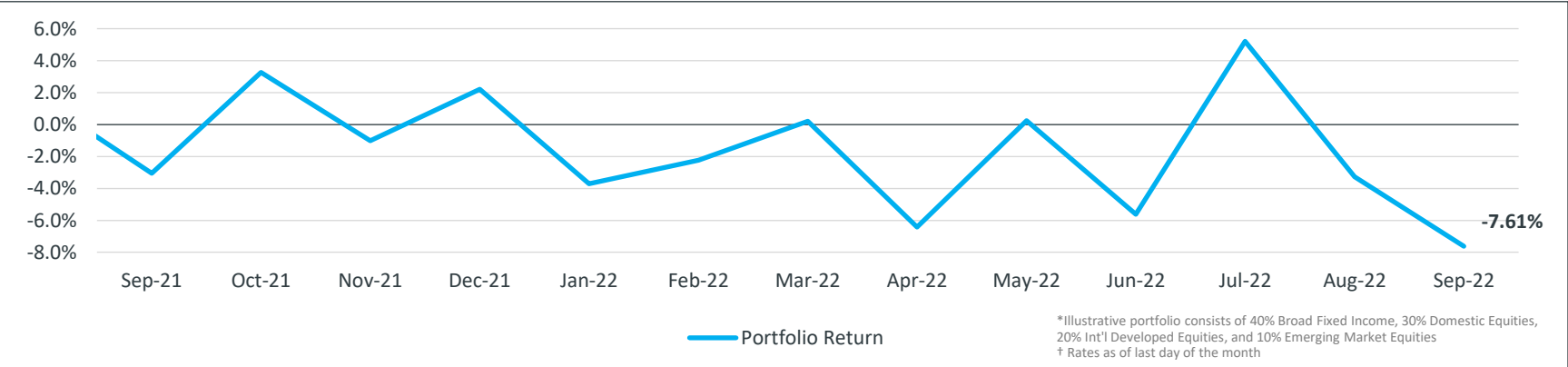
Long Term – Illustrative Investment Portfolio Returns, Month-over-Month Change



Kaufman Hall, *National Hospital Flash Report* (October 2022)

The 60/40 blended asset portfolio ended September down 7.6%. The S&P 500 finished 9.3% lower as the persisting reality of long-term higher interest rates and inflation set in. The MSCI World Index and Barclays Aggregate Index both finished the month down 9.5% and 4.3% respectively, while the MSCI Emerging Markets index finished the month down 12.0%. The 60/40 portfolio is now down 17.9% year-over-year.

Last Twelve Months – Illustrative Investment Portfolio Returns, Month-over-Month Change



Kaufman Hall, *National Hospital Flash Report* (October 2022)

About the Data

The *National Hospital Flash Report* uses both actual and budget data over the last three years, sampled from more than 900 hospitals on a recurring monthly basis from Syntellis Performance Solutions. The sample of hospitals for this report is representative of all hospitals in the United States both geographically and by bed size. Additionally, hospitals of all types are represented, from large academic to small critical access. Advanced statistical techniques are used to standardize data, identify

and handle outliers, and ensure statistical soundness prior to inclusion in the report. While this report presents data in the aggregate, Syntellis Performance Solutions also has real-time data down to individual department, jobcode, paytype, and account levels, which can be customized into peer groups for unparalleled comparisons to drive operational decisions and performance improvement initiatives.

Map of Regions



General Statistical Terms

- **Range:** The difference in value between the maximum and minimum values of a dataset
- **Average (Mean):** The average value of an entire dataset
- **Median:** The value that divides the dataset in half, the middle value
- **1st Quartile:** The value halfway between the smallest number and the median
- **3rd Quartile:** The value halfway between the median and the largest number

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Talk to us

Have a comment on the Kaufman Hall *National Hospital Flash Report*?

We want to hear from you. Please direct all questions or comments to

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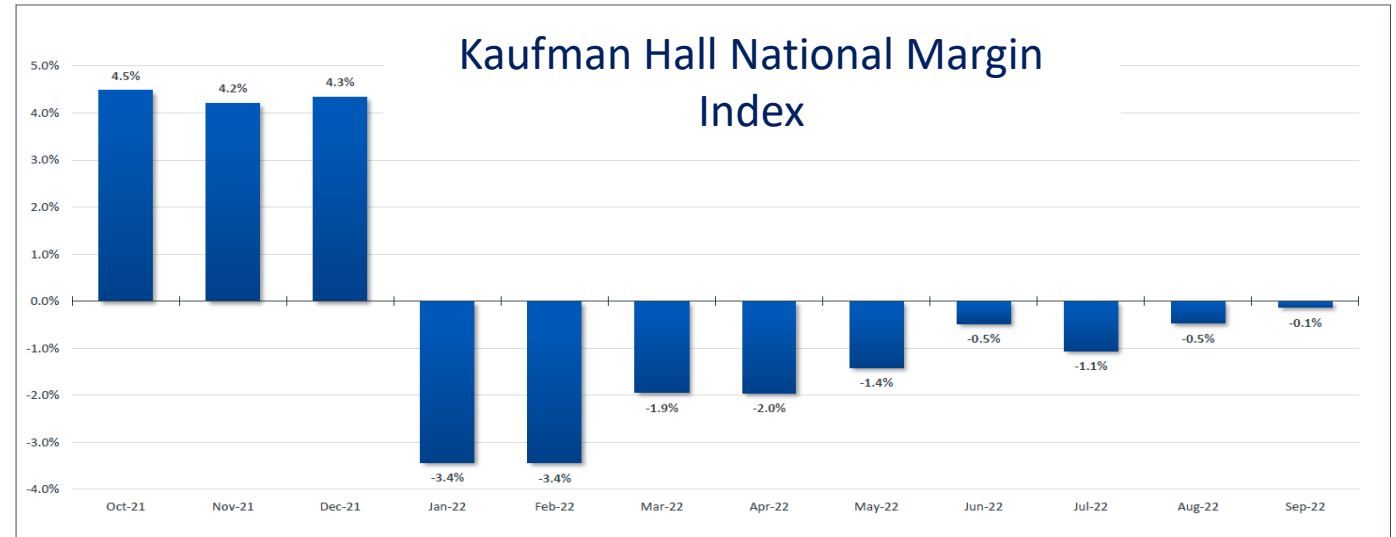
WEST PALM BEACH, FL

VCU Health System
FY 2023 Financial Report
for the 4-months ending October 31, 2022

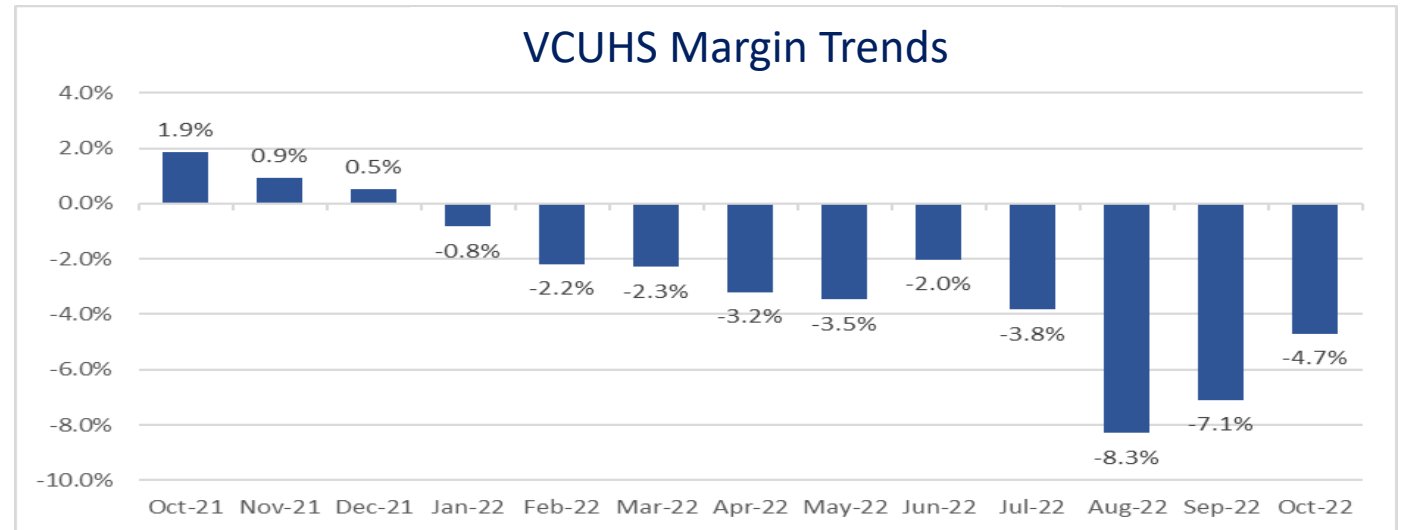
National Healthcare Optic

October 2022 Kaufman Hall Flash Report

- Nationwide, margins remain negative in September; with modest gains from previous months
- Revenue decreases, sicker patients affecting discharges and length of stay, combined with labor shortages and inflationary issues are driving negative margins
- Expenses have slowed, but not enough; and not keeping pace with drop in revenue and volumes
- Margin performance may force hospital into difficult decisions



Kaufman Hall, National Hospital Flash Report (October 2022)



** Includes spreading of expenses throughout FY2022 year.

VCUHS - Consolidated Income Statement (\$ in thousands)

For the 4-months ending October 31, 2022

	<u>Percent</u>	<u>FYTD 2023</u> <u>Actual</u>	<u>FYTD 2023</u> <u>Plan</u>	<u>FYTD 2022</u> <u>Actual</u>	<u>Variance</u> <u>Percent</u>
OPERATING REVENUE					
Net patient service revenue	-7.9%	\$ 918,884	\$ 997,889	\$ 890,794	3.2%
Contract and Other revenue	-52.9%	18,866	40,071	49,795	-62.1%
Total Operating Revenues	-9.7%	\$ 937,750	\$ 1,037,960	\$ 940,589	-0.3%
OPERATING EXPENSES					
Salaries, Wages and Benefits	-2.0%	\$ 544,475	\$ 534,056	\$ 489,276	-11.3%
Medical claims expense	42.9%	2,895	5,068	5,041	
Purchased services	10.1%	107,488	119,619	116,367	7.6%
Supplies	12.4%	104,245	118,993	100,227	-4.0%
Drugs	0.8%	104,524	105,353	93,090	-12.3%
Other expenses	13.5%	64,299	74,372	68,904	6.7%
	3.1%	\$ 927,926	\$ 957,461	\$ 872,905	-6.3%
OPERATING EBIDA	-87.8%	\$ 9,824	\$ 80,499	\$ 67,684	-85.5%
<i>EBIDA (%)</i>		<i>1.0%</i>	<i>7.8%</i>	<i>7.2%</i>	
Interest, Taxes, Depreciation and Amortization	8.4%	\$ 53,677	\$ 58,574	\$ 38,179	-40.6%
Total Operating Expenses	3.4%	981,603	1,016,035	911,084	-7.7%
TOTAL OPERATING EXCESS/ (LOSS)		\$ (43,853)	\$ 21,925	\$ 29,505	
<i>Operating Margin (%)</i>		<i>-4.7%</i>	<i>2.1%</i>	<i>3.1%</i>	
NONOPERATING REVENUE AND EXPENSES					
Investment income	-68.2%	\$ (16,464)	\$ (51,825)	\$ 47,247	-134.8%
Other non-operating income(expense)	600.0%	46,490	6,641	8,214	-466.0%
		\$ 30,026	\$ (45,184)	\$ 55,461	
EXCESS OF REV. OVER EXP. BEFORE TRANSFERS		\$ (13,827)	\$ (23,259)	\$ 84,966	

Revenue Highlights:

- Net patient service is unfavorable to plan by over \$79.0M or 7.9% with most operational metrics achieving targets.
- VCU Medical Center's net operating revenues have missed budget by \$70.9M, primarily due to shifts in high CMI service mix (less cancer, cardiology and surgery and more medicine specialties) as well as payer mix impacts (more inpatient Medicare discharges and OP revenues and less outpatient Commercial/Private Pay sources). Discharges are only slightly off plan in total despite a very aggressive plan.
- Ambulatory volumes are off plan due to a very aggressive ramp up plan as a part of Operations Rebound.

Expenses Highlight:

- Overall, operating expenses are favorable to budget by 3.4% driven by favorable Purchased Services, Supplies and Other Expenses YTD.
- Year over Year operating expense growth up 7.7%, driven by strategic investments & associated operating costs (e. g. AOP, ACS), drugs and inflation, as well as critical front-line market adjustments deployed in mid-FY22.
- Operation Rebound initiatives of ~\$160M are threaded throughout the FY23 Budget with most significant impacts expected to operating performance in Q3 and Q4.

VCUHS – Consolidated Operating Margin & Liquidity

For the 4-months ending October 31, 2022, as well as 16-month Trending Performance

	Actual FY20*	Actual FY21	Prelim FY22	Projected YTD FY23	Actual Oct YTD FY23	S&P AA- Medians	Moody's Aa3 Medians
Total Operating Revenue (\$s in 000s)	\$ 3,813,592	\$ 2,553,422	\$ 2,795,614	\$ 3,113,328	\$ 937,750	N/A	N/A
Income for Operations(\$s in 000s)	\$ 88,090	\$ 46,774	\$ (56,387)	\$ 14,665	\$ (43,853)	N/A	N/A
Operating Margin %	2.3%	1.8%	-2.0%	1.0%	-4.7%	2.8%	4.0%
EBIDA %	5.6%	6.3%	3.1%	6.9%	1.0%	8.2%	9.1%
Debt to Capitalization	22.3%	18.6%	21.7%	17.5%	21.8%	25.0%	24.8%
Days Cash on Hand	221.1	338.7	234.0	198.5	240.0	291.9	323.1
Unrestricted Cash to Debt	327%	337%	221%	240%	231%	264%	328%
Maximum Annual Debt Service Coverage	4.20	4.90	2.34	4.10	2.34	6.10	9.10

