

# RADFORD UNIVERSITY

Board of Visitors

## **BUSINESS AFFAIRS AND AUDIT COMMITTEE**

**10 A.M.**

**MARCH 23, 2023**

**KYLE HALL, ROOM 340, RADFORD, VA**

**DRAFT**

## **MINUTES**

### **COMMITTEE MEMBERS PRESENT**

Mr. Marquett Smith, Chair  
Mr. Robert A. Archer, Vice Chair  
Mrs. Jennifer Wishon Gilbert  
Mr. Tyler Lester  
Mr. David A. Smith

### **BOARD MEMBERS PRESENT**

Dr. Debra K. McMahan, Rector  
Ms. Jeanne S. Armentrout  
Dr. Rachel D. Fowlkes  
Mr. Mark S. Lawrence  
Mr. George Mendiola, Jr.  
Ms. Lisa W. Pompa  
Ms. George Anne Snyder-Falkinham  
Ms. Lisa Throckmorton

### **OTHERS PRESENT:**

Dr. Bret Danilowicz, President  
Mr. Zachary Borgerding, Audit Director, Auditor of Public Accounts  
Ms. Karen Castele, Secretary to the Board of Visitors and Special Assistant to the President  
Mr. Jorge Coartney, Associate Vice President for Facilities Management  
Ms. Crystal Cregger, Director of University Services  
Ms. Kim Dulaney, Executive Director of Strategic Sourcing  
Ms. Meghan Finney, Audit In-Charge, Auditor of Public Accounts  
Ms. Lisa Ghidotti, Executive Director of Government Relations  
Dr. Rob Hoover, Vice President for Finance and Administration and CFO  
Ms. Stephanie Jennelle, Associate Vice President for Finance and University Controller  
Dr. Angela Joyner, Interim Vice President for Enrollment Management and Vice President for Economic Development and Corporate Education  
Dr. Eric Lovik, Director of Institutional Research  
Ms. Margaret McManus, University Auditor

Mr. Mike F. Melis, Assistant Attorney General, Commonwealth of Virginia  
Mr. Ed Oakes, Associate Vice President for Information Technology Services and CIO  
Ms. Allison Pratt, Assistant Vice President for Enrollment Management and Director of Financial Aid  
Ms. Laura Quesenberry, Interim University Budget Director and Director of Business Services  
Ms. Deana Sentman, Associate Controller  
Ms. Sarah Tate, Director of Admissions (RUC)  
Ms. Leah Taylor, Assistant Vice President for Human Resources  
Dr. Susan Trageser, Vice President for Student Affairs  
Ms. Penny White, Interim Vice President for University Advancement and University Relations

### **CALL TO ORDER**

Mr. Marquett Smith, Chair, formally called the meeting to order at 9:54 a.m. in Kyle Hall, Room 340. Mr. Smith welcomed everyone to the March meeting of the Business Affairs and Audit Committee.

### **APPROVAL OF AGENDA**

Mr. Smith asked for a motion to approve the March meeting agenda, as published. Mr. Robert A. Archer so moved, Mrs. Jennifer Wishon Gilbert seconded, and the motion carried unanimously.

### **REPORTS**

#### **Auditor of Public Accounts Report**

Zachary Borgerding with the Auditor of Public Accounts (APA) presented information regarding the results of the audit of the University's FY 2022 financial statements. He noted that the University received an unmodified opinion with no material weaknesses and no instances of non-compliance or other matters required to be reported under Government Auditing Standards. The APA has issued its Higher Education Comparative Report and the Board of Visitors was included in the distribution. FORVIS, an independent accountant, has issued its NCAA agreed-upon procedures report, a copy of which was included with the board materials. Additionally, the APA issued its Higher Education Comparative Report, which provides insights into how the University compares to other institutions throughout the Commonwealth.

#### **University Auditor's Report**

University Auditor Margaret McManus presented oral reports on the December 2022 quarterly review of University Discretionary Fund expenditures and on two FY 2023 goals. She presented a report on the Information Technology Audit - DNS, DHCP and Firewall as well as a follow-up audit status report. A copy of the reports was included with the board materials.

#### **Capital and Information Technology Projects Update**

Vice President for Finance and Administration and Chief Financial Officer Rob Hoover provided a project status update on the Artis Center for Adaptive Innovation and Creativity. A full report of Capital Projects and Information Technology Services Updates was included within the board materials.

#### **Finance and Administration Goals Update**

Associate Vice President for Finance and University Controller Stephanie Jennelle presented an update to the goals for FY23 for the Division of Finance and Administration. The update included the progress made on stabilization and development of internal workforce, expanding relevant decision-making information, and enhancement of campus infrastructure.

### **Fiscal Year 2024 Outlook**

Dr. Hoover presented a comprehensive fiscal outlook for 2023-2024. A copy of said presentation was included with the board materials.

### **ACTION ITEMS:**

#### **Recommendation for Approval of a Resolution Certifying Compliance with the Radford University Debt Management Policy**

Ms. Jennelle explained that the Secretary of Finance requires annual certification of debt compliance as part of Institutional Performance reporting standards. Ms. Jennelle provided documentation demonstrating the University's compliance with its Debt Management Policy. Mr. Marquett Smith asked for a motion to recommend the Resolution Certifying Compliance with the Radford University Debt Management Policy, as presented, to the full Board for approval. Mr. Archer so moved, Mrs. Gilbert seconded, and the motion carried unanimously. A copy of the proposed resolution is attached hereto as *Attachment A* and is made a part hereof.

#### **Recommendation for Approval of Resolution of Third Quarter 2022-2023 University Operating Budget Adjustment**

Dr. Hoover reviewed the proposed Resolution of the Third Quarter 2022-2023 University Operating Budget Adjustment. He reported the adjustments were recommended to align revised revenue forecasts with authorized expenditure levels. Mr. Smith, Chair, asked for a motion to recommend the Resolution of Third Quarter 2022-23 Operating Budget Adjustment, as presented. Mr. Archer so moved, Mr. David Smith seconded, and the motion carried unanimously. A copy of the proposed resolution is attached hereto as *Attachment B* and is made a part of.

### **ADJOURNMENT**

With no further business to come before the committee, Mr. Smith adjourned the meeting at 11:19 a.m.

Respectfully submitted,

Pamela Fitchett  
Executive Assistant to the  
Vice President for Finance and Administration  
and Chief Financial Officer

**Radford University Board of Visitors  
Business Affairs and Audit Committee  
March 23, 2023**

**Action Item  
Compliance with Debt Management Policy**

**Item:**

Adoption of a Resolution certifying that Radford University is in compliance with its Debt Management Policy. In addition, this certification is required annually by the Secretary of Finance for the Commonwealth of Virginia as part of Institutional Performance reporting.

**Background:**

The 2005 Session of the General Assembly adopted, and the Governor signed, legislation that provides Radford University and all other public colleges and universities in the Commonwealth the opportunity to attain certain authority and autonomy to manage its academic and administrative affairs more efficiently and effectively through implementation of the Restructured Higher Education Financial and Administrative Operations Act. At its meeting on June 30, 2005, the Radford University Board of Visitors approved a Resolution of Commitment allowing the University to exercise restructured financial and operational authority as identified in the Restructuring Act.

The 2015 Virginia Acts of Assembly, Chapter 665 includes a requirement in the General Provisions related to Higher Education Restructuring. §4-9.01 requires, in part, that: *“Consistent with §23-9.6:1.01 [recodified as §23.1-206], Code of Virginia, the following education-related and financial and administrative management measures shall be the basis on which the State Council of Higher Education shall annually assess and certify institutional performance. Such certification shall be completed and forwarded in writing to the Governor and the General Assembly no later than October 1 of each even-numbered year. Institutional performance on measures set forth in paragraph D of this section shall be evaluated year-to-date by the Secretaries of Finance, Administration, and Technology as appropriate, and communicated to the State Council of Higher Education before October 1 of each even-numbered year. Financial benefits provided to each institution in accordance with § 2.2-5005 will be evaluated in light of that institution’s performance.”*

The Secretary of Finance collects information to fulfill the reporting requirements as they relate to paragraph D-Financial and Administrative Standards, specifically §4-9.01 d.2. which states: *“Institution complies with a debt management policy approved by its governing board that defines the maximum percent of institutional resources that can be used to pay debt service in a fiscal year, and the maximum amount of debt that can be prudently issued within a specified period.”* To assess this measure, the Secretary of Finance is seeking a statement from the Board of Visitors certifying Radford University’s compliance with said policy and the effective date of that policy.

Schedule A below provides the required ratio calculation and demonstrates the University is in compliance with its Debt Management Policy. Currently, as disclosed in the 2022 audited annual financial statements, the University’s debt obligations including affiliated foundation total \$84,342,626 which is mainly attributable to the Student Recreation and Wellness Center, Renovations of four Residence Hall projects, and the affiliated foundation property acquisition for student housing.

| <b>Schedule A</b>  |                |  |   |       |
|--|----------------|--|---|-------|
| <b>RADFORD UNIVERSITY</b>  |                |  |   |       |
| <b>DEBT MANAGEMENT POLICY RATIO</b>  |                |  |   |       |
| The calculation reflects June 30, 2022 audited Financial Statements for Total Operating Expenses (as defined in the University’s Debt Management Policy); however, Annual Debt Service reflects expected payments as of June 30, 2023. |                |  |   |       |
| <b>Board Approved Ratios</b>   | <b>Range</b>   | <b>Formula</b>   | <b>Audited Financial Statements as of 6/30/2022</b> |       |
| <b><u>Debt Burden Ratio</u></b><br>Max Annual Debt Service as % of Operating Expenses  | <b>&lt; 7%</b> | $\frac{\text{Annual Debt Service}^*}{\text{Total Operating Expenses}^*}$ | \$5,959,027   | 2.20% |
|  |                |  | \$270,789,385                                       |       |

\* Ratio includes Radford University Foundation

The Debt Management Policy also identifies that an annual report shall be prepared for review by the Board of Visitors. The notes to the annual financial statements provide the required elements to comply with the Debt Management Policy. Below are the Financial Statement Notes related to outstanding obligations that were prepared for the year ending June 30, 2022 (audited):

## **NOTE 6: Long-Term Debt**

### **Notes Payable—Pooled Bonds**

The University issued 9(d) bonds by participating in the Public Higher Education Financing Program (Pooled Bond Program) created by the Virginia General Assembly in 1996. Through the Pooled Bond Program, the Virginia College Building Authority (VCBA) issues 9(d) bonds and uses the proceeds to purchase debt obligations (notes) of the University and various other institutions of higher education. The University's general revenue secures these notes.

The composition of notes payable at June 30, 2022, is summarized as follows:

| <u>Notes Payable - Pooled Bonds:</u>  | <u>Interest Rates<br/>at Issuance</u> | <u>Maturity at Issuance</u> |
|---|---------------------------------------|-----------------------------|
| Student Fitness Center  |                                       |                             |
| Series 2009B, \$3.720 million par amount  | 2.00%-5.00%                           | September 1, 2029           |
| Series 2016A, \$2.285 million par amount –<br>partial refunding of Series 2009B               | 3.00%-5.00%                           | September 1, 2029           |
| Series 2011A, \$4.235 million par amount  | 3.00%-5.00%                           | September 1, 2031           |
| Series 2012B, \$11.155 million par amount   | 3.00%-5.00%                           | September 1, 2032           |
| Series 2013A, \$4.865 million par amount  | 2.00%-5.00%                           | September 1, 2033           |
| Series 2021B, \$13.46 million par amount -<br>partial refunding of Series 2011A, 2012B, 2013A | 3.00%-5.00%                           | September 1, 2043           |

### **Bonds Payable—9c**

The University has issued bonds pursuant to section 9(c) of Article X of the Constitution of Virginia. Section 9(c) bonds are general obligation bonds issued by the Commonwealth of Virginia on behalf of the University. They are secured by the net revenues of the completed project and the full faith, credit and taxing power of the Commonwealth of Virginia.

The composition of bonds payable at June 30, 2022, is summarized as follows:

| <u>Bonds Payable - 9c:</u>                                  | <u>Interest Rates<br/>at Issuance</u> | <u>Maturity at<br/>Issuance</u> |
|---|---------------------------------------|---------------------------------|
| Renovation of Washington Hall (residence hall)              |                                       |                                 |
| Series 2013A, \$5.040 million par amount                    | 2.00% - 5.00%                         | June 1, 2033                    |
| Renovation of Pocahontas, Bolling, Draper (residence halls) |                                       |                                 |
| Series 2014A, \$11.080 million par amount                   | 2.00% - 5.00%                         | June 1, 2034                    |
| Series 2015A, \$8.820 million par amount                    | 2.00% - 5.00%                         | June 1, 2035                    |
| Series 2016A, \$7.160 million par amount                    | 3.00% - 5.00%                         | June 1, 2036                    |
| Series 2020A, \$16.030 million par amount                   | 1.62% - 4.00%                         | June 1, 2040                    |

A summary of changes in long-term debt for the year ending June 30, 2022, is presented as follows:

|                                 | Beginning<br>Balance | Additions | Reductions  | Ending<br>Balance | Current<br>Portion | Noncurrent<br>Portion |
|---------------------------------|----------------------|-----------|-------------|-------------------|--------------------|-----------------------|
| Governmental activities:        |                      |           |             |                   |                    |                       |
| Notes payable -<br>pooled bonds | \$17,767,966         | \$-       | \$1,081,733 | \$16,686,233      | \$1,290,000        | \$15,396,233          |
| Bonds payable - 9c              | 44,135,350           | -         | 2,232,593   | 41,902,757        | 2,085,000          | 39,817,757            |
| * Total long-term debt          | \$61,903,316         | \$-       | \$3,314,326 | \$58,588,990      | \$3,375,000        | \$55,213,990          |

| Fiscal Year Ending     | Governmental Activities    |             |                    |             |
|------------------------|----------------------------|-------------|--------------------|-------------|
|                        | Notes Payable Pooled Bonds |             | Bonds Payable - 9c |             |
|                        | Principal                  | Interest    | Principal          | Interest    |
| June 30, 2023          | 1,290,000                  | 255,116     | 2,085,000          | 1,284,606   |
| June 30, 2024          | 1,410,000                  | 215,516     | 2,170,000          | 1,186,557   |
| June 30, 2025          | 1,520,000                  | 195,383     | 2,270,000          | 1,092,406   |
| June 30, 2026          | 1,545,000                  | 181,380     | 2,365,000          | 999,556     |
| 2028-2032              | 7,590,000                  | 449,149     | 13,760,000         | 3,050,244   |
| 2033-2037              | 1,455,000                  | 19,832      | 10,295,000         | 887,106     |
| 2038-2041              | -                          | -           | 3,010,000          | 113,531     |
| Unamortized<br>Premium | 321,233                    | -           | 3,482,757          | -           |
| Total                  | \$16,686,233               | \$1,481,628 | \$41,902,757       | \$9,515,913 |

### Right-to-use Lease Obligations

In March 2018, the University entered into a 25-year capital lease with the Radford University Foundation, LLC to meet student housing demand. Due to existing housing commitments, a management agreement was entered between the Radford University Foundation and a third party to manage the properties. Therefore, the University's obligation regarding the capital lease was not effective until fiscal year 2020. The University accounted for the acquisition of the various residential properties as a capital lease in 2020, and recorded the building as a depreciable capital asset, and recorded a corresponding lease liability in long-term debt, both on its Statement of Net Position. During fiscal year 2021, a portion of the properties were purchased by the University which decreased the capital lease and therefore also decreased the depreciable asset and lease liability.

For fiscal year 2022 the lease asset and liability increased with the implementation of GASB Statement 87 as this lease was remeasured as of the implementation date July 1,

2022 to reflect the present value of the future cash payments discounted at the University's incremental rate of 3.48%. The University then purchased two additional properties from the lease reducing the lease asset and liability. The lease presented below is the only direct debt lease as payments for principle and interest for the debt is made by the University.

A summary of changes in the lease liability for the year ending June 30, 2022, is presented as follows:

|                          | Restated<br>Beginning<br>Balance | Additions | Reductions  | Ending<br>Balance | Current<br>Portion | Noncurrent<br>Portion |
|--------------------------|----------------------------------|-----------|-------------|-------------------|--------------------|-----------------------|
| Lease with<br>Foundation | \$16,742,331                     | \$-       | \$3,580,841 | 13,161,490        | \$752,567          | \$12,408,923          |

Future principal payments and interest payments on long-term leases are as follows:

| Years     | Principal  | Interest  | Total<br>Payment |                              |
|-----------|------------|-----------|------------------|------------------------------|
| 2023      | 294,547    | 458,020   | 752,567          |                              |
| 2024      | 304,796    | 447,770   | 752,566          |                              |
| 2025      | 358,076    | 437,163   | 795,239          |                              |
| 2026      | 502,198    | 424,702   | 926,899          |                              |
| 2027      | 519,674    | 407,225   | 926,899          |                              |
| 2028-2032 | 2,882,560  | 1,751,936 | 4,634,496        |                              |
| 2033-2037 | 3,420,270  | 1,214,226 | 4,634,496        |                              |
| 2038-2042 | 4,058,285  | 576,211   | 4,634,496        |                              |
| 2043-2047 | 821,084    | 28,574    | 849,658          |                              |
| Totals    | 13,161,490 | 5,745,825 | 18,907,316       | Total Minimum Lease Payments |

### Long-Term Debt Defeasance

On February 9, 2021, the Virginia College Building Authority, on behalf of the University, issued pooled bonds Series 2021B for \$13,460,000 with interest rates of 0.48 to 1.91 percent to advance refund \$2,900,000 of Series 2011A, \$7,220,000 of Series 2012B and \$3,340,000 of Series 2013A pooled bonds. The bonds, issued at a premium of \$7,343, are used to provide funds for debt service savings for the University. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds.

The advanced refunding resulted in a deferred accounting loss of \$176,827 for the Series 2011 and 2012 bonds, and resulted in a deferred accounting gain of \$258,622 for the series 2013 bonds refunded, which is being amortized to interest expense over the life of the new debt. The defeasance reduced the University's total debt service obligation by \$1,202,463 for the 13 years after the bonds were issued. The debt service savings discounted at a rate of 1.144 percent for



2011A, 1.276 percent for 2012B and 1.391 percent for 2013A resulted in a total economic gain of \$1,178,451. At June 30, 2022, \$318,538 of deferred accounting losses are reported on the Statement of Net Position as a deferred outflow of resources. At June 30, 2022, \$225,632 of the deferred accounting gains are reported on the Statement of Net Position as a deferred inflow of resources.

For financial reporting purposes, these notes payables are considered an in-substance defeasance and have therefore been removed from the long-term debt payable line item of the Statement of Net Position. The assets in escrow have similarly been excluded. As of June 30, 2022, \$9,635,000 of the notes are considered defeased and outstanding.

**NOTE 20E: Component Unit Financial Information**

The following is a summary of the outstanding notes payable at June 30, 2022:

|   |           |
|---|-----------|
| Note payable in monthly installments of \$5,182.12 through May 2025, interest payable at LIBOR plus 1.48 percent (2.60% and 1.57%% at June 30, 2022 and 2021, respectively). Unsecured. | \$163,956 |
|---|-----------|

|   |         |
|---|---------|
| Notes payable in monthly installments calculated on a 25-year amortization with a balloon payment of remaining amount in May 2028, with interest payable at LIBOR plus 0.82% with a floor of 1.57% beginning May 2021 (2.44% and 1.57% at June 30, 2022 and 2021, respectively). Secured by real estate and deposit accounts maintained by and investment property held with the institution. Additionally, secured by an assignment of leases and rents. | 342,295 |
|---|---------|

|  |         |
|--|---------|
| Notes payable in monthly installments calculated on a 17-year amortization with a balloon payment of remaining amount in June 2028, with interest payable at LIBOR plus 0.82% with a floor of 1.57% (1.94% and 1.57% at June 30, 2022 and 2021 respectively). Secured by real estate and deposit accounts maintained by and investment property held with the institution. Additionally, secured by an assignment of leases and rents. | 389,977 |
|--|---------|

|  |           |
|--|-----------|
| Notes payable in monthly Interest only payments through April 2020, then monthly installments calculated on a 23-year amortization with a balloon payment of the remaining amount In April 2025. Interest payable at LIBOR plus 0.82 (1.88% and 0.91% at June 30, 2022 and 2021, respectively). Secured by real estate and deposit accounts maintained by and investment property held | 1,323,527 |
|--|-----------|

with the institution. Additionally, secured by an assignment of leases and rents.

Notes payable in monthly interest only payments through April 2020, then monthly installments calculated on a 23-year amortization with a balloon payment of remaining amount In April 2025. Interest payable at 4.20%. Secured by real estate and deposit accounts maintained by and investment property held with the institution. Additionally, secured by an assignment of leases and rents. 9,418,047

Notes payable in monthly installments on a 15-year amortization with a balloon payment of remaining amount in June 2024, with interest payable at 3.72%. Secured by real estate and deposit accounts maintained by and investment property held with the institution. Additionally, secured by an assignment of leases and rents. 176,832

Notes payable in monthly interest only payments through December 2021 then monthly installments calculated on a 25- year amortization with a balloon payment of remaining amount in May 2026. Interest payable at 2.39%. Secured by real estate, an assignment of rents and a pledge on securities. 2,941,461

Total long-term debt \$14,756,095

Future principal payments on notes payable for years ending June 30 are as follows:

|                      |                            |
|----------------------|----------------------------|
| 2023                 | 516,610                    |
| 2024                 | 686,710                    |
| 2025                 | 10,242,415                 |
| 2026                 | 2,697,842                  |
| 2027 and thereafter  | <u>612,518</u>             |
| Total long-term debt | <u><u>\$14,756,095</u></u> |

Notes payables are subject to certain affirmative and negative covenants. Management believes the Foundation has complied with all covenants as of June 30, 2022.

**Action:**

Board of Visitors adoption of a Resolution of Compliance with the Radford University Debt Management Policy.

**Radford University Board of Visitors  
Resolution  
Compliance with Debt Management Policy**

**WHEREAS**, the 2005 Session of the General Assembly adopted, and the Governor signed, legislation that provides Radford University and all other public colleges and universities in the Commonwealth the opportunity to attain certain authority and autonomy to manage its academic and administrative affairs more efficiently and effectively through implementation of the Restructured Higher Education Financial and Administrative Operations Act, and

**WHEREAS**, on June 30, 2005, the Radford University Board of Visitors approved a Resolution of Commitment allowing the University to exercise restructured financial and operational authority as identified in the Restructuring Act, and

**WHEREAS**, the Governor has established financial and management measures on which annual assessment and certification of institutional performance will be evaluated, and

**WHEREAS**, the financial and management measures require the Radford University Board of Visitors to approve a Debt Management Policy, and

**WHEREAS**, the Radford University Board of Visitors approved such Debt Management Policy at its March 30, 2007, meeting; revisions to this policy were approved by the Board of Visitors at its August 23, 2007, November 12, 2010, and February 8, 2012 meetings, and

**WHEREAS**, Schedule A demonstrates that the University meets the requirements outlined in the Debt Management Policy; and

**WHEREAS**, the Board of Visitors must annually certify Radford University's compliance with the approved Debt Management Policy to the Secretary of Finance for the Commonwealth of Virginia;

**NOW, THEREFORE, BE IT RESOLVED**, this resolution approved by the Radford University Board of Visitors certifies that the University is in compliance with its Debt Management Policy.

**RADFORD UNIVERSITY BOARD OF VISITORS**  
**Business Affairs and Audit Committee**  
**March 24, 2023**

**Action Item**

**Approval of the Radford University 2022-23 Third Quarter Operating Budget Adjustment**

**Item:**

Board of Visitors approval of the Radford University's 2022-23 third quarter operating budget adjustment and review of the actual activity as of January 31, 2023.

**Summary:**

The University has examined the fiscal impact of the 2022-23 fall enrollment results, general fund allocations, as well as miscellaneous one-time revenues on the institutional operating budget. Due to the materiality of the impact on the University's operating budget, a third quarter budget adjustment is necessary to align revised revenue forecasts.

University operating revenues are projected to be above forecast by \$3.3 million. Actual 2022-23 fall enrollment was 4.5% more than budgeted resulting in larger than projected tuition and fee revenue. Although the enrollment was larger than anticipated, the change of the student population mix, notably seat-based students, results in lower than projected revenues for Auxiliary Enterprises. Other operating revenues are more than projected due to supplemental relief funding for student financial aid that was reappropriated from the prior fiscal year, as well as supplemental general fund allocations.

An accompanying outline of adjustments is also provided in the 2022-23 Financial Performance Report (Schedule A) which summarizes the adjusted operating budget and related activity through January 31, 2023 and the University Operating Budget (Schedule B) which breaks down the recommended adjustments.

**Education and General (E&G):**

The original 2022-23 revenue budget for E&G was forecasted at \$156.7 million. The revised budget recommendation is \$158.6 million, an increase of \$1.9 million. The revised revenue forecast is reflective of the following adjustments.

General Fund

The University is estimating a \$0.3 million increase in general fund operating revenue related to an alignment of central appropriations funding, as well as supplemental funding for the Western Virginia Public Consortium and Virtual Library of Virginia interlibrary loan program.

Non-General Fund

The University is estimating a \$1.6 million increase in E&G operating revenue related to non-general fund business level factors due to higher than anticipated enrollment levels for accelerated online programs. E&G operating expense budgets are estimated to be increased by \$0.9 million to accommodate instructional costs. The remaining revenue of \$0.7 million results in a miscellaneous E&G operating expense adjustment to support University strategic investments.

## **Student Financial Assistance (SFA):**

The original revenue budget for SFA was \$17.8 million. The revised revenue and expense budgets are \$25.3 million concurrently, an increase of \$7.6 million. The revised revenue forecast is reflective of the following adjustments.

### General Fund

General Fund appropriations for Virginia Military Survivors and Dependent Education Program, the College Transfer Grant program, as well as, the reappropriation of graduate fellowship and undergraduate financial aid increased by \$0.6 million over the originally budget amount. These are routine supplemental allocations that vary by year.

### Non-General Fund

Non-general fund miscellaneous adjustments are recommended for undergraduate student financial aid allocations to account for a \$6.9 million revenue increase over the original budget amount. Undergraduate financial aid allocation increased by \$0.2 million as a result of a reappropriation from 2021-22 and by \$6.7 million as a result of COVID-19 relief funding. Further information outlining the details of the relief funding are provided in the remainder of this section.

The Coronavirus Aid, Relief, and Economic Security Act or, CARES Act, was passed by Congress and the bill allotted \$2.2 trillion to provide fast and direct economic aid to the American people negatively impacted by the COVID-19 pandemic. Of that money, approximately \$14.0 billion was given to the Office of Postsecondary Education as the Higher Education Emergency Relief Fund, or HEERF. The University portion of the HEERF III funding for 2021-22 was \$16.9 million for student financial aid, of which, \$0.1 million was reappropriated in 2022-23.

Congress set aside approximately \$3.0 billion of the \$30.75 billion allotted to the Education Stabilization Fund through the CARES Act for the Governor's Emergency Education Relief Fund (GEERF). The Department has awarded these grants to States (governor's offices) based on a formula stipulated in the legislation. The University received \$1.3 million in GEERF funding in 2020-21. The University also received \$0.9 million in GEERF II funding in 2021-22 which was reappropriated in 2022-23. The funding will be awarded as need-based financial assistance.

The American Rescue Plan Act of 2021 (ARPA) State and Local Recovery Funds for Higher Education allotted \$100,000,000 to the State Council of Higher Education for Virginia (SCHEV) for need-based financial aid for in-state undergraduate students from low- and moderate-income households at public institutions of higher education. The University's portion of the 2022-23 funding is \$5.6 million for student financial aid.

GEAR UP (Gaining Early Awareness and Readiness for Undergraduate Programs) is a \$22.0 million seven-year grant funded by the U.S. Department of Education and administered by the State Council of Higher Education for Virginia (SCHEV). The program is designed to significantly increase the number of low-income students who are prepared to enter and succeed in postsecondary education. The University received \$35,000 in GEAR UP funding in 2022-23.

The University is recognizing the revenue and expense of the relief funding in SFA. Refer to the Financial Performance Report (Schedule A) for a summary and the University Operating Budget (Schedule B) for details on the proposed budget adjustments.

## **Sponsored Programs:**

The original revenue and expense budgets for Sponsored Programs were each \$9.0 million. With general fund allocations from various agencies within the Commonwealth for special projects, a budget adjustment of \$0.1 million is being recommended resulting in revised revenue and expense Sponsored Program budgets of \$9.1 million concurrently.

### **Auxiliary Enterprises:**

The original budget for Auxiliary Enterprises was \$68.5 million in revenue and \$66.5 million in expense. The revised revenue budget is \$62.2 million, a decrease of \$6.3 million which is due to enrollment changes in seat-based programs. The revised expense budget is projected at \$65.0 million, a decrease of \$1.5 million. These adjustments decrease the planned reserve contribution by \$4.8 million resulting in an estimated reserve draw of \$2.8 million. Further review and reductions in expense budget will be ongoing throughout the remainder of the fiscal year to limit the reserve draw as a result of the revenue estimates. The revised budgets are reflective of the following adjustments.

#### Non-General Fund

The University is estimating a decrease in Auxiliary Enterprise operating revenue, specifically to comprehensive fees of \$1.1 million, as well as, room sales of \$3.6 million, book sales of \$0.1 million, and meal plan sales of \$1.5 million.

Auxiliary Enterprise miscellaneous adjustments recommended include a decrease of operating expense budgets by \$2.9 million due to greater than anticipated turnover and vacancy and scholarship allocation savings, as well as increases for strategic investments that include funding to Athletics of \$0.4 million for marketing and Student Affairs of \$0.7 million student services, retention and accessibility.

Refer to the Financial Performance Report (Schedule A) for a summary and the University Operating Budget (Schedule B) for details on the proposed budget adjustments.

### **Preliminary Financial Performance Report:**

The Financial Performance Report (FPR) is more commonly presented at the September Board of Visitors meeting reflecting the prior fiscal year's budget and actual financial activity. The FPR is generated from annual budget projections and actual accounting data recorded in Banner Finance. The actual accounting data is recorded using a modified accrual basis of accounting which recognizes revenue when received rather than when earned and expenditures when posted rather than when payment is issued.

As shown on the Financial Performance Report (Schedule A), the Original Budget reflects the 2022-23 budget of \$251.9 million approved by the Board of Visitors at the September 2022 meeting. The Revised Budget reflects 2022-23 recommended mid-year revenue adjustments totaling \$3.3 million. While there are a number of factors that influenced the recommended mid-year adjustments they are primarily attributed to actual 2022-23 enrollment levels and relief funding.

The revised budget of \$255.2 million is sufficient to sustain University operations for the remainder of 2022-23 while utilizing limited or no Auxiliary Enterprise reserves. As aforementioned, Auxiliary Enterprises will be under review throughout the remainder of the fiscal year to limit the reserve draw resulting from the revised revenue budget.

Actual expenditure activity for the period ending January 31, 2023, totals \$177.9 million, which is consistent with projections. The vast majority of the outstanding expense budget balance relates to anticipated third and fourth quarter compensation.

**Action:**

Radford University Board of Visitors approval of the 2022-23 third quarter operating budget adjustment as presented in Schedule B for the University Operating Budget.

**RADFORD UNIVERSITY BOARD OF VISITORS**

**Resolution**

**March 24, 2023**

**Approval of the Radford University 2022-23 Operating Budget Adjustment**

**BE IT RESOLVED**, the Radford University Board of Visitors approves the third quarter adjustments to the 2022-23 operating budget as presented in Schedule B for the University Operating Budget.



End of Board of Visitors Materials

