

# RADFORD UNIVERSITY

Board of Visitors

**BUSINESS AFFAIRS AND AUDIT COMMITTEE MEETING  
1:30 P.M.  
FEBRUARY 7, 2019  
MARY ANN JENNINGS HOVIS MEMORIAL BOARD ROOM  
THIRD FLOOR, MARTIN HALL, RADFORD, VA**

**DRAFT  
MINUTES**

**COMMITTEE MEMBERS PRESENT**

Mr. Gregory A. Burton, Chair  
Dr. Susan Whealler Johnston  
Mr. James R. Kibler  
Mr. Randy J. Marcus  
Dr. Debra K. McMahan  
Ms. Nancy A. Rice

**COMMITTEE MEMBERS ABSENT**

Dr. Jay A. Brown, Vice Chair

**BOARD MEMBERS PRESENT**

Mr. Mark S. Lawrence, Rector  
Mr. Robert A. Archer, Vice Rector  
Dr. Thomas Brewster  
Ms. Krisha Chachra  
Dr. Rachel D. Fowlkes  
Ms. Georgia Anne Snyder-Falkinham  
Ms. Lisa Throckmorton, joined at 1:40 p.m.  
Ms. Myriah Brooks, Student Representative (Non-voting Advisory Member)

**OTHERS PRESENT:**

Dr. Brian O. Hemphill, President  
Ms. Sharon Barrett, University Budget Director  
Mr. Zachary Borgerding, Auditor of Public Accounts  
Mr. Mike Biscotte, Director of Facilities Planning and Construction  
Ms. Karen Castele, Secretary to the Board of Visitors and Special Assistant to the President  
Mr. Jorge Coartney, Assistant Vice President for Facilities Management  
Dr. Kenna Colley, Interim Provost and Vice President for Academic Affairs  
Mr. Grady DeVilbiss, Director of Emergency Management  
Ms. Meghan Finney, Auditor of Public Accounts  
Mr. Matt Holm, Auditor of Public Accounts  
Ms. Stephanie Jennelle, Associate Vice President for Finance and University Controller

Mr. Danny M. Kemp, Vice President for Information Technology and Chief Information Officer  
Dr. Erik Lovik, Director of Institutional Research  
Ms. Kitty McCarthy, Vice President for Enrollment Management  
Ms. Margaret McManus, University Auditor  
Mr. James Perkins, Director of University Services  
Mr. Chad A. Reed, Vice President for Finance and Administration and Chief Financial Officer  
Mr. John Sanders, Interim Assistant Vice President for Human Resources  
Ms. Ashley Schumaker, Chief of Staff and Vice President for University Relations  
Dr. Susan Trageser, Vice President for Student Affairs  
Mr. David Underwood, Chief of Radford University Police Department  
Mr. Allen Wilson, Senior Assistant Attorney General, Commonwealth of Virginia  
Other Radford University faculty and staff

### **CALL TO ORDER**

Mr. Gregory A. Burton, Chair, formally called the Business Affairs and Audit Committee meeting to order at 1:33 p.m. in the Mary Ann Jennings Hovis Board Room in Martin Hall. Mr. Burton welcomed everyone to the February meeting.

### **APPROVAL OF AGENDA**

Mr. Burton asked for a motion to approve the February 7, 2019 meeting agenda, as published. Mr. James R. Kibler so moved, Ms. Nancy A. Rice seconded, and the motion carried unanimously.

### **APPROVAL OF MINUTES**

Mr. Burton asked for a motion to approve the minutes of the December 6, 2018 meeting of the Business Affairs and Audit Committee, as published. Mr. Randy J. Marcus so moved, Mr. Kibler seconded, and the motion carried unanimously.

### **REPORTS AND RECOMMENDATIONS**

#### **Report from the Auditor of Public Accounts**

Zachary Borgerding, with the Auditor of Public Accounts, presented information regarding the ongoing audit of the University's FY 2018 financial statements. He discussed the responsibilities of the auditors and management, as well as the planned scope and timeline of this year's audit. A copy of the Board of Visitors Entrance Conference Agenda is attached hereto as *Attachment A* and is made a part hereof.

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

University Auditor Margaret McManus presented an oral report on the University Discretionary Fund review for the quarter ended December 31, 2018. One hundred percent of the University Discretionary Fund expenditures were reviewed, and all were found in compliance with the Board of Visitors' guidelines. Ms. McManus also presented a follow-up audit status report. A copy of the report is attached hereto as *Attachment B* and is made a part hereof.

### **Capital Projects Update**

Vice President for Finance and Administration and Chief Financial Officer Chad A. Reed provided an update on capital projects currently in progress. A copy of the report is attached hereto as *Attachment C* and is made a part hereof.

### **Governor's Executive Budget Summary and 2019-20 Budget Development Update**

Vice President Reed presented an overview of the incremental funding included for Radford University in the Governor's 2019-2020 Executive Budget Proposal. He reported the Governor's proposed budget included contributions to increase need-based student financial aid, and provided \$1.7 million of general funds requested to support the Jefferson merger. In addition to the two percent across-the-board salary increase and two percent merit increase for classified employees which are both effective June 10, 2019, the Governor's Budget Proposal also includes a one percent salary bonus for all state employees effective December 1, 2019. Vice President Reed discussed amendments to the Governor's proposed budget introduced by both the Senate Finance Committee and the House Appropriations Committee. The outcome of the proposed 2019-20 budget will not be known until the completion of the 2019 General Assembly session. A copy of the Governor's Executive Budget Summary and 2019-20 Budget Development Update are attached hereto as *Attachment D* and is made a part hereof.

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

Associate Vice President for Finance and University Controller Stephanie Jennelle explained that the Secretary of Finance requires this certification annually for the Commonwealth of Virginia as part of Institutional Performance reporting. She provided documentation that the required ratio calculation demonstrates that the University is in compliance with its Debt Management Policy. Mr. Burton asked for a motion to recommend to the Board of Visitors the Resolution Certifying Compliance with the Radford University Debt Management Policy. Mr. Marcus so moved, Mr. Kibler seconded, and the motion carried unanimously. A copy of the Resolution is attached hereto as *Attachment E* and is made a part hereof.

### **ADJOURNMENT**

With no further business to come before the committee, Mr. Burton asked for a motion to adjourn the meeting. Mr. Marcus made the motion, Mr. Kibler seconded, and the motion carried unanimously. The meeting adjourned at 2:40 p.m.

Respectfully submitted,

Pamela Fitchett

Administrative Assistant to the Vice President for Finance and Administration  
and Chief Financial Officer

**Radford University**  
**Board of Visitors Entrance Conference Agenda**  
**February 7, 2019**

**1. Introductions**

**Audit Staff:**

- Zachary Borgerding, Project Manager
- Meghan Finney, Auditor In-Charge

**2. Audit Objectives, Audit Plan and Audit Roles:**

**a. Audit timing**

- Audit Period – July 1, 2017 through June 30, 2018
- Audit Deadline – May 2019

**b. Audit objectives** – Our audit objectives are to provide an opinion to the university’s financial statements that will be included with the financial statements that are distributed by the university. We will also issue a report on internal controls and compliance that will include any findings or recommendations that we may issue as a result of the audit.

**c. Statewide single audit support** – Audit work supporting the single audit was completed in the fall of 2018 and therefore the testwork planned for this spring will not include a federal audit component.

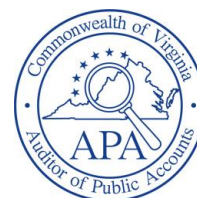
**d. Overview of the relationship between APA, management, and the Board** – APA and Radford University management work closely together in that APA is available to assist University staff during the report preparation process and we review the results of the financial statement preparation during the audit. APA follows up on all findings and recommendations to determine that management addresses findings promptly. At the completion of the audit, APA reports the results of our audits to the Board or the Audit Committee. We also work closely with internal audit throughout the year.

**e. Responsibilities of management relative to internal control and financial statements** – ARMICS outlines the University’s responsibility for internal control and the University annually certifies its responsibilities for internal control and accurate financial statements. Our responsibility is to ensure that internal controls are adequate as designed and then to review whether they are operating as intended.

**3. Audit Approach**

**a.** Our Office is continuously improving our audit approach by identifying, evaluating, and testing controls that are built into the university’s administrative and financial system. We continue to identify, test, and evaluate manual processes and controls, as well.

**b.** The final audit report may include recommendations to improve processes and the use of administrative systems. These may be separately identified as “efficiency recommendations.”



#### **4. Discussion of Risk with Board Members**

The APA encourages the Board of Visitors to provide input regarding the risks they perceive to the University in completing its mission. While Board members can direct their comments to the Audit Committee Chair or the Internal Audit Director to be forwarded to the APA Project Manager, we also plan to meet directly with the Audit Committee Chair. We will discuss the following issues:

- Any areas of fraud risk
- Any areas of institutional risk
- Any matters that the Board believes should be considered in planning

#### **5. Required Communication with Board**



## **Required Communications with the Board**

*Management should acknowledge that they understand and agree to the following terms of the engagement and Management's responsibilities during the audit process.*

### ***Responsibilities during the audit process:***

#### **1. The Auditor's (APA) Responsibilities**

##### **Overall Audit Objectives**

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and standards for financial audits contained in the *Government Auditing Standards*. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

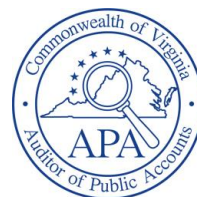
##### **Audit Procedures-General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable, rather than absolute assurance, about whether the financial statements are free of material misstatement whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS and *Government Auditing Standards*.

##### **Audit Procedures-Internal Control and Compliance**

Our audit will include obtaining an understanding of internal controls, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, we will communicate in writing to management and those charged with governance any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit. Also, as part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants



## **Those charged with governance**

We are responsible for communicating significant matters related to the financial statement audit that are, in the auditor's professional judgment, relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. GAAS do not require the auditor to design procedures for the purpose of identifying other matters to communicate with those charged with governance.

## **2. Management's Responsibilities –**

Our audit will be conducted on the basis that Management **acknowledge and understand that they have the following responsibilities:**

- Preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America
- Design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
- Identify and ensure compliance with applicable laws, regulations, contracts, and grant agreements
- Informing the APA about all known or suspected fraud affecting the entity involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements
- Informing the APA (and others as required by the Code of Virginia § 30-138) of knowledge of any allegations of fraud or suspected fraud affecting the University received in communications from employees, former employees, regulators, or others
- As received, forward copies of each federal audit performed on agency or institution programs or activities to the Auditor of Public Accounts as required by Chapter 836 § 4-8.02 a. of the 2017 Virginia Acts of Assembly. To forward these reports to the Auditor of Public Accounts, use [APAFederal@apa.virginia.gov](mailto:APAFederal@apa.virginia.gov). If the federal report is only available in hardcopy or contains FOIA exempt information, DO NOT email the report, use this same email account to notify the Auditor of Public Accounts of the federal report and provide the contact information of the individual with the report.
- Informing the APA of any potential documents that are FOIA exempt
- Ensuring that management is reliable and financial information is reliable and properly recorded
- Making all financial records and related information available to the APA
- Providing the APA with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence
- Responding to audit findings and recommendations, as well as providing your planned corrective actions and the timing and format for providing that information
- Providing the APA at the end of the audit with a written letter confirming certain representations made during the audit
- Adjusting the financial statements to correct material misstatements and providing the APA with a representation that the effects of any uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole
- Preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any



document that contains and indicates that we have reported on the supplementary information. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

### 3. Audit Committee

- Communicate with APA about audit scope
- Communicate with management and internal audit regarding progress
- Receive reports and findings from management and external audit

#### *Other Elements of the audit process:*

##### Overall planned scope of the audit

- **Approach to internal control** – We review internal controls to identify those areas where we can replace substantive testing with transactional testing. We look for management to have written formal policies and procedures and check for the implementation of those procedures.
- **Concept of materiality** – We do not review all transactions or accounts in detail. We use materiality to focus our work on those financial statement line items and those transactions that are material or significant to the University.

##### Identification of potential fraud risks

- **Approach to fraud** – Most of our audit is focused on our opinion on the financial statements and materiality. Our primary interest related to fraud would be in how it may affect the financial statements and those controls that the financial statements rely upon. The audit is not designed to detect error or fraud that is immaterial to the financial statements. However, we review policies and procedures for fraud risk and may direct our testwork towards addressing fraud risk.
- **Responsibility for identifying fraud risks and fraud** – Auditing standards require us to assess fraud risk, interview management and staff about their knowledge of fraud and fraud risk, and review exceptions for indications of possible fraudulent transactions. Auditors should be looking for red flag fraud indicators. Even though government entities are not always profit oriented, the auditors remain vigilant about financial statement fraud.
- **Report fraudulent transactions as required by Code of Virginia § 30-138** Agencies are responsible for reporting circumstances that suggest a reasonable possibility that a fraudulent transaction has occurred involving funds or property under their control, where an officer or employee of the state or local government may be involved. Items should be reported to the Auditor of Public Accounts, the State Inspector General, and the Superintendent of State Police.





## **Audit Reporting**

We will issue a written report upon completion of our audit of the University's financial statements. *We will make reference to the Component Auditor's audit of Radford University Foundation in our report on the University's financial statements.* Our report will be addressed to the board of directors of University. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add an emphasis-of-matter or other-matter paragraph(s). If our opinions on the financial statements are other than unqualified (unmodified), we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and compliance will include a statement that the report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Audit Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**RADFORD UNIVERSITY  
OFFICE OF AUDIT AND ADVISORY SERVICES  
FOLLOW-UP AUDIT STATUS REPORT  
BUSINESS AFFAIRS AND AUDIT COMMITTEE  
FEBRUARY 2019**

Audit: Student Health and Counseling Services Contract				
Business Issue		Planned Action	Action Date	Status
1.2	<p>The contract states that the Contractor shall ensure "that 95 percent of all entering students" have submitted a health record form with immunization history.</p> <p>b) It appears that the University was not monitoring compliance with this requirement prior to our audit. Upon our inquiry, the University obtained the data from the Contractor.</p>	<p>The University will ensure that the Contractor identifies all currently enrolled students who have not complied with the requirement, gives them appropriate notice, and then blocks class registration as needed.</p> <p>The University will monitor compliance with the requirement at least semi-annually.</p>	<p>April 1, 2017 Revised to July 1, 2017 Revised to March 15, 2018 Revised to October 31, 2018 Revised to February 11, 2019</p>	In process

Audit: Revenue Collection Point – Graduate Admissions Application Fees				
Business Issue		Planned Action	Action Date	Status
4.0	<p>An improvement is needed in the coding of deposits from CollegeNET. Currently, application fee revenue received from CollegeNET is recorded in Banner net of transaction or other fees. Accurate financial reporting requires that revenue be recorded at gross, with fees recorded separately as expenses.</p>	<p>Graduate Admissions will implement procedures to ensure that application fee revenue received from CollegeNET is recorded at gross, with transaction or other fees recorded separately as expenses.</p>	<p>August 31, 2018 Revised to November 30, 2018</p>	Complete

Audit: Student Recreation & Wellness Department				
	Business Issue	Planned Action	Action Date	Status
2.3	<p>Improvements are needed to comply with the Radford University Payment Cards Policy. Specifically,</p> <p>The Payment Cards Policy requires annual training for all employees handling payment card transactions. The policy also requires that those employees complete certain other items and that the department maintain supporting documentation regarding the employees' fulfillment of the policy's requirements.</p>	<p>The Director will designate that the Assistant Director of Outdoor Recreation, Assistant Director of Facilities, and Assistant Director for Intramurals and Sports Clubs ensure that (1) All current employees complete training as soon as possible, and (2) new employees complete training within 30 days of start date and prior to handling payment card transactions.</p> <p>Documentation of training and the annual review will be maintained. Signed agreements will be kept on file.</p>	October 31, 2018	Complete
5.1	<p>During our review of required safety training, certification, and/or licensure for employees, we noted that improvements are needed in the tracking of certifications. Specifically,</p> <ul style="list-style-type: none"> <li>a. The Outdoor Programs area does not have a process for tracking the certifications of staff to ensure proper certification and timely recertification.</li> <li>b. Although the Facilities &amp; Operations area maintains a spreadsheet, it is not used for all employees or for all required certifications.</li> </ul> <p>Employees not maintaining current safety certifications or trainings and management not properly tracking those could result in employees not being properly trained and able to respond appropriately to a safety incident.</p>	<p>The department will develop a tracking process for all certifications and trainings. All Assistant Directors will maintain, track, and review monthly for compliance and prompt correction as necessary.</p>	<p>October 31, 2018 Revised to December 15, 2018</p>	Follow-up review is in process

Audit: IT – Micros				
	Business Issue	Planned Action	Action Date	Status
6.0	<p>During our review of ID card access to data centers, we noted that there is a lack of a formal policy and procedure to govern the process and to guide those granting access to buildings.</p> <p>The lack of a formal policy and procedure results in inconsistency in approving and granting access.</p>	The Division of Finance and Administration will establish a formal University Door Access policy, to address access via ID card and via key.	<p>June 15, 2016 Revised to January 31, 2017 Revised to June 30, 2017 Revised to January 31, 2018 Revised to August 1, 2018 Revised to December 31, 2018 Revised to March 31, 2019</p>	In process

Audit: IT – Building Automation Systems				
	Business Issue	Planned Action	Action Date	Status
5.0	The Standard requires that the ISO or designee annually reviews a list of persons allowed physical access to sensitive IT systems. In testing the review of those allowed physical access to the data centers, we found that the list reviewed was incomplete. This could lead to an inaccurate review and jeopardize physical security.	DoIT will develop and implement a written procedure to document the physical access review process performed by the ISO.	<p>December 1, 2018 Revised to February 1, 2019</p>	In process
7.2	Based on BIA and RA results, BAS have been identified as IT disaster components of the University's Continuity of Operations Plan because they are systems that are necessary to recover essential or dependent business functions of the University. The Standard requires an annual exercise of IT disaster recovery (DR) components to assess their adequacy and effectiveness, and, following the exercise, a review and revision of DR components.	Currently, DoIT performs multiple disaster recovery exercises each year, both functional and tabletop, at the enterprise level for DR IT components testing. Due to resource limitations, DoIT is unable to perform disaster recovery exercises on every individual system. Accordingly, DoIT will update the IT Security Standard to better reflect DR testing expectations.	<p>December 1, 2018 Revised to February 1, 2019</p>	In process

**Audit: IT – Building Automation Systems (continued)**

11.0	This issue was communicated to management in a separate document marked Freedom of Information Act exempt under § 2.2-3705.2(3) of the <u>Code of Virginia</u> due to it containing descriptions of security mechanisms.	Management provided a planned action under the same public disclosure exemption as noted in the business issue.	December 1, 2018 Revised to March 1, 2019	In process
12.2	Improvements are needed in the information security monitoring and event logging procedures  The requirements for the frequency of system administrator log reviews are inconsistent between the IT Security Standard and the Log Review & Storage Policy (IT-PO-5200).	DoIT will review and update the policies and procedures documentation as needed to ensure consistency.	December 1, 2018 Revised to March 1, 2019	In process

**Radford University Board of Visitors  
Business Affairs and Audit Committee  
February 7, 2019**

**Information Item  
Capital Projects Update**

**Item:** Facilities Planning and Construction update on capital projects.

**Background:** Currently, the University has **two active capital projects** in progress. The following is an update and project summary:

**1. Reed-Curie Renovation**

Project Budget ----- \$33,045,000

Architect/Engineer Firm----- Cannon Design

Construction Manager----- Branch and Associates

The Reed-Curie renovation project was approved in the spring 2016 state bond package. The project will completely renovate the existing Reed Hall and Curie Hall science buildings to complement the recent addition of the Center for the Sciences, ultimately providing an overall state-of-the-art facility for nearly all of Radford University’s Artis College of Science and Technology departments.

Occupants in the renovated building will include the Departments of Physics, Geology, Geospatial Sciences, and the Office of the Dean. The Cyber Security Center will also be housed in the renovated building, along with support spaces for the Chemistry and Biology departments. The Greenhouse will also be renovated and remain located adjacent to the renovated Reed Hall.

The state initially approved funding for the detailed planning of the project in the fall of 2016, and then approved final funding for the remainder of design and the construction on June 30, 2017. The state issued an approved demolition Building Permit on January 8, 2018 and the approved full project Building Permit on May 3, 2018.

During the summer of 2017, Radford University completed the relocation of staff and equipment to various swing spaces on campus to render the building unoccupied. A Guaranteed Maximum Price for an Early Release Demolition Package was approved with a Notice-to-Proceed executed on January 8, 2018, and a subsequent Guaranteed Maximum Price for the full Project Renovation Package was approved with a Notice-to-Proceed executed on May 3, 2018.

Demolition is complete, including all interior systems and components and select exterior utilities and site work. The façade of the existing Curie Hall has also been demolished and installation is underway of a new façade to more closely match the elements of the adjacent Center for the Sciences, and to provide full views from the interior building spaces. New interior walls and various building systems installations are well underway, starting at the first floor and proceeding to the third floor. Electrical and HVAC/plumbing rough-ins are mostly complete and the installation of walls and ceilings are well underway. The foundations and framing for the entry area addition and various exterior utility systems and components are mostly complete.

Design for furniture and other equipment/furnishings is mostly complete, and estimates have been received from VCE and are being reviewed to allow timely pricing and procurement of FF&E. Project construction final completion is scheduled for the fall of 2019, with overall project completion and swing space relocations by December 2019 to allow classes in January 2020.

**2. Center for Adaptive Innovation and Creativity**

Project Budget ----- \$4,000,000  
(Detailed Planning only)

Architect/Engineer Firm----- Hord Coplan and Macht

Construction Manager----- Skanska

The Center for Adaptive Innovation and Creativity project was approved for Detailed Planning in July 2018, as described in the Radford University six-year capital plan submission to the state in December of 2017.

The Center will address an array of significant existing programmatic and building deficiencies across a number of academic colleges. The approximate 195,000-square-foot multi-story building will include state-of-the-art instruction, laboratory, maker, studio, computer, and collaborative spaces that integrate the arts and health sciences, along with office and other academic support functions. Specialty spaces will include an instructional auditorium and support spaces, jewelry and ceramics instructional spaces, health science clinical lab spaces, painting and drawing studio spaces, and music and dance studio spaces. The project will be located in a prominent area of campus directly adjacent to East Main Street, and will respond aesthetically to the existing buildings along this campus corridor.

The project scope will generally provide for demolition of the existing Porterfield East and West Halls and McGuffey Hall and construction of the new building and building systems and components including HVAC, plumbing, electrical, fire alarm and detection, fire suppression, lightning protection, and elevators. The project will replace existing facilities

and building systems nearly 50 years old that are inadequate for today's learning environment and technologies. Significant utility impacts will need to be accommodated, along with erosion/sediment control and storm water management requirements. The impact of required swing spaces and potential phased construction are being investigated during the early design phases of the project.

The solicitation for design services was advertised on May 1, 2018, and the firm of Hord, Coplan and Macht was selected and the design began in July. The initial Programming effort has been completed, and early building schemes were developed and approved by Radford University. Geotechnical investigations and site/utility surveying are complete. The state's Department of Historic Resources has approved the proposed demolition, and the Environmental Impact Report has been approved by DEQ. The demolition package has been approved by AARB, along with final approval of the new building design package by AARB as well. The Schematic Design Package was submitted to DEB in November, with subsequent approval in December. The Preliminary Design Package is scheduled to be submitted to DEB in spring of 2019, which will complete the funded Detailed Planning phase of the project.

The request to utilize the Construction Management-at-Risk delivery method was approved by DEB, and the solicitation for CM-at-Risk services was advertised on July 22, 2018. Qualifications packages were received on August 21, with RFP proposals and interviews in mid-September. The contract for pre-construction services was awarded to Skanska on October 8, and their team is currently providing pre-construction services for the project.

### **3. Master Plan 2020-2030**

The University is underway on the preparation of an update of the current Master Plan. Background information gathering for the Master Plan 2020-2030 began in 2017, with the assignment of the Committee and kickoff meeting in April 2018. Initial information gathering and stakeholder input occurred throughout the summer and fall, with campus open forums and presentations to all internal governance Senates and other organizations and stakeholder groups. Sub-committees were formed to study specific areas of interest including academics; student activities and services; land use; transportation; infrastructure and sustainability; and public-private and community. A review of existing campus space utilization was completed, using outside consultants to identify potential under- or over-utilization of various space types. A review of existing campus parking was also completed, using outside consultants to identify potential areas of improvement for traffic, parking, and public transportation. Initial findings have been compiled and reviewed with the Executive Steering Committee in January, in order to identify areas for greater analysis in the spring of 2019. Final document preparation is scheduled for the summer/fall of 2019, with completion in December of 2019.

**Action:** None; informational only.



# 2018-20 Biennium Budget Governor's Amended Proposal

RADFORD  
UNIVERSITY

# Proposal Summary

---

On December 18, 2018, Governor Northam presented his 2018-20 Amended Executive Budget Proposal to the General Assembly Joint Money Committees.

- The Governor stressed the importance of providing all Virginians affordable education and housing, while also highlighting the benefits of a revised tax plan.
- The General Assembly convened on January 9, 2019, and has begun the process of considering the Governor's budget proposals.

## Proposal Items Included:

1. Undergraduate Student Financial Aid
2. Faculty and Staff Salaries
3. Health Insurance Premiums
4. Jefferson College Merger
5. Acquire Properties - *Capital*
6. Tuition Predictability Plans

# Student Financial Aid

---

- The amended budget includes \$15.5 million of additional undergraduate need-based financial aid for public institutions of higher education.
  - Radford University's share of additional support is \$628,345 in 2019-20.
- Inclusive of the increased student financial aid, the Governor's amended budget requested the creation of institutional "Tuition Predictability Plans."
  - The plans would outline expected cost of tuition and mandatory E&G fees at each institution for a period of at least three years.
  - Developed in conjunction with the SCHEV's six-year plan submission.

# Salary and Benefits

---

- The Governor proposed a one-time 1% salary bonus for classified and faculty employees effective December 1, 2019.
  - Applies to employees who are (1) employed as of July 1, 2019 and (2) obtain at least a “contributor” rating on their performance evaluations.
- Health Insurance premiums are proposed to be level funded.
  - Reduction in general fund appropriations for the employer share of FY2020 premiums.
  - The University was previously projecting an 8.5% increase in rates, so the change is expected to result in allocable nongeneral fund resources.

# Jefferson College Merger

- Program 199 - Administrative and Support Services (A&SS) was created to support the operations of Jefferson College of Health Sciences once it merges with Radford University.

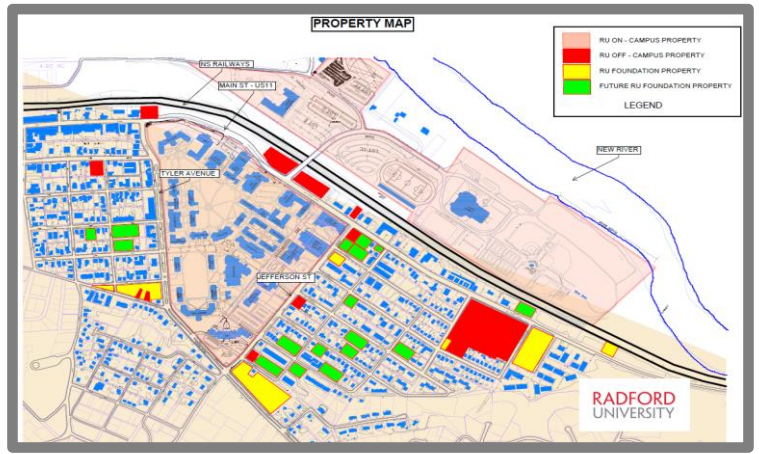
	Item Details(\$)		Appropriations(\$)	
	First Year FY2019	Second Year FY2020	First Year FY2019	Second Year FY2020
<u>Source: 2019 Session HB 1700 Introduced</u>				
184.10 <i>Administrative and Support Services (19900).....</i>			\$0	\$22,341,670
<i>Operation of Higher Education Centers (19931).....</i>	\$0	\$22,341,670		
<i>Fund Sources: General.....</i>	\$0	\$1,707,422		
<i>Higher Education Operating.....</i>	\$0	\$20,634,248		
<i>Authority: Title 23.1, Chapter 23, Code of Virginia</i>				

# Governor's Budget Proposal - Summary

	2018-19			2019-20		
	General Fund	Nongeneral Fund	Total	General Fund	Nongeneral Fund	Total
<b>Operating Budget</b>						
<b>University Division</b>						
<b>Educational and General (E&amp;G)</b>						
State Employee 1.0% Bonus - One Time	-	-	-	\$442,105	\$294,737	\$736,842
<b>Subtotal E&amp;G</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$442,105</b>	<b>\$294,737</b>	<b>\$736,842</b>
<b>Student Financial Aid (SFA)</b>						
Undergraduate SFA	-	-	-	\$628,345	-	\$628,345
<b>Subtotal SFA</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$628,345</b>	<b>\$0</b>	<b>\$628,345</b>
<b>Administrative &amp; Support Services (A&amp;SS)</b>						
Roanoke Operations Support	-	-	-	\$1,707,422	\$20,634,248	\$22,341,670
<b>Subtotal Admin &amp; Support Services</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,707,422</b>	<b>\$20,634,248</b>	<b>\$22,341,670</b>
<b>Total University Division</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,777,872</b>	<b>\$20,928,985</b>	<b>\$23,706,857</b>

# Acquire Property for Campus Expansion

- The Governor’s budget proposal includes authorization of \$17.5 million in bond proceeds.
- A technical adjustment was submitted to realign funding sources to include cash and 9(c) debt for purchase of properties.



# Legislative Timeline

---

- The final outcome of the 2018-20 Amended Executive Budget will not be known until the completion of the General Assembly session in February 2019.

## Relevant Upcoming Dates:

**Tuesday, February 5** - Crossover (all legislation must be passed by midnight)

**Thursday, February 7** - Deadline for House and Senate to complete work on Budget

**Wednesday, February 13** - Deadline for House and Senate to complete work on each other's Budget Bills (budget conferees appointed by midnight)

**Monday, February 18** - Deadline for legislation to be reported out of committee

**Saturday, February 23** - 2019 General Assembly adjourns



# UPDATE: Crossover Budget Proposals

---

## Student Financial Aid:

- HAC: - Removed \$15.5M of additional funding - (\$625K) RU impact
- SFC: - No change to Governor's Budget Proposal

## Operating Support:

- HAC: - Proposed \$45.7M in general funds to address in-state affordability. Radford University's share of funding is anticipated at \$1.1M. If this funding is passed and accepted, the university would not be able to increase tuition for FY2020.
- SFC: - No change to Governor's Budget Proposal

# Crossover Budget Proposals - Continued

---

## Compensation:

- HAC:
  - Classified salary adjustment increased from 2.00% to 2.75%
  - Classified merit increased from 2.00% to 2.25%
  - Faculty salary adjustment increased from 2.00% to 3%
  - 1.00% bonus eliminated
  
- SFC:
  - Eliminates 1.00% bonus for faculty only
  - No other changes to Governor's Budget

## Benefits:

- HAC:
  - No change to Governor's Budget Proposal
  
- SFC:
  - No change to Governor's Budget Proposal

# Crossover Budget Proposals - Continued

---

## RU/JCHS Merger:

HAC: - Includes the \$1.7M in general fund support and also proposes \$374K in general fund support to VWCC

SFC: - No change to Governor's Budget Proposal

## Capital Outlay:

HAC: - Proposed \$1.1B in VCBA/VPBA tax-supported bonds - No RU projects were included in the package.

SFC: - No change to Governor's Budget Proposal

# Crossover Budget Proposals - Continued

---

## Other Items of Interest:

- HAC:
- Proposed \$27.9M in general funds to increase number of computer science degrees (Tech Talent Pipeline).
  - Proposed four-year waiting period for Board of Visitors seeking employment at a public institution of higher education.
  - Provides additional flexibility for Radford University to recruit out-of-state students by waiving student non-resident status.
  - Eliminates proposed new requirements related to six-year plan submission incorporating items of affordability and predictability.
  - Procurement technical change increases Level II and III institutions small purchase threshold to \$100K to align with the state agencies.

# Crossover Budget Proposals - Continued

---

## Other Items of Interest:

- SFC:
- Proposed two-year waiting period for Board of Visitors seeking employment at a public institution of higher education.
  - Requires a surcharge (currently 8.04%) for institutions converting positions previously enrolled in a defined benefit or hybrid retirement program to a defined contribution program.
  - Proposed a performance measure for a pilot program to be placed in the general appropriation act. The performance pilot shall address college access, affordability, completion, etc.
  - Requires additional deferred maintenance and expenditure reporting to be considered in future capital outlay requests.

# Discussion

**Radford University Board of Visitors  
Business Affairs & Audit Committee  
February 7, 2019**

**Information Item  
Governor's Amended 2018-2020 Biennial Budget Proposal & Budget Update**

**Item:**

Overview of the Governor's Executive Budget Amendments for the 2018-2020 biennium.

**Background:**

On Tuesday, December 18, 2018, Governor Ralph Northam presented his 2018-20 Amended Executive Budget Proposal to the General Assembly Joint Money Committees. With the near completion of his first year in office, the Governor used this platform to stress the importance of providing all Virginians affordable education and housing, while also highlighting the benefits of a revised tax plan.

While sights are set on the future of the Commonwealth's investment in education, the Governor has expressed overwhelming support for short-term fiduciary responsibility. In total, the budget proposal seeks to set aside \$1.1 billion of reserve funding. This action is consistent with previous commitments to have eight percent of the State's budget in reserves by the end of the Governor's term. This will serve to maintain the fiscal integrity of the Commonwealth.

The following is an overview of the funding changes proposed for Radford University's operating budget. Attachment A is the financial summary of these recommendations while Attachment B is the State Council of Higher Education for Virginia (SCHEV) summary analysis for all institutions of higher education.

**Operating Items:**

- **Undergraduate Student Financial Assistance:** The Governor's amended budget includes \$15.5 million of additional need-based financial aid for public institutions of higher education. Of which, \$628,345 is earmarked in 2019-20 for additional support to Radford University. This is incremental to the \$365,861 of previous funding already included for 2019-20 as part of last year's legislative session. Therefore, a collective \$994,206 in general fund student financial aid is expected for fiscal year 2020.
- **Faculty and Staff Salaries:** The Governor's amended budget includes a one percent salary bonus for state employees effective December 1, 2019. This is a one-time payment to employees who were employed July 1, 2019 – November 1, 2019 and have successfully met the "contributor" rating for performance requirements. Please note, this includes classified staff and faculty.
  - The proposed bonus is in addition to the planned raises for 2019-20 – two percent across the board for all employees and up to two percent in merit increases for classified employees only. The planned raises are slated for June 10, 2019.

- **Central Appropriations (Fringe Benefit Rates, Insurance Premiums, etc.):** Language in the Amended Executive Budget Proposal communicated the institutional portion of health insurance premiums will not increase in fiscal year 2020. The University was previously projecting an 8.5 percent increase in rates which was expected to cost \$1.2 million. If rates are held in line with current year levels, the institution would save approximately \$400,000 in allocable resources than what was initially modeled.
- **Jefferson College of Health Sciences Merger:** As was requested for 2019-20, the Governor included appropriation of \$20.6 million in nongeneral fund and \$1.7 million in general fund support for operating the Roanoke Operations. The funds are to provide operating support for the newly acquired activities and to maintain affordability at current levels. Appropriation for the 152.0 positions has also been included to adequately align with the requested budget.

### **Capital Items:**

- **Acquire Property for Campus Expansion:** The Governor's amended budget includes the 9(c) debt for \$17.5 million in bond proceeds. This was submitted to acquire properties that are currently being leased to the university from the foundation for use as additional student housing.

### **Language:**

- **Tuition and Fee Predictability Plans:** Inclusive of the increased student financial aid the Governor's amended budget requested the creation of institutional "Tuition Predictability Plans". The plans would outline expected cost of tuition and mandatory E&G fees at each institution, for a period of at least three years. It is intended to provide in-state undergraduate transparency in understanding what prospective students can expect to pay for education over a reasonable period of time.
  - SCHEV will be responsible for developing instructions and coordinating the collection of Tuition Predictability Plans. They are proposed to be developed in collaboration with the upcoming six-year plan submissions.

The final outcome of the 2018-20 Amended Executive Budget will not be known until the completion of the General Assembly session in February 2019. The General Assembly convened on Wednesday, January 9, 2019, and has begun the process of considering the Governor's budget proposals. Updates will be provided throughout the session as additional information is known.

### **Action:**

None. Information item only.



2018-20 Biennium Budget, Amended  
**Governor's Executive Budget Proposal**  
**Radford University Summary**

December 18, 2018

	2018-19			2019-20		
	General Fund	Nongeneral Fund	Total	General Fund	Nongeneral Fund	Total
<b>Operating Budget</b>						
<b>University Division</b>						
<b>Educational and General (E&amp;G)</b>						
State Employee 1.0% Bonus - One Time	-	-	-	\$442,105	\$294,737	\$736,842
<b>Subtotal E&amp;G</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$442,105</b>	<b>\$294,737</b>	<b>\$736,842</b>
<b>Student Financial Aid (SFA)</b>						
Undergraduate SFA	-	-	-	\$628,345	-	\$628,345
<b>Subtotal SFA</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$628,345</b>	<b>\$0</b>	<b>\$628,345</b>
<b>Administrative &amp; Support Services (A&amp;SS)</b>						
Roanoke Operations Support	-	-	-	\$1,707,422	\$20,634,248	\$22,341,670
<b>Subtotal Admin &amp; Support Services</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,707,422</b>	<b>\$20,634,248</b>	<b>\$22,341,670</b>
<b>Total University Division</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,777,872</b>	<b>\$20,928,985</b>	<b>\$23,706,857</b>

**Preliminary Summary of  
Major Items in the Governor’s Introduced Budget Amendments  
for Higher Education for FY2020  
(General Fund)**

Item	2019-20 Budget for Operations
<b><i>(A) Base Operation and Student Financial Aid</i></b>	
Increase undergraduate financial aid	\$15.5 million in FY2020.
Salary bonus in FY2020 (Item 474, paragraph AB.)	Propose one-time 1% salary bonus for classified and faculty, effective December 1, 2019. <ul style="list-style-type: none"> <li>▪ Applies to employees who were employed as of July 1, 2019 and remain employed as of November 1, 2019, and</li> <li>▪ Employees must attain an equivalent rating of at least a “contributor” on their performance evaluation and have no active written notices under the Standards of Conduct for the preceding review period.</li> </ul>
Higher Education Incentive Funds (interest earnings and credit card rebates)	Provide \$687,601 in general fund and \$1.6 million in nongeneral fund per year in 2018-2020 biennium.
VRS rates	No change
Health insurance premium (Item 474, paragraph G.1)	No change, level funded at the FY2019 rates. As a result, there is a reduction in general fund appropriations provided for the employer share of health insurance premium in FY2020.
<b><i>(B) Institution-Specific Operating Budget</i></b>	
RU	<ul style="list-style-type: none"> <li>▪ \$1.7 million in general fund and \$20.6 million in nongeneral fund to support the merger of the operations of the Jefferson College of Health Sciences in Roanoke with Radford.</li> </ul>
UVA	<ul style="list-style-type: none"> <li>▪ \$200,000 for Va. Foundation for the Humanities</li> <li>▪ \$1 million for focused ultrasound research</li> </ul>
UVAW	<ul style="list-style-type: none"> <li>▪ \$2 million to enhance academic programs. This funding replaces the funds transferred to FY2019 to support the ongoing efforts</li> <li>▪ \$600,000 to support planning for new programs.</li> </ul>
VSU	<ul style="list-style-type: none"> <li>▪ \$299,286 in general fund and \$224,464 in nongeneral fund for the Graduate Engineering Program.</li> </ul>
VCCS	<ul style="list-style-type: none"> <li>▪ \$5.5 million to support student advising.</li> <li>▪ \$130,000 to create an online apprenticeship curriculum.</li> </ul>
VIMS	<ul style="list-style-type: none"> <li>▪ \$386,668 to monitor bay grasses and support co-existence with oyster aquaculture</li> </ul>
VT extension	<ul style="list-style-type: none"> <li>▪ \$678,481 to implement the policy to cover 95 percent of the state’s share for the E&amp;G programs.</li> </ul>
SCHEV Budget	<ul style="list-style-type: none"> <li>▪ \$4 million for New Economy Workforce Credential Grant to address higher than expected demand for this program</li> </ul>

**Attachment B – Governor’s 2018-20 Amended Biennial Budget Proposal**

	<ul style="list-style-type: none"> <li>▪ Add two criteria for eligibility:             <ul style="list-style-type: none"> <li>▪ Students must have a family income at or below \$50,000 annually, and</li> <li>▪ No more than 25 percent of the grant funds may be used in one occupational field.</li> </ul> </li> <li>▪ \$5.2 million to increase maximum award to \$3,400 for undergraduate students in Tuition Assistance Grant program to support degree completion goals.</li> </ul>
Jefferson Lab	<ul style="list-style-type: none"> <li>▪ \$500,000 to continue funding for the nuclear femtography center</li> </ul>
Central Budget Items Impacting Higher Education	<p>The following items are proposed for general fund adjustments with no specific allocation:</p> <ul style="list-style-type: none"> <li>▪ Provide general fund support to increase the retiree health insurance credit benefit for public safety personnel (Item 474, paragraph L.3)</li> <li>▪ Additional funding for Line of Duty Act payments and add funding for eligible part-time employees (Item 474, paragraph Q)</li> <li>▪ Adjust funding for worker’s compensation premiums based on the latest actuarial report (Item 474, paragraph R)</li> <li>▪ Additional funding for agency information technology cost (Item 475, paragraph G)</li> <li>▪ Additional funding for charges related to the Cardinal system (Item 475, paragraph L)</li> <li>▪ Secretary of Administration to study feasibility of a Family Leave Policy for the Commonwealth (Item 475, paragraph S)</li> <li>▪ Integrate a Workforce Case Management System across state agencies (Item 475, paragraph T)</li> <li>▪ Funding to support increasing the number of bachelor’s and master’s degrees in computer sciences and closely related fields and to improve the readiness of graduates from Virginia public institutions to be employed in technology-related occupations through internships (Items 475, paragraph U.)</li> <li>▪ Funding authorized in Item C-49.10 shall be made available to support space renovations, enhancements, equipment, and facility construction related to the initiative in Item 475, paragraph U. (Item 475, paragraph W.)</li> <li>▪ Fund general fund portion of premium charges for the University of Virginia’s Health Insurance Program \$808,692 per year in 2018-20 biennium.</li> </ul>
<b>(C)Language</b>	
Tuition and fee transparency and predictability plan for in-state undergraduate	<ul style="list-style-type: none"> <li>▪ Public institutions are required to include in the six-year plan a tuition and fee transparency and predictability plan for in-state undergraduate students and submit to SCHEV. Plans shall include or indicate:             <ul style="list-style-type: none"> <li>▪ no less than three years and include at least tuition and</li> </ul> </li> </ul>

**Attachment B – Governor’s 2018-20 Amended Biennial Budget Proposal**

students (Item 143, paragraph P.)	<p>mandatory E&amp;G fees,</p> <ul style="list-style-type: none"> <li>▪ a percentage and dollar increase or decrease of any size the institution determines to be appropriate from one year to the next or for the duration of the plan, and</li> <li>▪ a range of tuitions based on available state resources, but must contain a scenario that includes the assumption of no new state general fund support.</li> <li>▪ SCHEV will develop instructions related to the submission of such plans in conjunction with the six-year plan financial plans as required by §23.-1-306, Code of Virginia.</li> </ul>
Virginia College Affordability Network Initiative	<ul style="list-style-type: none"> <li>▪ Norfolk State University, Virginia State University and the University of Virginia at Wise shall develop a framework and funding recommendations associated with enhancing access to undergraduate education for students with high financial needs.</li> <li>▪ The institutions shall submit a single report on their findings and recommendations by September 1, 2019, to the Secretary of Finance, Secretary of Education, Chairman of the House Appropriations Committee, the Chairmen of the Senate Finance Committee, and the Director, Department of Planning and Budget.</li> </ul>
Mandatory non-E&G fee increase ((§4-2.01b, paragraph 8.a)	Allows University of Mary Washington to exceed the three percent cap on increases for non-E&G fees in FY2020
Level III authority (§4-9.03)	Provide Governor’s recommendation for James Madison University to pursue Level III designation.
<b>2019-20 Budget Amendments for Capital Outlay</b>	
<b>Item</b>	<b>2019-20 Budget Amendments for Capital Outlay</b>
New Construction: 2019 Capital Construction Pool (VCBA)	<ul style="list-style-type: none"> <li>▪ LU: Replace major HVAC system components</li> <li>▪ ODU: Address maintenance needs in Kaufman Hall and Mills Godwin Building</li> <li>▪ VMI: Corps Physical Training Facility Phase 3 (Aquatic Center)</li> <li>▪ VIMS: Replace Oyster Hatchery</li> </ul>
Equipment funding (VCBA)	Provides equipment funding related to facilities coming online over next 18 months (see table below)
Supplements to existing projects (VCBA)	VT- extension: improve Kentland facilities, Phase I (\$3.1 million)
Address workforce needs (VCBA)	<ul style="list-style-type: none"> <li>▪ VT – construct new academic building at Innovation Campus, Northern Virginia (\$168 million) with a matching nongeneral fund of \$107 million from VT</li> <li>▪ Computer-related facilities to enhance workforce (\$80 million)</li> </ul>
Parking deck repairs (9(d) bonds)	Address repair needs at parking decks at CNU, VCU and GCC (\$20 million)
Other New projects (9(c)/9(d) bonds or nongeneral funds)	<ul style="list-style-type: none"> <li>▪ ODU: Construct Campus Dining Improvements, Phase II</li> <li>▪ ODU: Construct Student Health and Wellness Addition</li> <li>▪ RU: Acquire Property for Campus Expansion</li> </ul>

**Attachment B – Governor’s 2018-20 Amended Biennial Budget Proposal**

Language	VCU: Acquire Virginia Alcoholic Beverage Control Authority Property  Should Virginia Alcoholic Beverage Control Authority determines to transfer or sell its property of the Alcoholic Beverage Control Central Office and Warehouse, it shall offer to transfer the Property to Virginia Commonwealth University (VCU) prior to offering the Property for transfer or sale to any other public or private agency or entity or individual with some pre-set conditions.
----------	---

**Governor’s Proposed Budget Amendment for FY2020  
(General Fund)**

<b>Inst</b>	<b>Need-Based Financial Aid</b>	<b>Inst-Specific Funding</b>
CNU	\$664,882	
CWM	\$38,855	
GMU	\$2,920,393	
JMU	\$1,173,512	
LU	\$535,893	
NSU	\$907,275	
ODU	\$597,234	
RU	\$628,345	\$1,707,422
UMW	\$134,119	
UVA <sup>1</sup>	\$67,384	\$2,008,692
UVAW	\$398,527	\$2,600,000
VCU	\$2,204,146	
VMI	\$11,071	
VSU	\$480,861	\$299,286
VT	\$991,397	
RBC	\$238,536	
VCCS	\$3,474,453	\$5,630,000
Financial benefits		\$687,601
Wkfrce dev initiatives <sup>2</sup>		\$11,000,000
<b>Institutional Total</b>	<b>\$15,466,883</b>	<b>\$23,933,001</b>
VIMS		\$386,668
VT-extension <sup>3</sup>		\$548,924
So. Univ. Res. Asso.		\$500,000
SCHEV		
TAG	\$5,200,000	
Wkfrce Credential		\$4,000,000
<b>Grand Total</b>	<b>\$20,666,883</b>	<b>\$29,368,593</b>

Notes:

(1) Includes \$808,692 state share of the UVA health insurance plan. An equal amount is provided for FY2019.

(2) Includes \$2.7 million for K-12 education.

(3) \$129,557 is provided for FY2019.

**Attachment B – Governor’s 2018-20 Amended Biennial Budget Proposal**

**Comparison of Governor and SCHEV Budget for FY2020  
(In Millions)**

<b>Recommendations</b>	<b>SCHEV Budget</b>	<b>Governor's Budget</b>
<b>Commonwealth's priorities</b>		
Provide support keep tuition increase low and to support faculty recruitment and retention that align with the needs of the Commonwealth	\$ 50.0	
Provide education funds for workforce development initiatives <sup>1</sup>		\$ 11.0
<b>Subtotal Fund for Institutions and Commonwealth Needs</b>	<b>\$ 50.0</b>	<b>\$ 11.0</b>
<b>Providing Student Financial Aid</b>		
Undergraduate Need-based Financial Aid	\$ 15.4	\$ 15.5
Graduate Commonwealth Award (Graduate Aid):	\$ 6.0	
Tuition Assistance Grant (TAG)	\$ 5.0	\$ 5.2
New Economy Workforce Credential Grant Program	\$ 4.0	\$ 4.0
<b>Subtotal Financial Aid</b>	<b>\$ 30.4</b>	<b>\$ 24.7</b>
<b>Supporting Institutional Excellence</b>		
Higher Education Equipment Trust Fund - Allocation <sup>2</sup> (\$20.7)	\$ -	
Maintenance Reserve Program	\$ 38.3	
Commonwealth Graduate Engineering Program	\$ 0.2	\$ 0.3
Institution-specific funding		\$ 14.1
<b>Subtotal Institutional Excellence</b>	<b>\$ 38.5</b>	<b>\$ 14.4</b>
<b>Credential Attainment</b>		
Graduate outcome reporting and increase data analysis: Increase staff capacity for data analysis and communications and one-time funds to conduct a study of graduate outcomes, focused on improved reporting of higher education outcomes. (\$1.25 million in one-time funds to conduct a survey of graduate outcomes)	\$ 2.0	
Access and completion support for Virginians:	\$ 1.5	
<b>Subtotal Council initiatives</b>	<b>\$ 3.5</b>	
<b>Total</b>	<b>\$ 122.4</b>	<b>\$ 50.1</b>

Notes:

(1) Includes funding of \$8.3 million for higher education and \$2.7 million for K-12 education.

(2) Debt service for additional funding is not expected until FY2021.

**Equipment for Projects Previously Authorized**

<b>Code</b>	<b>Agency</b>	<b>Project Title</b>
204	College of William and Mary	Construct Fine and Performing Arts Facility. Phase I & II
215	University of Mary Washington	Provide supplemental equipment funding for Jepson Science Center
215	University of Mary Washington	Provide equipment for renovation of Seacobeck Hall
221	Old Dominion University	Construct New Chemistry Building
236	Virginia Commonwealth University	Construct School of Engineering Research Expansion
247	George Mason University	Construct Utilities Distribution Infrastructure
260	Virginia Community College System	Replace Phase 1 Academic and Administrative Building, Eastern Shore
274	Eastern Virginia Medical School	Construction New Education and Academic Administrative Building



**Radford University Board of Visitors  
Business Affairs & Audit Committee  
February 7, 2019**

**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 2018 unaudited annual financial statements, the University’s debt obligations including affiliated foundation total \$86,244,130 which is mainly attributable to the Student Recreation and Wellness Center, Renovations of four Residence Hall projects, and the affiliated foundation property acquisition.

<b>Schedule A</b>				
<b>RADFORD UNIVERSITY DEBT MANAGEMENT POLICY RATIO</b>				
The calculation reflects June 30, 2018 unaudited 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, 2019.				
<b>Board Approved Ratios</b>	<b>Range</b>	<b>Formula</b>	<b>Unaudited Financial Statements as of 6/30/2018</b>	
<b><u>Debt Burden Ratio</u></b> Max Annual Debt Service as % of Operating Expenses	<b>&lt; 7%</b>	<u>Annual Debt Service*</u> Total Operating Expenses*	\$4,186,317	1.71%
			\$244,795,452	

\* 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, 2018 (unaudited):

**NOTE 7: 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, 2018, is summarized as follows:

<u>Notes Payable - Pooled Bonds:</u>	<u>Interest Rates</u>	<u>Final Maturity</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 – 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

### **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, 2018, is summarized as follows:

<u>Bonds Payable - 9c:</u>	<u>Interest Rates</u>	<u>Final Maturity</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 2016B, \$7.160 million par amount	3.00% - 5.00%	June 1, 2036

### **Installment Purchase Obligations**

The University has future obligations under an installment purchase agreement initiated in January 2009. The capitalized value of the asset purchased under this installment purchase agreement is \$114,460 and the repayment term is 10 years at an interest rate of 2.087 percent.

A summary of changes in long-term debt for the year ending June 30, 2018, is presented as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>	<u>Noncurrent Portion</u>
Long-term debt:						
Notes payable - pooled bonds	\$22,241,962	-	\$1,096,274	\$21,145,688	\$980,000	\$20,165,688
Bonds payable - 9c	32,545,300	-	1,309,683	31,235,617	1,200,000	30,035,617
Installment purchase obligations	24,875	-	12,309	12,566	12,566	-
Total long-term debt	<u>\$54,812,137</u>	<u>-</u>	<u>\$2,418,266</u>	<u>\$52,393,871</u>	<u>\$2,192,566</u>	<u>\$50,201,305</u>

Future principal payments on long-term debt are as follows:

<u>Fiscal Year Ending</u>	<u>Notes Payable Pooled Bonds</u>	<u>Bonds Payable - 9c</u>	<u>Installment Purchase</u>
June 30, 2019	980,000	1,200,000	12,566
June 30, 2020	1,030,000	1,260,000	-
June 30, 2021	1,085,000	1,320,000	-
June 30, 2022	1,135,000	1,395,000	-
2023-2027	6,465,000	8,005,000	-

2028-2032	7,200,000	9,695,000	-
2033-2036	1,445,000	5,615,000	-
Unamortized Premium	1,805,688	2,745,616	-
Total	<u>\$21,145,688</u>	<u>\$31,235,616</u>	<u>\$12,566</u>

Future interest payments on long-term debt are as follows:

Fiscal Year Ending	Notes Payable Pooled Bonds	Bonds Payable - 9c	Installment Purchase
June 30, 2019	743,306	1,119,500	197
June 30, 2020	698,006	1,059,500	-
June 30, 2021	650,181	996,500	-
June 30, 2022	596,731	930,500	-
2023-2027	2,185,622	3,603,150	-
2028-2032	882,200	1,913,163	-
2033-2036	38,625	359,850	-
Total	<u>\$5,794,671</u>	<u>\$9,982,163</u>	<u>\$197</u>

### Long-Term Debt Defeasance

During fiscal year 2017, the Commonwealth of Virginia, on behalf of the University, issued pooled bonds Series 2016A for \$2,285,000 with interest rates of 3.0 to 5.0 percent to advance refund \$2,305,000 of Series 2009B pooled bonds. The bonds, issued at a premium of \$470,852, are used to provide funds for debt service savings for the Commonwealth. 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 \$296,927 for the University, which is being amortized to interest expense over the life of the new debt. At June 30, 2018, \$251,824 of the unamortized deferred loss is reported on the Statement of Net Position as a deferred outflow of resources. The defeasance will reduce the University's total debt service obligation by \$184,341 over the next 13 years. The debt service savings discounted at a rate of 1.849 percent results in an economic gain of \$167,810.

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.

### NOTE 20E: Component Unit Financial Information

The following is a summary of the outstanding notes payable at June 30, 2018:

Note payable in monthly installments calculated on a ten year amortization with a balloon payment of remaining amount in May 2020, interest payable at LIBOR plus 1.48 percent (3.58 and 2.53 percent at June 30, 2018 and 2017,	\$383,124
--	-----------

respectively). Outstanding principal due upon maturity in May 2020. Unsecured.

Note payable in monthly installments of \$17,532 through July 2018 with interest payable at 2.01 percent. Unsecured. 18,346

Note payable in monthly installments of \$2,601 through November 2020, interest payable at 1.54 percent. Secured by deposit accounts maintained by and investment property held with the institution. 73,789

Notes payable in monthly installments calculated on a twenty-five year amortization with a balloon payment of remaining amount in May 2021, with Interest payable at LIBOR plus 0.82 (2.91% at June 30, 2018). 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. 410,000

Notes payable in monthly installments calculated on a twenty year amortization with a balloon payment of remaining amount in May 2023, with Interest payable at LIBOR plus 0.82 (2.91% at June 30, 2018). 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. 465,000

Notes payable in monthly installments calculated on a twenty-five year amortization with a balloon payment of remaining amount in May 2021, with Interest payable at LIBOR plus 0.82 (2.91% at June 30, 2018). 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. 22,500,000

Notes payable in monthly installments calculated on a twenty- five year amortization with a balloon payment of remaining amount in May 2021, with Interest payable at LIBOR plus 0.82 (2.91% at June 30, 2018). 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. 10,000,000

Total long-term debt \$33,850,259

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

2019	\$130,748
2020	553,178
2021	1,386,798
2022	1,026,514
2023 and thereafter	<u>30,753,021</u>
Total long-term debt	<u><u>33,850,259</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, 2018.

**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**

**February 7, 2019**

**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.

End of Board of Visitors Materials

