



**BUSINESS AFFAIRS AND AUDIT COMMITTEE**  
**12:30 P.M.**  
**FEBRUARY 11, 2021**  
**JOSEPH P. SCARTELLI ATRIUM**  
**COVINGTON CENTER, RADFORD, VA**

**DRAFT**  
**MINUTES**

**COMMITTEE MEMBERS PRESENT**

Mr. Gregory A. Burton, Chair  
Mr. Mark S. Lawrence, Vice Chair  
Dr. Susan Whealler Johnson  
Dr. Debra K. McMahon  
Ms. Nancy Angland Rice

**COMMITTEE MEMBERS ABSENT**

Dr. Jay A. Brown

**BOARD MEMBERS PRESENT**

Mr. Robert A. Archer, Rector  
Mr. Thomas Brewster  
Dr. Rachel D. Fowlkes  
Mr. David A. Smith

**OTHERS PRESENT**

Dr. Brian O. Hemphill, 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, Assistant Vice President for Facilities Management  
Ms. Stephanie Jennelle, Associate Vice President for Finance and University Controller  
Ms. Margaret McManus, University Auditor  
Mr. Chad A. Reed, Vice President for Finance and Administration and Chief Financial Officer  
Ms. Ashley Schumaker, Chief of Staff and Vice President for Strategic Operations  
Mr. Allen Wilson, Senior Assistant Attorney General, Commonwealth of Virginia

**CALL TO ORDER**

Mr. Gregory A. Burton, Chair, formally called the meeting to order at 12:30 p.m. in the Joseph P. Scartelli Atrium in the Covington Center. Mr. Burton welcomed everyone to the February meeting of the Business Affairs and Audit Committee.

## **APPROVAL OF AGENDA**

Mr. Burton asked for a motion to approve the February 11, 2021 meeting agenda, as published. Dr. Debra K. McMahon so moved, Ms. Nancy Angland Rice seconded the motion, and the motion carried unanimously.

## **APPROVAL OF MINUTES**

Mr. Burton asked for a motion to approve the minutes of the December 3, 2020 meeting of the Business Affairs and Audit Committee, as published. Dr. Debra K. McMahon so moved, Ms. Rice seconded the motion, and the motion carried unanimously.

## **REPORTS**

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

Mr. Zachary Borgerding, with the Auditor of Public Accounts, presented information regarding the ongoing audit of the University's FY 2020 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 report 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 review of University Discretionary Fund expenditures for the quarter ended December 31, 2020. One hundred percent of the fund's 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. Vice President Reed provided an update on the Center for Adaptive Innovation and Creativity to include an overview of the project budget approval and anticipated next steps. Vice President Reed further provided an update of the property acquisition for the expansion of student residential housing. A copy of the report is attached hereto as *Attachment C* and is made a part hereof.

## **RECOMMENDATIONS AND ACTION ITEMS**

### **Recommendation for Approval of Certification of Compliance with the Radford University Debt Management Policy**

Vice President Reed explained that the Secretary of Finance requires this certification annually for the Commonwealth of Virginia as part of Institutional Performance reporting. Vice President Reed 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 the Certification of Compliance with the Radford University Debt Management Policy, as presented, to the full Board for approval. Dr. McMahon so moved, Dr. Susan Whealler Johnston seconded, and the motion carried unanimously. A copy of the proposed resolution is attached hereto as *Attachment D* and is made a part hereof.

### **Recommendation for Approval of Resolution of Third Quarter 2020-2021 University Operating Budget Adjustment**

Vice President Reed reviewed the proposed Resolution of the Third Quarter 2020-2021 University Operating Budget Adjustment and reported the adjustments were recommended to align revised

revenue forecasts with authorized expenditure levels. Mr. Burton asked for a motion to recommend the Resolution of Third Quarter 2020-2021 University Operating Budget Adjustment, as presented, to the full Board for approval. Dr. McMahon so moved, Ms. Rice seconded, and the motion carried unanimously. A copy of the proposed resolution is attached hereto as *Attachment E* and is made a part hereof.

**2020-22 BIENNIAL BUDGET - GENERAL ASSEMBLY UPDATE**

Vice President Reed provided an overview of the incremental funding included for the University in the General Assembly's 2020-22 Amended Biennial Budget. The outcome of the proposed 2020-22 budget will not be known until the completion of the 2021 General Assembly. A copy of the presentation is attached hereto as *Attachment F* and is made a part hereof.

**ADJOURNMENT**

With no further business to come before the committee, Mr. Burton adjourned the meeting at 1:44 p.m.

Respectfully submitted,

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

**Radford University**  
**Business Affairs and Audit Committee Entrance Conference Agenda**  
**February 11, 2021**

**1. Introductions**

**Audit Staff:**

- Zachary Borgerding, Project Manager

**2. NCAA Agreed Upon Procedures:** The NCAA review is complete. The date for the report is January 15, 2021. The NCAA report will be ready for distribution once the representation letter is received and a final review is completed.

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

**a. Audit timing**

- Audit Period – July 1, 2019 through June 30, 2020
- Audit Deadline – April 22, 2021

**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 surrounding the 2018 federal recommendation was completed in the fall of 2020. The Enrollment Reporting finding will be reported as corrective action ongoing in the Statewide Single Audit and the Internal Control Report for the 2020 fiscal year. Audit work surrounding the Higher Education Emergency Relief fund was completed in January to support the 2020 SSA report. There were no exceptions or recommendation for Radford identified during this review.

**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.

4. **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."

5. **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

6. **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. 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 2021**

Audit: IT – Contingency Planning Program – Backup and Recovery			
Business Issue	Planned Action	Completion Date	Status
3.1 Improvements are needed related to infrastructure and network services operations: <ol style="list-style-type: none"> <li>1. This issue was communicated to management in a separate document marked Freedom of Information Act exempt under § 2.2-3705.2 of the Code of Virginia due to its sensitivity and description of security mechanisms.</li> </ol>	Management provided a planned action under the same public disclosure exemption as noted in the business issue.	July 1, 2020 Revised to November 4, 2020 Revised to February 1, 2021	In Process

**RADFORD UNIVERSITY  
OFFICE OF AUDIT AND ADVISORY SERVICES  
FOLLOW-UP AUDIT STATUS REPORT  
BUSINESS AFFAIRS AND AUDIT COMMITTEE  
FEBRUARY 2021**

Audit: E-Verify				
	Business Issue	Planned Action	Completion Date	Status
3.2.2	<p>Improvements are needed to ensure the timely entry of cases into E-Verify. As required by the E-Verify MOU, the University must create an E-Verify case for new employees within three employer business days after each employee has started working for pay. Cases created after that timeframe are considered late and require an explanation.</p> <p>Out of all 781 E-Verify cases entered during our review period, we noted 100 cases (13%) that were entered late with explanations that E-Verify does not deem as acceptable. Most significantly,</p> <ul style="list-style-type: none"> <li>• The explanation for 59 (59%) of those cases attributed the lateness to Human Resources not entering the cases timely. The majority of those noted "work overload" by Human Resources. Additionally, we noted that all of these 59 cases were for hire dates in August - September 2018, the beginning of a semester, which we identified as a peak hiring period for the University.</li> <li>• The explanation for 32 (32%) of those cases attributed the lateness to the new hire or the new hire's department not submitting required documents to Human Resources timely.</li> </ul> <p>Timely entry of cases into E-Verify is essential to ensure compliance with E-Verify rules and regulations. Noncompliance could result in penalties for the University or further investigation by USCIS, Immigration and Customs Enforcement, the Department of Justice, or other agencies.</p>	<p>HR will work with the Vice President for Finance &amp; Administration to document the University's position on whether or not to terminate employees who do not provide employment verification documentation in the required timeframe.</p>	<p>March 31, 2020 Revised to September 30, 2020 Revised to December 31, 2020</p>	Complete

**RADFORD UNIVERSITY BOARD OF VISITORS  
Business Affairs and Audit Committee  
February 11, 2021**

**Information Item  
Capital Projects Update**

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

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

**2.**

Project Budget----- \$101,000,000

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

Construction Manager----- Skanska

The Center for Adaptive Innovation and Creativity (Center) project was approved for Detailed Planning in July 2018, as described in the Radford University’s (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 approximately 178,000-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, 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 important 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 that are 50 years old that are inadequate for today’s learning environment and technologies. Significant utility impacts will be accommodated, along with erosion/sediment control and stormwater management requirements. The impact of required swing spaces is being investigated during the preliminary 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 2018. The initial Programming effort has been completed, and early building schemes were developed and approved by the University. Geotechnical investigations and site/utility surveying are complete. The Virginia Department of Historic Resources has approved the proposed demolition, and the Environmental Impact Report has been approved by the Virginia Department of Environmental Quality (DEQ). The demolition package has been approved by the Art and Architectural Review Board (AARB), along with final approval of the new building design package by AARB as well. The Schematic Design Package was submitted to Virginia Department of Engineering and Buildings (DEB) in November, with subsequent approval in December. The Preliminary Design Package and Estimate was submitted to DEB in May 2019, with subsequent approval in July 2019.

The University's request to utilize the Construction Management-at-Risk delivery method was approved by DEB, and the solicitation for Construction Management-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, 2018, and their team is providing pre-construction services for the project.

The Capital Budget Request for the project was submitted in June 2019, and was included in the approved 2021-22 biennial budget bond package. Based on the project's inclusion in the approved budget package, it was determined that the final design would get underway in October 2020 in order to be ready for full project funding by early 2021, due to delays caused by the COVID-19 impacts on the Special Session. Now that the overall budget has been approved, final project funding approvals are anticipated by the end of February. This timeline will allow the design to be sufficiently complete for required permitting for the demolition to get underway in early Summer 2021. This schedule will facilitate project completion and move-in for classes in Fall 2024.

### **3. Property Acquisition**

The expansion of student residential housing has been in the University's master plans and capital outlay initiatives for the last decade. The acquisition of properties in 2018 by the Radford University Foundation (RUF) provided an opportunity for the University to expand its residential housing along with strategic land acquisition. Upon acquisition of the properties by RUF, the University entered a long term capital lease with the intent to acquire the majority of the properties within two years.

The University strategically defined approximately \$22.5 million worth of properties for acquisition. Of the \$22.5 million, \$17.5 million is financed through the issuance of 9(c) debt, while the remaining \$5.0 million will utilize auxiliary reserves. This transfer allows Radford University to leverage the Commonwealth's favorable financing options to acquire the property.

The University is currently acquiring nineteen properties comprised of multi-family and single family units with an estimated property value of \$17 million. The Real Estate Purchase Agreement (REPA) was fully executed on December 18, 2020 and the demolition of ten (10) single family homes by RUF was completed the week mid-January 2021. Updated Phase I Environmental Site Assessments have been completed and submitted to the Bureau of Real Estate Services (BRES) for review and comment. The University is working with the Title Company and Surveyor to complete and finalize updates to the surveys and title commitment. A mid-February closing date has been established.

Following the completion of the first acquisition, efforts to remaining desired properties will begin with an anticipated closing date of August 2021.

### **4. Hotel and Conference Center**

The RUF and the City of Radford have identified the property location at the corner of Tyler Avenue and Lawrence/Calhoun Streets for a hotel/conference center. The RUF and the City of Radford are working with Jones Lang LaSalle, a commercial real estate firm, for this development opportunity. The hotel is planned to have approximately 125 rooms; street level restaurant, coffee shop, and business center; rooftop lounge and exercise center; conference center with meeting spaces; and adjacent parking.

The RUF and the University jointly applied for rezoning to the City of Radford of Radford Planning Committee, met on site with the Committee, and presented to the Radford City Council on August 10. The request for rezoning was approved in October 2020. City Council approved Ordinance 1746 on

January 11, 2021 vacating right-of-way to the alley between Lawrence and Calhoun Streets thereby conveying the alley to the Radford University Foundation. Ground-breaking for the site should occur sometime early in 2021. With a construction schedule of approximately 18 months, the project would be open potentially in late 2022.

## **5. Tyler-Norwood Renovation**

The Master Plan identifies Norwood Hall and Tyler Hall as the next on-campus residence halls to be renovated. The renovation scope will provide for the replacement of plumbing piping, fixtures, HVAC systems, fire alarm systems, electrical upgrades, accessibility improvements, and asbestos abatement, similar to the renovation scopes recently completed for the Moffett Quad residence halls in 2016. In addition to the above project scopes, the buildings will possibly incorporate living-learning community components, possibly for the Honors College. These transforming features will give vibrant new life to these buildings built in the 1930's.

A request for proposal (RFP) has been solicited for the architect and engineering (AE) design firm and the Building Committee has been selected. Proposals were received in February 2020, but the project solicitation was initially placed on hold given the COVID-19 pandemic, however it is currently being reevaluated for a revised timeline. The target date for the start of construction has not been established, and the total project budget remains at \$17.0 million.

## **6. River Campus**

The Master Plan identified development of the River Campus on University and City of Radford properties adjacent to the New River. Stakeholder meetings have taken place, including academic and student affairs, and an initial visioning document has been compiled. The visioning document will serve to identify initial projects for execution, and planning and prioritization of further River Campus development projects.

The overall River Campus development includes zones for higher density public activities such as an amphitheater, event space, food and beverage areas, and associated support spaces; for quieter academic and passive recreation spaces; and for highly active recreation and student engagement areas.

Initial projects will likely include greenway extension and trails, outdoor seating and gazebos, riverside boardwalks, and event areas. Further development projects include more significant public projects such as the amphitheater and food services, along with more recreation-based projects such as access to the river for people and boats, climbing walls and bouldering, and zip lines and ropes courses.

The City of Radford has developed construction documents to rehabilitate the University Drive bridge across the Norfolk Southern tracks adjacent to East Main Street. As part of this project, the University has agreed to fund the replacement of the fencing, the addition of street lighting along the bridge, and the widening of the existing sidewalks. This project will serve as a significant improvement to the main entry to this portion on campus, and help highlight future River Campus development projects. The City of Radford plans to complete this project by the summer of 2021.

The development of the River Campus will need to be carefully executed with the cooperation of the City of Radford, and will also need to be coordinated with all regulatory and permit requirements.

# Capital Project Update

**RADFORD**  
UNIVERSITY

# Center for Adaptive Innovation and Creativity

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View from East Main Street





# Center for Adaptive Innovation and Creativity

Site Plan



View from Bonnie Plaza



# Center for Adaptive Innovation and Creativity

View from Parking Lot A

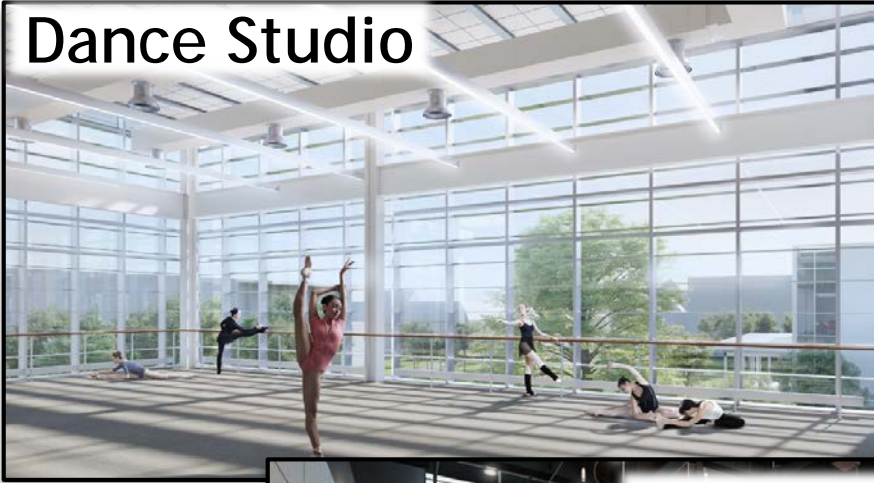


View along Stuart/Trinkle

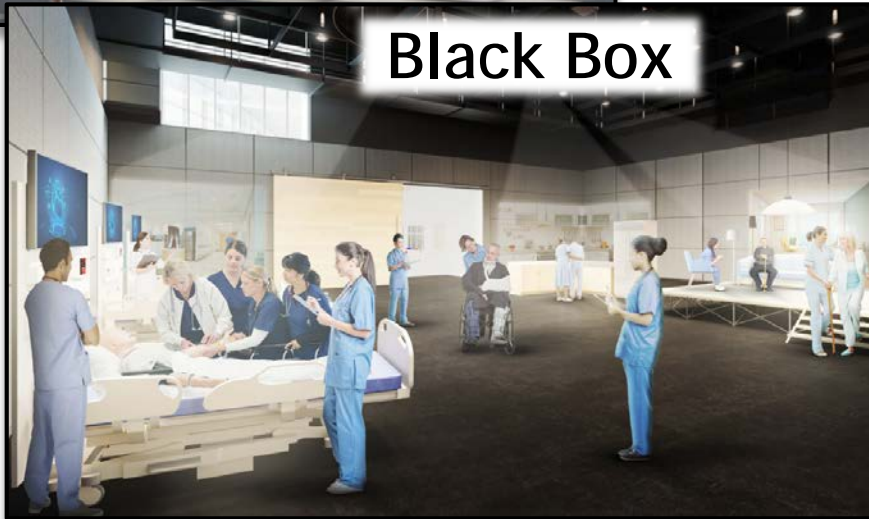


# Center for Adaptive Innovation and Creativity

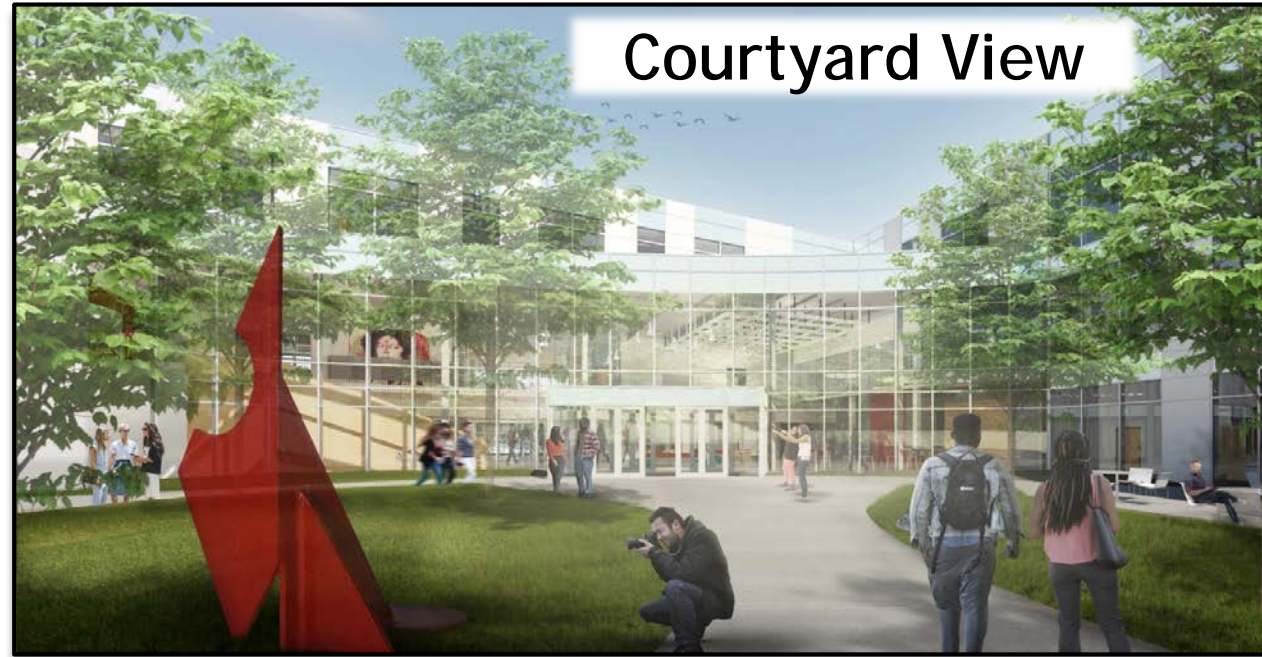
Dance Studio



Black Box



Courtyard View

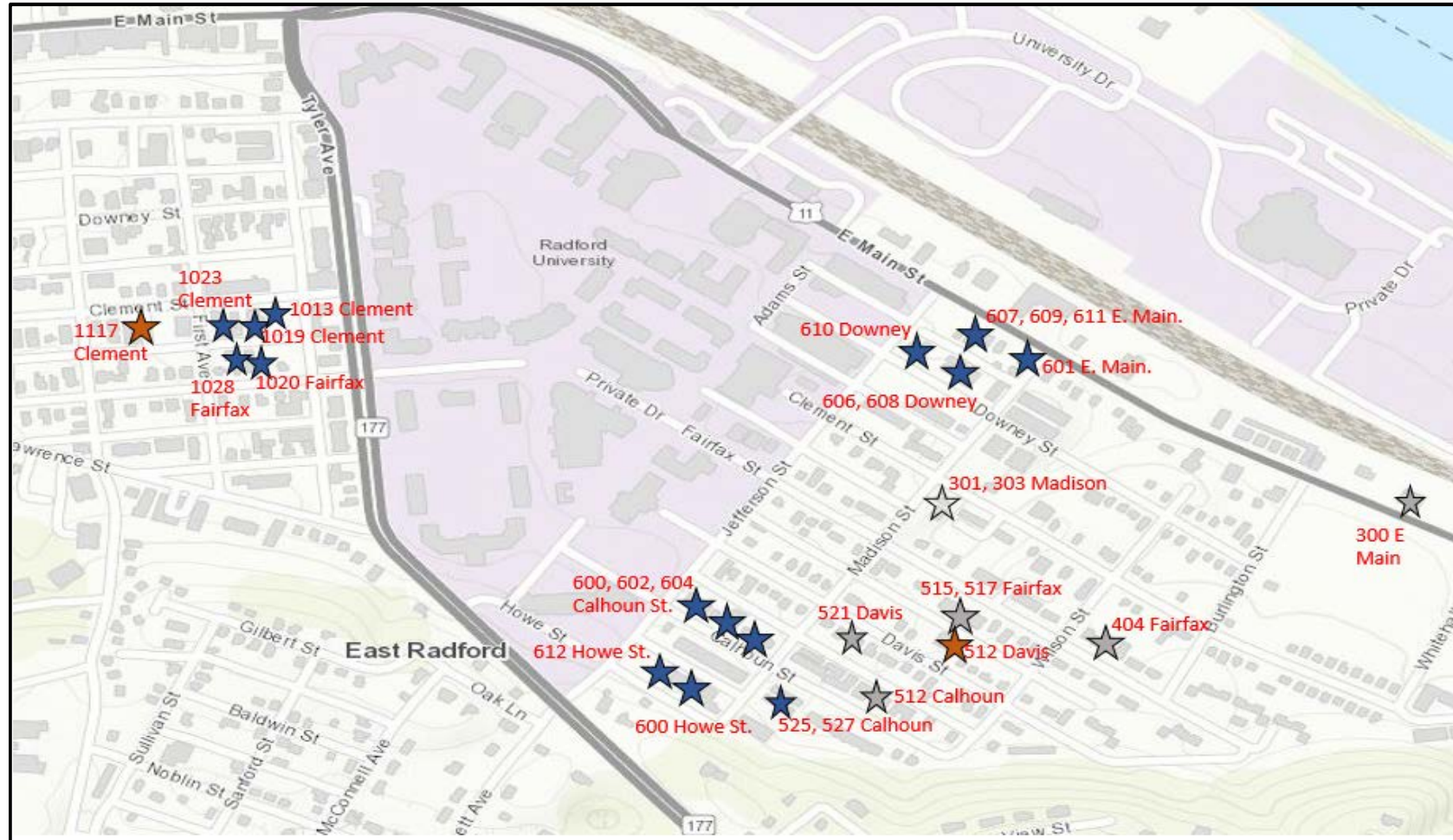


# Center for Adaptive Innovation and Creativity

Hub Views



# Property Acquisition



# Clement Street

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Before



After



# Downey Street

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Before



After



# East Main Street

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Before



After





# Fairfax Street

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Before



After



**Radford University Board of Visitors  
Business Affairs and Audit Committee  
February 11, 2021**

**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 2020 unaudited annual financial statements, the University’s debt obligations including affiliated foundation total \$142,973,728 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, 2020 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, 2021.				
<b>Board Approved Ratios</b>	<b>Range</b>	<b>Formula</b>	<b>Unaudited Financial Statements as of 6/30/2020</b>	
<b><u>Debt Burden Ratio</u></b>				
Max Annual Debt Service as % of Operating Expenses	<b>&lt; 7%</b>	$\frac{\text{Annual Debt Service}^*}{\text{Total Operating Expenses}^*}$	\$7,730,658	2.77%
			\$278,745,015	

\* 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, 2020 (unaudited):

**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, 2020, is summarized as follows:

<u>Notes Payable - Pooled Bonds:</u>	<u>Interest Rates 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 – 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, 2020, is summarized as follows:

<u>Bonds Payable - 9c:</u>	<u>Interest Rates at Issuance</u>	<u>Maturity at 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

### **Capital Lease Obligation**

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 has accounted for the acquisition of the various residential properties as a capital lease, and therefore has recorded the building as a depreciable capital asset, and has recorded a corresponding lease liability in long-term debt, both on its Statement of Net Position as of June 30, 2020.

A summary of changes in long-term debt for the year ending June 30, 2020, is presented as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Governmental activities:						
Notes payable - pooled bonds	20,004,414	-	1,167,800	18,836,614	1,085,000	17,751,614
Bonds payable - 9c	29,870,933	-	1,424,685	28,446,248	1,320,000	27,126,248
Capital Lease	-	32,073,214	160,985	31,912,229	779,570	31,132,659
*Total long-term debt	\$49,875,347	\$32,073,214	\$2,753,470	\$79,195,091	\$3,184,570	\$76,010,521

*\*No amounts considered direct borrowings or direct placements.*

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

Fiscal Year Ending	Governmental Activities			
	Notes Payable Pooled Bonds		Bonds Payable - 9c	
	Principal	Interest	Principal	Interest
June 30, 2021	1,085,000	650,181	1,320,000	996,500
June 30, 2022	1,135,000	596,731	1,395,000	930,500
June 30, 2023	1,190,000	539,681	1,465,000	860,750
June 30, 2024	1,250,000	482,006	1,530,000	787,500
June 30, 2025	1,295,000	433,581	1,600,000	718,950
2026-2030	7,225,000	1,418,254	9,035,000	2,579,213
2031-2035	4,150,000	232,925	9,180,000	914,600
2036	-	-	505,000	15,150
Unamortized Premium	1,506,614	-	2,416,248	-
Total	\$18,836,614	\$4,353,359	\$28,446,248	\$7,803,163

Payments of principal, interest, and executory costs on the capital lease for fiscal years subsequent to June 30, 2020 are as follows:

Fiscal Year	Total Payment
2021	2,046,385
2022	2,046,385
2023	2,046,385
2024	2,046,385
2025	2,178,123
2026-2030	11,812,781
2031-2035	11,812,781
2036-2040	11,812,781
2041-2045	6,890,789
Total Minimum Lease Payments	\$52,692,794
Less Executory Costs	5,675,563

Net Minimum Lease Payments	47,017,231
Less Interest	15,105,003
Present Value of Lease Payments	\$31,912,228

### **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, 2020, \$206,722 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 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. On June 30, 2020, \$2,305,000 from Series 2009B 9(d) VCBA pooled bonds was considered defeased and outstanding.

### **NOTE 19E: Component Unit Financial Information**

The following is a summary of the outstanding notes payable at June 30, 2020:

Note payable in monthly installments of \$5,182.12 through May 2025, interest payable at LIBOR plus 1.48 percent (1.65% and 3.91% at June 30, 2020 and 2019, respectively). Unsecured.	280,837
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.	12,775
Notes payable in monthly installments calculated on a 25-year amortization with a balloon payment of remaining amount in May 2021, with interest payable at LIBOR plus 0.82 (1.01% and 3.22% and 2.91% at June 30, 2020 and 2019, 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.	385,539

Notes payable in monthly installments calculated on a 20-year amortization with a balloon payment of remaining amount in May 2023, with interest payable at LIBOR plus 0.82 (1.01% and 3.22% at June 30, 2020 and 2019 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.

427,625

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 (0.99% and 3.26% and 2.91% at June 30, 2020 and 2019, 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.

22,354,863

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.

9,957,285

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. Secured by real estate and assignment of leases and rent.

199,313

Total long-term debt \$33,618,237

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

2021	1,648,015
2022	1,271,838
2023	1,656,079
2024	1,446,507
2025 and thereafter	27,595,798
Total long-term debt	<u>\$33,618,237</u>

**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.

# Debt Management Compliance



# Debt Management Policy

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- Outlines the University's philosophy on debt and ensures that existing and proposed debt issues are strategically managed consistent with financial resources in order to maintain a strong financial profile.
- The University utilizes a long-term strategic plan to establish institutional priorities and objectives, and incorporates the issuance of debt into its strategic plan to fund critical capital initiatives.
- Analyzing debt affordability is used to assist the University in determining the level of debt to be used as a financial resource for its capital program.

# Debt Burden Ratio

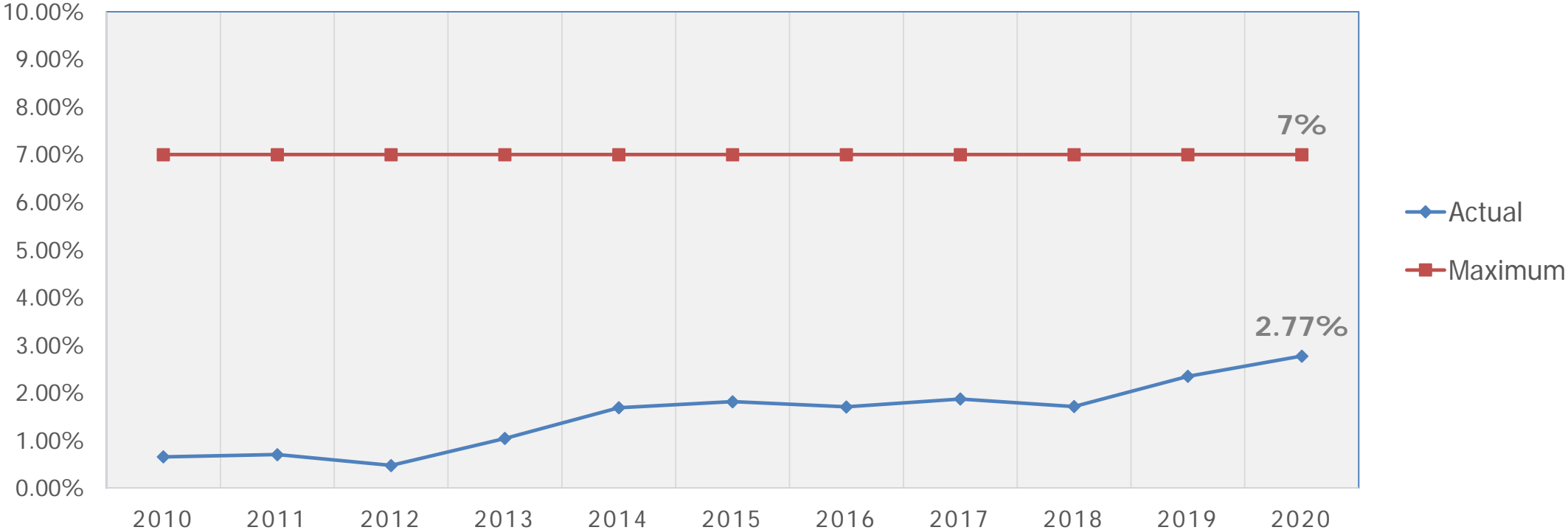
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- Ratio measures the University's debt service burden as a percentage of total operating expenses and identifies the maximum amount of debt that the University may have outstanding at any given time.
- The University debt burden ratio should not exceed seven (7) percent with the exception of instances where the debt obligations of revenue-producing capital projects are secured by income associated with the project. The target for this ratio is intended to maintain the University's long-term flexibility to finance existing requirements and new initiatives.

<i>Annual Debt Service:</i>	<u>\$ 7,730,657</u>	2.77%
<i>Total Operating Expenses:</i>	\$ 278,745,015	

# Debt Burden Ratio Trend

DEBT RATIO HISTORY



**RADFORD UNIVERSITY BOARD OF VISITORS**  
**Business Affairs and Audit Committee**  
**February 11, 2021**

**Action Item**

**Approval of the Radford University 2020-21 Third Quarter Operating Budget Adjustment**

**Item:**

Board of Visitors approval of the Radford University's 2020-21 third quarter operating budget adjustment and review of the actual activity as of January 31, 2021.

**Summary:**

Due to the ongoing COVID-19 pandemic, the University has examined the fiscal impact on all available funding sources. Therefore, a third quarter budget adjustment is necessary to align revised revenue forecasts with authorized expenditure levels.

The far-reaching effects of the global pandemic have touched all facets of University operations including the Educational & General (E&G) operation, Student Financial Aid Programs, and Auxiliary Enterprises. Given the general uncertainty associated with the pandemic many students chose to forego their educational pursuits for this year or opted for a virtual campus presence thereby shifting service levels from the initial projections included in the original budget. Revenue shortfalls associated with reduced service levels have been offset by institutional cost savings strategies as well as Federal and State relief programs initiated to support Institutions of Higher Education during this unprecedented time. The impact of these factors is outlined by major program below.

An accompanying outline of adjustments is also provided in the 2020-21 Financial Performance Report (Schedule A) which summarizes the adjusted operating budget and related activity through January 31, 2021 and the Detailed University Operating Budget (Schedule B) which breakdowns the recommended adjustments.

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

The original 2020-21 revenue budget for E&G was forecasted at \$146.1 million. The revised budget recommendation is \$149.2 million, an increase of \$3.1 million. The revised revenue forecast is reflective of the following adjustments.

*General Fund*

The University is anticipating an overall increase in E&G General Fund support of \$4.2 million provided primarily from the fall 2020 Special Session of the General Assembly. The increase relates to additional allocations for tuition affordability of \$4.9 million, the implementation of the December 2020 Healthcare Premium Holiday resulting in an appropriation decrease of \$702,000, and an appropriation increase of \$29,000 for Virtual Library of Virginia (VIVA) funding.

As part of the 2020 Special Session of the General Assembly, the tuition affordability funding provides one-time operating support of \$80 million to maintain affordable access to public colleges and universities for fiscal year 2020-21. The funding may be used to support operations, enhance financial aid, or for other

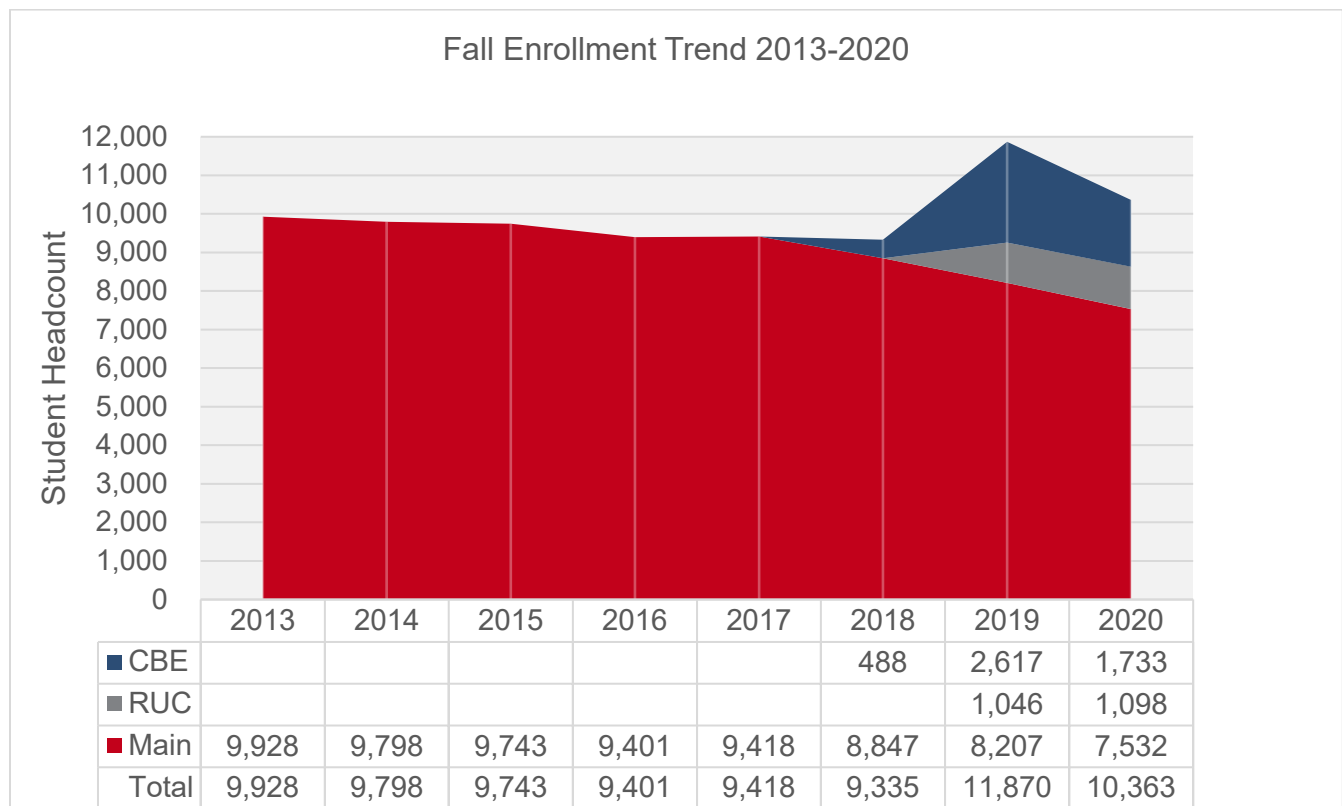
purposes to address the impacts of COVID-19. The University’s allocation is \$4.9 million, of which, \$2.0 million is designated for RUC Operations. Funding was allocated based on in-state undergraduate population and addressing estimated revenue shortfalls reflective of either a minimum of 5% in-state undergraduate revenues or 40% of the average in-state revenue shortfall.

Due to the success of the Healthcare Premium Holiday in November 2019 and the ability to utilize one-time fund balances, the General Assembly authorized another Healthcare Premium Holiday for December 2020 as part of the amended 2020-21 budget. Specifically, the event eliminated both the agency supported cost and the employee paid portion of health insurance for the two pay periods in December. Ultimately, the University saved \$1.2 million in E&G as part of the holiday; however, the Commonwealth withholds their portion of the cost resulting in a \$700,000 decrease in general fund appropriation.

Additionally, a general fund increase of \$29,000 is anticipated in support of the VIVA allocation to the University. The expense budget will decrease by \$1.2 million as a result of these two actions (health insurance decrease of \$1.2 million adjusted for a \$29,000 increase for VIVA)

Non-General Fund

The University is estimating a \$2.1 million decline in E&G revenue related to non-general fund business level factors. This includes a revenue shortfall of \$3.4 million based on actual summer and fall 2020 and preliminary spring 2021 enrollment levels. Based on final census data, fall traditional enrollment on main campus was lower than forecast. Fall 2020 enrollment was budgeted on a projected student headcount of 7,800. Actual headcount enrollment came in at 7,532, a decrease of 268 students or 3.4 percent. The University also experienced a decrease in Summer 2020 enrollment due to the elimination of all in person offerings. Partially offsetting this loss is an estimated \$1.3 million revenue increase related to the IMPACT program, which has experienced higher than budgeted revenue receipts.



In order to offset anticipated revenue losses, the University will utilize \$3.5 million in cost savings realized through cost containment measures implemented at the start of the pandemic.

#### Relief Funding

Coronavirus Relief Funds (CRF) provided higher educational institutions an allotment of \$116.0 million in COVID-19 relief funding, of which the University will receive \$3.6 million to support telework and distance learning infrastructure, personal protective equipment, sanitization and cleaning, and testing for students, staff, and faculty. This is a direct reimbursement of expenses that have or will occur from July 1, 2020 – December 31, 2020. The planned expenditures represent a split of \$1.0 million to E&G and \$2.6 million to Auxiliary Enterprises.

#### Miscellaneous

Higher education institutions will have the option to use available fund balances from other fund sources, including E&G, to support operations, increased costs or revenue reductions for auxiliary enterprise programs for the 2020-2022 biennium. The exception being supporting Athletics programs other than transfer payments from E&G. The University will defer the required indirect contribution from Auxiliaries for 2020-21, resulting in a E&G budget change of \$5.5 million with a respective fund availability for Auxiliary budgets.

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

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

The original revenue budget for SFA was \$13.5 million. The revised budget is \$15.7 million, an increase of \$2.2 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, and carryforward of graduate fellowship allocations increased by \$185,000 over the originally budget amount. These are routine supplemental allocations that vary by year.

#### Relief Funding

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 billion was given to the Office of Postsecondary Education as the Higher Education Emergency Relief Fund, or HEERF. The University portion of the HEERF funding is \$9.1 million split equally between student financial aid and institutional relief. Most of the student financial aid was awarded last fiscal year requiring an adjustment to current year revenue and expenditures at this time of \$588,602 in order to make the last fund distributions for students.

Congress set aside approximately \$3 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 will receive \$1.3 million in GEERF funding in 2020-21 which will be awarded as need based financial assistance.

GEAR UP (Gaining Early Awareness and Readiness for Undergraduate Programs) is a \$22 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 will receive \$78,000 in GEAR UP funding in 2020-21.

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

### **Sponsored Programs:**

No budget changes are indicated at this time. The budget will remain \$8.9 million.

### **Auxiliary Enterprises:**

The original revenue budget for Auxiliary Enterprises was \$68.3 million in revenue and \$64.8 million in expense. The revised revenue budget is \$67.3 million, a decrease of \$1.0 million. The revised expense budget is \$64.7 million, a decrease of \$.1 million. These adjustments result in a \$.9 million decrease in the planned reserve contribution. The revised budgets are reflective of the following adjustments.

#### Non-General Fund

The University is estimating a decrease in auxiliary comprehensive fee revenue of \$1.9 million related to the decrease in enrollment detailed in the E&G section above. In addition, sales and service revenue is estimated to decrease by \$6.1 million. Dining and Residential Program sales are anticipated to be \$4.0 million below initial projections due to a combination of factors to include the impact of rollover credits from Spring 2020 term, decreased student participation due to students electing a virtual learning experience, and overall traditional enrollment falling below anticipated levels. Additionally, Athletics sports revenue has decreased by \$0.8 million and Other Enterprise Functions revenue has decreased from loss of conference events, both due to the COVID-19 pandemic.

#### Relief Funding

As noted above in the SFA 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. The majority of the institutional portion will be utilized this fiscal year to reimburse Residential and Dining Programs \$3.9 million for the refunds to student meal plans and dorm charges for Spring 2020, leaving about \$630,839 to reimburse other University programs as necessary.

As noted above in the E&G section, Coronavirus Relief Funds (CRF) provided higher education institutions an allotment of \$116.0 million in COVID-19 relief funding, of which the University will receive \$3.6 million to support telework and distance learning infrastructure, personal protective equipment, sanitization and cleaning, and testing for students, staff, and faculty. This is a direct reimbursement of expenses that occurred from July 1, 2020 – December 31, 2020. The executed expenditures represent a split of \$1 million to E&G and \$2.6 million to Auxiliary Enterprises.

### Miscellaneous

Auxiliary Enterprise budget adjustments are required for increases in one-time funding requirements of \$816,000, decreases in Auxiliary Indirect contributions of \$5.0 million as noted in the E&G section above, and an increase for the funding of the 2020 Early Retirement Option (ERO) of \$1.7 million. The combination of these factors results in a net expense budget decrease of \$2.5 million.

The one-time funding adjustments contribute to the second phase of the off-campus apartment renovations that occurred this summer of \$567,959, Student Health contractual obligations of \$158,280 to Carilion Health Systems related to timing of invoices and the addition of the Nurse Navigator for RUC students, and miscellaneous personal service adjustments.

As identified last fiscal year, the ERO program provided select participants severance payouts continuing through fiscal year 2022. An adjustment of \$1.7 million is recommended to cover the estimated costs of the ERO payments for this fiscal year.

Refer to the Financial Performance Report (Schedule A) for a summary and the Detailed 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 of \$236.8 million was approved by the Board of Visitors at the September 2020 meeting. The Revised Budget reflects 2020-21 recommended mid-year revenue adjustments totaling \$4.3 million. While there are a number of factors that influenced the recommended mid-year adjustments they are primarily attributed to the following: the infusion of general fund resources, COVID-19 relief funding, and actual 2020-21 enrollment levels. All expenditure budgets were adjusted accordingly.

The revised budget of \$241.2 million is sufficient to sustain University operations for the remainder of 2020-21. Actual expenditure activity through January 31, 2021 totals \$140.1 million and is in line with expectations. The vast majority of the \$98.5 million in total outstanding expense budget balance relates to anticipated third and fourth quarter compensation. At this time all programs are expected to come in within expected activity.

### **Action:**

Radford University Board of Visitors approval of the 2020-21 third quarter operating budget adjustment as presented in Schedule B for the Total University Operating Budget.

**RADFORD UNIVERSITY BOARD OF VISITORS**

**Resolution**

**February 12, 2021**

**Approval of the Radford University 2020-21 Operating Budget Adjustment**

**BE IT RESOLVED**, the Radford University Board of Visitor approves the third quarter adjustments to the 2020-21 operating budget as presented in Schedule B for the Total University Operating Budget.

**Radford University**  
**Financial Performance Report**  
**For the Period Ending January 31, 2021 (Preliminary)**

Dollars in Thousands

	Annual Budget for 2020-21			July 1, 2020 to January 31, 2021	
	Original (a)	Adjustments (b)	Revised (c)	Actuals (d)	Variance
<b>Educational and General Programs</b>					
<u>Revenues</u>					
General Fund	\$59,565	\$4,227	\$63,792	\$30,761	(33,031)
Tuition and Fees	83,159	(\$3,250)	79,909	69,485	(10,424)
All Other Income	3,326	\$2,181	5,507	2,246	(3,262)
<b>Total Revenues</b>	<b>\$146,051</b>	<b>\$3,158</b>	<b>\$149,209</b>	<b>\$102,492</b>	<b>\$46,717</b>
<u>Expenditures</u>					
Instructional & Academic Support	(\$94,006)	\$2,088	(\$91,918)	(\$53,499)	\$38,419
Public Service Programs	(938)	150	(788)	(155)	633
All Other Support Programs	(51,107)	(5,396)	(56,503)	(29,674)	26,829
<b>Total Expenses</b>	<b>(\$146,051)</b>	<b>(\$3,158)</b>	<b>(\$149,209)</b>	<b>(\$83,328)</b>	<b>(\$65,881)</b>
Reserve Draw (Deposit)	0	0	0	(19,164)	(19,164)
<b>NET</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Student Financial Assistance</b>					
Revenue	\$13,542	\$2,150	\$15,692	\$14,358	(\$1,334)
Expenditures	(13,542)	(\$2,150)	(15,692)	(8,709)	6,983
Reserve Draw (Deposit)	0	0	0	(5,648)	(5,648)
<b>NET</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Sponsored Programs</b>					
Revenue	\$8,962	\$0	\$8,962	\$6,809	(\$2,153)
Expenditures	(8,962)	0	(8,962)	(6,895)	2,067
Reserve Draw (Deposit)	0	0	0	86	86
<b>NET</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Auxiliary Enterprises</b>					
Revenues	\$68,269	(\$959)	\$67,310	\$57,513	(\$9,797)
Expenditures	(64,824)	75	(64,749)	(41,215)	23,534
Reserve Draw (Deposit)	(3,446)	884	(2,561)	(16,298)	(13,737)
<b>NET</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total University</b>					
<b>Revenues</b>	<b>\$236,824</b>	<b>\$4,349</b>	<b>\$241,173</b>	<b>\$181,171</b>	<b>(\$60,001)</b>
<b>Expenses</b>	<b>(233,378)</b>	<b>(5,234)</b>	<b>(238,611)</b>	<b>(140,148)</b>	<b>98,464</b>
<b>Reserve Draw (Deposit)</b>	<b>(3,446)</b>	<b>884</b>	<b>(2,561)</b>	<b>(41,024)</b>	<b>(38,462)</b>
<b>NET</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Notes:**

(a) Original Total Budget - Reflects the 2020-21 Operating Budget as of July 1, 2020 which was approved by the Board at the September 2020 meeting. Both recurring and one-time operating budgets are included.

(b) Adjustments - Reflects the recommended 2020-21 Adjustments to the 2020-21 Original Total Budget. All recommended adjustments are one-time.

(c) Adjusted Total Budget - Reflects the proposed 2020-21 Operating Budget inclusive of all recommended 2020-21 Adjustments. Both recurring and one-time operating budgets are included.

(d) Actuals - Reflects the annual activity as of January 31, 2021 including anticipated adjustments related to the recommended 2020-21 Adjustments.

**Radford University  
University Operating Budget  
2020-21**

Dollars in Thousands

	Original Total Budget (a)	Technical Adj.	Proposed Adjustments (b)											Adjusted Total Budget (c)			
			General Fund			Business Level Factors			Relief Funds				Miscellaneous Adjustments				
			Operating Support	Health Holiday	Other Allocations	Student Levels	IMPACT Lab	Sales & Service	CARES Rd. I	CRF	GEERF	GEAR UP	One-Time Funding		FY21 Aux Indirect	ERO Support	Cost Savings
<b>Educational and General Programs</b>																	
<u>Revenues</u>																	
General Fund	\$59,565	\$0	\$4,900	(\$702)	\$29												\$63,792
Tuition and Fees	83,159	0				(3,250)											79,909
All Other Income	3,326	0				(150)	1,331			1,000							5,507
Revenue	\$146,051	\$0	\$4,900	(\$702)	\$29	(\$3,400)	\$1,331	\$0	\$0	\$1,000	\$0	\$0	\$0	\$0	\$0	\$0	\$149,209
<u>Expenditures</u>																	
Instructional & Academic Support	(94,944)	2,808		789	(29)		(1,331)										(92,706)
All Other Support Programs	(51,107)	(2,808)		422						(1,000)				(5,462)		3,452	(56,503)
Expenditures	(\$146,051)	\$0	\$0	\$1,212	(\$29)	\$0	(\$1,331)	\$0	\$0	(\$1,000)	\$0	\$0	\$0	(\$5,462)	\$0	\$3,452	(\$149,209)
Reserve Draw (Deposit)	0	0	(4,900)	(510)	0	3,400	0	0	0	0	0	0	0	5,462	0	(3,452)	0
<b>NET</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Student Financial Assistance</b>																	
Revenue	\$13,542	\$0			\$185				\$589		\$1,299	\$78					\$15,692
Expenditures	(13,542)	0			(185)				(589)		(1,299)	(78)					(15,692)
Reserve Draw (Deposit)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>NET</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Sponsored Programs</b>																	
Revenue	\$8,962	\$0															\$8,962
Expenditures	(8,962)	0															(8,962)
Reserve Draw (Deposit)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>NET</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Auxiliary Enterprises</b>																	
Revenues	\$68,269	\$0				(\$1,931)		(\$6,144)	\$4,546	\$2,570							\$67,310
Expenditures	(64,824)	0		191						(2,570)			(816)	4,978	(1,708)		(64,749)
Reserve Draw (Deposit)	(3,446)	(0)	0	(191)	0	1,931	0	6,144	(4,546)	0	0	0	816	(4,978)	1,708	0	(2,561)
<b>NET</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total University</b>																	
<b>Revenues</b>	<b>\$236,824</b>	<b>\$0</b>	<b>\$4,900</b>	<b>(\$702)</b>	<b>\$213</b>	<b>(\$5,331)</b>	<b>\$1,331</b>	<b>(\$6,144)</b>	<b>\$5,135</b>	<b>\$3,570</b>	<b>\$1,299</b>	<b>\$78</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$241,173</b>
<b>Expenses</b>	<b>(233,378)</b>	<b>0</b>	<b>0</b>	<b>1,403</b>	<b>(213)</b>	<b>0</b>	<b>(1,331)</b>	<b>0</b>	<b>(589)</b>	<b>(3,570)</b>	<b>(1,299)</b>	<b>(78)</b>	<b>(816)</b>	<b>(484)</b>	<b>(1,708)</b>	<b>3,452</b>	<b>(238,611)</b>
<b>Reserve Draw (Deposit)</b>	<b>(3,446)</b>	<b>(0)</b>	<b>(4,900)</b>	<b>(701)</b>	<b>0</b>	<b>5,331</b>	<b>0</b>	<b>6,144</b>	<b>(4,546)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>816</b>	<b>484</b>	<b>1,708</b>	<b>(3,452)</b>	<b>(2,561)</b>
<b>NET</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Notes:**  
 (a) Original Total Budget - Reflects the 2020-21 Operating Budget as of July 1, 2020 which was approved by the Board at the September 2020 meeting. Both recurring and one-time operating budgets are included.  
 (b) Adjustments - Reflects the recommended adjustments to the Original Total Budget. All recommended adjustments are one-time.  
 (c) Adjusted Total Budget - Reflects the revised 2020-21 Operating Budget inclusive of all recommended adjustments.

# 2020-2021 University Operating Budget Update

**RADFORD**  
UNIVERSITY

# 2020-21 Original Budget Summary

	Revenue (\$ in Thousands)			Expense (\$ in Thousands)		
	Base	One-Time	Total	Base	One-Time	Total
<b>University Operating</b>						
Education & General	\$144,306	\$1,745	\$146,051	\$144,835	\$1,215	\$146,051
Student Financial Assistance	13,542	0	13,542	13,542	0	13,542
Sponsored Programs	8,962	0	8,962	8,962	0	8,962
Auxiliary Enterprise	69,854	(1,585)	68,269	64,902	(78)	64,824
<b>Total University</b>	<b>\$236,663</b>	<b>\$160</b>	<b>\$236,824</b>	<b>\$232,241</b>	<b>\$1,137</b>	<b>\$233,378</b>

# Current Year Fiscal Factors

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## 1) General Fund

- Special Session
- Routine Items

## 2) Business Levels

- Student Demand & Behavior
- Enrollment

## 3) Relief Funds

- COVID-19
- GEAR UP

## 4) Miscellaneous

- Policy Changes
- University Initiatives



# General Fund

## 2020 Special Session Impact

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- Tuition Affordability Allocation of \$4.9 million
  - Supports maintaining affordable access for in-state students
  - Main Campus - \$2.9 million
  - RUC - \$2.0 million
- Healthcare Premium Holiday
  - Modeled from Healthcare Premium Holiday of November 2019
  - Eliminates agency and employee health insurance cost for 2 pay periods
  - University savings of \$1.2 million

# General Fund - Routine Items

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- Virtual Library of Virginia (VIVA) increase \$29,000
  - Acquires and provides key resources to higher education community
  
- Student Financial Assistance increase \$185,000
  - Virginia Military Survivors and Dependent Education Program (VMSDP)
  - College Transfer Grant (CTG)
  - Graduate fellowship allocations

# Business Levels

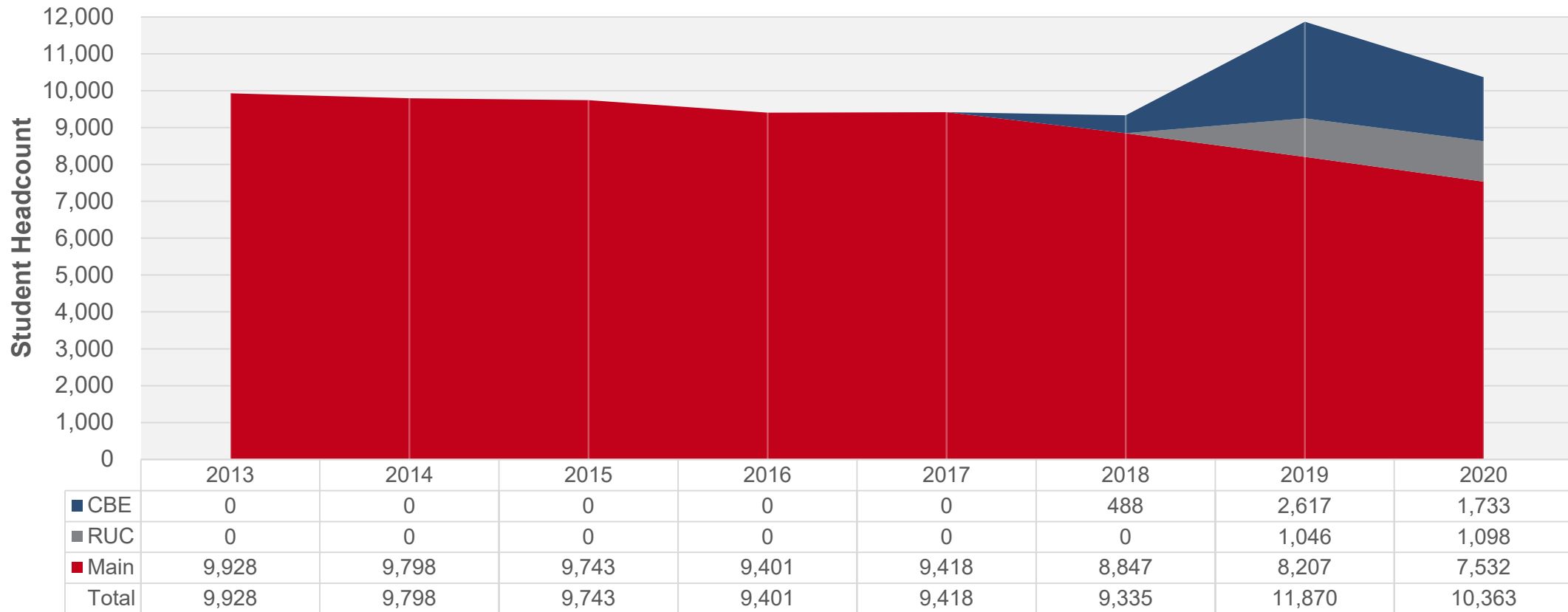
## Changes in Student Demand and Behavior

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- Virtual Experience
- Gap Year
- Enrollment

# Fall Enrollment Trend 2013-2020



# Business Levels - E&G Financial Impact

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- Revenue decrease projected at \$3.4 million for traditional offerings
  - Summer 2020: Elimination of in-person classes
  - Fall 2020: Below initial forecast impacted by COVID and online modality
  - Spring 2021: \*Preliminary assessment
- Revenue increase of \$1.3 million in self-generated CBE activities
  - IMPACT program additional growth

# Business Levels - Auxiliary Financial Impact

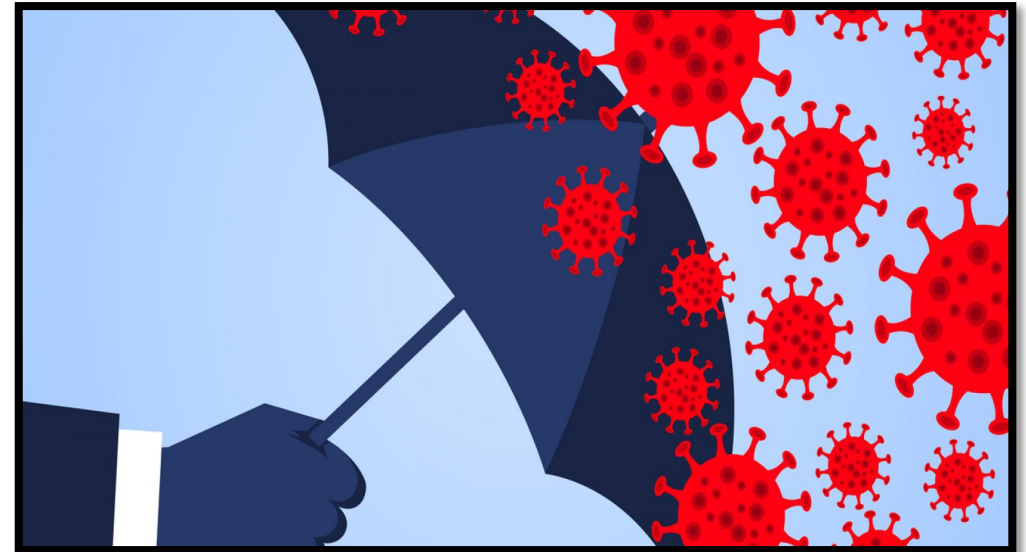
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- Revenue decrease projected at \$8.1 million related to changes in auxiliary business operations as a result of COVID-19, reduced campus capacity, and a reduction in the number of students served for this fiscal year.
  - Comprehensive Fee Revenue projected decrease of \$1.9 million
  - Sales and Services Revenue projected decrease of \$6.1 million
    - Dining and Residential Programs approximately \$4.0 million
      - Spring 2020 Rollover credits
      - Decreased student participation

# External Relief Funding

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- Coronavirus Aid, Relief, and Economic Security Act (CARES)
  - \$5.1 million
- Coronavirus Relief Funds (CRF)
  - \$3.6 million
- Governor's Emergency Education Relief Fund (GEERF )
  - \$1.3 million
- Gaining Early Awareness Readiness for Undergraduate Programs (GEAR UP)
  - \$78,000



# Miscellaneous: Policy Changes & University Initiatives




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- **Policy Changes:**
  - Auxiliary indirect charges for the current fiscal year are permitted to be waived. This results in a reduction of \$4.9 million of auxiliary expenses.
- **University Initiatives:**
  - Early Retirement Option - \$1.7 million
  - Cost Savings - \$3.5 million for reductions in E&G operating activity
  - One-Time Allocations - \$816,000 for previously approved auxiliary enterprise operating expenses



# Revenue Budget Changes

## Education and General Programs

\$146.1	\$4.2 	 (\$2.1)	\$1.0 	\$149.2
Original Budget	General Fund	Business Levels	Relief Funds	Adjusted Budget

*\*Dollars in millions*

# Revenue Budget Changes



## Student Financial Assistance

\$13.5	\$0.2	—	\$2.0	\$15.7
Original Budget	General Fund	Business Levels	Relief Funds	Adjusted Budget

*\*Dollars in millions*

# Revenue Budget Changes

## Auxiliary Enterprises

\$68.3	—	 (\$8.1)	 \$7.1	\$67.3
Original Budget	General Fund	Business Levels	Relief Funds	Adjusted Budget

*\*Dollars in millions*

# Total Adjusted Budget Summary

## Radford University 2020-21 Recommended Budget Summary

	Revenue (\$ in Thousands)			Expense (\$ in Thousands)		
	Original	Adjustments	Total	Original	Adjustments	Total
<b>University Operating</b>						
Education & General	\$146,051	\$3,158	\$149,209	(\$146,051)	(\$3,158)	(\$149,209)
Student Financial Assistance	13,542	2,150	15,692	(13,542)	(2,150)	(15,692)
Sponsored Programs	8,962	0	8,962	(8,962)	0	(8,962)
Auxiliary Enterprise	68,269	(959)	67,310	(64,824)	75	(64,749)
<b>Total University</b>	<b>\$236,824</b>	<b>\$4,349</b>	<b>\$241,173</b>	<b>(\$233,378)</b>	<b>(\$5,234)</b>	<b>(\$238,611)</b>

# 2021 Operating Activity/Budget Comparison

**Radford University**  
**Financial Performance Summary**  
 For the Period Ending January 31, 2021 (Preliminary)

	Budget (\$ in Thousands)			Actual (\$ in Thousands)		
	Revenue	Expense	Surplus/(Deficit)	Revenue	Expense	Surplus/(Deficit)
<b>University Operating</b>						
Education & General	\$149,209	(\$149,209)	\$0	\$102,492	(\$83,328)	\$19,164
Student Financial Assistance	15,692	(15,692)	0	14,358	(8,709)	5,648
Sponsored Programs	8,962	(8,962)	0	6,809	(6,895)	(86)
Auxiliary Enterprise	67,310	(64,749)	2,561	57,513	(41,215)	16,298
<b>Total University</b>	<b>\$241,173</b>	<b>(\$238,611)</b>	<b>\$2,561</b>	<b>\$181,171</b>	<b>(\$140,148)</b>	<b>\$41,024</b>

# 2020-2022 Biennial Budget General Assembly Session Update

**RADFORD**  
UNIVERSITY

# Crossover Summary: Operating Support

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## Maintain affordability access and increase support for Radford University Carilion

- **Executive Budget: None included**
- **House: University allocation of \$12.9 million**
  - Main Campus allocation of \$2.9 million
  - RUC allocation of \$10.0 million
- **Senate: University allocation of \$6.9 million**
  - Main Campus allocation of \$2.9 million
  - RUC allocation of \$4.0 million

# Crossover Summary: Compensation

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- **Executive Budget:**

- \$1,500 bonus for all state employees
- \$750 bonus for all adjuncts
- Effective 9/1/2021

- **House:**

- 3.5% salary increase for all state employees (including adjuncts)
- Effective 6/10/2021

- **Senate:**

- 3.0% salary increase for all state employees (including adjuncts)
- Effective 8/10/2021



# Crossover Summary: COVID-19 Relief

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## Provide additional funding to Institutions of Higher Education for COVID-19 relief

- **Executive Budget:** No additional provided
- **House:**
  - Total federal funding allocation of \$34.5 million
  - University allocation is \$1.1 million
- **Senate:**
  - Total Coronavirus Relief Funding (CRF) allocation of \$17.3 million for testing
  - Total Governor's Emergency Education Relief Fund (GEERF) allocation of \$22.0 million for additional need based undergraduate financial aid
  - University allocation unknown

# Crossover Summary: Financial Aid

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- **Executive Budget:**
  - University allocation of \$2.5 million
- **House:**
  - No changes
- **Senate:**
  - No changes

# Crossover Summary: House Language/Policy

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- **Higher Education Refund Policies**

- Refund policies shall be actively disclosed by electronic or written notice. Each university Board of Visitors shall adopt a refund policy that clearly incorporates the amount of refund owed in the event of changes in the mode of course delivery

- **Board of Visitors Contact Information:**

- Boards of Visitors shall post on their websites publicly available contact information for each board member, including email addresses.

- **Cost Study:**

- SCHEV shall conduct a pilot cost study and analysis to determine the effectiveness of detailed cost analysis in achieving greater financial efficiencies and mitigating the need for tuition increases.

# Crossover Summary: Senate Language/Policy

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- **Athletic Fee Reporting**

- Reporting requirements on intercollegiate athletic revenues and expenses, specifically related to the share of athletic revenues from school funds and student fees, shall be temporarily suspended for fiscal years 2020, 2021, and 2022.

- **Request for Proposal Advertising:**

- Consistent with the 2019 updates to the Virginia Public Procurement Act, institutions of higher education that have entered into memoranda of understanding or management agreements with the state are permitted to conform their Request for Proposal advertising rules to that of § 2.2-4302.2.A.2.

# CRRSAA: Higher Education Emergency Relief Fund (HEERF II)

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- Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA) authorizes \$81.88 billion in support for education.
- \$21.2 billion has been approved to serve students and ensure learning continues during the COVID-19 pandemic.
- University allocation is \$14.1 million
  - \$4.5\* million allocated for student aid
  - \$9.5\* million for institutional support
- Institutional portion may cover:
  - Lost revenue
  - Reimbursement of expenses incurred
  - Technology cost

\*Amounts may not total due to rounding.

# 2022 Mitigation Fund Strategies

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<b>CRRSAA - Institutional Portion</b>	<b>\$9,509,633</b>
<b>E&amp;G One-Time Operating</b>	<b>3,130,193</b>
<b>E&amp;G Reserve</b>	<b>3,523,327</b>
<b>Auxiliary Indirect Return - FY21</b>	<b>4,977,744</b>
<b>Auxiliary Indirect Return - FY20</b>	<b>2,136,628</b>
<b>Total</b>	<b><u>\$23,277,525</u></b>

End of Board of Visitors Materials

