

RADFORD UNIVERSITY

Board of Visitors

BUSINESS AFFAIRS AND AUDIT COMMITTEE

1:00 P.M.

FEBRUARY 10, 2022

**MARY ANN JENNINGS HOVIS MEMORIAL BOARD ROOM
MARTIN HALL, THIRD FLOOR, RADFORD, VA**

DRAFT MINUTES

COMMITTEE MEMBERS PRESENT

Dr. Debra K. McMahon, Chair
Mr. Mark S. Lawrence, Vice Chair
Ms. Nancy Angland Rice
Mr. Marquett Smith

COMMITTEE MEMBERS ABSENT

Dr. Susan Whealler Johnston

BOARD MEMBERS PRESENT

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

OTHERS PRESENT:

Dr. Carolyn R. Lepre, Interim President
Mr. Chad A. Reed, Vice President for Finance and Administration and Chief Financial Officer
Ms. Margaret McManus, University Auditor
Mr. Zachary Borgerding, Audit Director, Auditor of Public Accounts
Ms. Meghan Finney, Audit In-Charge, Auditor of Public Accounts
Mr. Ed Oakes, Associate Vice President for Information Technology and Chief Information Officer
Ms. Karen Castele, Secretary to the Board of Visitors and Special Assistant to the President
Mr. Jorge Coartney, Associate Vice President for Facilities Management
Mr. Craig W. Cornell, Vice President for Enrollment Management
Ms. Stephanie Jennelle, Associate Vice President for Finance and University Controller
Dr. Angela Joyner, Interim Chief of Staff
Mr. Mike F. Melis, Senior Assistant Attorney General, Commonwealth of Virginia
Dr. Orion Rogers, Interim Provost and Vice President for Academic Affairs
Mr. Donnie Wimmer, Information Security Officer

CALL TO ORDER

Dr. Debra K. McMahon, Chair, formally called the meeting to order at 1:00 p.m. in the Mary Ann Jennings Hovis Memorial Board Room.

APPROVAL OF AGENDA

Dr. McMahon asked for a motion to approve the February 10, 2022 meeting agenda, as published. Mr. Marquett Smith so moved, Ms. Nancy Angland Rice seconded, and the motion carried unanimously.

APPROVAL OF MINUTES

Dr. McMahon asked for a motion to approve the minutes of the December 2, 2021 meeting of the Business Affairs and Audit Committee, as published. Ms. Rice so moved, Mr. Marquett Smith seconded, and the motion carried unanimously.

REPORTS

Report from the Auditor of Public Accounts

Mr. Zachary Borgerding with the Auditor of Public Accounts presented information regarding the ongoing audit of the University's FY 2021 financial statements. He discussed the responsibilities of the auditors and management, as well as the planned scope and timeline of the audit.

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, 2021. 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.

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 or in planning. These projects included the Artis Center for Adaptive Innovation and Creativity, as well as projects included in the Governor's capital budget to include a campus infrastructure project, the Combined Heating and Power Cogeneration Facility and planning funds for the McConnell Library renovation.

Information Technology Services Update

Associate Vice President for Information Technology and Chief Information Officer Ed Oakes presented an update for Information Technology Services operations as well as significant projects underway. These projects include the transition of the Ellucian Banner environment from an on-premise University managed system to a managed cloud service hosted by Ellucian as well as the web presence cloud migration. Mr. Oakes also provided a cybersecurity and audit update.

ACTION ITEMS:

Recommendation for 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 annual certification of debt compliance as part of Institutional Performance reporting standards. Ms. Jennelle provided documentation demonstrating the University is in compliance with its Debt Management Policy. Dr. McMahon asked for a motion to recommend the Resolution

Certifying Compliance with the Radford University Debt Management Policy, as presented, to the full Board for approval. Ms. Rice so moved, Mr. Marquett Smith seconded, and the motion carried unanimously. A copy of the proposed resolution is attached hereto as *Attachment A* and is made a part hereof.

Recommendation for Approval of Resolution of Third Quarter 2021-2022 University Operating Budget Adjustment

Vice President Reed reviewed the proposed Resolution of the Third Quarter 2021-2022 University Operating Budget Adjustment. He reported the adjustments were recommended to align revised revenue forecasts with authorized expenditure levels. Dr. McMahon asked for a motion to recommend the Resolution of Third Quarter 2021-22 Operating Budget Adjustment, as presented, to the full Board for approval. Mr. Marquett Smith so moved, Ms. Rice seconded, and the motion carried unanimously. A copy of the proposed resolution is attached hereto as *Attachment B* and is made a part hereof.

ADJOURNMENT

With no further business to come before the committee, Dr. McMahon adjourned the meeting at 2:20 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
Business Affairs & Audit Committee
February 10, 2022**

**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 2021 unaudited annual financial statements, the University’s debt obligations including affiliated foundation total \$120,170,779 which is mainly attributable to the Student Recreation and Wellness Center, Renovations of four Residence Hall projects, and the affiliated foundation property acquisition.

Schedule A				
RADFORD UNIVERSITY				
DEBT MANAGEMENT POLICY RATIO				
The calculation reflects June 30, 2021 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, 2022.				
Board Approved Ratios	Range	Formula	Unaudited Financial Statements as of 6/30/2021	
<u>Debt Burden Ratio</u> Max Annual Debt Service as % of Operating Expenses	< 7%	$\frac{\text{Annual Debt Service}^*}{\text{Total Operating Expenses}^*}$	\$6,681,819	2.37%
			\$281,668,081	

* 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, 2021 (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, 2021, is summarized as follows:

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

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

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 accounted for the acquisition of the various residential properties as a capital lease in 2020, and recorded the building as a depreciable capital asset, and recorded a corresponding lease liability in long-term debt, both on its Statement of Net Position. During fiscal year 2021, a portion of the properties were purchased by the University which decreased the capital lease and therefore also decreased the depreciable asset and lease liability.

A summary of changes in long-term debt for the year ending June 30, 2021, is presented as follows:

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Governmental activities:						
Notes payable - pooled bonds	\$18,836,614	\$13,467,343	\$14,535,991	\$17,767,966	\$815,000	\$16,952,966
Bonds payable - 9c	28,446,248	17,555,726	1,866,624	44,135,350	1,990,000	42,145,350
Capital Lease	31,912,229	-	16,456,858	16,320,793	925,284	15,395,509
*Total long-term debt	\$79,195,091	\$31,023,069	\$32,859,473	\$78,224,109	\$3,730,284	\$74,493,825

*No amounts considered direct borrowings or direct payments.

Fiscal Year Ending	Governmental Activities			
	Notes Payable Pooled Bonds		Bonds Payable - 9c	
	Principal	Interest	Principal	Interest
June 30, 2022	815,000	310,590	1,990,000	1,378,156
June 30, 2023	1,290,000	255,116	2,085,000	1,284,606
June 30, 2024	1,410,000	215,516	2,170,000	1,186,556
June 30, 2025	1,520,000	195,383	2,270,000	1,092,406
June 30, 2026	1,545,000	181,380	2,365,000	999,556
2027-2031	7,745,000	575,757	13,280,000	3,535,694
2032-2036	2,855,000	58,476	12,270,000	1,230,150
2037	-	-	3,980,000	186,944
Unamortized Premium	587,966	-	3,725,350	-
Total	\$17,767,966	\$1,792,218	\$44,135,350	\$10,894,069

Payments of principal, interest, and executory costs on the capital lease for fiscal years subsequent to June 30, 2021 are as follows:

<u>Fiscal Year</u>	<u>Total Payment</u>
2022	\$ 925,284
2023	925,284
2024	925,284
2025	972,711
2026	1,119,252
2027-2031	5,596,259
2032-2036	5,596,259
2037-2041	5,596,259
2042-2046	2,145,233
Total Minimum Lease Payments	\$ 23,801,825
Less Executory Costs	0
Net Minimum Lease Payments	\$ 23,801,825
Less Interest	7,481,032
Present Value of Lease Payments	\$ 16,320,793

Long-Term Debt Defeasance

During fiscal year 2021, the Commonwealth of Virginia, on behalf of the University, issued pooled bonds Series 2021B for \$13,460,000 with interest rates of 1.62 to 4.0 percent to advance refund \$2,900,000 of Series 2011A, \$7,220,000 of Series 2012B and \$3,340,000 of Series 2013A pooled bonds. The bonds, issued at a premium of \$7,343, are used to provide funds for debt service savings for the 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 \$206,722 for the University, which is being amortized to interest expense over the life of the next debt. At June 30, 2021, \$184,171 of the deferred accounting 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 \$1,202,463 over the next 13 years. The debt service savings discounted at a rate of 1.144 percent for 2011A, 1.276 percent for 2012B and 1.391 percent for 2013A results in a total economic gain of \$1,178,451.

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 19E: Component Unit Financial Information

The following is a summary of the outstanding notes payable at June 30, 2021:

Note payable in monthly installments of \$5,182.12 through May 2025, interest payable at LIBOR plus 1.48 percent (1.57% and 1.65%% at June 30, 2021 and 2020, respectively). Unsecured.	\$222,840
Notes payable in monthly installments calculated on a 22-year amortization with a balloon payment of remaining amount in May 2028, with interest payable at LIBOR plus 0.82% with a floor of 1.57% beginning May 2021 (1.57% and 3.2% and 1.01% at June 30, 2021 and 2020, 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.	355,899
Notes payable in monthly installments calculated on a 17-year amortization with a balloon payment of remaining amount in June 2028, with interest payable at LIBOR plus 0.82% (1.57% at June 30, 2021). 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.	411,194
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 (0.92% and 0.99% at June 30, 2021 and 2020, 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.	4,782,901
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.	9,693,396

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.

188,284

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

4,000,000

Total long-term debt

\$19,654,514

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

2022	\$647,290
2023	714,019
2024	884,505
2025	13,218,172
2026 and thereafter	<u>4,190,528</u>
Total long-term debt	<u><u>\$19,654,514</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, 2021.

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.

DRAFT

Radford University Board of Visitors
Business Affairs & Audit Committee
Approval of 2021-22 Third Quarter Budget Adjustment

RADFORD UNIVERSITY BOARD OF VISITORS
Business Affairs & Audit Committee
February 10, 2022

Action Item

Approval of the Radford University 2021-22 Third Quarter Operating Budget Adjustment

Item:

Board of Visitors approval of the Radford University's 2021-22 third quarter operating budget adjustment and review of the actual activity as of December 31, 2022.

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, Sponsored Programs, Student Financial Aid Programs, and Auxiliary Enterprises. Fall 2021 revenue shortfalls associated with reduced service levels have been offset by 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 2021-22 Financial Performance Report (Schedule A) which summarizes the adjusted operating budget and related activity through December 31, 2022 and the Detailed University Operating Budget (Schedule B) which breakdowns the recommended adjustments.

Education and General (E&G):

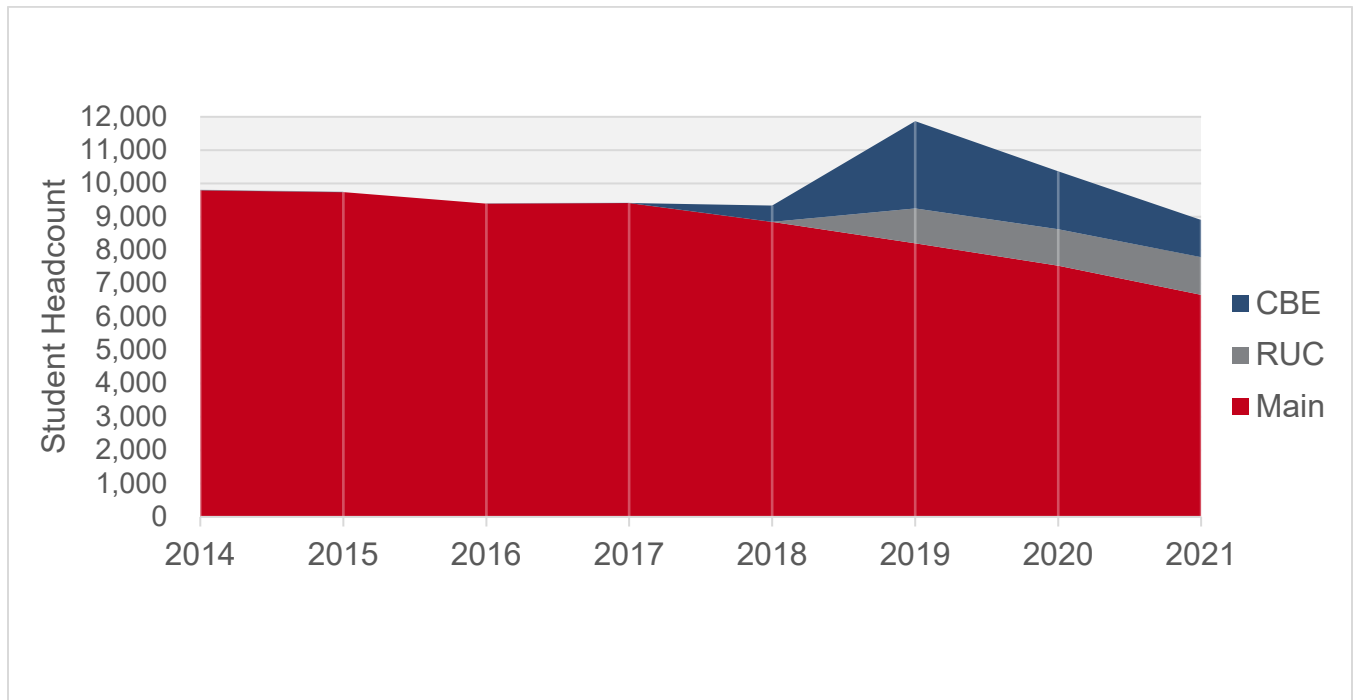
The original 2021-22 revenue budget for E&G was forecasted at \$145.5 million. The revised budget recommendation is \$153.8 million, an increase of \$8.3 million. The revised revenue forecast is reflective of the following adjustments.

General Fund

No general fund changes.

Non-General Fund

The University is estimating a \$2.0 million decline in E&G revenue related to non-general fund business level factors. This estimate is based on actual summer and fall 2021 headcount and preliminary spring 2022 enrollment levels. Based on final census data, fall traditional enrollment on main campus was lower than forecast. Specifically, Fall 2021 enrollment for main campus was budgeted on a projected student headcount of 7,010, while actual headcount enrollment came in at 6,660, a decrease of 350 students or 5.0 percent. The University also experienced a decrease in Summer 2021 enrollment as compared to budget. The Radford University main campus revenue decrease of -\$4.3 million is partially offset by a revenue increase for Radford University Carilion of \$2.3 million.



Relief Funding

Higher Education Emergency Relief Funds (HEERF II and HEERF III) provided higher educational institutions COVID-19 relief funding, of which the University received \$21.6 million for institutional relief and \$16.9 million for student relief. The institutional relief funds will be utilized primarily to replace lost revenue in Educational and General (E&G) of \$10.3 million and \$11.3 million in 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. Within these parameters the University will again defer the required indirect contribution from Auxiliaries for 2021-22, resulting in an E&G budget change of \$5.4 million with a respective fund availability for Auxiliary budgets. This is consistent with the flexibility that was granted during the previous two fiscal years.

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 \$16.1 million. The revised budget is \$39.8 million, an increase of \$23.7 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 \$79,200 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 II and HEERF III funding for 2021-22 is \$16.9 for student financial aid.

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 received \$1.3 million in GEERF funding in 2020-21, and carried-forward \$0.2 million into 2021-22. The University also received \$0.9 million in GEERF II funding in 2021-22. The funding will be awarded as need based financial assistance.

The American Rescue Plan Act of 2021 (ARPA) State and Local Recovery Funds for Higher Education allotted \$100,000,000 to the State Council of Higher Education for Virginia (SCHEV) for need-based financial aid for in-state undergraduate students from low- and moderate-income households at public institutions of higher education. The University's portion of the 2021-22 funding is \$5.6 million for student financial aid.

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 received \$78,000 in GEAR UP funding in 2020-21, and carried-forward \$60,000 into 2021-22.

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:

The University's portion of the Higher Education Emergency Relief Fund (HEERF II and HEERF III) for institutional need is \$21.6 million in 2021-22. The University is recognizing that revenue and expense in sponsored programs.

Auxiliary Enterprises:

The original revenue budget for Auxiliary Enterprises was \$70.0 million in revenue and \$64.1 million in expense. The revised revenue budget is \$78.0 million, an increase of \$8.0 million. The revised expense budget is \$61.1 million, a decrease of \$3.0 million. These adjustments result in a \$17.0 million increase in 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 \$3.0 million related to the decrease in enrollment detailed in the E&G section above.

Relief Funding

As noted in E&G above, Higher Education Emergency Relief Funds (HEERF II and HEERF III) provided higher educational institutions COVID-19 relief funding, of which the University received \$21.6 million for institutional relief and \$16.9 million for student relief. The institutional relief funds will be utilized primarily to replace lost revenue in Educational and General (E&G) of \$10.3 million and \$11.3 million in Auxiliary Enterprises.

Coronavirus Relief Funds (CRF) provided higher education institutions COVID-19 relief funding. The University carried-forward \$187,042 from 2020-21 into 2021-22.

Miscellaneous

Auxiliary Enterprise budget adjustments for decreases in Auxiliary Indirect contributions of \$5.4 million as noted in the E&G section above. The budget is also being adjusted to reflect allocations for strategic investments.

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 \$240.5 million was approved by the Board of Visitors at the September 2021 meeting. The Revised Budget reflects 2021-22 recommended mid-year revenue adjustments totaling \$61.8 million. While there are a number of factors that influenced the recommended mid-year adjustments they are primarily attributed to the following: COVID-19 relief funding and actual 2021-22 enrollment levels.

The revised budget of \$302.2 million is sufficient to sustain University operations for the remainder of 2021-22. Actual expenditure activity through December 31, 2021 totals \$127.6 million and is in line with expectations. The vast majority of the 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 2021-22 third quarter operating budget adjustment as presented in Schedule B for the Total University Operating Budget.

DRAFT

Radford University Board of Visitors
Business Affairs & Audit Committee
Approval of 2021-22 Third Quarter Budget Adjustment

RADFORD UNIVERSITY BOARD OF VISITORS

Resolution

February 11, 2022

Approval of the Radford University 2021-22 Operating Budget Adjustment

BE IT RESOLVED, the Radford University Board of Visitor approves the third quarter adjustments to the 2021-22 operating budget as presented in Schedule B for the Total University Operating Budget.

End of Board of Visitors Materials

