

UNIVERSITY COUNCIL MEETING

November 3, 2014

3:00 p.m.

1045 Pamplin Hall

AGENDA

1. Adoption of Agenda Dr. Mark McNamee

2. Announcement of approval and posting of minutes of October 20, 2014 Dr. Mark McNamee

These minutes have been voted on electronically and will be posted on the University web.

3. New Business Dr. Mark McNamee

Commission on Undergraduate Studies and Policies Dr. Stephen Martin
Resolution CUSP 2014-15E
Resolution to Approve New Major, Literature and Language, in Bachelor of Arts in English

Commission on Undergraduate Studies and Policies Dr. Stephen Martin
Resolution CUSP 2014-15BF
Resolution to Approve New Major, Creative Writing, in Bachelor of Arts in English

Commission on Undergraduate Studies and Policies Dr. Stephen Martin
Resolution CUSP 2014-15G
Resolution to Approve New Major, Professional and Technical Writing, in Bachelor of Arts in English

4. Announcement of acceptance and posting of Commission Minutes Dr. Mark McNamee

These minutes have been accepted for filing by electronic vote and will be posted on the University web. Note that the purpose of voting on Commission minutes is to accept them for filing. University Council By-laws require that policy items be brought forward in resolution form for University Council action.

Commission on Administrative and Professional Faculty Affairs
October 8, 2014

Commission on Equal Opportunity and Diversity
September 22, 2014

Commission on Faculty Affairs
September 12, 2014

Commission on Graduate Studies and Policies
October 2, 2014

Commission on Staff Policies and Affairs
September 23, 2014

Commission on Undergraduate Studies and Policies
October 13, 2014

5. For Information Only Dr. Mark McNamee

Minutes of the University Advisory Council on Strategic Budgeting and Planning
September 25, 2014

6. Presentation

Dr. Mark McNamee

Relationship between the Foundation and the University

Dr. John Dooley
Mr. Dwight Shelton

7. Adjournment

Dr. Mark McNamee

University Council Minutes
November 3, 2014
3:00 PM
1045 Pamplin Hall

Present: Mark McNamee (presiding), Jack Lesko for Richard Benson, Gary Long for Lay Nam Chang, Cyril Clarke, Jack Davis, Karen DePauw, Susan Short for Guru Ghosh, Mark McNamee, Scott Midkiff, Kim O'Rourke, Dwight Shelton, Elizabeth Spiller, Martin Daniel for Robert Walters, Tyler Walters, Pam White, Kayla Smith for Sherwood Wilson, Thomas Olson for Paul Winistorfer, France Bélanger, Aaron Bond, Rami Dalloul, Joseph Edens, Reed Kennedy, Maxine Lyons, Stephen Martin, Alex Parrish, Hans Robinson, Susan Volkmar, Charlene Eska, Joe Merola, Anita Puckett, Susanna Rinehart, Kathrine Carter, Paul Herr, Joan Hirt, Stuart Cochran for Darla Chudzik, Stacey Poertner, Sue Teel, Tom Tucker, Brett Besag, Larry Cox, Raifu Durodoye, Kyrille Goldbeck DeBose, Alphonso Garrett, De'Ashley Spain, Ryan Shifler for Samantha Erwin, Greg Purdy, Taylor Fix, Stephen Hensell, B.H. Kim, Megan Nguyen, Jake Tully, Bernice Hausman

Absent: Tim Sands (with notice), Elizabeth Flanagan, Alan Grant, , Patricia Perillo, Robert Sumichrast, Tom Tillar, Susan Anderson (with notice), Corinne Noirof (with notice), Bruce Pencek, Christopher Beattie, David Dillard (with notice), Dave Dugas, Tom Fox, Nanda Nanthakumar, Ana Agud, Melissa Means, Lynn Short, Michael Martin, Matthew Chan, Kylie Gilbert, Dan Cook (with notice), Austin Larrowe, Ashley Francis (with notice)

Guests: John Dooley, Jack Finney, Rachel Holloway, Hal Irvin, April Myers, David Travis, Jr.

Dr. McNamee called the meeting to order at 3:00 p.m. A quorum was present.

1. Adoption of Agenda

A motion was made and seconded to adopt the agenda. The motion carried.

2. Announcement of approval and posting of minutes of October 20, 2014

Dr. Sands noted that these minutes have been voted on electronically and can be publicly accessed on the Governance Information System on the Web (<http://www.governance.vt.edu>)

3. New Business

Commission on Undergraduate Studies and Policies

CUSP Resolution 2014-15E

Resolution to Approve New Major, Literature and Language, in Bachelor of Arts in English

CUSP Resolution 2014-15F

Resolution to Approve New Major, Creative Writing, in Bachelor of Arts in English

CUSP Resolution 2014-15G

Resolution to Approve New Major, Professional and Technical Writing, in Bachelor of Arts in English

Dr. Stephen Martin presented the three resolutions for first reading. These resolutions will convert options in the English Department to majors. Converting an option to a major will allow the program of study and the students within the program to be more marketable. Majors will show up on a diploma but an option does not. A question was raised as to how post-graduation success is determined. Dr. Martin will verify that information and report back to the Council at the next meeting. Another question asked was how many students are

currently enrolled in these options. Dr. Martin will confirm those numbers and report that information back to the Council at the next meeting.

4. Announcement of Approval and Posting of Commission Minutes

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6. Presentation

Mr. Dwight Shelton and Dr. John Dooley gave a presentation (attached) on the relationship between the Virginia Tech Foundation and the university.

7. Adjournment

There being no further business, a motion was made to adjourn the meeting at 3:50 p.m.



Virginia Tech – Virginia Tech Foundation Relationship

M. Dwight Shelton, VP for Finance and CFO

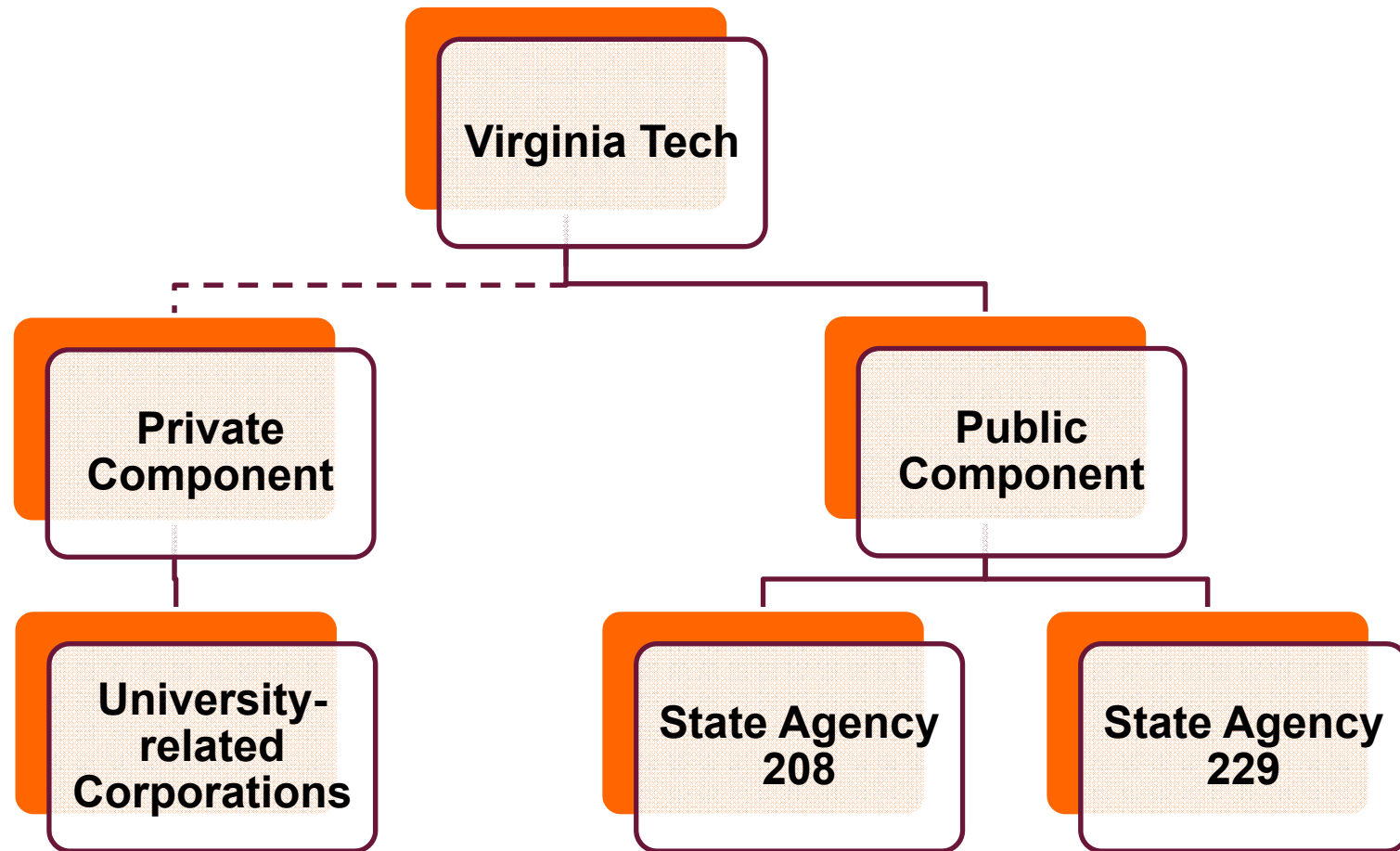
John Dooley, CEO - Virginia Tech Foundation

Presentation Overview

- University – Virginia Tech Foundation Relationship
 - Dwight Shelton

- Virginia Tech Foundation Overview
 - John Dooley

Virginia Tech – Corporate Structure



University Relationship with the Foundation

- The Virginia Tech Foundation's primary purpose is to support the missions of the University
- Traditional Roles of the Foundation
 - Hold privately acquired assets
 - Manage and enhance the investments in the endowment and other assets
 - Provide support for specific university initiatives
- Emerging roles for the Foundation
 - Real Estate management
 - Nurture and provide support for the university's growing related corporations environment

University's Interaction with the Foundation

- Representation with Foundation Officers and Board of Directors
- Requests for the Foundation to take action on behalf of Virginia Tech
- Vice-President for Finance and CFO serves as the liaison between the University and the Foundation
- Requests for Foundation for involvement in specific initiatives or actions go through the CFO:
 - Creates a central point for the Foundation to look to for official university requests and guidance for Foundation support or leadership of projects and initiatives

Examples of University Requests for Foundation Involvement

- Relocation of the dairy program facilities to Kentland Farms
- Acquisition of real estate for the architecture programs in Alexandria
- Development and management of the National Capital Region research facility in Arlington
- Development of the North End Center, with a focus on the parking facilities to support the Moss Arts Center
- Recent acquisitions of agricultural land for the University's land grant programs and colleges

Why does the University Go To the Foundation for Support?

- Cost – the Foundation is often able to achieve operational and/or capital cost savings
- Time and agility performance that the university cannot achieve
- Flexibility in enacting solutions that may not be available in the state environment
- Risk – some projects are better created or executed outside of the state environment
- Asset security and enhancement in value

Financial Resources Held by the Foundation

- **Restricted Resources:**
 - Most of the Foundation's assets are restricted to specific programs and activities, and well over 90 percent of new gifts and donations are restricted in this manner
 - Resources generated by those assets are directly accessed and utilized by the programs and units to which such funds are dedicated
- **Unrestricted Resources:**
 - Foundation holds a limited amount of unrestricted assets and revenue streams to support university programs

- The University follows an annual budget process to request support for the University through those limited unrestricted resources
- The budget process is coordinated through the Chief Financial Officer
- The budget requests are reviewed by the Foundation Officers and recommended to the President for approval and finally submitted to the Foundation Board of Directors for approval

Use of Unrestricted Resources

(continued)

- The allocated resources are used primarily to cover costs that cannot be legally funded through state resources or are not appropriate for those resources. Those costs focus on:
 - Development and fundraising costs for the University Development functions,
 - Academic priorities coordinated through the Provost's Office, and
 - Institutional priorities such as memberships, lobbying activities, and university events

University Budget Constraints

Foundation resources are not a source of funding to address the budget constraints and reductions the University may face in its public environment

- There are insufficient private funds to address those budget constraints
- Most of the Foundation assets are essentially permanent or one-time
 - Permanent assets cannot be deployed for budget reduction issues
 - One-time resources cannot address the ongoing losses in financial resources
- The Code of Virginia indicates that private funds are not to be used to cover the basic costs of instructional programs; rather, private funds should be used to provide a margin of excellence in the academic programs



John E. Dooley
Chief Executive Officer

University-Related Corporations

Virginia Tech Foundation, Inc.

- Receive, manage, and disburse private gifts and assets on behalf of the university; undertake major projects as requested by the university

Virginia Tech Services, Inc.

- Operates bookstores and campus vending; provide supplies to the university community

Virginia Tech Intellectual Properties, Inc.

- Protect, license, and otherwise commercialize intellectual properties originating within the university

Virginia Tech Applied Research Corporation

- Assist in the development and commercialization of applied research at Virginia Tech

Virginia Tech Innovations Corporation

- Assist in developing uses for emerging technologies resulting from or supporting university research

Virginia Tech Athletic Fund, Inc.

- Raise private contributions in support of athletic scholarships, programs, and facilities

Virginia Tech Alumni Association, Inc.

- Facilitate communications between alumni, students, parents, faculty, and the public; coordinate and promote alumni chapter activities and alumni events

Virginia Tech Corps of Cadets Alumni, Inc.

- Promote and enhance the Corps program by raising scholarship funds

VT Foundation Overview

- Independent foundation with \$1.5B assets under management
- Major functions: Fund management, real estate development and management and support of university initiatives
- VTF owns approximately 2,000,000 sf and over 1,900 acres consisting of:
 - Corporate Research Center
 - Hotel Roanoke and Conference Center
 - Rock quarry
 - Office buildings
 - Parking garages
 - Swiss villa
 - Apartment complex
 - Golf course
 - Academic buildings
 - Shopping centers
 - Land
 - Radio station
- VTF does not undertake fundraising activities

Governance

Board of Directors:

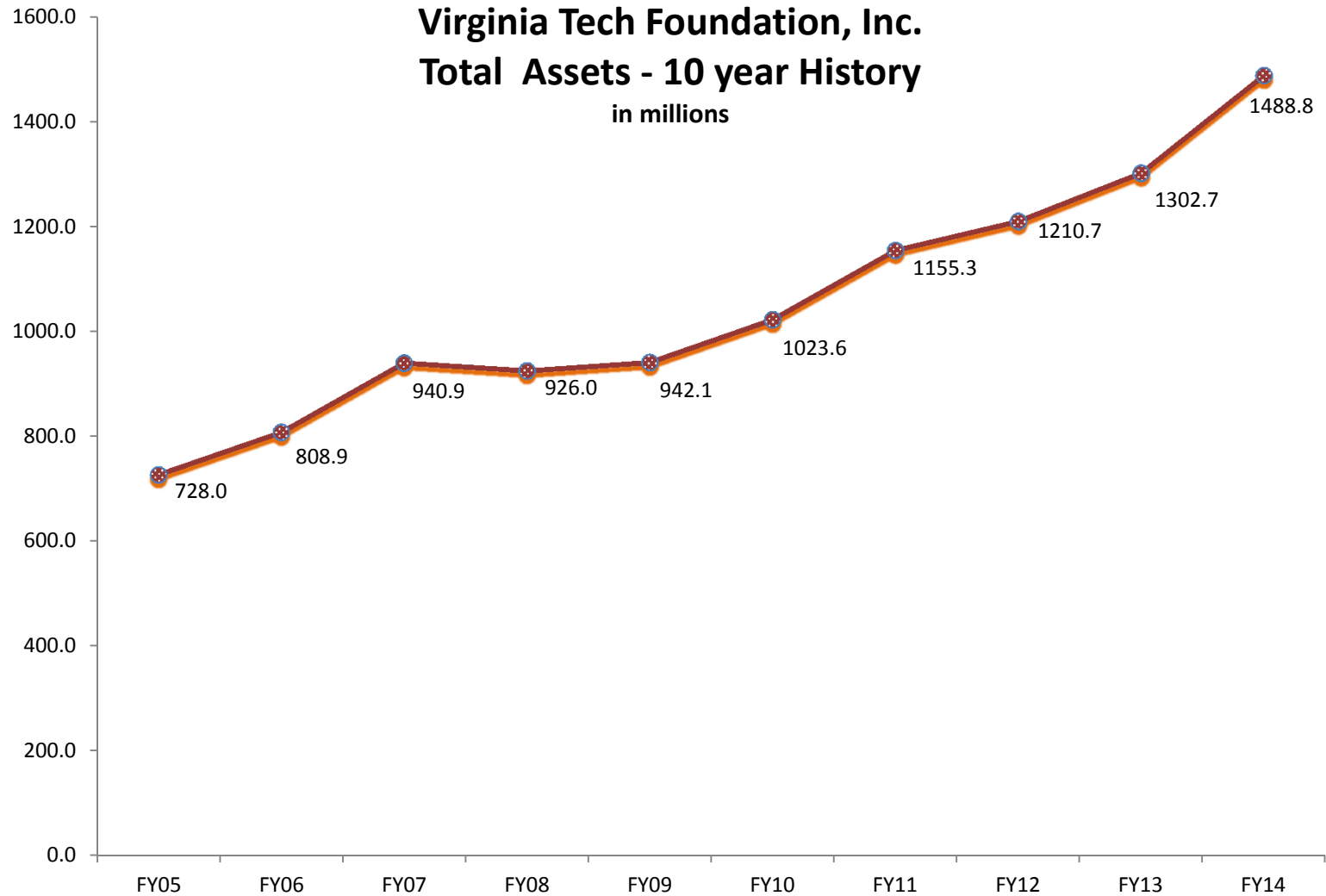
- 35 members
- Four ex-officio positions:
 - President of the University
 - Rector of the Board of Visitors
 - President of the VT Alumni Association
 - President of the Virginia Tech Athletic Fund
- Three year terms
- Members may serve two consecutive terms
- Self-perpetuating through a nominating committee
- Board meets annually
- Five standing committees: Executive, Development, Investment, Compensation and Audit

Officers:

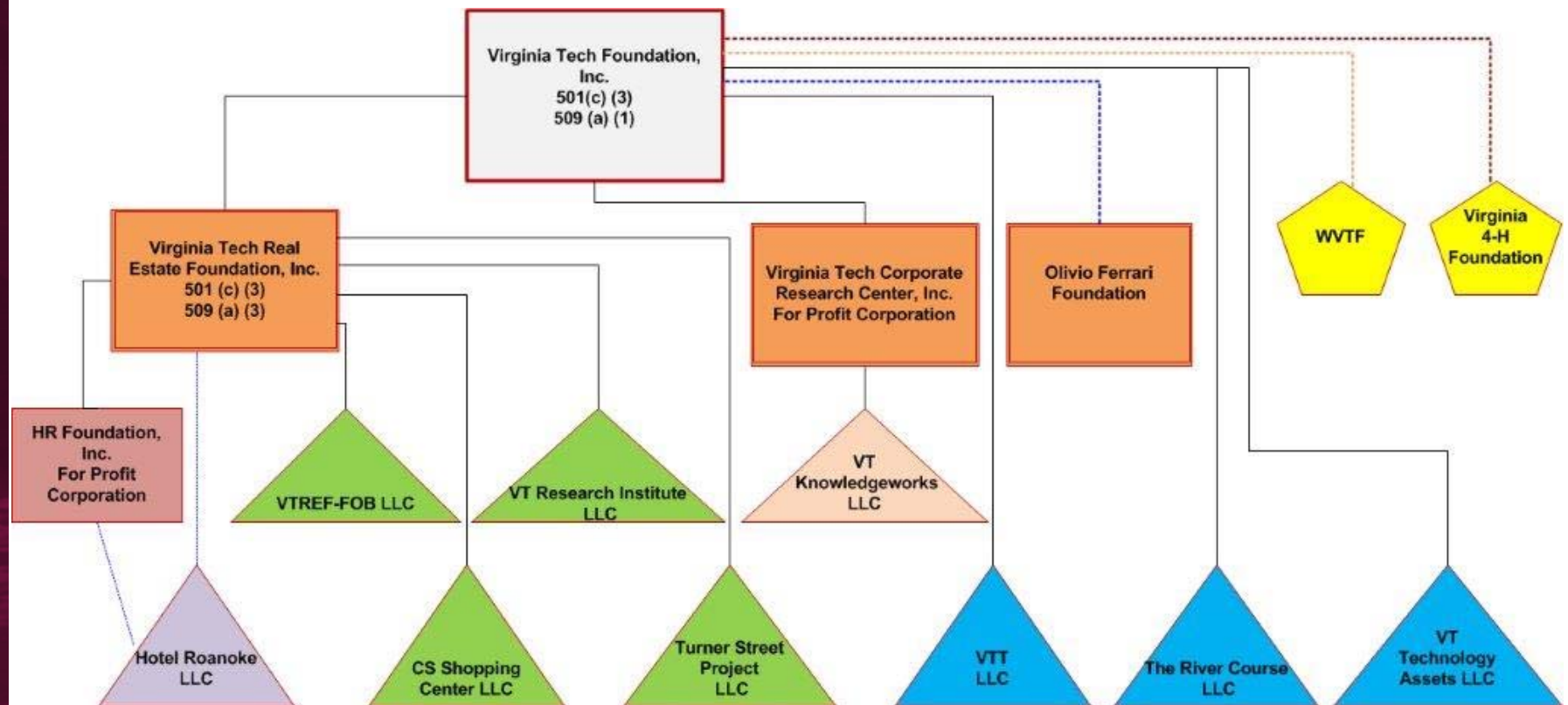
- Chair (elected by the board)
- Vice President for University Development
- Vice President for Finance
- Chief Executive Officer

Asset Value

Virginia Tech Foundation, Inc.
Total Assets - 10 year History
in millions



VT Foundation Related Entities



Fund Management

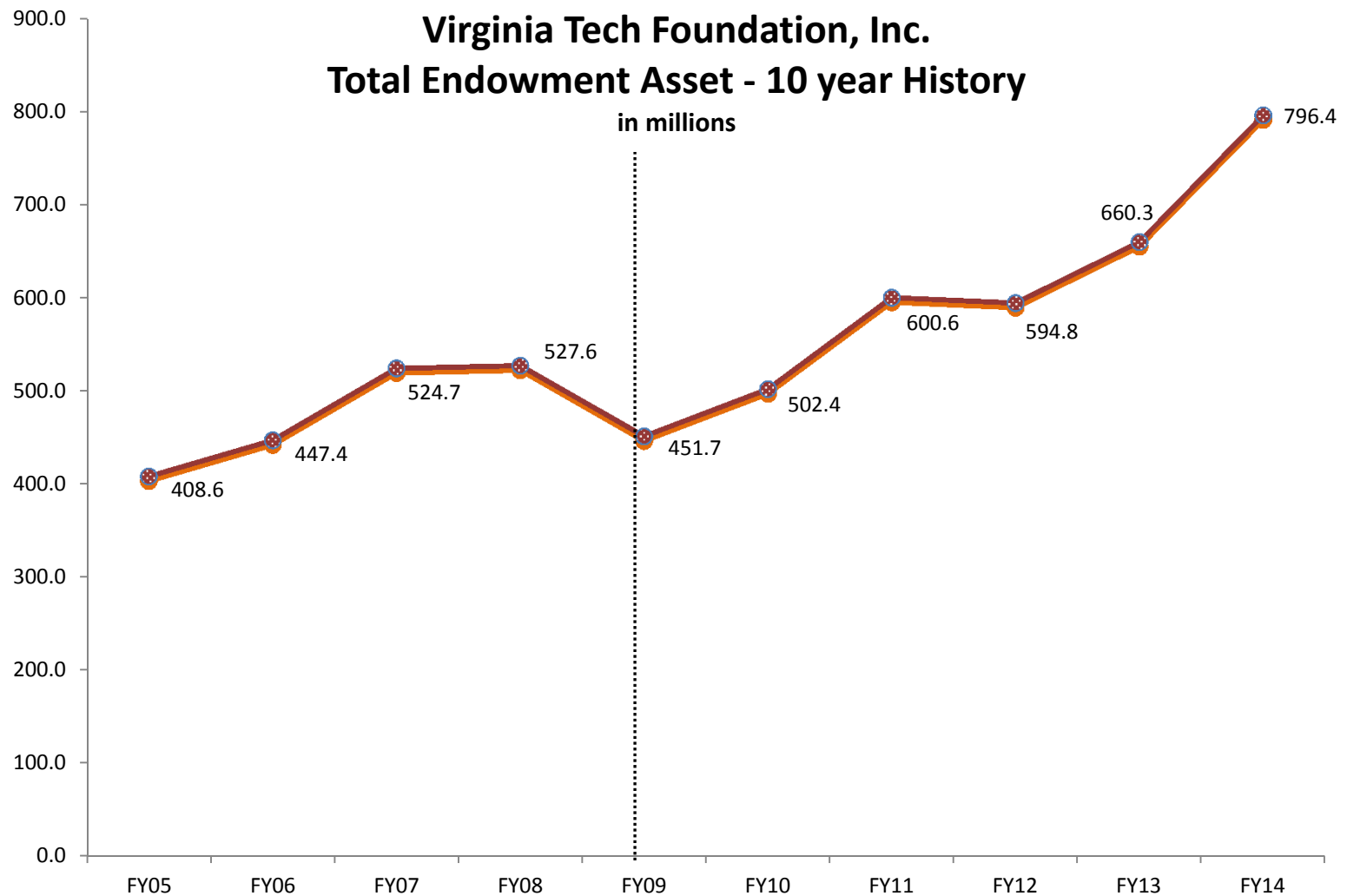
The VT Foundation receives, manages and disburses gifts on behalf of Virginia Tech. All endowed gifts are collectively managed through the foundation's Consolidated Endowment Fund. The foundation's endowment investment goal is to achieve top 40th percentile rankings against its peers over rolling three and five-year periods. Each year, performance rankings are measured against two peer groups, the Cambridge Associates database and the NACUBO Endowment Study database.

Endowment

- The endowment is an actively managed portfolio incorporating fundamental analysis and a value-oriented approach
- Oversight is provided by an 8-9 person Investment Committee whose main responsibilities include the asset allocation and spending policy of the fund
- The Investment Committee meets four times each year
- In 2008, active management decisions of the fund were taken in-house, and the use of traditional consultants were reduced accordingly

Endowment Value

Virginia Tech Foundation, Inc. Total Endowment Asset - 10 year History



..... Began to self-manage the endowment

Endowment Purpose

Scholarships	\$357,537,150	44.9%
Professorships	\$118,218,884	14.8%
Other	<u>\$320,680,840</u>	40.3%
<i>Total Endowment</i>	<i>\$796,436,874</i>	

Annual Expenditures

	Student Support	Program Support	Total
Academic	\$14,286,346	32,801,519	47,087,865
Athletic	\$10,815,995	8,779,040	19,595,035
Research	\$ -	10,185,405	10,185,405
Other	\$ -	78,988,231	78,988,231
	<u>\$25,102,341</u>	<u>130,754,195</u>	<u>155,856,536</u>

Investment Performance

Percentile Rankings (June 30, 2014), Cambridge All Colleges and Universities database:

Performance	1 Yr.	3 Yrs.	5 Yrs.
Portfolio Return	19.4%	10.7%	12.6%
Benchmark Return	16.4%	8.7%	11.8%
Percentile Ranking	3 th	7 th	24 th

Program Related Investments

- In order to advance the programmatic goals of the institution, the Investment Committee authorizes up to a 5% allocation to Program Related Investments (PRI) to be administered by the foundation's Chief Executive Officer, in consultation with staff
- Embedded within the 5% target are allocations not to exceed \$12 million in support of three student-led investment groups: SEED, BASIS and COINs
- The remaining balance is to assist the university community in technology transfer; to grow and strengthen the diversity of the VT Corporate Research Center; and to help bridge the gap between angel funding and institutional investors for regional entrepreneurs

Real Estate Development and Management

- Accepts donated real estate for the university's use or for ultimate disposition in order to support the donors' wishes and university purposes
- Purchases mission-related real estate assets as requested by the university
- Undertakes construction and renovation of foundation-owned property as requested by the university

Real Estate Development and Management

- Leases real estate properties to the university by working with the university's real estate office
- Responsible for property and facilities management of most foundation-owned properties, except for those that the university wishes to manage directly
- In most situations, the foundation leases property to the university on a "neither make nor lose basis"

Virginia Tech Foundation Real Estate



Real Estate Portfolio Overview

- 865,621 SF of office space valued at \$193,480,656
- 63,411 SF of retail space valued at \$20,158,489



Real Estate Portfolio Overview

- 547,957 SF of research - development and lab space valued at \$74,042,266



Real Estate Portfolio Overview

- 61,970 SF of academic space valued at \$25,857,959



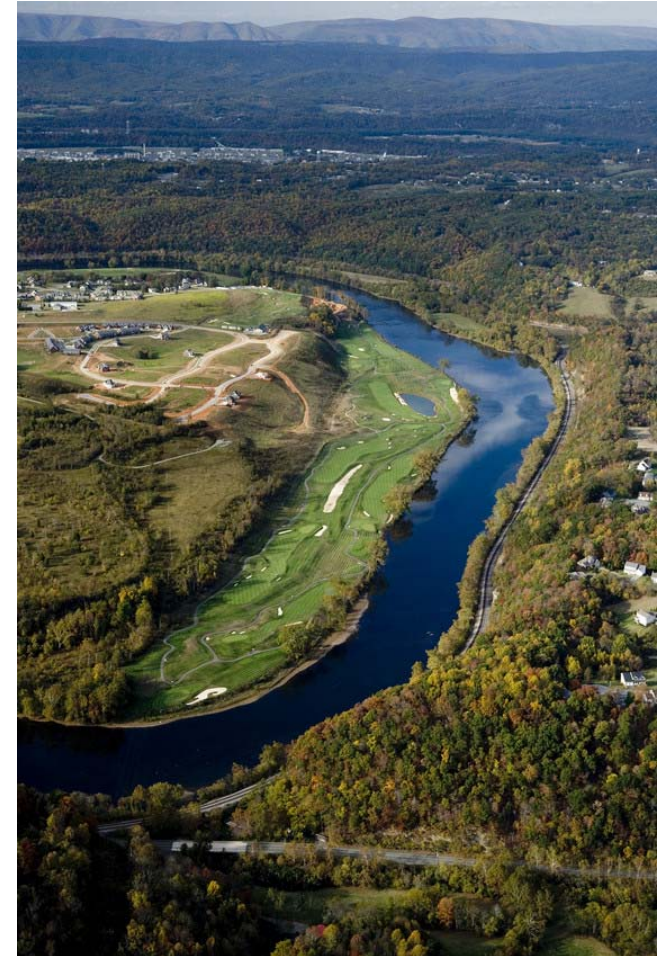
Real Estate Portfolio Overview

- 331 room historic hotel and conference center valued at \$32,397,650



Real Estate Portfolio Overview

- 18 hole golf course on the New River valued at \$8,159,004



Real Estate Portfolio Overview

- Equine health care facility in Leesburg, Virginia valued at \$6,622,511



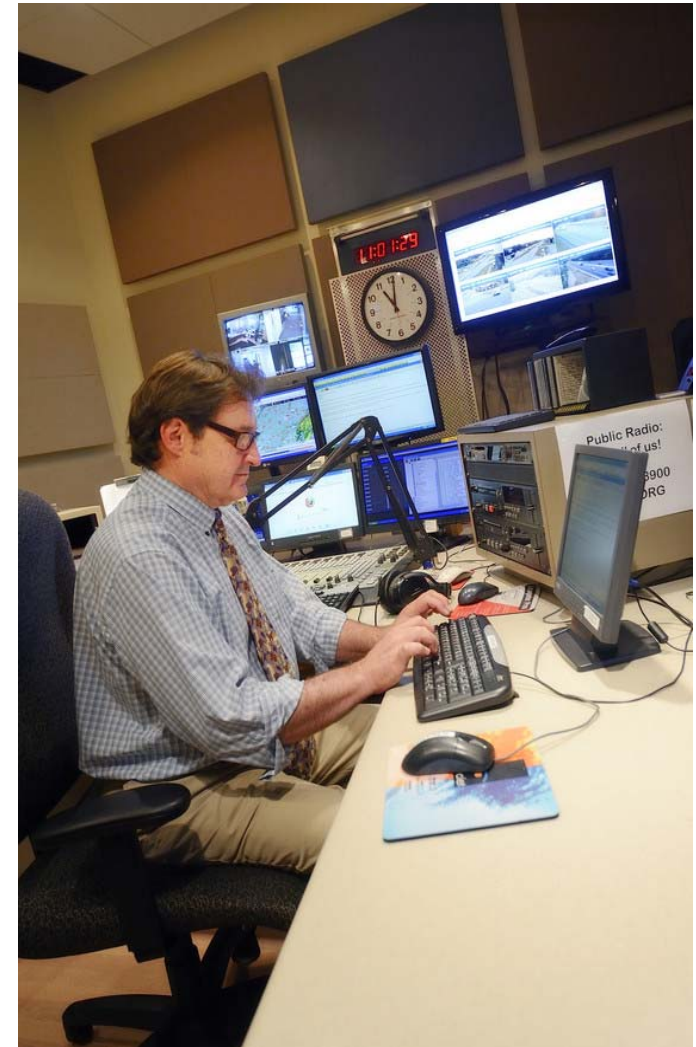
Real Estate Portfolio Overview

- 47 acre rock quarry that produces most of the Hokie Stone



Real Estate Portfolio Overview

- WVTF Public Radio and RADIO IQ with 10 transmitters and 14 translators reaching over 165,000 listeners



Real Estate Portfolio Overview

- 62 bed student dormitory in Alexandria, Virginia
- 4 parking garages totaling 1,461 parking spaces
- 1,900 acres of land



Lease Generated Revenue FY14

- Office Space.....\$19,996,410
- Retail Space.....\$923,955
- Research/Development & Lab Space.....\$8,715,085
- Academic Space.....\$1,225,173
- Other.....\$2,310,523

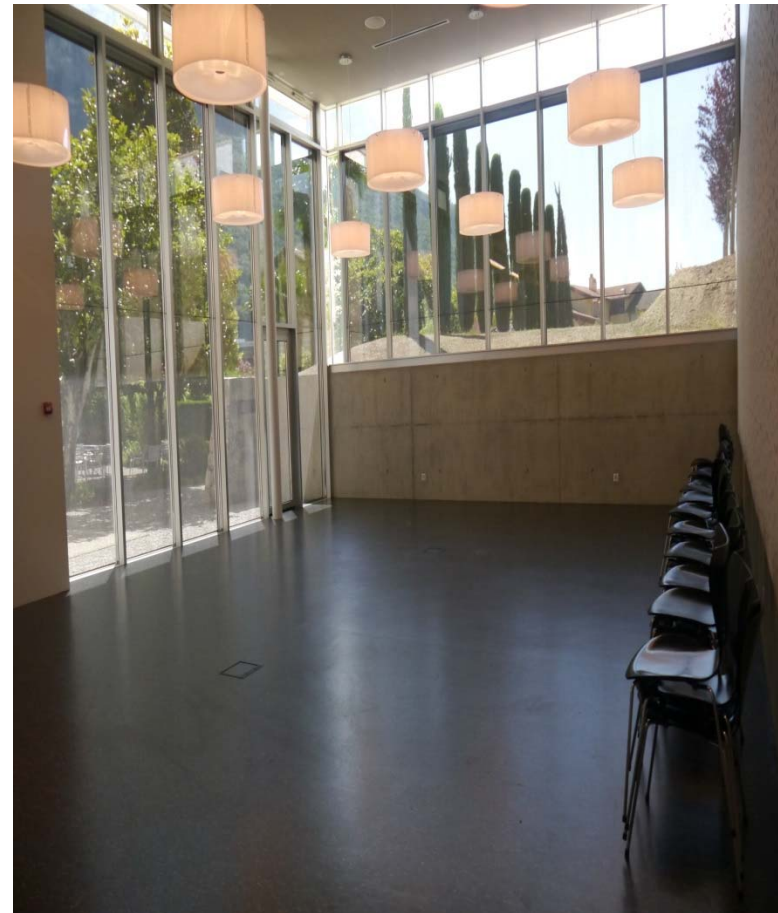
Rental Savings to University FY14

<u>Market Rent</u>	<u>Rent Charged to University</u>	<u>Benefit to University</u>
\$24,586,619	\$20,367,448	\$4,219,171

Steger Center Highlights

Project scope:

- a two-story addition providing multipurpose/dining space
- reconfigured kitchen space
- new mechanical and electrical rooms
- new kitchen storage and general storage
- new sub-dividable classroom space
- new support spaces



Steger Center Highlights

Renovations included:

- reconfiguration of existing kitchen and dining service space
- renovation of the stables wing to provide:
 - an architectural teaching studio
 - shop/creative space
 - display space
 - laundry space



Steger Center Highlights

- 11,400 square feet
 - 6,200 square feet of new construction
 - 5,200 square feet of extensively renovated space
- Site work along the upper terrace of the property
- Project Budget \$6.5 million



Support of University Initiatives

- Dairy Relocation
- Distributed Antenna System
- International
- Airplanes
- National Tire Research Center



Advancing Innovation and Regional Economic Vitality

- Active engagement with regional economic development enterprises
 - Local government
 - Regional planning districts
 - New River Valley Alliance
 - Roanoke Partnership
 - NuSpark
- Innovation Blueprint
- Virginia Tech Corporate Research Center
 - VT KnowledgeWorks
 - Tech Center

Questions?

