



**MEETING
OF THE
FINANCE, BUDGET AND INVESTMENT COMMITTEE
11:00 A.M.
DECEMBER 8, 2017
JAMES CABELL LIBRARY
901 PARK AVENUE, ROOM 303, RICHMOND, VIRGINIA**

MINUTES

COMMITTEE MEMBERS PRESENT

Mr. William Ginther, chair
Mr. Benson Dendy, vice chair
Mr. John Luke, Jr.
Mr. Keith Parker
Ms. Jacquelyn Stone
Dr. Shantaram Talegaonkar

COMMITTEE MEMBER ABSENT

Mr. Alexander McMurtrie, Jr.

BOARD MEMBERS PRESENT

Ms. Phoebe Hall, rector

OTHERS PRESENT

Dr. Michael Rao, President
Ms. Karol Kain Gray, Vice President for Finance and Budget
Dr. Meredith Weiss, Vice President of Administration

Staff and students from VCU and VCUHS

Members of the press

CALL TO ORDER

Mr. William Ginther, Chair of the Finance, Budget and Investment Committee, called the meeting to order at 11:05 a.m.

APPROVAL OF AGENDA

Mr. Ginther asked for a motion to approve the agenda for the December 8, 2017 meeting of the Finance, Budget and Investment Committee, as published. After motion duly made and seconded

the agenda for the December 8, 2017 meeting of the Finance, Budget and Investment Committee meeting was approved.

APPROVAL OF MINUTES

Mr. Ginther asked for a motion to approve the minutes of the September 14, 2017 meeting of the Finance, Budget and Investment Committee, as published. After motion duly made and seconded the Minutes of the September 14, 2017 were approved. A copy of the minutes can be found at on the VCU website at the following webpage <http://www.president.vcu.edu/board/committeeminutes.html>.

ACTION ITEMS:

Resolution for Modification to 2012A and 2012B Bonds

Ms. Gray presented the resolution to refinance the 2012A and 2012B bonds which were issued to construct the Engineering and Business Schools. Due to the recently approved tax bill, 501C3 foundations would be prohibited from reissuing these bonds on a tax-exempt basis. This resolution allows the University to close on refinancing prior to January 2018, thereby ensuring that the obligations remain tax-exempt for an additional 9.5 years.

Mr. Dendy commended Ms. Gray and her staff for reacting to the changes in the tax bill so quickly. Mr. Ginther asked for a motion to recommend that the Board approve the resolution to refinance the 2012A and 2012B bonds. After motion duly made and seconded the Finance Budget and Investment approved the motion to recommend that the Board approve the resolution to reissue the bonds. A copy of the resolution is attached hereto as *Attachment A* and is made a part hereof.

Request for Proposals – External Security Services

Ms. Gray presented the request from VCU Police to solicit proposals to contract with one or more firms to provide mobile, bike, post and/or special event security coverage. This service is expected to cost \$2.8 million annually and is an expansion of our current service.

Mr. Ginther asked for a motion to recommend that the Board approve the issuance of a request for proposal for external security services. After motion duly made and seconded the Finance Budget and Investment Committee approved the motion to recommend that the Board approve the issuance of a request for proposal for external security services.

Architect/Engineer and Project Plans Selections:

Dr. Weiss presented architect selections and/or project plans as outlined below:

- **Siegel Center Chiller Replacement** – Approval of WSP Parson Brinkerhoff Company as the firm selected for a replacement costing \$3.5 million from auxiliary funds. Mr. Ginther noted the location of the chiller was behind the facility and not on its roof.
- **West Hospital Eighth Floor Renovations** – Project plans for the renovation of 8,200 GSF on the north and west wings in support of the newly created cardio-oncology program within the Pauley Heart Center. The project will cost \$2,480,000 paid from school of medicine funds.
- **MCV Campus Steam Line Installation** - Project Plans to increase the capacity of the steam line to accommodate the new School of Allied Health Profession and for future buildings included in the University and Health System’s Master Plan. The project will cost \$4 million in auxiliary funds.

Mr. Ginther asked for a motion to recommend that the Board approve the architect/engineer and project plans as presented. After motion duly made and seconded, the Finance Budget and Investment Committee approved the motion to recommend that the Board approve the architect selections and/or project plans for the Siegel Center Chiller Replacement, the West Hospital Eighth Floor Renovations, and the MCV Campus Steam Line Installation.

Approval of Demolition:

Dr. Weiss presented two facilities which need to be demolished to make way for new construction for future projects on the MCV Campus.

- Strauss Research Laboratory - This project will make way for a potential inpatient bed tower and parking deck that the VCU Health System is currently investigating.
- Virginia Treatment Center for Children - This project will make way for redevelopment of the VTCC site by VCU Health System. The VCU Health System plans to build an adult outpatient care facility and a patient/visitor parking deck on the current site.

Mr. Luke asked about use of the space in the interim. Dr. Rappley commented that there is a dire need for green space in those areas. Dr. Weiss commented that surface parking would also be considered. Mr. Ginther asked for a motion to recommend that the Board approve the two demolition requests. After motion duly made and seconded, the Finance Budget and Investment Committee approved the motion to recommend that the Board approve the demolition requests for Strauss Research Laboratory and the Virginia Treatment Center for Children.

Amendment to Six Year Capital Outlay Plan for Trani Life Sciences Roof and HVAC Replacement

Dr. Weiss presented a proposed amendment to the current Six Year Capital Outlay Plan to include this \$6 million project to replace the all major rooftop HVAC equipment, boilers, and roofing of the Trani Life Sciences building which have reached the end of their serviceable life.

This is considered an emergency project as the ceilings within the facility are leaking. The project will be requested in the state general fund request. The University will use alternative funding if state general fund money is not allocated for this project.

Mr. Parker asked what other previously-approved projects will be delayed as a result of this emergency. Dr. Weiss and Mr. Sliwoski commented that their entire maintenance reserve project list will be adjusted to delay other projects not as urgent. Dr. Weiss commented that our annual deferred maintenance totals approximately \$23 million but only \$7 million is spent on an annual basis. Facilities Management is currently working to identify the total backlog in deferred maintenance.

Mr. Ginther asked for a motion to recommend that the Board approve the amendment to the six year capital outlay plan to add the Trani Life Sciences roof and HVAC replacement. After motion duly made and seconded, the Finance Budget and Investment Committee approved the recommendation that the Board approve the amendment to the six year capital outlay plan to add the Trani Life Sciences roof and HVAC replacement.

Resolutions and Amendment to Optional Retirement Plan (ORP)

It was noted that since the eligibility change is part of the launch of Human Resources redesign in January, an expansion of ORP eligibility is necessary to include non-faculty professionals and administrators (currently the ORP only allows faculty) and amend current delegation of authority for non-substantive (e.g. technical and conforming) changes to the VCU ORP and Select Plan from the Senior Vice President for Finance and Administration, a position that no longer exists, to the Vice President of Administration in consultation with the Vice President for Finance.

Mr. Ginther asked for a motion to recommend that the Board approve both resolutions as presented to amend the Optional Retirement Plan. After motion duly made and seconded, the Finance Budget and Investment Committee approved the recommendation that the Board approve the resolutions and amendment to the Optional Retirement Plan. A copy of the Resolutions and amendment to the Optional Retirement Plan is attached hereto as ***Attachment B*** and is made a part hereof.

REPORT FROM VICE PRESIDENT OF ADMINISTRATION

Dr. Weiss presented an update on the University Master Site Planning process advising that a complete update would be provided at the full board meeting that afternoon. Dr. Weiss thanked two board members – Mr. Dendy and Mr. McCoy for their active participation on the steering committee. The architects (Ayers Saint Gross) are working closing on gathering data to closely align the facilities master plan with the new strategic academic plan now underway.

REPORT FROM VICE PRESIDENT OF FINANCE AND BUDGET

Ms. Gray provided an update on the University's cash position that showed \$507 million in cash

and investments and 154 days of cash on hand which is within the Moody liquidity indicator standards for a public As2 University.

Ms. Gray also provided a brief update of what may come from the State for the budget as our newly elected governor takes over just before the start of the General Assembly session in January. Although revenues have exceeded expectations, there is little hope for increased State support for Higher Education. Mr. Ginther asked Mr. Dendy (as a former state legislator) to provide some insight into the changing of administrations and if Governor McAuliffe's budget is likely to be modified. Mr. Dendy commented that while changes are possible with a new governor, it is not likely as the new administration will only want to ensure that the outgoing governor's budget is balanced. Changes may come from the General Assembly session but it is likely that any additional monies will be allocated to the stabilization of the "Rainy Day" fund.

Ms. Gray also discussed the coming budget development process for FY19 indicating that once again with contractual obligations, strategic initiatives, salary increases, and cost of living increases, the University is again faced with a deficit. Ms. Gray indicated she would be asking for their input during the development phase to avoid any sudden requests. Dr. Talegaonkar asked that all options be exhausted before raising the tuition rate again this year. Dr. Rao reminded the committee that the budget cycle is a two year plan and it is important to remember the institutional budget history. Mr. Parker indicated that he would be interested in seeing options as soon as possible and providing a presentation on what it takes to run the University properly including covering the deficit. Ms. Gray added that she and senior leadership are working on ways to increase revenue to avoid continually relying on tuition increases. Dr. Hackett explained that with the new programs being funded to increase enrollment from out-of-state and international students as well as online enrollment, the University can expect to see results in FY20 but that FY19 would again be a lean year. Mr. Ginther indicated that he thinks the committee would benefit from seeing actual projections from these new programs and to get the numbers from the capital campaign to determine if any of the philanthropic dollars can be used to offset any increase in tuition.

Ms. Gray also presented the Treasurer's Report that was distributed to the Board for informational purposes.

REPORTS FOR INFORMATIONAL PURPOSES

Mr. Ginther noted that there were several reports provided to the committee for informational purposes, specifically, the Sources and Uses funding for FY18, the Revenue and Expense Summary as of September 30, 2017; the VCU Health System and Financial Operations as of September 30, 2017; Capital Projects Update; State Audit Report – unmodified opinion on the financial statements; and, the Finance, Budget & Investment Committee Dashboards.

CLOSED SESSION

On motion made and seconded, the meeting of the Finance, Budget and Investment Committee

convened into closed session pursuant to Sections 2.2-3711 (A) (3) of the Virginia Freedom of Information Act for the discussion or consideration of the acquisition of real property for a public purpose, or of the disposition of publicly held real property where discussion in an open meeting would adversely affect the bargaining position or negotiating strategy of the public body.

RECONVENED SESSION

Following the closed session, the public was invited to return to the meeting. Mr. Ginther, Chair, called the meeting to order. On motion duly made and seconded the following resolution of certification was approved by a roll call vote:

Resolution of Certification

BE IT RESOLVED, that the joint meeting of the Finance, Budget and Audit Committee and the Board of Visitors of Virginia Commonwealth University certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements under this chapter were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion by which the closed session was convened were heard, discussed or considered by the Committee of the Board.

<u>Vote</u>	<u>Ayes</u>	<u>Nays</u>
Mr. William Ginther, chair	X	
Mr. Benson Dendy, vice chair	X	
Mr. John Luke, Jr.	X	
Mr. Keith Parker	X	
Ms. Jacquelyn Stone	X	
Dr. Shantaram Talegaonkar	X	
Ms. Phoebe Hall, Rector	X	

All members responding affirmatively, the resolution of certification was unanimously adopted.

ADJOURNMENT

There being no further business Mr. Ginther, Chair, adjourned the meeting at 12:04 p.m.

ATTACHMENT A

RESOLUTION BOARD OF VISITORS VIRGINIA COMMONWEALTH UNIVERSITY

MODIFICATIONS TO SERIES 2012A AND 2012B BONDS

Recitals

A. In 2012, Virginia Commonwealth University (the "University") issued its General Revenue Pledge Refunding Bonds, Series 2012A (the "2012A Bonds") and its General Revenue Pledge Refunding Bonds, Series 2012B (the "2012B Bonds" and, collectively with the 2012A Bonds, the "2012 Bonds") to refund prior bonds that were issued by the University to pay costs of the construction of facilities for the University's School of Engineering and School of Business.

B. The Bonds contain a "put" date of May 20, 2019 (the "Put Date") at which time US Bank N.A., the current holder of the 2012 Bonds (the "Bank"), has the right to either reset the interest rate on the 2012 Bonds or to put the 2012 Bonds back to the Borrower for purchase.

C. On November 2, 2017, the United States House of Representatives adopted a tax reform bill (the "House Bill") that prohibits the issuance or reissuance of private activity bonds on or after January 1, 2018.

D. If the House Bill is enacted into law, any modifications to the 2012 Bonds that occur on the Put Date may cause interest on the Bonds to become taxable, thereby significantly increasing the interest rate on the 2012 Bonds.

E. In light of the foregoing, it is prudent for the University to take action to extend the Put Date before January 1, 2018.

F. The University and the Bank have negotiated an extension to the Put Date as set forth in the term sheet attached hereto (the "Term Sheet"), and the Board of Visitors desires to authorize the modifications (the "Modifications") to the 2012 Bonds described in the Term Sheet.

NOW, THEREFORE BE IT RESOLVED BY THE BOARD OF VISITORS OF VIRGINIA COMMONWEALTH UNIVERSITY:

1. The Board of Visitors approves and authorizes the Modifications as described in the Term Sheet. To accomplish such Modifications, the Board hereby authorizes the execution and delivery of an amendment (the "Amendment") to the resolution pursuant to which the 2012 Bonds were issued, adopted by the Board on May 11, 2012 and approved on November 20, 2012 (the "2012 Resolution"), with such terms, provisions and other changes as may be approved by any Designated Officer, consistent with prior practice of the University, so that the 2012 Resolution as modified may reflect the final terms and conditions of the Term Sheet. Each Designated Officer is authorized to approve on behalf of the Board the final form of the Amendment and to evidence such approval on behalf of the University in writing.

2. The Designated Officers shall be the University's (a) President, (b) Vice President for Finance and Budget and (c) Treasurer.

3. In connection with the Modifications, the officers of the University are authorized to execute and deliver any and all documents necessary to reflect the Modifications described in the Term Sheet, including without limitation (a) amendments to the existing Project Development and Financing Agreements with, respectively, the Virginia Commonwealth University School of Engineering Foundation and the Virginia Commonwealth University School of Business Foundation (the "Foundations"), which provide that each Foundation will be obligated to pay debt service on all or an appropriate portion of the 2012 Bonds (as modified by the Modifications) issued for the benefit of such Foundation and (b) amendments to the Continuing Covenants Agreement between the University and the Bank, dated as of November 1, 2012.

4. The Designated Officers and all other officers of the University are authorized to take all steps necessary or desirable in connection with the Modifications, including without limitation the execution of certificates and agreements with respect to preserving the tax exempt status of such bonds.

5. The implementation of the Modifications is conditioned on the approval of the Modifications by the Foundations.



U.S. BANK N.A. TERM SHEET
PREPARED FOR

VIRGINIA COMMONWEALTH UNIVERSITY

CONTACT INFORMATION:

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U.S. BANK LONG-TERM DEPOSIT RATINGS:

U.S. BANK, N.A.						
Year	Moody's (long/short) *	Outlooks	S&P (long/short)	Outlooks	Fitch (long/short)	Outlooks
2017	Aa1/P-1	Stable	AA-/A-1+	Stable	AA/F1+	Stable
2016	Aa1/P-1	Stable	AA-/A-1+	Stable	AA/F1+	Stable
2015	Aa3/P-1	Stable	AA-/A-1+	Stable	AA-/F1+	Stable

BORROWER: Virginia Commonwealth University (the "University").

EXISTING FACILITY: Purchase of Virginia Commonwealth University General Revenue Pledge Refunding Bonds, Series 2012A and 2012B (the "Bonds") issued under a Resolution approved on November 20, 2012 (the "Resolution") pursuant to the terms of a Continuing Covenant Agreement between the University and the Bank (the "Facility").

PROPOSED EXTENSIONS: The Bank is considering an extension for 9.5 years calculated from the date of this most recent renewal:

- 71.5% of LIBOR plus 75 bps 9.5 years (114 months)

PROPOSED CHANGES TO DOCUMENTATION: The Bank's willingness to extend the Facility is subject to certain changes being made to the Resolution and Continuing Covenants Agreement. The following will be incorporated into the amendments:

- Margin Rate Factor Language that would come taken effect in the event of a change in the corporate tax rate and change the interest rate payable on the Bonds.
- The Bank's standard language relating to the Office of Foreign Assets Control, Anti-Corruption Laws and the Patriot Act.
- An updated definition of LIBOR to provide a 0% floor and to provide that if

LIBOR is unavailable in the market, a successor index successor generally accepted in the market will be used.

CONDITIONS TO CLOSING: The Bank's willingness to extend the Facility will be subject to the receipt of certain items, including evidence the University has duly approved the extension, receipt of an opinion of Bond Counsel that the amendment will not affect the tax-exempt status of the Bonds and payment of the fees of the Bank's counsel.

CONFIDENTIALITY: This summary of preliminary terms and conditions contains confidential and proprietary structuring and pricing information. Except for disclosure on a confidential basis to accountants, attorneys and other professional advisors retained by the University in connection with the proposed extension of the Facility or as may be required by law, the contents of this summary of preliminary terms and conditions may not be disclosed in whole or in part to any other person or entity without prior written consent, provided that nothing herein shall restrict disclosure of information relating to the tax structure or tax treatment of the proposed extension of the Facility.

NOTE: *This Term Sheet is not a commitment and is offered as indicative terms on which the Bank is willing to seek credit approval to extend the Facility. The Bank's participation in this transaction is subject to the foregoing terms, completion of appropriate diligence, satisfactory documentation and formal credit approval from Bank.*

As more information is obtained, additional substantive conditions may be required and terms may be changed or be supplemented. In addition, upon completion of the Bank's analysis and due diligence and if Bank obtains formal credit approval, loan documentation must be created which will include terms and conditions customary to Bank, as well as warranties and covenants specific to this transaction.

To that end, this Term Sheet is an expression of interest only, and it is not a contract, commitment nor intent to be bound. The Bank does not intend that this Term Sheet or discussions relative to the terms of this Term Sheet create any legal rights or obligations, implicit or explicit, in favor of or against the other party. Also, no oral discussions and/or written agreements shall be in place of or supersede written loan agreements executed by the University and accepted by Bank.

Upon the University's acceptance of the terms and conditions contained within this Term Sheet, the Bank will seek formal credit approval to extend the Facility.

NO ADVISORY / FIDUCIARY ROLE:

The University acknowledges and agrees that: (i) the Bank has not assumed any advisory or fiduciary responsibility to the University with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Bank or any of its affiliates has provided other services or is currently providing other services to the University on other matters); (ii) the only obligations the Bank has to the University with respect to the transaction contemplated hereby are expressly set forth in this Term Sheet; and (iii) the University has consulted its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate.

ATTACHMENT B

**RESOLUTIONS OF THE
VIRGINIA COMMONWEALTH UNIVERSITY BOARD OF VISITORS
RELATED TO THE
OPTIONAL RETIREMENT PLAN FOR EMPLOYEES OF VCU
and the
SELECT DEFINED CONTRIBUTION BENEFIT PLAN FOR EMPLOYEES OF VCU**

WHEREAS, Virginia Commonwealth University (the “University”) maintains the Optional Retirement Plan for Employees of Virginia Commonwealth University (the “ORP”), as amended and restated January 1, 2014, and the Select Defined Contribution Benefit Plan for Employees of Virginia Commonwealth University (the “Select Plan”), as amended and restated January 1, 2014 (together the “Plans”);

WHEREAS, the University wishes to amend the ORP to align the eligibility provisions with the University’s employment classification system and to extend eligibility for benefits under the ORP to faculty and administrative professionals;

WHEREAS, Section 7.1 of the ORP permits the University to amend the ORP through affirmative action of the Board of Visitors (the “Board”);

WHEREAS, Section 7.1 of the ORP and Section 7.1 of the Select Plan permit the Board to delegate its authority to amend the Plans to one or more officers of the University;

WHEREAS, the Board desires to authorize the University’s Vice President for Administration, in consultation with the Vice President for Finance, to amend the Plans on behalf of the University to comply with changes in applicable state and federal laws and to make non-substantive amendments;

WHEREAS, the Second Amendment to the ORP attached hereto incorporates these changes;

THEREFORE, BE IT RESOLVED that the Board hereby adopts the Second Amendment to the ORP; and be it

RESOLVED FURTHER, that the Vice President for Administration, in consultation with the Vice President for Finance, is hereby authorized to amend the Plans as necessary to comply with changes in applicable state and federal laws and to make non-substantive amendments.

IN WITNESS WHEREOF, the undersigned duly authorized official of the University has executed these resolutions on December ____, 2017.

By: _____

Name: _____

Title: _____

**SECOND AMENDMENT TO THE
OPTIONAL RETIREMENT PLAN FOR EMPLOYEES OF
VIRGINIA COMMONWEALTH UNIVERSITY
AS RESTATED JANUARY 1, 2014**

The Optional Retirement Plan for Employees of Virginia Commonwealth University ("Plan"), as restated effective January 1, 2014, is amended as follows, pursuant to Section 7.1 of the Plan, effective as of the dates indicated below.

1. Effective January 1, 2018, Section 1.8 of the Plan shall be and read as follows:

1.8 Eligible Employee

A salaried Employee who is engaged in the performance of teaching, administrative, or research duties, and who is designated by the Employer as a:

- a. Teaching and Research Faculty as defined in the University's Faculty Salary Administration Guidelines;
- b. Administrative and Professional Faculty as defined in the University's Faculty Salary Administration Guidelines; or
- c. Non-Faculty Professional or Administrator.

An Eligible Employee who is designated by the Employer as a Teaching and Research Faculty, Administrative and Professional Faculty, or Non-Faculty Professional or Administrator, and who subsequently changes position with the Employer such that he or she is no longer designated by the Employer as a Teaching and Research Faculty, Administrative and Professional Faculty, or Non-Faculty Professional or Administrator, shall continue to be an Eligible Employee, but only to the extent that he or she remains a salaried Employee who is engaged in the performance of teaching, administrative, or research duties.

An Eligible Employee shall not include: (i) an Employee who is regularly scheduled to work less than 20 hours per week; (ii) an Employee who either (a) is classified as a temporary or provisional appointment or (b) has an appointment of less than six months; (iii) an individual who is classified as an adjunct faculty by the University; (iv) an individual who is not a state employee as defined in section 51.1-124.3 of the Code of Virginia, as amended from time to time; (v) a Leased Employee; or (vi) an individual who is otherwise not eligible to participate in the VRS or the Commonwealth Hybrid Program. Subject to applicable state and federal law, the Administrator has the sole and absolute authority to determine whether an Employee is an Eligible Employee under the Plan.

2. Effective January 1, 2018, a new Section 1.33 of the Plan shall be added to be and read as follows:

1.33 Non-Faculty Professional or Administrator

An Employee whose position requires the exercise of discretionary and independent judgment and (i) the performance of work directly related to the management of the educational and general activities of the University or a department or division thereof and/or (ii) advanced learning and experience acquired by prolonged formal instruction and/or specialized work experience. Non-Faculty Professionals and Administrators are a subset of University and Academic Professionals as defined in the University's Working @ VCU: "Great Place" HR Policies. Non-Faculty Professionals and Administrators are typically exempt employees under the provisions of the Fair Labor Standards Act.

3. In all other respects, the Plan shall be and remain unchanged.

IN WITNESS WHEREOF, Virginia Commonwealth University has caused this Second Amendment to be duly executed on _____, 2017.

VIRGINIA COMMONWEALTH UNIVERSITY

By: _____

Print Name: _____

Title: _____