

**VIRGINIA STATE UNIVERSITY BOARD OF S COMMITTEE ON
FACILITIES & FINANCE
11:15 P.M.; THURSDAY, APRIL 24, 2025
Gateway Dining & Events Center
(On the campus of Virginia State University)
(No Public Comment Period Scheduled)**

DRAFT AGENDA

CALL TO ORDER Ms. Daphne Meeks, Chair

ROLL CALL

INVOCATION

APPROVAL OF AGENDA

APPROVAL OF PREVIOUS MEETING MINUTES (if any)

- February 6, 2025 Committee Meeting

PRESIDENT’S REMARKS Dr. Makola M. Abdullah

CLOSED SESSION..... Student Residence Hall Debt

REPORTS AND RECOMMENDATIONS

- Division of Finance..... Mr. Kevin Davenport
Senior Vice President, Finance & Administration/CFO
 - **Approval Items:**
 - Resolution Authorizing the Operating Budget for Fiscal Year 2025-2026
 - Resolution Approving Unfunded Scholarships for Fiscal Year 2025-2026
 - Resolution to Issue Bonds to Support Construction of New Student Housing
 - **Information Items:**
 - Finance & Facilities Overview
 - Statement of Sources and Uses for Quarter Ending March 31, 2025
 - Comparative Cash Reserves for Quarter Ending March 31, 2025
 - Capitol Project Update for Quarter Ending March 31, 2025
 - **Discussion of Bi-Annual Management Reports**

OTHER BUSINESS

ADJOURNMENT

4.16.25

**VIRGINIA STATE UNIVERSITY BOARD OF VISITORS
COMMITTEE ON FACILITIES & FINANCE
THURSDAY, APRIL 24, 2025**

CALL TO ORDER

Ms. Daphne Meeks, chair, called the Facilities and Finance committee meeting to order at approximately 11:15 a.m.

ROLL CALL

A quorum was present.

COMMITTEE MEMBERS PRESENT:

Dr. Valerie K. Brown, Rector
Ms. Daphne Meeks, Chair
Mr. Peter McPherson
Mr. Thomas Cosgrove, Vice Chair

BOARD APPOINTEES:

Professor Tracy Jackson, Faculty Representative
Mr. Yousif Omer, SGA Representative (*absent*)

OTHER MEMBERS PRESENT:

Mr. Victor K. Branch
Dr. Joseph A.F. Chase, Jr.
Dr. Leonard Haynes, III
Mr. Edward Owens
Ms. Verndell Robinson
Mr. Robert Thompson

ADMINISTRATION PRESENT:

Dr. Makola M. Abdullah, President
Dr. Tia A. Minnis, Provost & Vice President for Academic Affairs
Mr. Kevin Davenport, Senior Vice President for Finance & Administration/CFO,
Ms. Shawri King-Casey, Vice President for Institutional Integrity and Compliance
Dr. Alexis Brooks-Walter, Vice President for Student Affairs & Enrollment Management
Dr. Annie Redd, Chief of Staff/Director, Board of Operations & Relations

INVOCATION:

Chair Meeks invited Dr. Chase to deliver the invocation.

APPROVAL OF AGENDA

The Committee approved the agenda by voice vote.

APPROVAL OF PREVIOUS MEETING MINUTES

The Committee approved the minutes from the meeting on February 6, 2025, by voice vote.

PRESIDENT'S REMARKS

Dr. Abdullah thanked the Board for their work on tuition fees, highlighting positive feedback from the last meeting.

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REPORTS AND RECOMMENDATIONS

The Chair stated that we do not need to go into closed session unless anyone has specific questions for Mr. Davenport on the dormitory project. The Chair called Mr. Davenport, who summarized four items for presentation: the quarterly financial update, the operating budget, unfunded scholarships, and the residence hall debt issuance resolution.

Mr. Davenport started with the financial update for the third quarter. He noted that normally, 99% of all revenues would have been received by this year, and 75% of all expenditures would have been made. He highlighted cash and reserves balances, noting where he expects these balances to land by the end of June.

A Visitor asked about the decline in auxiliary balances over the last few years. Mr. Davenport noted that COVID funds allowed to university to increase balances at a greater rate than what is typical.

Mr. Davenport presented investment balances. He elaborated that donors have the choice of whether funds are given to the university or the foundation. He stated that about 70% of endowment funds are held by the university, with these funds being divided between two investment managers. He added that the Foundation has its board, investment policy, and investment manager.

A Visitor asked for more context about the relationship with the Foundation board. Mr. Davenport highlighted the extensive financial background amongst their trustees and described communications as responsive. Dr. Abdullah added that the Foundation is an independent body, both in terms of legal structure and duty, but that it works very closely with the university and exists for its benefit. The Visitor, who serves as the Liaison to the VSU Foundation, reinforced the notion that the relationship between VSU and the Foundation is a positive one. Mr. Davenport added that there are two foundations, The VSU Foundation (VSUF) and the VSU Real Estate Foundation (VSUREF), which handles the University Apartments at Ettrick.

A Visitor asked about the Title III endowments. Mr. Davenport noted that we use the Title III match as much as possible, noting that the Title III investments need to be managed separately and that this is the reason why the university has two investment managers. Dr. Abdullah noted that his predecessor, Eddie Moore, initiated the policy of always utilizing as much of the match as possible. Mr. Davenport stated that although we do not plan to use the Title III corpus, the matching funds' principal does become unrestricted at its 20-year mark. A Visitor provided additional background on the history, purpose, and restrictions associated with the Title III program.

Mr. Davenport presented the sources for the year, noting that revenues have surpassed conservative budgets in terms of state funding, auxiliary enterprise, sponsored programs, tuition and fees, and local funds. He then highlighted budgeted-to-actual comparisons for the uses across major categories.

Mr. Davenport presented the overview of the operating budget for fiscal year 2025-26, highlighting conservative enrollment and housing targets, no inclusion of state budget amendments, a 3% increase for in-state and out-of-state tuition and fees, and a 5% increase for room and board fees. He stated that all components are balanced and that the budget accounts for a \$4.3 million use of reserves. He stated that he has been concerned about this budgeted use of reserves, but is happy that the trend is reversing to a lower amount. He presented the comparison between the FY25 and FY26 budget major revenue categories.

A Visitor asked about any unfunded mandates. Dr. Abdullah mentioned raises (for which the state only covers half) and waivers for veterans, which fall solely on the university. Mr. Davenport added that military waivers were \$1 million in the past year but are expected to increase to \$2 million for the upcoming fiscal year.

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A Visitor expressed concern with grants and loan support at the federal level, noting that it is possible that Pell and the Parent Plus Loan could be shaved back. Dr. Abdullah discussed the meeting he recently attended with HBCU presidents at the White House, stating that while the intent of Congress may be different, the administration did not express intent to cut back the Pell grant. He stated that the proposed budget still builds in a negative impact on federal aid.

A Visitor requested some discussion about indirect cost rates. Dr. Abdullah stated that the federally negotiated rate for VSU is 44%. He added that some of the university's grants, including some of the largest ones, do not allow for indirect cost recovery. Therefore, the total effective indirect cost rate across all awards is closer to 10%. Dr. Abdullah expressed concern that, if indirect cost recoveries are lowered at the federal level, the university would need to turn down grants at some point, as it would not be cost-effective to administer the grant. He emphasized the priority of not diminishing the student experience through the acceptance of awards.

Mr. Davenport then presented the categories for budgeted expenses, highlighting variances in the top categories. Mr. Davenport thanked Dr. Adrian Petway and Joyce Wilkins for their work putting together all the supplementary materials in the board package.

Visitors engaged in a discussion about faculty workload and its implications for career progression, promotion, and tenure. A Visitor discussed a prior experience where enrollment and associated revenue were able to be increased considerably by increasing the faculty workload by 13%. Dr. Abdullah stated that VSU has some of the highest faculty teaching loads in the Commonwealth. Visitors agreed that a 2-2 load would be typical for research faculty, whereas a 4-4 load would be typical of an instructor. Whereas at VSU, research/tenure track faculty are also teaching at a 4-4 load.

Mr. Davenport continued his presentation with the unfunded scholarships item, clarifying the meaning of the term. A Visitor asked if there is any sort of matrix in terms of evaluating a student for receipt of scholarship funds. Mr. Davenport responded that there is a matrix that considers in-state versus out-of-state costs among many other factors.

Mr. Davenport moved to the final item of his presentation, the residence hall debt. He started by highlighting the overflow in residence hall demand over the last few years, prompting the university to resort to a variety of options to meet excess demand, such as modular units, hotels, leasing rooms from Richard Bland College, and block apartment rentals in the surrounding area. He discussed the additional burden on auxiliary reserves that has accompanied these temporary solutions and how the new dormitory will provide a more affordable, safer, and more convenient solution for housing students. Mr. Davenport also highlighted the flexibility inherent in the modular structure that will allow the university to meet a variety of enrollment scenarios.

Mr. Davenport presented background on the increase in construction costs by over \$20 million versus what was originally planned for Phase 1. He described efforts to convert some of the planned study lounges into rooms, thus increasing the planned bed count from 400 to 454 and providing some relief on the increased construction costs. He also discussed structural issues related to the debt, such as interest rate expectations, term, and planned use of capitalized interest during the construction period.

A Visitor asked about the university's efforts to negotiate bulk discounts in procuring outside housing. Mr. Davenport complimented Jameelah Scott, Procurement Director, on her ongoing efforts to negotiate the best possible rates for VSU.

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Mr. Davenport presented three scenarios regarding the debt for the dormitory project. He first showed the original cost and room rate scenario for comparison purposes. He then presented a scenario where the room rate alone would fully support 110% coverage of the debt. Finally, he outlined a scenario where excess revenue from the VSU Housing System would be pledged to secure 110% coverage of the debt service payments, allowing the university to keep the projected room rate at \$11,900, which is more in line with current room rates. Along with presenting this scenario, he presented a table that shows the amounts of debt payments for bond series that are fully mature in the next few years.

A Visitor asked if the costs to furnish the new building are included in the total debt costs. Mr. Davenport confirmed that these costs are included.

Dr. Abdullah added that, although we can pledge excess system revenues to support coverage of the debt at a room rate in line with the current portfolio, we have become increasingly aware over the past few years that the entire housing system is priced too low, adding that that system room rates are a topic that would be good to discuss further in the future.

A motion to advance all three resolutions in one motion was proposed and approved by the committee.

ADJOURNMENT

There being no further business, the Chair called for a motion to adjourn the meeting. The motion was received, properly seconded, and the Committee voted by voice vote. The Chair adjourned the meeting at 12:26 p.m.

Approved:

Chair

Date