

MEMORANDUM

TO: Vice Presidents, Vice Provosts, Deans, Directors, and Department Heads

FROM: John E. Dooley, CEO, Virginia Tech Foundation, Inc.
Charles D. Phlegar, Executive VP, Virginia Tech Foundation, Inc.
M. Dwight Shelton, Executive VP, Virginia Tech Foundation, Inc.

DATE: May 21, 2018

SUBJECT: Reinvestment Fee Update

For more than 15 years, the Virginia Tech Foundation, Inc. (VTF) has overseen the implementation and utilization of a reinvestment fee of seven percent (7%) on all gifts to the Foundation on behalf of the university. With a new administration, increased fundraising goals, and evolving funding models, the Foundation leadership agreed it was appropriate to review the reinvestment fee structure to align the structure with current practices and financial strategies to meet our mission.

The VTF created an internal task force last year to review existing practices related to the reinvestment fee. The task force was charged with exploring the philosophy surrounding the current implementation of the reinvestment fee, review benchmarking data of peer institutions administering similar programs, and to consider options to adjust the fee structure to meet strategic goals. The task force recommended a modification of the reinvestment fee structure.

In order to align with our key goals of encouraging principal gifts, supporting the growth of alumni participation, growing the endowment, maintaining inflation-adjusted endowment value, and supporting the future growth of the VTF budget, the following changes to the reinvestment fee structure will be effective with the start of the next fiscal year:

Changes Effective July 1, 2018

- Apply the fee consistently across all areas of the university.
- Gifts to current operations and realized bequests will have a 5 percent Reinvestment Fee.
- Endowed gifts and capital gifts will have no (0%) Reinvestment Fee.

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- The payout on all new endowed gifts and pledge payments received on or after July 1, 2018, will be held for the first four (4) quarters of earnings and repurposed as VTF unrestricted revenue to defray the costs of the Virginia Tech Foundation.
- The revenue generation model will be re-examined on a regular basis.

We anticipate that these changes will provide solid outcomes that will have beneficial results throughout the university, including encouraging endowed gifts, maintaining the principal of endowed gifts, reducing the amount of debt required for capital projects, increasing gift revenue for strategic university needs, and maintaining a fee structure to be competitive with peer institutions.

The task force recommendation to implement a revised reinvestment fee structure was shared with and received favorably by the Virginia Tech Foundation Advancement Committee, the Virginia Tech Foundation Board of Directors, and the Virginia Tech Board of Visitors.