MEMORANDUM

TO: The Finance Committee:

Victoria D. Harker, Chair
John A. Griffin, Vice Chair
Frank B. Atkinson
L.D. Britt, M.D.
Kevin J. Fay
John G. Macfarlane III
John L. Nau III
George Keith Martin, Ex Officio
Daniel M. Meyers, Consulting Member
Raymond C. Scheppach, Faculty Consulting Member

and

The Remaining Members of the Board:

Frank M. Conner III William H. Goodwin Jr.
Allison Cryor DiNardo Bobbie G. Kilberg
Helen E. Dragas Stephen P. Long, M.D.
Barbara J. Fried Edward D. Miller, M.D.
Frank E. Genovese Daniel T. Judge

FROM: Susan G. Harris

SUBJECT: Minutes of the Finance Committee Meeting on June 12, 2015

The Finance Committee of the Board of Visitors of the University of Virginia met with the full Board, in Open Session, at 9:25 a.m. on Friday, June 12, 2015, in the Auditorium of the Albert & Shirley Small Special Collections Library of the Harrison Institute; Victoria D. Harker, Chair, presided.


Frank M. Conner III, Allison Cryor DiNardo, Barbara J. Fried, Frank E. Genovese, William H. Goodwin Jr., and Daniel T. Judge also attended.
Present as well were Teresa A. Sullivan, Susan Carkeek, Susan G. Harris, Donna P. Henry, Patrick D. Hogan, Patricia M. Lampkin, David W. Martel, Phillip A. Parrish, Debra D. Rinker, Nancy A. Rivers, Roscoe C. Roberts, Richard P. Shannon, M.D., Colette Sheehy, John D. Simon, and Robert D. Sweeney.

The presenter was Larry L. Fitzgerald.

Ms. Harker reviewed the agenda and gave the floor to Mr. Hogan.

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Consent Agenda Item: 2015-2016 School of Continuing and Professional Studies Tuition, Required Fees, and Other Charges

In the resolution approved by the Board in March, the 2015-2016 tuition and fees for non-Virginians in the School of Continuing and Professional Studies were incorrectly shown as being the same as those for Virginia students. This item corrects the error.

On motion, the committee approved the following resolution and recommended it for full Board approval.

| Tuition, Required Fees, and Other Charges for the School of Continuing and Professional Studies for Fiscal Year 2015-2016 |
|---|---|---|
| **Virginia** | **Non-Virginia** |
| **2014-15** | **2015-16** | **2015-16** | **2015-16** |
| **Amount** | **Increase** | **Percent of** | **Amount** | **Increase** | **Percent of** | **Amount** | **Increase** | **Percent of** |
| Approved | Increase | Proposed | Approved | Increase | Proposed | Approved | Increase | Proposed |
| Special Session and Other (per credit hour unless otherwise noted): | | | | | | | | |
| SCPS Undergraduate | $349 | $13 | 3.7% | $362 | | $835 | $29 | 3.3% | $864 |
| SCPS Community Scholars - Undergraduate and High School | $349 | $13 | 3.4% | $362 | | $1,247 | $45 | 3.0% | $1,292 |
| SCPS National Criminal Justice Command College programs - Undergraduate level (total program cost) | $5,518 | $292 | 4.4% | $5,810 | | $12,643 | $688 | 5.1% | $13,331 |

Consent Agenda Item: Veterans Access, Choice and Accountability Act of 2014

The Veterans Access, Choice and Accountability Act of 2014 provides greater access to higher education by granting in-state tuition rates to certain veterans and their eligible dependent family members. The U.S. Department of Veterans Affairs requires institutions to verify their intent to comply with the law in order to continue participation in veterans' benefits programs.
On motion, the committee approved the following resolution and recommended it for full Board approval.

VETERANS ACCESS, CHOICE AND ACCOUNTABILITY ACT OF 2014

WHEREAS, The University of Virginia has the authority to set tuition and fee charges; and

WHEREAS, 38 U.S.C. 3679(c), the Veterans Access, Choice and Accountability Act of 2014 ("the Act") requires the U.S. Department of Veterans Affairs to disapprove programs of education for payment of benefits under the Post-9/11 GI Bill and Montgomery GI Bill-Active Duty at public institutions of higher education if such institutions charge qualifying veterans and other qualified individuals ("covered individuals") tuition and fees in excess of the rate for in-state students for terms beginning after July 1, 2015; and

WHEREAS, "covered individuals" under the Act include:

A veteran who lives in Virginia, regardless of formal state of residence or domicile, and enrolls in this institution within three years of discharge from a period of active duty service of 90 days or more using benefits under the Post-9/11 GI Bill and Montgomery GI Bill-Active Duty.

Anyone using transferred benefits under the Post-9/11 GI Bill and Montgomery GI Bill-Active Duty who lives in Virginia, regardless of formal state of residence or domicile, and enrolls in this institution within three years of the transferor's discharge from a period of active duty service of 90 days or more.

Anyone using benefits under the Marine Gunnery Sergeant John David Fry Scholarship who lives in Virginia, regardless of formal state of residence or domicile, and enrolls in this institution within three years of the Service member's death in the line of duty following a period of active duty service of 90 days or more; and

Anyone described above while he or she remains continuously enrolled (other than during regularly scheduled breaks between courses, semesters, or terms) at the same school. The person so described must have enrolled in the school prior to the expiration of the three year period following discharge, release, or death described above and must be using educational benefits under either chapter 30 or chapter 33, of title 38, United States Code.

WHEREAS, pursuant to Virginia Code § 23-7.4:2 (H), all veterans residing within the Commonwealth shall be eligible for in-state tuition charges;
RESOLVED, the tuition and fee rate for a course of education pursued by "covered individuals" shall be equal to the tuition and fee rate for that course of education charged to in-state students; and

RESOLVED FURTHER, the President is delegated the authority to attest to (1) this action by the Board of Visitors; and (2) that this institution charges tuition and fees to uniformed services veterans and other qualified individuals covered under 38 U.S.C. 3679(c) at a rate equal to in-state tuition and fees for that course of education.

Consent Agenda Item: Property Disposition – Luttrell Estate

Mr. Deward H. Luttrell Jr. named the University as the sole beneficiary of his estate, which includes five parcels of land in Tishomingo County, Mississippi. Mr. Luttrell’s expressed desire was to establish an annual scholarship, in a sum to be determined by the University, to be awarded annually to one or more ROTC cadets without depleting the principal. The proceeds from the sale of these properties will be used to endow this scholarship.

On motion, the committee approved the following resolution and recommended it for full Board approval.

DISPOSITION OF REAL PROPERTY – LUTTRELL ESTATE

WHEREAS, The Rector and Visitors of the University of Virginia is the sole beneficiary of the Estate of Deward H. Luttrell, Jr., and is the devisee of five parcels of land in Tishomingo County, Mississippi, totaling approximately 147.72 acres; and

WHEREAS, the executor of Mr. Luttrell’s estate has obtained five contracts to sell the parcels for a cumulative gross sales price of $290,500; and

WHEREAS, the Board of Visitors finds it to be in the best interest of the University to sell the Property;

RESOLVED, the Board of Visitors approves the sale of the Luttrell Estate Property and the contracts of sale and purchase described herein, but, should any such contract fail to close, then the Board hereby authorizes the sale of such parcel or parcels pursuant to terms and conditions that the Executive Vice President and Chief Operating Officer may deem acceptable; and

RESOLVED FURTHER, the Executive Vice President and Chief Operating Officer is authorized, on behalf of the University, to approve and execute agreements, deeds, affidavits, and other documents related to the sale of the subject real estate, to incur reasonable and customary expenses, and to take such other actions as deemed necessary and appropriate to consummate the sale of the Property; and
RESOLVED FURTHER, all prior acts performed by the Executive Vice President and Chief Operating Officer, and other officers and agents of the University, in connection with such sale of the Property, are in all respects approved, ratified, and confirmed.

Action Item: 2015-2016 Operating Budget

Ms. Sullivan, Mr. Hogan, Ms. Sheehy, and Mr. Fitzgerald presented the University’s $3.072 billion budget for FY 2016. It represents an 8.7% increase over the FY 2015 budget, and reflects a $129 million increase in the Medical Center budget and a $110 million increase in the Academic Division budget. The Medical Center increase is due to increasing volumes and strategic investments. The Academic Division increase is for 1) strategic investments, 2) compensation costs, and 3) investments in safety, compliance, and student support.

The strategic priorities included in the budget are: 1) continued implementation of the Cornerstone Plan, 2) pursing a top 20 ranking in faculty compensation; 3) faculty hires; 4) organizational excellence, 5) continued development of the managerial reporting system; and 6) transformation of the delivery of services for Human Resources.

1) Cornerstone Plan: The focus will be on student leadership development, total advising, alumni engagement, strategic research, research infrastructure, high impact educational experiences, global experiences, evidence-based teaching and learning, faculty leadership development, continuous faculty recruiting, strategic marketing and communications, philanthropic support for strategic priorities, and operational excellence.

2) Top 20 Ranking in Faculty Compensation: Progress on this goal has been minimal. Five years ago, the University’s ranking was 31; the current ranking is 28. When the goal was set, it was assumed that the institutions in the University’s segment of the ranking range would implement 3% salary increases while the University implemented 4.5% increases. This did not happen. The other institutions implemented higher raises. The University’s efforts have also been hindered by state mandated caps.

3) Faculty Hiring: The FY 2016 budget assumes that 50 faculty in the undergraduate schools will retire, resign, or be denied tenure and that 50 new faculty will be hired.

4) Organizational Excellence: $19.5 million in savings was achieved in FY 2015. Of this, $11.5 million was attributable to the Organizational Excellence initiative. The additional savings were due to mandated state budget cuts. The savings target for FY 2016 is $12.7 million. Areas of focus will be human resources, procurement, research administration, treasury, information technology, school and unit level efficiency improvements, and staffing.
5) Managerial Reporting Project: This project develops a data warehouse to provide reliable cost data for effective decision making. The project will take 5 years to implement. Annual ongoing support costs will be approximately $3 million.

6) Transform Human Resources Service Delivery Project: This project creates an efficient service model. A benchmarking study revealed that the University exceeds the metrics in terms of the number of employees involved in human resources, has the smallest investment in technology, and has a high cost of delivery on a per employee basis.

The Vice Rector requested that the results and costs of these initiatives be tracked and reported. While the initiatives are worthwhile, their budget impacts must be minimized given the commitment the Board made to modest tuition increases as a part of the new financial model. The University must also find a way to achieve a top 20 ranking in faculty compensation.

On motion, the committee approved the following resolution and recommended it for full Board approval.

2015-2016 OPERATING BUDGET AND ANNUAL RENOVATION AND INFRASTRUCTURE PLAN FOR THE ACADEMIC DIVISION

RESOLVED, the 2015-2016 Operating Budget and Annual Renovation and Infrastructure Plan for the Academic Division are approved as recommended by the President and the Chief Operating Officer.

PRATT FUND DISTRIBUTION FOR 2015-2016

RESOLVED, the budget for the expenditure of funds from the Estate of John Lee Pratt is approved to supplement appropriations made by the Commonwealth of Virginia for the School of Medicine and the Departments of Biology, Chemistry, Mathematics, and Physics in the College of Arts and Sciences. Departmental allocations, not to exceed $11,339,000 for 2015-2016, are suggested by the department chairs and recommended by the dean of each school; the disbursement of each allotment will be authorized by the Executive Vice President and Provost. To the extent the annual income from the endowment is not adequate to meet the recommended distribution; the principal of the endowment will be disinvested to provide funds for the approved budgets.

2015-2016 OPERATING BUDGET FOR THE UNIVERSITY OF VIRGINIA’S COLLEGE AT WISE

RESOLVED, the 2015-2016 Operating Budget for The University of Virginia’s College at Wise is approved as recommended by the President and the Chief Operating Officer.
RESOLVED, the 2015-2016 Operating and Capital Budgets and the Annual Renovation and Infrastructure Plan for the University of Virginia Medical Center are approved as recommended by the President, the Chief Operating Officer, and the Medical Center Operating Board.

RESOLVED, the 2015-2016 Operating and Capital Budgets for the University of Virginia Transitional Care Hospital, presented as a component of the Medical Center Operating Budget, are approved as recommended by the President, Chief Operating Officer, and the Medical Center Operating Board.

Action Item: Multi-Year Capital Program Update

Ms. Sheehy’s presentation on the multi-year capital program focused on new projects and on planning studies that could lead to new capital projects. Mr. Hogan and Mr. Goodwin reported that in response to comments made at the Buildings and Grounds Committee meeting there will be a Board session on the capital planning process.

On motion, the committee approved the following resolution and recommended it for full Board approval.

UPDATE OF THE UNIVERSITY’S MULTI-YEAR CAPITAL PROGRAM FOR FISCAL YEARS 2016-2022

WHEREAS, it is important for the University to set forth its capital needs to the Commonwealth for full consideration; and

WHEREAS, the Board of Visitors supports the raising of private funds for high priority capital projects; and

WHEREAS, the Executive Vice President and Chief Operating Officer will confirm that appropriate funding is in place before any project commences construction;

RESOLVED, the update of the Multi-Year Capital Program for fiscal years 2016-22 is approved; and

RESOLVED FURTHER, the financial plans for the new capital outlay projects expected to begin by 2018 in the update of the Multi-Year Capital Program are complete, and are approved.
Ms. Sullivan presented the Six-Year Plan that is due to the State on October 1st. The plan will: 1) align with the University’s Cornerstone Plan; 2) enhance the University’s mission of education, research and service; and 3) advance the objectives of the Higher Education Opportunity Act and the Statewide Strategic Plan. It will be comprised of 16 strategies focusing on student engagement and success, research and economic development, academic excellence and affordable access, and faculty and staff recruitment and retention.

On motion, the committee adjourned at 11:15 a.m.

SGH:wtl
These minutes have been posted to the University of Virginia’s Board of Visitors website:  http://www.virginia.edu/bov/financeminutes.html