UNIVERSITY OF VIRGINIA
BOARD OF VISITORS
MEETING OF THE
FINANCE SUBCOMMITTEE
WITH FULL BOARD
MARCH 24, 2015
FINANCE SUBCOMMITTEE WITH FULL BOARD

Tuesday, March 24, 2015
3:15 p.m. - 5:30 p.m.
Auditorium of the Albert & Shirley Small Special Collections Library, Harrison Institute

Committee Members:
John A. Griffin, Chair
Frank B. Atkinson
Kevin J. Fay
Victoria D. Harker
John G. Macfarlane III
George Keith Martin, Ex-officio

AGENDA

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| • AFFORDABLE EXCELLENCE MODEL | 1 |
BACKGROUND: The Finance Subcommittee held its first meeting on June 5, 2014 to set forth its charge, which is to develop a financial/pricing model (including a long-term financial plan) that promotes: affordability for low-income and middle-income students and their families; predictability of tuition and fee costs and associated financial aid; a sustainable student financial aid program; sustainable funding for instruction that preserves and enhances academic excellence; diversity and inclusiveness; and process efficiencies and savings achieved through the Organizational Excellence initiative.

The Subcommittee met again on June 27, 2014 in Northern Virginia to explore several topics: tuition/financial aid pricing; cost of education; the AccessUVa program; and the endowment. Committee members worked to identify the components of the revenue budget that will be incorporated into the Affordable Excellence model.

The Subcommittee met a third time on July 25, 2014 again in Northern Virginia. The meeting focused on maximizing the strength of the University’s AAA-rated balance sheet, options around the endowment distribution rate, and options to fund AccessUVa for the long-term. The administration provided an overview on the University Financial Model, Organizational Excellence, and the University's Strategic Corporate Partner Program.

Over the course of the summer, each member of the Subcommittee took responsibility for extensive outreach to leaders in higher education across the nation and to former Rectors.

At the fourth meeting, held on September 10, 2014, the Subcommittee reviewed the research enterprise’s role in the long-term financial model, the details of Advancement’s restructuring and campaign planning, the profile of the incoming
class of 2018, communications in recruiting and in elevating awareness for supporting need-based scholarships, and the status of work that is being done to maximize the strength of the University’s AAA-rated balance sheet.

At its November 15, 2014 meeting with the Full Board, the Finance Subcommittee shared the results of its work focusing on the cost analysis of the following strategic priorities: the Cornerstone Plan, the impending generational turnover of faculty, enhancing affordability, and sustaining excellence in operational performance. The session included a high-level discussion of possible funding sources for these strategic priorities, including increasing the endowment spending distribution; optimizing the performance of the balance sheet; generating savings by restructuring the debt portfolio; executing a robust philanthropic campaign to support the Cornerstone Plan, faculty excellence, and student financial aid; continuing to achieve operational efficiencies and developing new academic revenues; and, after other sources of revenue have been utilized, crafting a tuition/aid model to improve affordability and predictability.

DISCUSSION: The Finance Subcommittee has been executing on its charge to analyze the various revenue sources and understand the balance sheet strengths and related optimization opportunities. This February, the Executive Committee approved a bond issue allowing the University to realize present value savings and reduce the average rate of our long-term debt portfolio from 4.21% to 4.13%. And at its March 24 meeting, the Finance Committee will consider resetting the endowment spending rate to allow for a 40 basis-point adjustment, generating approximately $7.2 million in unrestricted funds.

In addition, Administration has set an ambitious goal of realizing $120 million in operational gains from FY16-22 through business process efficiencies, new models of service delivery, increased productivity, and new sources of academic revenue.

During the March meeting, the Finance Subcommittee will engage the Full Board in a discussion of issues involved in promoting affordability and will make recommendations regarding loan caps and the predictability of tuition.