

February 25, 2000

MEMORANDUM

TO: The Finance Committee:

William H. Goodwin, Jr., Chair
Timothy B. Robertson
Henry L. Valentine, II
Walter F. Walker
James C. Wheat, III
Joseph E. Wolfe
John P. Ackerly, III, Ex Officio

and

The Remaining Members of the Board:

Charles M. Caravati Jr., M.D.	Terence P. Ross
Champ Clark	Robert G. Schoenvogel
William G. Crutchfield, Jr.	Albert H. Small
T. Keister Greer	Elizabeth A. Twohy
Elsie Goodwyn Holland	Benjamin P.A. Warthen

FROM: Alexander G. Gilliam, Jr.

SUBJECT: Minutes of the Meeting of the Finance Committee
on February 25, 2000

The Finance Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 11:30 a.m., Friday, February 25, 2000, in the East Oval Room of the Rotunda; William H. Goodwin, Jr., Chair, presided. Timothy B. Robertson, Henry L. Valentine, II, Walter F. Walker, James C. Wheat, III, Joseph E. Wolfe, and John P. Ackerly, III, Rector, were present.

Other Members of the Board of Visitors present were Charles M. Caravati, Jr., M.D., Champ Clark, William G. Crutchfield, Jr., T. Keister Greer, Mrs. Elsie Goodwyn Holland, Terence P. Ross, Albert H. Small, Ms. Elizabeth A. Twohy, and Benjamin P.A. Warthen.

Also present were John T. Casteen, III, Leonard W. Sandridge, Jr., Alexander G. Gilliam, Jr., Ms. Colette Sheehy, Peter W. Low, Robert W. Cantrell, M.D., Ernest H. Ern, William W. Harmon, Terry Holland, Robert E. Reynolds, M.D., Ms. Alice W. Handy, L. Jay Lemons, and Ms. Jeanne Flippo Bailes.

The Chair asked Mr. Sandridge, Executive Vice President and Chief Operating Officer, to present the Agenda.

The first Item constituted the Consent Agenda. The General Assembly, at the 1998 Session, authorized the acquisition of the Orange Medical Office Building in the Town of Orange. The Orange Medical Office Building has 24,000 gross square feet and is considered a state-of-the-art dialysis and ambulatory care facility; the Building also houses radiology and clinical laboratory services.

The Board of Visitors in October, 1998 approved an intent to issue bonds for this project and in May, 1999 approved bonds for the purchase of the Building through the Virginia College Building Authority Pooled Bond Program. The office of the Attorney General of the Commonwealth has opined that there must be a resolution of the Board specifically approving this purchase, which is now projected to be \$3,900,000.

On motion, the Committee adopted the necessary resolution approving the purchase and recommended it to the full Board for approval. (See Minutes of the meeting of the Board of Visitors, February 26, 2000.)

Continuing on the Agenda to the regular Action Item, Mr. Sandridge proposed, as is customary at this meeting of the Board, the student room rates for the next academic year at the University and at The University of Virginia's College at Wise. The average increase for the University would be 3.8% and 2.8% at Wise. In spite of these increases, the double room rate at the University is \$631 less than the state average and at Wise \$169 less than the average.

On motion, the Committee adopted the necessary resolution and recommended it to the full Board for approval. (See Minutes of the meeting of the Board of Visitors, February 26, 2000.)

Mr. Sandridge asked Ms. Sheehy, Vice President for Management and Budget, to report on the Governor's Budget as it pertains to the University and to the College at Wise.

Ms. Sheehy began her report by pointing out that the Budget is still being debated by the General Assembly and that she would have a final report for the Committee at the April meeting of the Board.

The Governor's Budget has money to maintain faculty salaries at the 60th percentile, which means a 3.4% increase at the University and a 2.4% increase at Wise. New funding for the Academic Division includes general funds of \$280,734 for enrollment growth, \$1m for the Virginia Center for Governmental Studies and \$710,249 to provide operations and maintenance on new

educational and general buildings that will open during the forthcoming biennium. The Budget would provide \$86.5m (of which \$17.4m would be in general funds) for capital projects for the Academic Division. There is \$2m in the Governor's Budget for the renovation of Peabody Hall, with the stipulation that the Board rescind the \$20 increase in application fees that it approved last year.

The Medical Center would receive its requested non-general fund adjustment to bring its appropriation in line with actual expenditures; there is also a recommendation in the Governor's Budget for \$64.9m in capital projects for the Medical Center.

The Governor's Budget includes \$5.1m for capital projects at Wise.

On January 14th, Mr. Sandridge notified the Board of the University's highest priority items not addressed by the Governor's Budget and which the University proposed to submit to the General Assembly as part of the regular legislative amendment process. The understanding was that any amendments the Board did not support would be withdrawn. Among the amendments submitted are a request for funding for indigent care, an appropriation for a Studio Art Building and for the renovation of Fayerweather Hall, and planning money for a new Arts & Sciences Building.

Other pending legislation of particular interest include a bill submitted by Delegate Woodrum to extend our authority for one year to allow telephonic meetings of the Board under certain circumstances, as well as a bill sent down by the Governor which would convey the Blue Ridge Hospital to the University of Virginia Real Estate Foundation for development as a research park. A corollary to this is the proposed leasing of 32 acres to the Thomas Jefferson Memorial Foundation for a Monticello visitors' center.

Ms. Sheehy went on to explain that at this Board meeting, it is the custom to discuss preliminary assumptions for the University's Budget over the next academic year. These assumptions, of course, are based on the Governor's Budget which is in the process of amendment by the Legislature. Tuitions are dependent on the Governor's Budget in its final form, but Ms. Sheehy said the Darden and Law Schools will continue their implementation of financial self-sufficiency, which means that tuition surcharges at both schools will continue. The Medical School will start its third year of a multi-year plan to raise tuition for both Virginians and out-of-state students. Law School tuition, aside from required fees, will increase at a rate that will not exceed the increase in the Consumer Price Index for the year ended December 31, 1999. The current tuition surcharges used for financial aid will continue in 2000-01.

Continuing his presentation of the Agenda, Mr. Sandridge reported on a review undertaken - at the request of the Committee - by KPMG of its network infrastructure. The gist of KPMG's review, Mr. Sandridge said, is that the University has evolved its network with a clear strategy and a clear plan. Oracle, the new system, will not strain the network. KPMG did suggest, however, that the University re-evaluate the network as each element is installed.

Mr. Ross asked if the present cables will be adequate for the new system. Dr. Reynolds, Interim Vice President for Information Technology, said it is his impression that they will be, but he promised to check and report back to Mr. Ross.

Ms. Handy, University Treasurer, reported on the Endowment. As of January 31st, the Endowment stands at \$1b563.6m, compared to \$1b250m.6 last June 30th. Ms. Handy described changes in asset allocations that have taken place over the last six months.

She also reported on actions taken at the UVIMCO meetings of December 15th and February 9th. (See Minutes of those meetings.)

Mr. Sandridge drew the Committee's attention to the variety of miscellaneous reports contained in the material distributed to Members prior to the meeting.

- - - - -

On motion, the meeting was adjourned at 12:00 noon.

AGG:lah

Copies to: Mr. John T. Casteen, III
Mr. Gene D. Block
Dr. Robert W. Cantrell
Ms. Louise Dudley
Mr. Ernest H. Ern
Mr. Paul J. Forch
Mr. William W. Harmon
Mr. Terry Holland
Mr. L. Jay Lemons
Mr. Peter W. Low
Dr. Robert E. Reynolds
Mr. Leonard W. Sandridge
Ms. Colette Sheehy
Mr. Robert D. Sweeney
Ms. Alice W. Handy