

June 15, 2000

MEMORANDUM

TO: The Finance Committee:

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

and

The Remaining Members of the Board:

Thomas J. Bliley, Jr.	Stephen S. Phelan, Jr.
Charles M. Caravati Jr., M.D.	Gordon F. Rainey, Jr.
William G. Crutchfield, Jr.	Terence P. Ross
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 June 15, 2000

The Finance Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 4:05 p.m., Thursday, June 15, 2000, in the East Oval Room of the Rotunda; William H. Goodwin, Jr., Chair, presided. Charles L. Glazer, Timothy B. Robertson, Walter F. Walker, James C. Wheat, III, and John P. Ackerly, III, Rector, were present. Gordon F. Rainey, Jr. was present also.

Present as well were John T. Casteen, III, Leonard W. Sandridge, Alexander G. Gilliam, Jr., Paul J. Forch, Ms. Colette Sheehy, Robert W. Cantrell, Peter W. Low, William E. Carter, Ms. Alice W. Handy, and Ms. Jeanne Flippo Bailes.

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

The first four items were Consent Agenda. The first was the customary annual distribution of Pratt Estate funds: 50% to the College of Arts, and 50% to the School of Medicine, for a total of \$6.1 million. The second resolution proposed was for the appointment of Ms. Christine Gustafson to a four year term on the Board of the University of Virginia Investment Management Company (UVIMCO); Ms. Gustafson is completing a two year term on the Board. The third resolution authorized the Executive Vice President and Chief Operating Officer to execute the necessary documents and agreements to transfer the Blue Ridge Hospital property to the University of Virginia Real Estate Foundation. The fourth resolution would comply with federal law in the refund of tuition, fees and room and board charges by the University and by The University of Virginia's College at Wise.

On motion, the four resolutions were approved and recommended to the full Board for approval. (See Minutes of the meeting of the Board of Visitors, June 17, 2000.)

Mr. Sandridge then introduced the principal item on the Agenda: discussion and approval of the University's 2000-2001 Budget.

He gave an overview of the Budget which, including the Academic Division, the Medical Center and The University of Virginia's College at Wise, will amount to \$1billion, 258.1million, a 4.7% rise over last year. Total revenues come to \$1billion, 289.3million. Some 60% of the Budget is devoted to personnel matters and, in fact, Mr. Sandridge pointed out, the Budget can be said to be driven by salaries and fringe benefits. He noted, too, large expenditures this year for the two Integrated Systems Projects and money put aside for the Virginia 2020 Commissions.

In reply to a question, he said about 16 1/2% of revenues come from the state. This is not to say that state appropriations have decreased but that the proportion of other revenues has increased.

He then asked Ms. Sheehy, Vice President for Management and Budget, to continue the presentation.

Principally for the benefit of new Members, Ms. Sheehy first outlined the Budget making process. She then discussed the proposed budget for the Academic Division: total revenues will amount to \$752.6million, expenditures will come to \$752million. Sponsored Programs, at 26.6%, constitute the largest single source of revenue; support for instruction, at 28.4%, is the largest expenditure.

Noting that Mr. Goodwin had asked for comparisons between the University's Budget expenditures and those at other institutions, Ms. Sheehy referred to eight "peer" institutions: the Universities of North Carolina, Michigan, California at Berkeley and California at Los Angeles for public institutions; and Duke, Princeton, Northwestern and Vanderbilt Universities for private institutions. On total expenditures and on expenditures in the categories "instruction," "research," "institutional support" and "operation and maintenance of plant," the University ranked last among these institutions in dollars spent per FTE student. In "student services," the University ranked eighth, in "public service" third, and fifth in "academic support."

Ms. Sheehy then discussed in some detail the proposed Budget allocations.

She continued with a presentation of the Budget for The University of Virginia's College at Wise. Total revenues for the College are budgeted at \$18.6million, of which 59.1% comes from state appropriations. Expenditures are set at \$18.6million with 70.4% going for "educational and general."

Mr. Carter presented the Budget for the Health Sciences Center. Operating revenue is budgeted at \$512.6 million and operating expenses at \$487.5 million, with a projected operating margin of 4.9%. Mr. Carter, Mr. Sandridge and Dr. Massaro led a thorough discussion of the considerations that went into the preparation of the Budget. Part of this

discussion had to do with the serious shortage of nursing and other professional staff. Mr. Sandridge proposed that since the Medical Center has exceeded its projected 4% operating margin for the Fiscal Year ending June 30th, funds be set aside to support professional training of staff and to adjust salaries of critical personnel.

On motion, the Committee adopted a resolution approving Mr. Sandridge's proposal and recommended it to the full Board for its approval (see Minutes of the meeting of the Board of Visitors, June 17, 2000).

On further motion, the Committee adopted resolutions approving the 2000-2001 Budgets for the Academic Division, The University of Virginia's College at Wise, and the Medical Center, and recommended them to the full Board for approval (see Minutes of the meeting of the Board of Visitors, June 17, 2000).

Mr. Sandridge then proposed an increase in the Endowment income distribution, based on the excellent performance of the Endowment over the last year. Mr. Wheat suggested that a "rainy day" approach toward the annual distribution might be prudent, given the vagaries of state appropriations. He and the Chair asked that for next year, thought be given to these considerations. Mr. Sandridge agreed to do so.

On motion, the Committee adopted a resolution approving the proposed income distribution and recommended it to the full Board for approval (see Minutes of the meeting of the Board of Visitors, June 17, 2000).

Mr. Sandridge proposed a resolution authorizing a bond issue to finance three construction projects, all previously approved by the Board: the Darden School Expansion Project, an addition to the National Radio Astronomy Observatory (NRAO) and the Student Center at The University of Virginia's College at Wise. The bonds will be issued through the Virginia College Building Authority's Pooled Bond Program. The total cost of the three projects is \$64.9 million, but the principal amount of the bond issue is not to exceed \$55.4 million.

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, June 17, 2000).

Ms. Handy gave her customary report on the Endowment, which stood at \$1 billion 668.5 million on May 31st. She discussed its performance over the Fiscal Year as well as the different investment allocations.

The Chair gave a brief report on the meeting of the Board of Directors of the University of Virginia Investment Management Company (UVIMCO) at its meeting on May 31, 2000 (see the Minutes of that meeting).

On motion, the meeting was adjourned at 4:00 p.m.

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