

October 5, 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 October 5, 2000

The Finance Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 10:35 a.m., Thursday, October 5, 2000, in the Board Room of the Rotunda; William H. Goodwin, Jr., Chair, presided. Charles L. Glazer, Timothy B. Robertson, Walter F. Walker, James C. Wheat, III, Joseph E. Wolfe, and John P. Ackerly, III, Rector, were present.

Also present were Charles M. Caravati, Jr., M.D., William G. Crutchfield, Jr., T. Keister Greer, Mrs. Elsie Goodwyn Holland, Gordon F. Rainey, Jr., Terence P. Ross, Ms. Elizabeth A. Twohy, Benjamin P.A. Warthen, and Stephen S. Phelan, Jr.

Present as well were John T. Casteen, III, Leonard W. Sandridge, Alexander G. Gilliam, Jr., Paul J. Forch, Robert W. Cantrell, M.D., Ms. Colette Sheehy, Ernest H. Ern, Robert D. Sweeney, Robert E. Reynolds, M.D., Gene D. Block, Ms. Alice W. Handy, L. Jay Lemons, and Ms. Jeanne Flippo Bailes.

The Chair commented on the University's new and excellent Moody's rating and congratulated everyone responsible for the good financial management which had earned the rating. He then asked Mr. Sandridge, Executive Vice President and Chief Operating Officer, to present the Agenda.

The first item, Mr. Sandridge explained, was a Consent Agenda item. He proposed a resolution revising the University's permanent implementing procedures for Medical Center procurements. The revisions, which were recommended earlier by Messrs. Walter Marston and Lane Kneeder in their Report on the Relationship between the Commonwealth of Virginia and Academic Medical Centers, corrects outdated titles and terminology, increases the threshold for small procurements and sole-source justifications from \$30,000 to \$50,000, and provides for emergency procurement authority.

On motion, the Committee adopted the necessary resolution, and recommended it to the full Board for its approval at the Board meeting of October 6, 2000 (see Minutes of the meeting of the Board of Visitors of that date).

The first item on the Action Agenda was a resolution approving a bond issue for the Monroe Lane Residence Hall. The Monroe Lane Residence Hall is to be an international languages house - probably Arabic, Chinese, Japanese and Hindi. The preliminary design of the project was approved by the Board on June 17th. Construction is to begin next February and will be done by July 2002. The budget for the project is \$7 million, of which \$4.8 million is to be financed with bonds. The bond issue, which has been authorized by the General Assembly, is to be in Self-Supporting General Obligation Bonds.

On motion, the Committee adopted the necessary resolution and recommended it to the full Board for its approval at the Board meeting of October 6, 2000 (see Minutes of the meeting of the Board of Visitors of that date).

The next item was a discussion and approval of the University's Institutional Performance Agreement (IPA) with the Commonwealth. Mr. Sandridge asked Mr. Rainey, who had been asked by the Rector to work with the Administration on the IPA, to begin the discussion.

Mr. Rainey reviewed the history of the IPA. It was a recommendation of the Governor's Blue Ribbon Commission on Higher Education, he said, and the University indicated an interest in serving as a pilot institution. On July 27th, the University was notified that it had been selected (along with George Mason University, Virginia Commonwealth University, Virginia State University and Norfolk State University) to participate, and that its IPA had to be submitted to the Secretary of Education on October 6th. The Board of Visitors was sent an outline of the proposed IPA on August 31st.

The IPA was envisioned by the Blue Ribbon Commission as a way for the Commonwealth and the state institutions of higher education to address major funding, quality and accountability issues. The Governor introduced the concept in his budget, but the General Assembly modified it to a progress report on the institutions' strategic plans, with an emphasis on quality, access, accountability and affordability.

Mr. Sandridge then asked Ms. Sheehy, Vice President for Management and Budget, who was charged with overseeing the drafting of the IPA, to lead the discussion.

Referring to the final draft, which had been distributed previously to Members, Ms. Sheehy reviewed the proposed IPA item by item. She reminded the Committee that The University of Virginia's College at Wise and the Medical Center are excluded from the IPA. There was considerable discussion of the draft; in the end, a motion was offered to approve it.

The motion was adopted and the resolution was recommended to the full Board for approval at its meeting on October 6th (see Minutes of the meeting of the Board of Visitors of that date).

Turning to the next item on the Agenda, a report on the Endowment, the Chair commended Ms. Handy for her work, which has caused an excellent Endowment performance over the last two years. Ms. Handy gave a report on the Endowment, citing figures current at the end of August. For Fiscal Year 2000, the Pooled Endowment Fund returned 43.7%, versus 10.4% on the target benchmark. The return falls within the top quartile of the University's peer institutions.

Ms. Handy and the Chair also discussed the goals of the Retreat of the Board of the University of Virginia Investment Management Company (UVIMCO), scheduled for November 14th and 15th, as well as actions taken at the UVIMCO Board meeting on September 5th (see Minutes of the UVIMCO Board meeting of that date, as well as the Minutes of the meeting of the Board of Visitors on October 6, 2000).

Mr. Sandridge then gave a miscellany of reports:

The Annual Report to the State Council of Higher Education

This report is due on October 15th and follows a prescribed format - prescribed by the State Council - for the strategic plan progress report. It covers four general areas: Efforts to improve the quality of instruction, public service, research and student life; efforts to maximize student access and minimize cost to students and the state; efforts to increase administrative efficiency and productivity; and other strategic plan objectives.

UVa Health Plan Annual Report

This report is given regularly by the Executive Vice President and Chief Operating Officer. The regular monitoring of the University's health insurance claims and premiums, the adequacy of its reserves and the outlook for future health costs, all indicate that health care costs will rise in the year ahead by as much as 9%. Claims, at the moment, are slightly lower than projected a year ago. The reserve for claims "incurred but not yet reported or paid" is fully funded. The University will revise its insurance plan premium structure, effective January 2001.

Pricing Policy for 2001-2002 Tuition and Required Fees

These are set at the April Board meeting. Undergraduate tuition and educational and general fees for Virginians will not change. Out of state undergraduate tuition and fees and graduation tuition increases will rise, but the amount has not yet been determined. The School of Medicine will continue to implement its surcharge and the Law and Darden Schools will continue to work toward self-sufficiency. The College at Wise will continue to implement the student fee increases necessary to pay for the new Student Center.

Observatory Hill Dining Facility

Mr. Sandridge told the Committee that at its meeting on September 20th, the Buildings and Grounds Committee determined that the renovation plan for the Observatory Hill Dining Facility was not feasible. Buildings and Grounds voted to demolish the existing building and construct a replacement in the same location (see Minutes of the meeting of the Buildings and Grounds Committee, September 20, 2000). In doing so, the Committee asked that the matter be brought to the attention of the full Board for discussion before the Board is asked to vote. (See Minutes of the meeting of the full Board of October 6, 2000.)

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On motion, the meeting was adjourned at 12:05 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