

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS
EXECUTIVE COMMITTEE
MEETING
JANUARY 10, 2001**

EXECUTIVE COMMITTEE

Wednesday, January 10, 2001

12:00 noon

Lower East Oval Room, The Rotunda

Committee Members:

John P. Ackerly, III, Chair

Charles M. Caravati, Jr., M.D.

William H. Goodwin, Jr.

Terence P. Ross

Elizabeth A. Twohy

AGENDA

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UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: January 10, 2001

COMMITTEE: Executive Committee

AGENDA ITEM: I.A.1. Legislative Capital Budget Amendments
- Academic Division

BACKGROUND: The Board approved capital budget amendments to the 2000-2002 biennial budget at its telephonic meeting on October 2, 2000, for inclusion in the Governor's budget. Additional capital budget requirements have since been identified for the Academic Division (Agency 207). The budget amendments must be submitted to the General Assembly.

DISCUSSION: The legislative capital budget amendments are as follows:

- 1) *Improvements: Clark Hall Renovation and Addition* (\$5,000,000 [GF] and \$2,700,000 [NGF]) - This request is for a \$7.7 million supplement to the Clark Hall Renovation and Addition project, which has a \$31,732,000 budget. The supplement is needed to offset high bids and rock excavation. Scope reductions have been implemented to help offset these costs, but we have reached a point where further cuts would be detrimental to the programs of the Department of Environmental Sciences and the Science and Engineering Library. The project's budget is split between state funding and university funding. The supplement will maintain this split. University funding will be provided by indirect cost recoveries and utilities improvement funds.

- 2) *New Construction: Studio Art Building* (\$3,500,000 [NGF]) - This request is for a \$3.5 million supplement to the Studio Art Building, which has a \$9,000,000 budget funded by state general funds. An initial estimate by the architect indicated the project, as originally planned, was over budget. To minimize the budget increase, we have reduced the building size, and have modified its design to make it more efficient. The supplement will be used for site development, digital arts labs, and features that will support the future development of the Arts Precinct. Funding for the supplement will be provided by gift funds.

- 3) *Improvements: Science and Engineering Laboratory Renovations (\$8,000,000 [NGF])* - This is a request for a new authorization for major laboratory and vivarium renovations. Funding will be provided by grant awards. The Biology Department has submitted proposals for two NIH grants. The grant awards will be made public in April 2001 and, if successful, the funds will be available in October 2001. The first grant is an Animal Facility Renovation Grant for the Gilmer Hall Vivarium; the second grant is a National Center Research Resources (NCRR) Grant which will fund the renovation of the remaining research labs and support spaces on the ground floor of Gilmer Hall.
- 4) *Improvements: Withers-Brown Hall Renovation (\$2,100,000 [NGF])* - This project renovates the first floor faculty offices in Withers-Brown Hall at the Law School. The work was part of the original scope for the recent renovation project, but was deleted to keep the project budget within the amount of funding that was available at that time. Funding will be provided by gifts.
- 5) *Improvements: Steam Tunnel Repair and Replacement (\$3,500,000 [NGF])* - A recent study of University steam tunnels identified three major steam tunnel replacement projects. The first is in the Health Sciences Center under Jefferson Park Avenue and between Davis and McKim Halls. The second is a tunnel section in the Central Grounds that runs from in front of Garrett Hall under the Lawn to Randall Hall. The third is located under the Emmet Street sidewalk sections adjacent to the Central Grounds Parking Garage and Memorial Gymnasium. Facilities Management has developed a plan to address these projects during the next three biennia. This request is for the Health Sciences Center tunnels. Funding will be provided by utilities improvement funds.
- 6) *Acquisition: SEAS Research Building (\$13,000,000 [NGF])* - The research programs of the School of Engineering and Applied Science are restricted by a lack of sufficient space. To support the growth and viability of these programs, the School would like to build a 75,000 gross square feet dry lab research building at the Fontaine Research Park. The University of Virginia Foundation will build the building, for purchase by the Rector and Visitors upon completion. Funding will be split - \$9 million bonds and \$4 million indirect cost recoveries. The School will use indirect cost recoveries to fund debt service and operating costs.

- 7) *Construction: New Materials Science Building (\$14,000,000 [NGF])* - The School of Engineering and Applied Sciences recently received a \$14 million gift to construct a new Materials Science Building. The building will be a 50,000 gross square feet addition to the Materials Science and Chemical Engineering buildings; it will also be connected to the new Engineering Research Center. The building will support the Materials Science Department and the new Engineering Research Center.

ACTION REQUIRED: Approval by the Buildings and Grounds Committee and the Executive Committee of the Board (to meet the requirements of the General Assembly's legislative calendar, approval must be sought before the next meeting of the full Board). This action will be reported to the full Board at its meeting on January 20, 2001.

APPROVAL OF LEGISLATIVE CAPITAL BUDGET AMENDMENTS FOR THE ACADEMIC DIVISION

WHEREAS, on October 2, 2000, the Rector and Visitors approved a list of capital budget amendments to be submitted to the Governor; and

WHEREAS, the construction bids on the Clark Hall Renovation and Addition project have exceeded the original estimates and require a general fund supplement; and

WHEREAS, the University has identified additional projects to be funded with gifts, grants, and other internally generated revenue; and

WHEREAS, the additional requests are consistent with the mission of the institution and with its strategic plan;

RESOLVED that the Board of Visitors of the University of Virginia endorses and supports the legislative budget amendment requests; and

RESOLVED FURTHER that the Executive Vice President and Chief Operating Officer is authorized to transmit the amendment requests to the General Assembly.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: January 10, 2001

COMMITTEE: Executive Committee

AGENDA ITEM: I.A.2. Legislative Capital Budget Amendments
- College at Wise

BACKGROUND: The Board approved capital budget amendments to the 2000-2002 biennial budget at its telephonic meeting on October 2, 2000, for inclusion in the Governor's budget. An additional capital budget requirement has since been identified for the College at Wise (Agency 246). The budget amendments must be submitted to the General Assembly.

DISCUSSION: A regional convocation center for Southwest Virginia has been discussed for many years. Current thinking is to have the project constructed on property belonging to The University of Virginia's College at Wise. Recent conversations have involved area legislators, elected regional officials and representatives of the College. If constructed, the College would have use of the facility. The Six-Year Capital Outlay Plan approved by the Board in March 1999, for the period 2000-2006, includes a 2002-2004 project at the College at Wise for a Physical Education and Convocation Center. A feasibility study is required to determine the viability of the project. The College's Advisory Board has approved the legislative budget amendment.

The College has discussed submission of a legislative budget amendment with the Southwest Virginia delegation in the amount of \$350,000 [GF] to conduct a feasibility study for a regional convocation center. The study will determine the viability of a regional convocation center located on the campus of The University of Virginia's College at Wise. The study will determine the prospective size of the facility, the estimated construction and operational costs, the number of events required to sustain the facility and the financial feasibility. The facility would provide space for the Center for Teaching Excellence, for the instruction of physical education classes and for intercollegiate basketball as well as convention, meeting and event space for the College and the region. The feasibility of the project would be dependent on funding derived wholly from regional funding sources combined with general funds.

ACTION REQUIRED: Approval by the Buildings and Grounds Committee and the Executive Committee of the Board of Visitors. This action will be reported to the full Board at its meeting on January 20, 2001.

APPROVAL OF LEGISLATIVE BUDGET AMENDMENT FOR THE COLLEGE AT WISE

WHEREAS, in March 1999, the Rector and Visitors approved the Six-Year Capital Outlay Plan for The University of Virginia's College at Wise; and

WHEREAS, the Plan included a 2002-2004 project for a Physical Education and Convocation Center; and

WHEREAS, a feasibility study is necessary to determine the viability of the project;

RESOLVED that the Board of Visitors of the University of Virginia concurs with the legislative budget amendment request to fund a feasibility study; and

RESOLVED FURTHER that the Board's future endorsement of the project is contingent on the results of the feasibility study and its impact on the financial operations of the College; and

RESOLVED FURTHER that the Chancellor ad interim of the College at Wise is authorized to transmit the amendment request to the General Assembly.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: January 10, 2001

COMMITTEE: Executive Committee

AGENDA ITEM: I.B.1. School of Engineering and Applied
Science Research Building at Fontaine
Research Park - Acquisition

BACKGROUND: The research programs of the School of Engineering and Applied Science are restricted by a lack of sufficient space. To support the growth and viability of these programs, the School would like to build a 75,000 gross square feet dry lab research building at the Fontaine Research Park.

DISCUSSION: The University of Virginia Foundation will build the building, for purchase by the Rector and Visitors upon completion. Funding will be split - \$9 million bonds and \$4 million indirect cost recoveries. The School will use indirect cost recoveries to fund debt service and operating costs.

The Rector and Visitors expects to buy the building upon completion, at a price not to exceed the appraised value of the property. The total project costs of the School of Engineering and Applied Science Research Building acquisition are expected not to exceed \$13.0 million.

This acquisition project will be submitted as a capital budget amendment for consideration by the 2001 General Assembly.

ACTION REQUIRED: Approval by the Executive Committee of the Board of Visitors. This action will be reported to the full Board at its meeting on January 20, 2001.

APPROVAL OF ACQUISITION OF THE SCHOOL OF ENGINEERING AND APPLIED
SCIENCE RESEARCH BUILDING

WHEREAS, the School of Engineering and Applied Science has determined that a critical shortage of research space exists and will soon have a negative impact on continued growth in existing and future research programs; and

WHEREAS, the University requests that the University of Virginia Foundation construct the School of Engineering and Applied Science Research Building, a laboratory building to be located at the Fontaine Research Park; and

WHEREAS, the University expects to buy the building upon completion, at a price not to exceed the appraised value of the property; and

WHEREAS, the project costs of the School of Engineering and Applied Science Research Building acquisition are expected not to exceed \$13.0 million;

RESOLVED that the Executive Vice President and Chief Operating Officer is authorized, consistent with applicable University and State policies, to seek state approval for acquisition of the Fontaine Research Center, provide construction loans, arrange bond financing and execute such documents as may be necessary to effect the transactions including acquisition of the completed facility and the land from the University of Virginia Foundation and/or the University of Virginia Real Estate Foundation.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: January 10, 2001

COMMITTEE: Executive Committee

AGENDA ITEM: I.B.2. School of Engineering and Applied
Science Research Building at Fontaine
Research Park - Intent to Issue Bonds

BACKGROUND: The University must declare its intent to issue bonds to reimburse expenditures for planning costs, issuance costs, reserve funds and other financing expenses associated with the School of Engineering and Applied Science Research Building at Fontaine Research Park.

DISCUSSION: If it is determined that issuing tax-exempt bonds is the best way to finance this project, federal regulations require the University to declare its formal intent to issue bonds to reimburse expenditures associated with the project. The bonds will be issued by the University either directly or through the College Building Authority with the approval of the Treasury Board. *This resolution does not authorize the issuance of bonds for this project.*

ACTION REQUIRED: Approval by the Executive Committee of the Board of Visitors. This action will be reported to the full Board at its meeting on January 20, 2001.

APPROVAL OF INTENT TO ISSUE BONDS FOR THE SCHOOL OF ENGINEERING
AND APPLIED SCIENCE RESEARCH BUILDING

WHEREAS, the United States Department of the Treasury has promulgated final regulations in Section 1.150-2 of the Treasury Regulations governing when the allocation of bond proceeds to reimburse expenditures previously made by a borrower shall be treated as an expenditure of the bond proceeds; and

WHEREAS, the Treasury Regulations require a declaration of official intent by a borrower to provide evidence that the borrower intended to reimburse such expenditures with proceeds of its bonds; and

WHEREAS, the Board of Visitors of the University of Virginia desires to make such a declaration of official intent as required by the Regulations;

RESOLVED that, pursuant to the Regulations, the University hereby declares its intent to reimburse expenditures in accordance with the following:

1. The University reasonably expects to reimburse expenditures incurred for the construction of the School of Engineering and Applied Science Research Building proceeds from the issuance of tax-exempt bonds ("bonds") to be issued by the University either directly or through the College Building Authority with the approval of the Treasury Board;
2. This resolution is a declaration of official intent under Section 1.150-2 of the Regulations;
3. The maximum principal amount of bonds expected to be issued for the purpose of reimbursing expenditures relating to the construction of the School of Engineering and Applied Science Research Building in an amount not to exceed \$9.0 million.

UNIVERSITY OF VIRGINIA
FISCAL IMPACT STATEMENT

PROJECT/PROPOSED BOARD OF VISITORS ACTION: Approve the development and acquisition of a new research facility for the School of Engineering at the Fontaine Research Park. Concurrently, this proposal also requests that the Board approve the intent to issue bonds for this facility.

DESCRIPTION: The proposed facility is a new, 75,000 square foot building to address a critical shortage of research laboratory space. The University of Virginia Foundation will develop this project with the intention of selling the facility to the University at a total project price not to exceed \$13.0 million (approximately \$173.33 per square foot). This facility's expected occupancy date is between May and September of 2002.

FISCAL IMPACT: The proposed financing arrangement consists of two sources: \$4.0 million from the School of Engineering supplied by indirect cost recoveries and \$9.0 million from issuing bonds. Assuming a 5.75 percent borrowing rate and a repayment schedule of 20 years, the annual debt service amounts would equal \$784,188. A high-end estimate of total operational expenses of about \$6.50 per square foot would add an additional \$487,500 in the first full year of operation.

Debt service and operating costs will be funded partially from indirect cost recoveries earned on research grants and contracts awarded to faculty occupying space in the building as well as from other resources available to the School.

CONCLUSION: The Executive Committee of the Board of Visitors should approve the proposed development and acquisition plan for a research facility on behalf of the School of Engineering.

RECOMMEND APPROVAL OF BOARD ACTION:



Leonard W. Sandridge
January 20, 2001

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: January 10, 2001

COMMITTEE: Executive Committee

AGENDA ITEM: I.C. Legislative Operating Budget Amendments

BACKGROUND: The Board approved operating budget amendments to the 2000-2002 biennial budget at its telephonic meeting on October 2, 2000, for inclusion in the Governor's budget. Additional operating budget requirements have since been identified for the Academic Division (Agency 207) and for the College at Wise (Agency 246). The budget amendments must be submitted to the General Assembly.

DISCUSSION: The legislative operating budget amendments are as follows:

Academic Division: *Base Budget Adequacy; \$17 million, estimated 215 FTEs* - On December 18, 2000, the Joint Subcommittee on Higher Education Funding Policies released its findings and the outline of its proposed model of funding higher education. The model is nearly complete, only the Operations and Maintenance of Plant funding guideline and a methodology for funding enrollment growth remain to be finalized. The University supports the findings of this committee as a way to address the adequacy of base budget funding and to provide a mechanism for evaluating base funding in the future. The model is not intended to meet all institutional resource requirements, but to provide guidelines.

The model released in December found that the University of Virginia's base budget for the programs of Instruction, Academic Support, Student Services, and Institutional Support is under-funded by \$17 - \$18.5 million.

College At Wise: *Enterprise Resource Planning System; \$295,000 General Fund, 7 FTEs* - The University of Virginia has begun the process to change its administrative operating system to an Oracle based system. Due to the change in the operational and reporting requirements of the system, the College at Wise will undertake more of the financial and procurement work for the College which in previous years had been done at the University. These positions are needed in order to insure that compliance is maintained in the new system with audit control requirements.

The Financial Module will "go live" on July 2, 2001. Accordingly, the College requests that these funds be appropriated during 2000-01 due to training demands and system implementation.

ACTION REQUIRED: Approval by the Executive Committee of the Board. This action will be reported to the full Board at its meeting on January 20, 2001.

APPROVAL OF LEGISLATIVE OPERATING BUDGET AMENDMENTS FOR THE ACADEMIC DIVISION AND THE COLLEGE AT WISE

WHEREAS, on October 2, 2000, the Rector and Visitors approved a list of operating budget amendments to be submitted to the Governor; and

WHEREAS, the University and The University's College at Wise have identified additional requests for which they desire to seek support from the General Assembly; and

WHEREAS, the additional requests are consistent with the missions of the institutions and with their strategic plans;

RESOLVED that the Board of Visitors of the University of Virginia endorses and supports the legislative budget amendment requests; and

RESOLVED FURTHER that the Executive Vice President and Chief Operating Officer and Chancellor ad interim of the College at Wise are authorized to transmit the amendment requests to the General Assembly.