

January 19, 2001

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.	Gordon F. Rainey, Jr.
Charles M. Caravati, Jr., M.D.	Timothy B. Robertson
William G. Crutchfield, Jr.	Terence P. Ross
T. Keister Greer	Elizabeth A. Twohy
Elsie Goodwyn Holland	Benjamin P.A. Warthen
Stephen S. Phelan, Jr.	

FROM: Alexander G. Gilliam, Jr.

SUBJECT: Minutes of the Meeting of the Finance Committee on
January 19, 2001

The Finance Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 9:30 a.m., Friday, January 19, 2001, in the Board Room of the Rotunda; William H. Goodwin, Jr., Chair, presided. Timothy B. Robertson, Walter F. Walker, James C. Wheat, III, Joseph E. Wolfe, and John P. Ackerly, III, Rector, were present.

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

Present as well were John T. Casteen, III, Leonard W. Sandridge, Jr, Alexander G. Gilliam, Jr., Paul J. Forch, Robert

W. Cantrell, M.D., Peter W. Low, Ms. Colette Sheehy, William W. Harmon, Robert D. Sweeney, Robert E. Reynolds, M.D., Gene D. Block, Terry Holland, George E. Culbertson, 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 item on the Agenda was a Consent item. Mr. Sandridge asked for an adjustment to the Cash Match Plan which would allow University employees to receive the benefit after twelve months of any service as an employee of the Commonwealth. This is a change to the Plan which was established by the University on April 1, 2000; the proposed adjustment follows the practice of other institutions in the state.

On motion, the Committee adopted the necessary resolution and recommended it for approval by the Board of Visitors at its meeting on January 19, 2001 (see Minutes of the meeting of the Board of Visitors, January 19, 2001).

The first item on the Action Agenda was the annual setting of student housing rates for the next academic session, both at the University and at The University of Virginia's College at Wise. Mr. Sandridge explained that because of an estimated \$83 million in renovations and improvements required for University housing over the next decade, it is proposed that student housing rates be increased to begin to build up a larger reserve for maintenance. Thus, the increase proposed would be 5.8% as opposed to 3.8% last year. Of the proposed 5.8%, 2.5% - or \$50 - would be put in reserve for renovations and replacements. The intention, he said, would be to increase the housing rates by this \$50 fee each year over three years.

Even with the proposed increase, student housing fees at the University are below the average for state institutions.

The increase proposed for Wise is 2.8%.

On motion, the Committee adopted a resolution authorizing the rate increases and recommended it to the full Board for approval at the Board's meeting on January 19, 2001 (see Minutes of the meeting of the Board of Visitors, January 19, 2001).

The Rector and Mr. Sandridge spoke to the next item on the Agenda, the Board's approval of the mission statement of the University of Virginia Foundation. The mission statement has been used by the Foundation for some years and the Foundation

Board believes that it is appropriate for the Board of Visitors to be aware of it and to approve it.

On motion, the Committee adopted a resolution approving the mission statement of the University of Virginia Foundation, and recommended it to the full Board for consideration at the Board's meeting on January 19, 2001 (see Minutes of the meeting of the Board of Visitors, January 19, 2001).

Mr. Sandridge and Ms. Sheehy, Vice President for Management and Budget, next reported on the Governor's 2000-2002 Budget, as well as the legislative amendments approved by the Executive Committee on January 10th, and proposed by the University.

The Governor's budget for higher education includes funding for faculty salaries and for 100% of true financial aid need and enrollment growth. Nonetheless, the salary rise - 3.4% and .7% at Wise - for faculty will mean a decline in the University's rankings based on salary.

A summary of the University's Budget requests and the Governor's recommendations for the Academic Division, the Medical Center and The University of Virginia's College at Wise is appended to these Minutes as an Attachment.

Ms. Sheehy mentioned briefly the capital budget amendments submitted to the General Assembly. These were considered and approved by the Buildings and Grounds Committee and by the Executive Committee, both of whom met on January 10th (see the Minutes of the Buildings and Grounds Committee and the Minutes of the Executive Committee, both dated January 10, 2001, for a summary of these).

Ms. Sheehy then summarized some assumptions that will be made in drawing up the University's requests for the 2001-2002 State Budget.

The Chair asked Ms. Handy, University Treasurer and President of the University of Virginia Investment Management (UVIMCO), to report on the Endowment. On December 31st, she said, the Endowment stood at \$1billion79, which was down \$13million from the market high of August but up from the figure at this time last year.

Ms. Handy then discussed the work of the UVIMCO Board at its retreat in November and at its meeting in New York last week. Both gatherings were largely given over to discussions of strategy, ways of operating, and the general direction to be followed in investing the Endowment.

Mr. Sandridge reported that the University has formed a debt advisory committee and has established some guidelines for debt - historically the University's debt management policies have been very conservative, but several large debt issues and the demands of extensive capital construction have caused these policies to be rethought. The debt advisory committee will compute the debt capacity of the University annually and will advise senior management.

Finally, Mr. Sandridge drew Members' attention to a status report on the implementation of the Integrated Systems Project; the report was in the committee book distributed to Members before the meeting.

On motion, the meeting was adjourned at 10:15 a.m.

AGG:jb

Attachment

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

APPENDIX

SUMMARY OF BUDGET REQUESTS AND GOVERNOR'S BUDGET BILL

	2000-01		2001-02	
	Request	Governor's Budget	Request	Governor's Budget
Academic Division: Operating				
ERP System (GF)	\$ -	\$ -	\$4,000,000	\$ -
Scientific Research Investment (GF)	-	-	4,000,000	-
Indigent Care (\$2,000,000 GF and \$2,150,239 NGF)	-	-	4,150,239	-
Maintain New Facilities (GF)	-	-	897,497	-
General Liability Ins. Premiums (GF)	300,000	-	300,000	-
Clinical Nursing Faculty (GF)	-	-	250,000	-
Deferred Maintenance Backlog (GF)	-	-	1,100,000	-
Access to Tech in Classrooms (GF)	-	-	500,000	-
Disadvantaged/Under-represented Students (GF)	-	-	210,000	-
Eminent Scholar Appropriation (NGF)	200,000	-	200,000	-
Management Savings (GF)	-	(324,447)	-	(2,008,579)
Faculty Salaries (GF)	-	-	-	2,949,680
Enrollment Growth (GF)	-	-	-	90,942
Student Financial Aid (GF)	-	-	-	50,000
Premium Holidays (GF)	-	-	-	(68,745)
TOTAL Academic Division Operating	\$500,000	(\$324,447)	\$15,607,736	\$1,013,298

SUMMARY OF BUDGET REQUESTS AND GOVERNOR'S BUDGET BILL

	2000-01		2001-02	
	Request	Governor's Budget	Request	Governor's Budget
Academic Division: Capital				
Medical Research Building (MR-6) Request: \$25 mill GF/\$21 mill NGF; Received: \$15 mill GF/\$31 mill NGF	\$46,000,000	\$46,000,000	-	-
Engineering Research Center (GF)	7,000,000	7,000,000	-	-
Campbell Hall Chiller (GF)	2,300,000	-	-	-
Fayerweather Hall Renovation (GF)	4,600,000	-	-	-
Storm Water Management (GF)	1,400,000	-	-	-
Cocke Hall Renovation (GF)	5,000,000	5,000,000	-	-
Eng/Info Technology Building (\$12.5 mill GF/\$12.5 mill NGF)	25,000,000	-	-	-
Garrett Hall Renovation (NGF)	1,500,000	1,500,000	-	-
Lambeth Housing (NGF)	9,000,000	-	-	-
Neurosurgery Offices (NGF)	1,300,000	1,307,000	-	-
Campbell Hall Addition (NGF)	1,000,000	1,000,000	-	-
Monroe Hall Addition, Phase I (NGF)	15,000,000	15,000,000	-	-
Farm Vivarium Facility (NGF)	4,000,000	4,000,000	-	-
HSC Parking Structure (NGF)	10,800,000	-	-	-
AFC Addition (NGF)	3,000,000	-	-	-
SOM Fontaine Research Building (NGF)	17,000,000	-	-	-
Maintenance Reserve (GF)	-	-	-	1,320,411
TOTAL Academic Division Capital	\$153,900,000	\$80,807,000	\$ -	\$1,320,411

SUMMARY OF BUDGET REQUESTS AND GOVERNOR'S BUDGET BILL

	2000-01		2001-02	
	Request	Governor's Budget	Request	Governor's Budget
Medical Center: Operating				
Interest on Operating Balances (NGF)	\$4,400,000	\$ -	\$4,400,000	\$ -
Outpatient Clinics Increase (NGF)	27,000,000	27,000,000	27,000,000	27,000,000
Renal Services Increase (NGF)	1,800,000	1,800,000	1,800,000	1,800,000
TOTAL Medical Center Operating	\$33,200,000	\$28,800,000	\$33,200,000	\$28,800,000
Medical Center: Capital				
Surgery Clinic Renovation (NGF)	\$2,525,000	\$2,525,000	\$ -	\$ -
Breast Health Center (NGF)	3,337,000	3,337,000	-	-
Transitional Nursery (NGF)	2,200,000	2,200,000	-	-
Intensive Care Units (NGF)	3,500,000	3,500,000	-	-
Cosmetic Surgery Center (NGF)	2,700,000	2,700,000	-	-
University Hospital Expansion (NGF)	1,757,000	1,757,000	-	-
Medical Office Acquisition (NGF)	3,000,000	3,000,000	-	-
West Radiation Therapy Center (NGF)	2,000,000	2,000,000	-	-
Blanket (NGF)	2,000,000	2,000,000	-	-
TOTAL Medical Center Capital	\$23,019,000	\$23,019,000	\$ -	\$ -

SUMMARY OF BUDGET REQUESTS AND GOVERNOR'S BUDGET BILL

	2000-01		2001-02	
	Request	Governor's Budget	Request	Governor's Budget
College at Wise: Operating				
Center for Teaching Excellence (GF)	\$ -	\$ -	\$300,000	\$ -
Technology Initiative (GF)	-	-	2,045,000	-
Wireless Technology (GF)	-	-	500,000	-
Management Savings (GF)	-	(35,728)	-	(112,423)
Faculty Salaries (GF)	-	-	-	52,312
Enrollment Growth (GF)	-	-	-	28,035
Student Financial Aid (GF)	-	-	-	86,970
Premium Holidays (GF)	-	-	-	(2,977)
TOTAL College at Wise Operating	\$ -	(\$35,728)	\$2,845,000	\$51,917
College at Wise: Capital				
Crockett Hall (GF)	\$4,325,000	\$4,325,000	\$ -	\$ -
Drama (GF)	6,490,000	-	-	-
Access Road/Stormwater (GF)	2,000,000	-	-	-
Maintenance Reserve (GF)	-	-	-	2,781,994
TOTAL College at Wise Capital	\$12,815,000	\$4,325,000	\$ -	\$2,781,994