UNIVERSITY OF VIRGINIA
BOARD OF VISITORS
MEETING OF THE
FINANCE COMMITTEE
JUNE 14, 2001
and
JUNE 15, 2001

FINANCE COMMITTEE

Thursday, June 14, 2001
4:45 – 6:15 p.m.
Friday, June 15, 2001
9:15 – 10:15 a.m.
Board Room, The Rotunda

Committee Members:

William H. Goodwin, Jr., Chair	
Thomas F. Farrell, II.	Thomas A. Saunders, III
Charles L. Glazer	Joseph E. Wolfe
Timothy B. Robertson	John P. Ackerly, III, Ex Officio

AGENDA

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: June 14, 2001

COMMITTEE: Finance

AGENDA ITEM: I.A. 2001-2002 Budget

BACKGROUND: At its June meeting, the Board acts on the proposed operating budgets for the Academic Division, The University of Virginia's College at Wise and the Medical Center. Since the October 2000 Board meeting, the Board has heard reports on the operating and capital budget requests submitted to the state for the period 2001-2002 and the preliminary budget assumptions for the 2001-2002 operating budget. At its January and April meetings, the Board approved tuition and fees and housing and dining rates for 2001-2002, which comprise a significant revenue source for the operating budget. The proposed operating budget usually reflects the results of that year's General Assembly session. However, the 2001 General Assembly session concluded without approving an amended Appropriations Act. The 2001-2002 budget has been developed using the 2000-2002 Appropriations Act as approved in April 2000, which includes no funding for 2001-2002 salary increases.

DISCUSSION: The 2001-2002 operating budget proposals for all divisions of the University total $1.41 billion, representing an increase of 7.9 percent compared with the revised budgets of the previous fiscal year. Of this amount, $816.3 million relates to the Academic Division, $18.8 million to the University of Virginia's College at Wise and $575.6 million to the Medical Center.

Academic Division

Under the proposed budget, the Academic Division revenues will increase by 7.4 percent, or $56.3 million, to a total of $816.7 million. Tuition accounts for 22.4 percent of all Academic Division revenues; state general funds comprise 20.6 percent; and sponsored program revenues represent 27.1 percent. Auxiliary enterprise revenues (12.2 percent), gifts and endowment income (15.4 percent) and revenues from other sources (2.3 percent) comprise the remainder of the revenue budget.

Academic Division expenditures are projected to increase by $56.6 million, or 8.0 percent. Personnel costs comprise approximately 64 percent of total operating expenditures in the Academic Division. For 2001-2002, we have included the annualized cost of the 2000-2001 salary increases. The 2001-2002 budget emphasizes graduate financial aid, increased private funding and planned investments in technology enhancements. The continuation of the Integrated Systems Project to replace all of the University's core administrative systems with an integrated suite of systems will cost in excess of $12 million in 2001-2002. As expected, the implementation costs will exceed realized financial benefits in the early years and it is anticipated that a short-term loan will be needed. The resolution includes an authorization for an internal loan of up to $20 million for a period of up to nine years. Approximately $8 million will be needed in 2001-2002, with a maximum loan amount expected during the student system implementation in 2003-2004. Payback on the loan should begin in 2004-2005 and should be completed by 2009-2010.

The University's 2001-2002 budget has been developed to support the priorities identified in its strategic plan. Within the financial and staffing limitations established in the budget, vice presidents, deans and directors of major units of the University have the flexibility to allocate available resources to their highest priority program requirements.

The University of Virginia's College at Wise

The proposed The University of Virginia's College at Wise expenditure budget for increases by $203,000, or 1.1 percent, in 2001-2002. The annualization of 2000-2001 salaries and increases in auxiliaries comprise the increase.

Medical Center

The Medical Center total expenditure budget is proposed to increase by $46.8 million, or 8.9 percent, during 2001-2002, compared with the revised budget for 2000-2001. The budget reflects the increased cost of providing quality patient care and the expected increase in patient days because of new program initiatives and higher admissions projections. The budget presentation will include a proposal to increase hospital room rates and ancillary service charges by seven to nine percent.

The Medical Center's fiscal plan has been developed to respond to the challenge of providing patient care, teaching and research services in an ever-changing health care industry. Revisions in Medicare legislation as they relate to the Balanced Budget Act and the Ambulatory Payment Classification system, changes in Medicaid claims settlements and payment methodologies and pressures from third party payers will have a negative revenue impact on a per case and per outpatient basis. The cost of providing quality patient care will continue to rise because of high labor shortages and resultant costs coupled with increases in pharmaceutical and medical supply expenses. In 2001-2002 the Medical Center expects to continue to care for patients with higher acuity illnesses –- a level of acuity experienced by only a handful of hospitals in the United States. Management will continue to identify and implement process improvement strategies that will allow for operational streamlining and cost improvement that will take place throughout the next several years.

For a full discussion of the budget proposal as well as comparative revenue and expenditure data for the Academic Division, the College at Wise and the Medical Center, please refer to the budget summary received in preparation for the June 14, 2001, Finance Committee meeting.

Pratt Fund

In April 1976, the University received funds, designated in the will of John Lee Pratt, to be used "to supplement salaries of the professors of the Departments of Biology, Chemistry, Mathematics and Physics, to purchase equipment for these departments as suggested by the heads of the departments and approved by the President and the Board of Visitors, and to provide for scholarships in these departments for outstanding students." Mr. Pratt’s will provides further that these funds could be used "to support research in the School of Medicine and to provide scholarships for medical students." The will stipulates that the Pratt endowment reverts to Washington and Lee University if the University of Virginia does not comply with the provisions of the will. The original Pratt endowment has been split into two equal endowments, with 50 percent of the original principal assigned to the College of Arts and Sciences and the remaining 50 percent assigned to the School of Medicine.

A distribution of $1.3 million from each individual endowment, for a total of $2.6 million, in 2001-2002 is

recommended to support the proposed projects. This distribution is made directly to the College of Arts & Sciences and the School of Medicine and is consistent with amounts distributed in each of the past four years. Committees in each of the schools developed the proposal (found on page 29 as Attachment A) to spend the distribution in a manner consistent with previous years.

In addition to this normal distribution, $1.2 million will be allocated to special initiatives. In June 2000, the Board of Visitors approved two additions to this normal distribution for 2001-2002. Year two of a three-year commitment of $500,000 will be distributed in 2001-2002 to fund a portion of the Funding Excellence in Science and Technology awards established in 2000-2001 as the result of the recommendations from the Virginia 2020 Science and Technology Commission. An annual allocation of $500,000 from the Arts and Sciences Pratt Fund was also approved for distribution to a New Faculty Start-Up Fund managed by the Vice President and Provost. This fund is used to finance start-up expenses incurred in hiring new faculty in the Departments of Biology, Chemistry, Mathematics and Physics. This year, the Board is asked to approve one additional allocation. For three years beginning in 2001-2002, $200,000 will distributed to the School of Medicine to provide funding to make a critical faculty hire in the field of combinatorial chemistry -- a joint appointment in the Departments of Chemistry and Pharmacology.

Deans in each of the schools, the Vice President and Provost, the Vice President and Provost for Health Sciences, the Vice President for Research and Public Service and the President support these projects. The table below shows aggregate allocations; Attachment A on page 29 describes the specific allocations.

2001-02 Pratt Fund Allocation

	Equipment	Faculty Salaries	Scholarships	Research	To be Allocated	Total
Biology		$144,595	$180,405			$325,000
Chemistry	$75,000	$135,000	$115,000			$325,000
Mathematics	$12,000	$179,076	$133,924			$325,000
Physics	$255,180	$69,820				$325,000
Funding Excellence in Science and Technology	$250,000					$250,000
New Faculty Start-Up Fund	$500,000					$500,000
Arts & Sciences Subtotal	*$1,092,180*	*$528,491*	*$429,329*			*$2,050,000*
School of Medicine	$72,274		$745,005	$356,512	$126,209	$1,300,000
New Faculty Hire		$200,000				$200,000
Funding Excellence in Science and Technology	$250,000					$250,000
School of Medicine Subtotal	*$322,274*	*$200,000*	*$745,005*	*$356,512*	*$126,209*	*$1,750,000*
TOTAL	$1,414,454	$728,491	$1,174,334	$356,512	$126,209	$3,800,000

ACTION REQUIRED: Approval of the Finance Committee and the Board of Visitors

APPROVAL OF THE 2001-2002 OPERATING BUDGET FOR THE ACADEMIC DIVISION

RESOLVED that the 2001-2002 Operating Budget for the Academic Division is approved, as recommended by the President and the Chief Financial Officer;

RESOLVED FURTHER that the Board of Visitors approves a short-term loan of up to $20 million for a term of nine years for the purpose of providing short-term financing associated with the Integrated Systems Project; and

RESOLVED FURTHER that the Executive Vice President and Chief Operating Officer is authorized to execute all necessary documents to affect the loan.

APPROVAL OF THE 2001-2002 OPERATING BUDGET FOR THE UNIVERSITY OF VIRGINIA'S COLLEGE AT WISE

RESOLVED that the 2001-2002 Operating Budget for the College at Wise is approved, as recommended by the President and the Chief Financial Officer.

APPROVAL OF THE 2001-2002 OPERATING AND CAPITAL BUDGET FOR THE UNIVERSITY OF VIRGINIA MEDICAL CENTER

RESOLVED that the 2001-2002 Operating and Capital Budget for the University of Virginia Medical Center, which includes a hospital room and ancillary service rate increase in a range of seven to fifteen percent based on market, is approved, as recommended by the President and the Chief Financial Officer.

APPROVAL OF PRATT FUND DISTRIBUTION FOR 2001-2002

RESOLVED that the budget for the expenditure of funds from the Estate of John Lee Pratt be approved to supplement appropriations made by the Commonwealth of Virginia for the School of Medicine and Departments of Biology, Chemistry, Mathematics and Physics in the College of Arts and Sciences. The normal allocations, not to exceed $2.6 million for 2001-2002, are suggested by the department chairs and recommended by the dean of each school. The special distributions are not to exceed $1.2 million for 2001-2002. To the extent the annual income from the endowment is not adequate to meet the recommended distribution, the principal of the endowment will be disinvested to provide funds for the approved budgets.

UNIVERSITY OF VIRGINIA
FISCAL IMPACT STATEMENT

PROJECT/PROPOSED BOARD OF VISITORS ACTION: Approval of the budget for fiscal year 2001-2002.

DESCRIPTION: The University's operating budget for fiscal year 2001-2002 totals $1.41 billion, an increase of $103.6 million, or 7.9 percent, over the revised fiscal year 2000-2001 budget.

Academic Division

	Incremental Change FY01 to FY02	Percent of Incremental Change
Revenues ($000s)		
Tuition and Fees	$23,354	41.5%
Sponsored Programs	$20,100	35.7%
Gifts and Endowment	$8,436	15.0%
Auxiliaries	$6,506	11.6%
Sales, Services	$419	0.7%
State Appropriations	-$2,515	-4.5%
Total Revenue Budget	$56,300	100.0%
Expenses ($000s)		
Student Aid	$17,666	31.2%
Sponsored Programs	$14,952	26.4%
O&M of Plant	$9,156	16.2%
Instruction	$8,344	14.7%
Auxiliaries	$6,799	12.0%
Student Services	$4,522	8.0%
Research/Public Service	$3,341	5.9%
Academic Support	-$3,289	-5.8%
Institutional Support	-$4,898	-8.6%
Total Expense Budget	$56,593	100.0%

FISCAL IMPACT:

Key elements of the fiscal year 2001-2002 budget include:

Salaries -- There are no increases for faculty or classified staff salaries as a result of the General Assembly budget impasse.

Financial Aid -- The budget provides for significant increases in financial aid, particularly for graduate students. For undergraduates, existing and additional resources will enable the University to work toward providing 100 percent of demonstrated need.

The Board of Visitors approved tuition and fee increases of approximately 6.2 percent at the April 2001 meeting, delivering incremental revenues of approximately $9.8 million. The remaining tuition revenue increase is related to a procedural change. The University has allocated over $21 million of tuition revenues to financial aid. In prior years, about $8 million of this amount was recorded both as tuition revenue and transferred to the student financial aid category as an expenditure. The remaining $13 million in "unfunded scholarships" was recorded simply as a contra-revenue rather than as an expenditure. With the conversion to the Oracle financial systems, all tuition revenues will be allocated to financial aid, by recording the total $21 million as tuition revenue transferred to student financial aid. Consequently, we will have a more accurate projection of, and a $13.5 million increase in, both gross tuition revenues and gross financial aid expenditures. The balance of student aid incremental expenditures, $4.1 million, will be used for additional graduate financial aid, including the graduate tuition adjustment and the provision for graduate student health care insurance for graduate teaching and research assistants.

Revenue Sources -- The fiscal year 2001-2002 budget shows a diversified revenue stream, particularly from private sources and sponsored programs, which have increased 7.2 percent and 9.9 percent, respectively, since fiscal year 2000-2001.

Expense Summary ($ millions):

Agency:	Budget 2001-2002	Revised 2000-2001	Increase	Percent Increase
Academic Division	$816.3	$759.7	$56.6	7.4%
Medical Center	$575.6	$528.7	$46.8	8.9%
College at Wise	$18.8	$18.6	$0.2	1.1%
Total	$1,410.7	$1,306.5	$103.6	7.9%

RECOMMEND APPROVAL OF BOARD ACTION: The University should adopt the proposed budget for fiscal year 2001-2002, the components of which are consistent with the University's strategic plan.

Leonard W. Sandridge
June 14, 2001

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: June 15, 2001

COMMITTEE: Finance

AGENDA ITEM: I.B. Policy on Signatory Authority

BACKGROUND: The signatory authority policy is the delegated authority from the Board of Visitors to certain University officials to execute documents on behalf of the University. The current comprehensive signatory authority policy was adopted in 1982. Since that time it has been amended three times. The 1982 policy requires updating for clarity of intent, accuracy of titles and the need to delegate authority to the Vice President for Finance.

DISCUSSION: The Policy on Signatory Authority (which appears as Attachment B, on page 34) -- designed to supercede the 1982 policy -- incorporates all of the currently effective amendments to the 1982 signatory authority policy and also includes the signatory authority for Virginia College Building Authority equipment leasing delegated by the Board in 1993. The limits on authority are not changed from the current limits, except that the Virginia College Building Authority equipment leasing limit has been removed because it is outdated. Titles are updated and comprehensive authority to execute documents is delegated concurrently to the President, the Executive Vice President and Chief Operating Officer and the Vice President for Finance, who replaces the Assistant Vice President for Finance as a primary signatory. In accordance with the Policy, the President, the Executive Vice President and Chief Operating Officer and the Vice President for Finance may further delegate signatory authority to the Assistant Vice President for Finance and other University officials to sign certain types of documents not requiring prior Board approval.

ACTION REQUIRED: Approval of the Finance Committee and the Board of Visitors

APPROVAL OF POLICY ON SIGNATORY AUTHORITY

WHEREAS, The Board has traditionally delegated authority for signing certain contracts and other documents to designated University officials;

WHEREAS, the 1982 policy on delegated signatory authority requires updating as a result of title changes and the addition of a Vice President for Finance;

WHEREAS, the 1982 policy on signatory authority has been amended three times, and is difficult to understand; and

WHEREAS, the authority to sign contracts with the Virginia College Building Authority is an ongoing authority that should be included in the signatory authority policy;

RESOLVED that the attached Policy on Signatory Authority is approved, and shall supercede all previous signatory authority resolutions and policies for the areas covered by the policy; and

RESOLVED that the President is authorized to sign the Policy on Signatory Authority and disseminate it as a University Policy. The President is also authorized, without prior Board approval, to make non-substantive updates and revisions to the Policy as required.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: June 15, 2001

COMMITTEE: Finance

AGENDA ITEM: I.C. Reappointment to University of Virginia Investment Management Company Board

BACKGROUND: The initial four public members of the University of Virginia Investment Management Company Board had terms staggered over four years. This action would approve the reappointment of a public member, Mr. Matthew G. Thompson, to the University of Virginia Investment Management Company (UVIMCO) Board for a full four-year term.

DISCUSSION: Mr. Thompson is completing a three-year term and is eligible for reappointment to a four-year term commencing July 1, 2001. He has been an active participant at the UVIMCO meetings. Mr. Thompson is the co-founder and managing director of Thompson, Siegel & Walmsley, Inc., an independent investment counsel firm located in Richmond, Virginia.

ACTION REQUIRED: Approval by the Finance Committee and the Board of Visitors

APPROVAL OF REAPPOINTMENT TO THE UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY BOARD

WHEREAS, the policies of the Board of Visitors authorize appointment of up to four public members to the University of Virginia Investment Company, who shall be alumni of the University, to serve as non-voting members in staggered initial terms not to exceed four years, and the aforesaid policies further provide that no member shall be eligible to serve more than two successive four-year terms.

RESOLVED that Matthew G. Thompson of Richmond is hereby reappointed to serve as a public member of the University of Virginia Investment Management Company Board for a term of four years beginning July 1, 2001.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: June 15, 2001

COMMITTEE: Finance

AGENDA ITEM: II.A. Endowment Report

ACTION REQUIRED: None

Market Value and Performance as of April 30, 2001

BACKGROUND: The Rector and Visitors of the University, particularly the University of Virginia Investment Management Company (UVIMCO), oversees the major component of the endowment that benefits the University. A report on the endowment is made at each Board of Visitors meeting.

DISCUSSION: Endowment growth is essentially flat since June 30, 2000, up just $4.4 million to $1.74 billion. An increase of $6.6 million for the Pooled Endowment Fund, the main investment pool for the endowment, representing 97 percent of total endowment investments, was reduced by a loss of $2.2 million on the broader endowment. As always, these figures include increases from gifts and investment appreciation and are net of distributions for endowment spending (a net withdrawal of $3.7 million).

Fiscal year-to-date, the Pooled Endowment Fund returned 3.1 percent, versus -2.7 percent on the target benchmark and –13.3 per-cent on stocks as measured by the S&P 500 and 10.1 percent on bonds as measured by the Merrill Lynch 7-10 Year Government Bond Index.

The Fund is diversified across a broad spectrum of assets, with a targeted allocation of 55 percent to domestic equities, 12.5 percent to international equities, 7.5 percent to real assets, 12.5 percent to fixed income and 12.5 percent to opportunistic strategies.

Within the domestic equity allocation, strong relative returns on the long-only portfolio, up 5.0 percent, and absolute returns on the hedge fund portfolio, up 21.7 percent, more than offset the correction within the private equity portfolio, which is down –8.7 percent fiscal year-to-date. The fixed income and

real estate portfolios have each helped buoy returns in this difficult market, up 8.6 percent and 4.3 percent, respectively. After having produced very strong returns in fiscal year 2000, the international equity portfolio has provided little cushion from the market downturn. The international long only and hedge fund managers are down –19.7 percent and –3.5 percent, respectively. Details of the returns on the endowment through April 30, 2001, are reported on the following Investment Report.

Actions of the Investment Management Company

BACKGROUND: The University of Virginia Investment Management Company (UVIMCO) and its committees meet regularly and report their activities at the following meeting of the Finance Committee.

DISCUSSION: At its May 30, 2001, meeting in New York City, the UVIMCO Board confirmed the approval of three investment actions. The committee approved of the divestment, effective May 31, 2001, of the endowment's full position in SR Global Fund, Inc., a hedge fund that invests in the securities of foreign companies. The committee approved of adding $10 million to the endowment's position in K Capital, Ltd., a European special situations hedge fund. The committee also approved of a $15 investment with Matrix Partners VII, LP, a venture capital limited partnership.

DEBBIE RINKER TO INSERT ENDOWMENT SPREADSHEET HERE.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: June 15, 2001

COMMITTEE: Finance

AGENDA ITEM: II.B. Vice President's Remarks

ACTION REQUIRED: None

Financial Aid To Students

BACKGROUND: At the April 2001 meeting of the Finance Committee, a request was made for background information on undergraduate financial aid, the funding sources for aid and the University's award strategies.

DISCUSSION: The University of Virginia uses its financial aid resources to provide equal access to all admitted students, using a need-blind admissions policy and a need-based financial aid policy. To determine the amount of financial assistance each student requires to attend the University, Financial Aid adheres to the standard formula prescribed by the federal government. There are three elements in this formula:

(1) Budget: The total cost of education, which includes tuition and fees, room, board, books, an allowance for personal expenses and travel. This figure varies according to institution because the costs of attendance vary by institution.

(2) Expected Family Contribution (EFC): As calculated by the federal methodology, this is an estimate of the amount the family can provide to cover the cost of education. The calculation includes family assets and income; it does not include debt, liabilities and home equity. This figure usually does not vary among institutions. Families' ability to pay for educational costs must be evaluated in an equitable and consistent manner, recognizing that special circumstances can and do affect a family's ability to pay.

(3) Need: Budget minus Expected Family Contribution equals Need. This figure represents the amount a student requires in addition to the resources from their family to attend the University of Virginia. This figure varies according to the institution selected by the student.

The University evaluates each application for financial aid and, based on the student's need, provides funding to cover that need. The University uses need-based aid from the following federal, state and institutional sources:

- Federal: Includes federally subsidized loans, work-study and grants. The Pell grant is the basic federal grant for students with Expected Family Contributions less than $3,750. This roughly equates to a family income of less than $35,000 per year.

- State: State tax dollars are provided for grant assistance to students.

- Institutional: The University uses tuition funds, gifts and endowments to provide grant assistance.

The total assistance a student receives may be made up of funds from one or more sources. This mix of funds is referred to as the student's 'package'. The University's packaging policies are based on the following:

- The amount and sources of funds available

- The number of students eligible for those funds and the total amount of need to be funded

- The goal of the University to provide equal access to all students admitted.

Our packaging goal is to provide access to every student offered admissions, regardless of the family's ability to pay. This is consistent with our need-blind admissions policy and our need-based financial aid policy. In 2000-2001, we were able to meet 90 percent of student need.

MISCELLANEOUS FINANCIAL REPORTS

Finance Committee
University of Virginia

June 15, 2001

ACADEMIC DIVISION

FINANCIAL REPORT

ACCOUNTS AND LOANS RECEIVABLE AS OF DECEMBER 31, 2000

Summary of Accounts Receivable:

The University's Academic Division's total accounts receivable at March 31, 2001, were $16,943,000 as compared to $45,030,000 at December 31, 2000. The major sources of receivables at March 31, 2001, were sponsored programs of $12,080,000.

The past due receivables over 120 days old were $1,357,000 at March 31, 2001, or 8.01 percent of total receivables, below the Commonwealth's management standard of ten percent.

	Student Accounts	Sponsored Programs	Other Receivables	Total
Gross Accounts Receivable	$1,013,000	$12,080,000	$3,850,000	$16,943,000
Less: Allowance for Doubtful Accounts	30,000	0	257,000	287,000
Net Accounts Receivable	$983,000	$12,080,000	$3,593,000	$16,656,000
Accounts Receivable Greater than 120 Days Past Due	$28,000	$1.054,000	$275,000	$1,357,000

SOURCE: Bursar's Office
DATE: May 9, 2001

ACADEMIC DIVISION

FINANCIAL REPORT

ACCOUNTS AND LOANS RECEIVABLE AS OF DECEMBER 31, 2000

Summary of Loans Receivable:

The default rate for the Perkins Student Loan Program decreased by 0.10 percent to 7.06 percent. This is based on the cohort default rate calculation and is well below the 15 percent threshold set by federal regulations. The Health Professions Loan Program default rate decreased by .56 percent to 0.00 percent. The Nursing Undergraduate Student Loan Program default rate increased by .19 percent to 2.10 percent. All medical loan programs are well below the five percent federal threshold. The University Loan Program default rate increased by 0.04 percent to 2.99 percent.

	Gross Loans Receivable	Current Default Rate	Inc./(Dec) From Last Quarter
Perkins Student Loans	$16,949,000	7.06%	(0.10)%
Health Professions Loans	1,135,000	0.00%	(0.56)%
Undergraduate Nursing Loans	566,000	2.10%	0.19%
University Loans	11,730,000	2.99%	0.04%
Total Student Loan Outstanding	**$30,380,000**		

SOURCE: Bursar's Office
DATE: May 8, 2001

UNIVERSITY OF VIRGINIA
INTEGRATED SYSTEMS PROJECT IMPLEMENTATION STATUS

(Per October 1999 Board of Visitors resolution requesting that the Executive Vice President and Chief Operating Officer provide reports to the Finance Committee not less frequently than semi-annually describing progress on the project and compliance with the business plan.)

BACKGROUND: The Board approved the initiation of the Integrated Systems Project at the October 1999 meeting. The Board requested that progress reports be provided at each subsequent meeting.

DISCUSSION: The Integrated Systems Project deployed the Oracle Labor Distribution application on May 29, 2001, at 8:00 a.m., introducing approximately 400 members of the University community to the Oracle production environment. A functional help desk, positioned in the office of the Chief Human Resources Officer, also began operation at 8:00 a.m. on May 29.

Training of users of the other Oracle applications continues on schedule. Approximately 2000 users will be trained; each will be trained on an average of three different Oracle applications.

The implementation date for the balance of the Oracle applications is July 2. Employees stop entering transactions into the legacy systems on that date. Final data conversion and application set up activities take place between July 2 and July 8. Employees begin entering transactions into the new system on July 9.

All Oracle production hardware has been secured behind a firewall using a Virtual Private Network (VPN). KPMG Consulting has reviewed our security plan and has indicated that it meets or exceeds industry standards.

Project planning and recruitment for Phase 2 – Human Resources/Payroll – has been completed. The deployment date is July 2002.

SOURCE: ISP Office
DATE: May 8, 2001

INTERNAL LOANS TO UNIVERSITY DEPARTMENTS AND ACTIVITIES
for the month of April 2001

(Per January 1990 Board of Visitors resolution changing Current Funds Guidelines to include investments in internal loans and the June 1994 Board of Visitors resolution authorizing internal loans to be made in the discretionary collateral account lending program [security lending program], both subject to approval by the Executive Vice President and Chief Financial Officer.)

LIAB ACCT	PURPOSE	INTEREST ACCT	DATE OF LOAN	ORIGINAL LOAN AMOUNT	PRINCIPAL PAYMENTS TO DATE	OUTSTANDING PRINCIPAL	APPROX. FINAL PAYMENT
0-70828	CVC Football Facility	6-40404	12/22/98	3,000,000.00	900,310.55	2,099,689.45	12/2009
0-71380	Intramurals & Rec. Sports	7-71380	06/21/96	451,000.00	210,000.00	241,000.00	06/2001
0-19272	Mail Services (3-31043)	3-31043	05/14/98	150,000.00	112,500.00	37,500.00	05/2002
0-70224	McCue Center	7-72570	06/29/98	332,000.00	249,000.00	83,000.00	09/2001
0-70015	NRAO Addition	7-70015	Various	756,303.96	-	756,303.96	04/2002
0-19231	Parking & Transportation	3-21015	03/25/98	1,000,000.00	750,000.00	250,000.00	03/2002
0-19026	Va. Neurological Inst. (1-91746)	1-91746	05/28/97	600,000.00	-	600,000.00	05/2001
0-71122	WTJU	6-41116	06/01/00	120,000.00	-	120,000.00	05/2005
0-70213	Scott Stadium**	6-40236	04/26/01	-	-	-	04/2006
GRAND TOTAL INTERFUND BORROWINGS APPLIED TO $10MM BOV LIMIT				**$6,409,303.96**	**$2,221,810.55**	**$4,187,493.41**	

Notes:
1. This report does not include all uses of interfund borrowings, only those formal loan agreements that are approved by the Budget Office and administered by Investment and Tax Services.
2. The interest rate on all loans is the Federal Funds rate + 60 basis points.
3. ** The Scott Stadium loan should not count against the $10MM BOV limit.

SOURCE: Financial Analysis
DATE: May 18, 2001

MEDICAL CENTER

REPORT ON WRITE-OFF OF BAD DEBTS

AND INDIGENT CARE

(Per February 6, 1993, Board of Visitors resolution granting the Executive Vice President and Chief Financial Officer authorization to approve the write-off of bad debts and free service for the Medical Center.)

INDIGENT CARE:

Indigent care charges totaling $15.4 million for the period January 1, 2001, through March 31, 2001, have been written off. For the first nine months of the current fiscal year, $41.5 million has been written off. Recoveries during this period amounted to $1.5 million.

The estimated cost of indigent care in fiscal year 1999-2000 amounted to $34.2 million all of which was funded through the Medicaid special disproportionate share payments. The cost of indigent care for fiscal year 2000-2001 is estimated to be $33.2 million, all of which will be funded through the Medicaid special disproportionate share payments.

BAD DEBT:

Bad debt charges totaling $4.4 million for the period January 1, 2001, through March 31, 2001, have been written off. Total write offs for the first nine months of fiscal year 2000-2001 amounted to $14.6 million. During this same period, $5.9 million was recovered through suits, collection agencies and Virginia refund set-off.

SOURCE: Medical Center Finance
DATE: May 7, 2001

MEDICAL CENTER
ACCOUNTS COMMITTEE REPORT
(Dollars in Thousands)

INDIGENT CARE (IC)	Year to Date 07/01/2000 03/31/2001	Annual Activity Estimated 2000-01	Annual Activity Actual 1999-00
Charge Write-Offs	41,454		
Recoveries	(1,488)		
Net Charge Write-Off	39,966	53,015	58,668
% of Net Write-Offs to Revenue	7.93%	8.00%	9.85%
Net IC Charges Factored to Cost	31,661	41,999	43,549
Medicaid Unreimbursed Cost	(6,629)	(8,839)	(9,393)
Total Indigent Care (TIC) Cost	25,032	33,160	34,156
State Appropriation	0.00	0.00	0.00
Medicaid Special DSA Payment[1]	30,461	40,615	36,465
TIC Funding	30,461	40,615	36,465
TIC Funding as % of TIC Cost	122%	122%	107%
Unfunded Indigent Cost (UIC)	(5,429)	(7,455)	(2,039)

BAD DEBT	Year to Date 07/01/2000 03/31/2001	Annual Activity Estimated 2000-01	Annual Activity Actual 1999-00
Charge Write-Offs	14,581		18,660
Recoveries	(5,869)		(9,675)
Net Charge Write-Offs	8,712	12,591	8,986
% of Net Write-Offs to Revenue	1.73%	1.90%	1.48%

NOTE:
1. DSA – Disproportionate Share Adjustment – Both years include the additional $1.3 million payment which will be transferred to the School of Medicine. Fiscal year 2000-2001 also includes the $4.15 million which will be transferred to the School of Medicine. These amounts have been exactly offset in the Total Indigent Care Cost line.

SOURCE: Medical Center Finance
DATE: May 7, 2001

UNIVERSITY OF VIRGINIA
QUARTERLY BUDGET REPORT

as of March 31, 2001

This report compares, on a quarterly basis, the approved budget with year-to-date actual revenues and expenditures for the Academic Division. The report as of the third quarter ended March 31, 2001 follows.

At the end of the third quarter of fiscal year 2000-01 revenues collected totaled 87.5 percent of budgeted revenues; actual expenditures totaled 77.7 percent of budgeted expenditures. It is important to note that revenue collections and expenditures are not evenly distributed throughout the year.

A definition of terms is included to explain the sources of revenues and the purposes of expenditures.

ACADEMIC DIVISION
2000-2001 REVENUE BUDGET SUMMARY

	2000-2001 Revised Budget	03/31/01 Actual Revenues	Uncollected Budget Balance	03/31/01 Percentage Collected	03/31/00 Percentage Collected
Educational & General					
Tuition & Fees	$151,032,759	$ 144,556,243	$ 6,476,516	**95.7%**	**94.5%**
State Appropriations	165,253,256	162,282,151	2,971,105	**98.2%**	**97.7%**
Endowment Income	38,408,524	23,400,427	15,008,097	**60.9%**	**51.4%**
Gifts	57,247,275	45,719,266	11,528,009	**79.9%**	**80.3%**
Spons. Pgms & Ind. Cost Recoveries	189,088,390	140,785,819	48,302,571	**74.5%**	**74.5%**
Sales, Services & Other	17,876,084	17,829,934	46,150	**99.7%**	**87.8%**
Total Educational and General	**618,906,288**	**534,573,840**	**84,332,448**	**86.4%**	**85.5%**
Student Financial Assistance					
State Appropriations	5,580,937	5,381,184	199,753	**96.4%**	**96.9%**
Transfer from Tuition	8,433,543	8,251,577	181,966	**97.8%**	**100.6%**
Spons. Pgms & Ind. Cost Recoveries	12,996,610	10,586,617	2,409,993	**81.5%**	**77.9%**
Gifts & Endowment Income	21,313,787	20,025,164	1,288,623	**94.0%**	**98.8%**
Other Income	354,333	348,838	5,495	**98.4%**	**96.3%**
Total Student Financial Assistance	**48,679,210**	**44,593,380**	**4,085,830**	**91.6%**	**92.9%**
Auxiliary Enterprises					
Athletics & Related Activities	24,132,111	22,257,839	1,874,272	**92.2%**	**77.8%**
Dining Services	3,540,000	7,278,297	(3,738,297)	**205.6%**	**148.3%**
Housing	19,656,500	17,826,799	1,829,701	**90.7%**	**94.0%**
Newcomb Hall & Related Activities	3,840,345	3,477,665	362,680	**90.6%**	**95.8%**
University Bookstores	21,410,000	19,004,586	2,405,414	**88.8%**	**96.9%**
Parking & Transportation	7,364,000	5,562,177	1,801,823	**75.5%**	**79.4%**
Student Health	6,684,038	5,534,044	1,149,994	**82.8%**	**95.0%**
Other Auxiliary Activities	6,218,645	5,182,523	1,036,122	**83.3%**	**82.8%**
Total Auxiliary Enterprises	**92,845,639**	**86,123,930**	**6,721,709**	**92.8%**	**91.0%**
TOTAL REVENUES	**$760,431,137**	**$665,291,150**	**$95,139,987**	**87.5%**	**86.7%**

ACADEMIC DIVISION
2000-2001 EXPENDITURE BUDGET SUMMARY

	2000-2001 Revised Budget	03/31/01 Actual Expenditures	Unexpended Budget Balance	03/31/01 Percentage Expended	03/31/00 Percentage Expended
Educational & General					
Instruction	$217,676,904	$ 165,534,253	$ 52,142,651	76.0%	77.5%
Research	24,901,596	20,092,733	4,808,863	80.7%	71.2%
Public Services	18,694,405	15,055,797	3,638,608	80.5%	91.9%
Academic Support	99,053,984	62,105,549	36,948,435	62.7%	70.7%
Student Services	14,237,688	12,815,162	1,422,526	90.0%	85.5%
Institutional Support	56,408,711	47,827,170	8,581,541	84.8%	73.3%
Oper. & Maintenance of Physical Plant	37,344,610	33,036,504	4,308,106	88.5%	73.8%
Spon. Pgms. & Indirect Cost Recoveries	150,588,390	113,097,259	37,491,131	75.1%	68.2%
Total Educational & General	**618,906,288**	**469,564,427**	**149,341,861**	**75.9%**	**73.9%**
Student Financial Assistance	**48,679,210**	**47,860,019**	**819,191**	**98.3%**	**94.6%**
Auxiliary Enterprises					
Athletics & Related Activities	23,900,786	23,042,743	858,043	96.4%	84.7%
Dining Services	3,525,800	2,138,828	1,386,972	60.7%	80.2%
Housing	19,515,027	12,963,757	6,551,270	66.4%	70.3%
Newcomb Hall & Related Activities	3,867,180	3,219,017	648,163	83.2%	77.9%
University Bookstores	21,355,372	20,591,444	763,928	96.4%	95.2%
Parking & Transportation	7,324,000	4,187,377	3,136,623	57.2%	57.8%
Student Health	6,684,038	4,744,493	1,939,545	71.0%	81.5%
Other Auxiliary Activities	5,964,492	1,852,683	4,111,809	31.1%	(8.4%)
Total Auxiliary Enterprises	**92,136,695**	**72,740,342**	**19,396,353**	**78.9%**	**75.2%**
TOTAL EXPENDITURES	**$759,722,193**	**$590,164,788**	**$169,557,405**	**77.7%**	**75.4%**

DEFINITION OF TERMS

Educational and General **- those activities which embrace the three programs directly related to the higher education mission: (1) instruction, (2) research, and (3) public service. These activities also encompass the support programs: academic support, institutional support, and maintenance and operation of physical plant; and sponsored programs associated with instruction, research, and public service.**

Student Financial Assistance **- those activities which promote student accessibility to the University through scholarships and fellowships. Student loans, student wages and aid from third parties are not included.**

Auxiliary Enterprises **- those activities which are supported entirely through fees charged to users, such as housing, athletics, dining services, the telephone system and the bookstore.**

Sponsored Programs and Indirect Cost Recoveries **-- primarily research projects, but also includes activities restricted to institutional and service programs.**

Instruction **-- expenditures for the primary mission of the University, which includes teaching faculty, support staff, instructional equipment, and related routine operating costs.**

Research **-- includes expenditures for activities such as support for research faculty, but does not include sponsored research. Activities include the Center for Public Service, the State Climatologist, and the Center for Liberal Arts.**

Public Service **-- includes activities such as the Miller Center of Public Affairs, the Virginia Foundation for the Humanities and Public Policy, and that portion of the medical school's clinical physicians salaries and fringe benefits related to patient care.**

Academic Support **-- the program which encompasses the libraries, the activities of the deans of the schools, and other related expenditures.**

Student Services **-- activities whose primary purpose is to contribute to the students' emotional and physical well-being and to their intellectual, cultural, and social development outside the classroom.**

Institutional Support **-- primarily includes the financial, administrative, logistical, and development activities of the University.**

Operation and Maintenance of Plant **-- includes expenditures for activities related to the operation and maintenance of the physical plant, net of amounts charged to auxiliary enterprises and the Medical Center.**

REPORT ON WRITE-OFF OF NON PATIENT BAD DEBT FOR FISCAL YEAR 2000-2001

Report on Write-Off of Non-Patient Bad Debts:

The University's write off of non-patient bad debts for fiscal year 2000-2001 is $377,652. This year's total appears higher than last year's due to a one time write off for the College at Wise. Adjusting for this one-time write off shows a decline in total write offs of 12.0 percent compared to last year. These write offs do not constitute a compromise, settlement or discharge of the debts. For the past ten years, the University has collected approximately 38 percent of the accounts written off.

	FY 2000-2001	FY 1999-2000	FY 1998-1999	FY 1997-1998	FY 1996-1997
Tuition and Fees	$66,381	$109,103	$107,644	$97,295	$122,045
Auxiliary Service Fines and Charges	81,450	73,345	101,002	70,250	90,043
Library Fines and Charges	814	26,104	40,267	-	23,461
University Student Loans	7,318	12,856	20,965	32,299	21,782
Other Charges	22,364	27,580	14,374	16,456	54,067
Uncollectible Salary Payments to Former Employees	45,166	5,271	1,037	45,245	8,488
University Press	1,621	2,155	-	5,092	5,021
UVa's College at Wise	152,538				
TOTAL	**$377,652**	**$256,414**	**$285,289**	**$266,637**	**$324,907**

Report on Equipment Inventory:

	Remaining Book Value	Cumulative Depreciation	Original Cost
Equipment Inventory Write Off	$356,536	$8,379,745	$8,736,281

The University is writing off $356,536 of remaining book value in equipment inventory. This write-off represents equipment that has been surplused, lost or disposed. Most of the items were purchased in the 1980s, although some items originate from the 1960s and 1970s.

SOURCE: Financial Administration
DATE: May 14, 2001

ATTACHMENTS

ATTACHMENT A

2001-2002 PRATT FUND ALLOCATIONS

ARTS AND SCIENCES – $1,300,000

Biology -- With the May 2001 allocation of $325,000, the Biology Department has a basic account balance of $325,000. The department proposes to allocate $180,405 to fund fellowships, to support entering Ph.D. students, to provide two months of summer support for eight students, to cover tuition and fees (in part or in full) of nine students and to supplement two presidential fellowships. The department proposes to allocate $79,595 to provide partial support of the salaries of the director and associate director of the Mountain Lake program and to support a joint hire in a new field made by the departments of Biology and Physics. The department requests a transfer of $36,139 from the Biology Pratt Equipment to Biology Faculty Salaries. Finally, the department requests that $65,000 be transferred to the Arts and Sciences Pratt Special Account in partial repayment of the funds made available in 1998-1999 in support of the hiring of Janis Antonovics as the Lewis and Clark Professor of Biology.

Chemistry -- The Chemistry Department proposes that $100,000 be allocated to provide fellowship support and tuition differentials to continuing graduate students and initial fellowship support to eleven graduate students. The department requests that an additional $15,000 be allocated to provide matching funds required for a National Science Foundation (NSF) summer undergraduate research award. The department proposes to allocate $80,000 to provide summer salary for new professors Lin Pu, Sergei Egerov, James Landers and Milton Brown; summer salary to the director of the Research Experience for Undergraduates program, James Demas; summer salary for two co-directors of the NSF's Integrated Graduate Education Research Training program, Ian Harrison and Brooks Pate; and summer salary for Robert Bryan for laboratory experiment development. The department requests that $25,000 be transferred to the Arts and Sciences Pratt Special Account in partial repayment of the funds made available in 1998-1999 in support of the hiring of Janis Antonovics as the Lewis and Clark Professor of Biology.

The department proposes to allocate $75,000, which in combination with Equipment Trust Fund (ETF) reimbursements, will be used for faculty start-up commitments and equipment matching commitments. The remaining $30,000 is to be left in the basic account, reducing the deficit from ($60,000) to ($30,000) in

accordance with the agreement approved by the Arts & Sciences Pratt Committee in May 1992, by which the department will reduce the basic account deficit by at least $30,000 yearly until the basic account has again achieved a positive balance (no later than 2003-2004).

Mathematics -- The Mathematics Department proposes to allocate $154,076 for the following purposes: $121,076 to provide partial academic year salary and one month of summer wages for five Whyburn instructors in 2001-2002, and $33,000 for salary support for post doctoral visitor and short term visiting faculty. The department proposes to allocate $12,000 to purchase additional and replacement equipment for the department's computer laboratories. The department also proposes to allocate $133,924 for graduate fellowships. Finally, the department requests that $25,000 be transferred to the Arts and Sciences Pratt Special Account in partial repayment of the funds made available in 1998-1999 in support of the hiring of Janis Antonovics as the Lewis and Clark Professor of Biology.

Physics -- The Physics Department proposes to allocate $44,820 to provide salary for a postdoctoral fellow in support of new Assistant Professor Despina Louca. The department proposes to allocate $255,180 to provide start-up funds for equipment for Professor Gordon Cates and the new Condensed Matter faculty hire. Finally, the department requests that $25,000 be transferred to the Arts and Sciences Pratt Special Account in partial repayment of the funds made available in 1998-1999 in support of the hiring of Janis Antonovics as the Lewis and Clark Professor of Biology.

SCHOOL OF MEDICINE – $1,300,000 ($126,209 unallocated at this time.)

Centralized Research Support Facilities are supported predominantly by user fees. The Pratt endowment subsidy keeps costs low and provides financial stability.

The Biomolecular Research and Mass Spectrometry Facility provides a wide array of highly specialized services including protein and DNA sequencing, peptide synthesis, amino acid and carbohydrate analyses, X-ray film processing, protein chemistry and mass spectrometry. The in-house availability of these services, which require expensive, sophisticated instrumentation and operating expertise, has contributed significantly to the spectrum of

ongoing investigation at the University as well as reducing research costs. The facility's 2001-2002 operating budget is approximately $1,323,292. Pratt funds ($155,107) award for 2001-2002 will subsidize user fees and allow for the development of new techniques related to the provided services.

The Fluorescence-Activated Cell Sorter (FACS) Facility is a research support facility providing investigators with the technology to study biological processes at the single cell level as well as isolating specific cell populations for detailed investigation. The Facility also provides advanced flow cytometric analyses. Researchers from more than 20 University departments rely on this facility, and individual laboratories equipped with similar instrumentation consult with FACS Center staff on problems or receive instruction in using their equipment. As with other core facilities, the FACS Facility generates a portion of its $126,176 operating budget through user fees. Pratt support will be $15,542.

Small Animal Multimodality Imaging Core (SAMMIC) was established in 1991 to provide magnetic resonance imaging capabilities for biomedical applications. It handles samples larger than those suitable for the Nuclear Magnetic Resonance (NMR) facility in Chemistry and smaller than the clinical facility, and thus is suitable for small animals and other research applications. A growing number of investigators in clinical departments as well as engineering and related fields are applying this technology to their research. In addition, the facility provides instruction for students, fellows and faculty in the basic theoretical and practical aspects of magnetic resonance imaging and related techniques. Pratt funds ($20,000) are awarded to subsidize the lab's operating budget ($81,575) in 2001-2002; user fees and departmental funds make up the balance.

The Tissue Culture Facility began as a Diabetes Center service, but has become an important service for the wider medical school research community. It provides custom services as well as support services to meet the need for cell culture and growth media. The budget for the facility for 2001-2002 is projected to be $271,357, with $28,731 coming from the Pratt endowment.

Tissue Procurement Facility As the Health System becomes increasingly focused on translational research, the availability of specific human tissues for research purposes becomes increasingly important. This facility provides for protocol-driven collection of diseased and normal tissue, and the storage,

culturing, analysis and distribution of these materials. The Pratt endowment provides $20,632.

<u>Transgenic Mouse Core Facility</u> This core facility was established in 1992 to support genetics research. The facility is equipped to produce transgenic and gene knock-out mice for use in studies of normal gene function and altered gene expression as well as in developing animal models for human diseases. It is a multi-user core facility with an operating budget of $208,898 in 2001-2002 Pratt funds ($28,684) are awarded as a subsidy to enhance the availability of this important technology to investigators throughout the University.

The <u>Centralized Electron Microscope Core</u> facility continues to provide excellent service to a substantial number of investigators throughout the School of Medicine. It offers unique facilities that include two transmission electron microscopes, a scanning electron microscope and a confocal microscope. In addition, the Core provides expertise in the preparation of a wide variety of types of samples to be used with these microscopes. It has maintained a strong user base for over 20 years and has an excellent record of cost recovery. In year 2001-2002 this is projected to be approximately 85 percent. In addition to the Pratt contribution ($37,816) for the overall operating costs of the core, a one-time expenditure of $72,274 is provided for purchase of a new ultraviolet laser. This is an important instrumentation upgrade to a machine that is now eight years old, but with this upgrade will be perfectly functional for many additional years.

A new core facility, the <u>Mouse Genetics Core</u>, will be initiated. It will be directed by Marcia McDuffie, M.D. The goal of this core is to provide expertise and facilities for the manipulation of the genetic background of mice that have been genetically engineered through the University's transgenic and knock-out mouse facility, or have been provided to University investigators from other sources. This initiative represents an expansion of an activity that has functioned for several years as a portion of an National Institutes of Health (NIH)-sponsored program project in systemic lupus erythematosus. The Core Facility will interface closely with the Transgenic Mouse Core and the Biomolecular Resource Core. The initial establishment of this core will begin with a Pratt commitment of $50,000.

FELLOWSHIPS AND SCHOLARSHIPS

Graduate Research Assistantships funded by the Pratt allocation are an important component of the school's research training program in the basic medical sciences. Students are compensated during the final years of their training, when primarily engaged in individual research projects. In addition, students receive support while on summer research rotations. The Pratt funds allocation of $245,000 represents approximately 13 percent of the 2001-2002 total program budget of $1.9 million.

Postdoctoral Fellowship Support The major recipients are expected to be postdoctoral fellows in the basic sciences that have received peer-reviewed external fellowships, which need supplementation to bring salary support to a competitive level. These supplements will be administered through the office of the Associate Dean for Graduate Studies. Support was awarded at $24,000 for the first year, with funding for the second year rising to $48,000, $72,000 for 2000-2001 and $72,000 for 2001-2002. No further increments in this amount are anticipated.

$428,005 will be provided for research training to support the M.D./Ph.D. Program. This program plays a vital role in the School of Medicine by providing future physicians with extensive research training that shapes their subsequent careers. This program had been funded by NIH for 21 years and experienced a funding hiatus. The program will again receive NIH funding with a phasing-in period, and will therefore continue to need Pratt funding for the next several years. This support will maintain this valuable program until external support is established.

SPECIAL DISTRIBUTION

The School of Medicine requests a special distribution from the Pratt fund in the amount of $200,000 in each of three years beginning in 2001-2002 to support in the hiring of a critical faculty member in the field of combinatorial chemistry –- a joint appointment in the Departments of Chemistry and Pharmacology.

ATTACHMENT B

UNIVERSITY POLICY ON SIGNATORY AUTHORITY

1. Authority of President, Executive Vice President and Chief Operating Officer, Vice President for Finance and Assistant Vice President for Finance to Execute Certain Documents and Contracts

The President, Executive Vice President and Chief Operating Officer (who is an Officer of the Board) and Vice President for Finance of the University are hereby authorized, jointly and separately, subject to the limitations in Paragraph 3 hereof, to execute in the name of and on behalf of the University any or all documents in whatever form and for whatever purpose, including, but not limited to, the following:

Deeds, leases, contracts, certificates, receipts including gift receipts, deeds of trust, promissory notes, bonds, checks, tax returns and reports, claims for refund, releases, waivers, bills of sale, stock certificates, proxies, security agreements, financing statements, affidavits, pleadings and responses to interrogatories.

Such employees are authorized to execute any or all of such documents which they, jointly or separately, determine in their sole discretion should be executed in the best interest of the University, and such discretion may be exercised without any necessity of prior approval, or ratification, by the Board of Visitors or any Committee thereof, except that such employees may only execute the documents specified in Paragraph 3 with the prior approval of the Board of Visitors, or the Executive Committee thereof, and shall execute such documents as directed by such Board or Committee.

2. Delegation

The President, the Executive Vice President and Chief Operating Officer and the Vice President for Finance of the University are hereby authorized, jointly and separately, to delegate to other University employees any or all of the authority to execute any documents described in Paragraph 1, above, subject to the following:

(a) Each delegation shall be in writing and shall be to a named individual; and

(b) Each delegation shall specify the types of documents that may be executed, including any applicable dollar limitation.

Delegations by the Assistant Vice President for Finance prior to the effective date of this policy are hereby ratified and continue in effect until amended or rescinded by the President, Executive Vice President and Chief Operating Officer or the Vice President for Finance.

3. Authority to Execute Certain Documents and Contracts With the Prior Approval of the Board of Visitors

With the prior approval of the Board of Visitors, or the Executive Committee thereof, The President, Executive Vice President and Chief Operating Officer and Vice President for Finance are authorized to execute in the name of and on behalf of the University, the following documents:

(a) Deeds, contracts and any other documents by which the University conveys, or contracts to convey, any of its real estate or interest in real estate, excluding leasehold interests;

(b) Contracts and any other documents by which the University acquires, or contracts to acquire, any real estate, or real estate interest, excluding leasehold interests;

(c) Contracts and any other documents by which the University acquires, or contracts to acquire, goods or services for which more than $5,000,000 will be paid by the University in any one year.

4. Approval and Reporting to the Board of Visitors

The President, the Executive Vice President and Chief Operating Officer and the Vice President for Finance are authorized to approve the following types of transactions and report them to the Board of Visitors at its next meeting following the action:

(a) The write-off of bad debts and free service for the Medical Center, and the write-off of bad debts for the Academic Division and University of Virginia at Wise;

(b) The allocation of funds for debt service, capital outlay and other purposes from unrestricted quasi-endowment income;

(c) Acceptance of the financial report pertaining to expenditure of funds from the Pratt Estate; and

(d) Establishment of summer conference rates for housing facilities and for meals, overnight accommodation rates for the Birdwood Pavilion, and room rates for the International Center.

5. <u>Authority to sign contracts with the Virginia College Building Authority for Leased Equipment</u>

The Executive Vice President and Chief Operating Officer and the Vice President for Finance are authorized to execute and deliver, on behalf of the Board of Visitors, such future leases in substantially the form of the 1994 Lease with such changes, insertions or omissions as may be approved by the Executive Vice President and Chief Operating Officer or the Vice President for Finance.

Approval shall be evidenced exclusively by the execution and delivery of such future leases and any and all other documents, instruments or certificates as may be deemed necessary in the future to consummate the University's participation in the Equipment Financing Program as may be authorized by the General Assembly of Virginia and to further carry out the purposes and intent of this policy in the future, it being the intent of the Board of Visitors that no further action on behalf of the Board of Visitors shall be necessary to empower the Executive Vice President and Chief Operating Officer and the Vice President for Finance to execute and deliver such future leases and other documents as may be deemed necessary in order for the Institution to further participate in the Equipment Financing Program.

6. <u>Authority of the Secretary and Assistant Secretary of the Board of Visitors</u>

The Secretary and the Assistant Secretary of the Board of Visitors are authorized, jointly and separately, to affix the corporate seal of the University to any or all of the documents described in this Signatory Policy, to attest such seal and to execute certificates concerning the continued effectiveness of this or any other resolution of the Board, or any amendment thereto, and such authority may be exercised, jointly or separately, in their sole discretion without any necessity of prior approval, or ratification, by the Board of Visitors or any committee thereof.

7. Rescission of Prior Signatory Policies

The above policy supercedes the following Board resolutions on signatory authority:

- Signatory Authority Resolution dated January 30, 1982.
- Signatory Authority for Lease of Real Estate dated November 15, 1996.
- Amendment to University Policy on Signatory dated September 20, 1996.
- Authorization to sign contracts with the Virginia College Building Authority for Leased Equipment Not Exceeding $4.38 Million, dated November 11, 1993.
- Delegation of Authority to Approve Certain Transactions to the Executive Vice President and Chief Financial Officer dated February 6, 1993.

University Policy on Signatory Authority adopted by the Board of Visitors on June 16, 2001.

Signed: John T. Casteen III, President