

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS
MEETING OF THE
FINANCE COMMITTEE
OCTOBER 19, 2001**

FINANCE COMMITTEE

Friday, October 19, 2001
8:30 a.m. - 10:00 a.m.
Board Room, The Rotunda

Committee Members:

William H. Goodwin, Jr., Chair

Thomas F. Farrell, II

Charles L. Glazer

Timothy B. Robertson

Thomas A. Saunders, III

Joseph E. Wolfe

John P. Ackerly, III, Ex Officio

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BOARD OF VISITORS CONSENT AGENDA

A. INTENT TO ISSUE BONDS: Declares University's intent to issue bonds to reimburse expenditures for planning costs, issuance costs, reserve funds and other financing expenses associated with the Hospital Expansion Project, Arena/Parking Project, Observatory Hill Dining Facility, Health Sciences Center Parking Structure, Emmet Street Parking Structure and the Arts & Sciences Parking Structure. The Hospital Expansion is a Medical Center project. The remaining are Academic Division projects.

If it is determined that issuing tax-exempt bonds is the best way to finance any of these projects, federal regulations require the University to declare its formal intent to issue bonds to reimburse expenditures associated with the projects. *This resolution does not authorize the issuance of bonds for any of the projects.*

The Hospital Expansion Project will construct a 75,000 square foot addition and renovate 152,000 gross square feet. It is needed to respond to current market forces, to improve space utilization within the hospital and to meet future patient care delivery standards. The project addresses the needs of the Heart Center, Interventional Radiology Procedure Suites, Surgical Operating Suites and the Clinical Laboratories. The University currently has a \$4 million planning authorization for the project and has submitted a \$54 million construction authorization request to the Governor for consideration by the 2002 General Assembly Session.

The Arena and its associated parking structures will be located on Massie Road across the street from University Hall. The facility supports the men's and women's basketball programs and will accommodate up to 15,000 spectators. The building will include such features as practice courts, locker rooms, offices, training rooms, program support spaces and concession areas. Planning for renovations to University Hall is included in the project scope. The University currently has a \$10 million planning authorization for the project and has submitted a \$110 million construction authorization request to the Governor for consideration by the 2002 General Assembly Session.

The Observatory Hill Dining Facility is a replacement building for the Observatory Hill Dining Hall and the Tree House. The existing facilities no longer meet food service needs and cannot be renovated to do so. The new facility will

provide seating for 1,100 and a retail food facility. The building will be located at the intersection of Alderman and McCormick Roads between the existing dining hall and McCormick Road. The University currently has a \$10 million authorization for the project and has submitted an authorization request for a \$12 million supplement to the Governor for consideration by the 2002 General Assembly Session.

The Health Sciences Center Parking Structure will be constructed as an addition to the South Garage, which is located between the Biomedical Engineering and Medical Sciences Building and the railroad tracks. The garage, which will have up to 600 spaces, is needed to meet existing parking demand in the Health Sciences Center and to provide replacement parking for the parking spaces lost to the Biomedical Engineering and Medical Sciences Building and MR-6. The University has submitted a \$10.8 million authorization request to the Governor for consideration by the 2002 General Assembly Session.

The Emmet Street Parking Structure will be located in the Emmet Street corridor on Old Ivy Road on the wooded lot between the Cavalier Inn and the Dynamics Building. It will accommodate approximately 1,000 cars and can eventually be expanded to Emmet Street. The structure is needed to replace parking that will be displaced by the new Arena and the Carr's Hill Arts Precinct projects. The location does not require the temporary loss of existing parking spaces during the construction period. On September 1st, the University submitted a \$14 million nongeneral fund authorization request for the project to the Governor for consideration by the 2002 General Assembly Session.

The Arts & Sciences Parking Structure is needed to support the new Arts & Sciences Building, which is currently planned for the B-1 Parking Lot on Jefferson Park Avenue across from New Cabell Hall. The structure will accommodate approximately 500 cars, and is needed to replace the 250 parking spaces displaced by the new Arts & Sciences Building and to accommodate the parking needs generated by the building occupants. On September 1st, the University submitted a \$9 million nongeneral fund authorization request for the project to the Governor for consideration during the 2002 General Assembly Session.

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

APPROVAL OF INTENT TO ISSUE BONDS FOR THE HOSPITAL EXPANSION PROJECT, ARENA/PARKING PROJECT, OBSERVATORY HILL DINING FACILITY, HEALTH SCIENCES CENTER PARKING STRUCTURE, EMMET STREET PARKING STRUCTURE AND THE ARTS & SCIENCES PARKING STRUCTURE

WHEREAS, the United States Department of the Treasury has promulgated final regulations in Section 1.150-2 of the Treasury Regulations (the "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 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 (the "University") 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 Hospital Expansion Project for the Medical Center and the Arena/Parking Project, Observatory Hill Dining Facility, Health Sciences Center Parking Structure, Emmet Street Parking Structure and the Arts & Sciences Parking Structure for the Academic Division with proceeds from the issuance of tax-exempt bonds ("bonds") to be issued by the University through 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 these projects is \$54 million for the Hospital Expansion Project, \$75 million for the Arena/Parking Project, \$10 million for the Observatory Hill Dining facility, \$10.8 million for Health Sciences Center Parking Structure, \$14 million for the Emmet Street Parking Structure and \$9 million for the Arts & Sciences Parking Structure.

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UNIVERSITY OF VIRGINIA
FISCAL IMPACT STATEMENT

PROJECT/PROPOSED BOARD OF VISITORS ACTION: Approve the intent to issue bonds for six proposed capital projects.

DESCRIPTION: The University intends to construct six projects that are strategically and/or operationally important. These include:

1. Hospital Expansion Project
2. Arena/Parking Project (1,400 spaces)
3. Observatory Hill Dining Facility
4. Health Sciences Center Parking Structure (600 spaces)
5. Emmet Street Parking Structure (1,000 spaces)
6. Arts & Sciences Parking Structure (500 spaces)

The proposal before the Board of Visitors is to approve the intent to issue the bonds for these projects.

FISCAL IMPACT: This proposal has no fiscal impact at the present time since it merely constitutes an intent to issue bonds, not an actual debt obligation for any project. For planning purposes, however, the following might be illustrative:

1. The Hospital Expansion Project is a \$58 million expansion/renovation to the existing facility and will provide 75,000 square feet of new space and improvements to another 152,000 square feet. \$54 million will be financed through bonds and \$4 million will be provided by hospital operating reserves. Hospital operating reserves will also fund the annual debt service payments of approximately \$4.5 million.
2. The new arena and parking project is the well-publicized proposal to build a 12,000-15,000-seat sports/multi-use facility. The University plans to spend no more than \$120 million to complete this project. The intent to issue bonds requests the authority to finance this project with up to \$75 million in debt. Using 9d financing, the annual debt service on this amount equals \$6.3 million (5.5 percent for twenty years). Revenues from philanthropy, exclusive seating, suite leases and student fees will fund the bond payments. These resources will also supply the balance of the project funding.

3. In order to provide much-needed additional office space and dining capacity, the University intends to replace the existing Observatory Hill building with a new 58,700 gross square foot facility. This \$22 million project will require \$10 million in bonds financed at 5.4 percent for twenty years using 9c financing. The balance, \$12 million, will come from auxiliary revenues. Total debt service on the bond financing will equal \$847,000 per year with revenues provided by meal plan payments.
4. The Health Sciences Center Parking Garage will provide 600 additional spaces for faculty and staff vehicles. The estimated total project cost will equal \$10.8 million and will require an annual debt service of approximately \$1.0 million per year (assuming a twenty year term and a 5.4 percent interest rate). Parking fees will provide the necessary revenues.
5. The Emmet Street facility is expected to cost \$14 million for all project costs. The annual debt service will equal approximately \$1.2 million per year (9c financing of 5.4 percent for twenty years). Parking and Transportation will provide \$250,000 toward this figure and the University will fund the rest through other sources.
6. The Arts & Sciences parking structure will cost approximately \$9.0 million in total with an annual debt service of \$762,000 per year (9c financing of 5.4 percent for twenty years). Parking and Transportation will provide \$392,000 toward this figure and the University will fund the rest through other sources.

CONCLUSION: The Board of Visitors should approve the intent to issue bonds for the construction of these new facilities. The projects relate to identified strategic initiatives; funding sources have been identified. Detailed financial analyses of each will be provided at the appropriate time prior to actual debt issuance.

RECOMMEND APPROVAL OF BOARD ACTION:



Leonard W. Sandridge
October 19, 2001

BOARD OF VISITORS CONSENT AGENDA

B. VALUATION POLICY: Approves the Valuation Policy, in concurrence with the September 18, 2001, University of Virginia Investment Management Company action.

The University has a long-standing policy regarding the valuation of securities within its various investment portfolios. Because of the volatility in the private equity/venture capital portfolios over the past two years, the policy has been revised to reflect a more active evaluation of these holdings.

The private markets are illiquid and unquoted, and any valuation short of the ultimate selling price will be an estimate. Therefore, any interim value is simply a best guess using the best available data. The proposed policy outlines the process by which the University will make that "guess".

The UVIMCO Board recommends that the Valuation Policy be amended to address the following issues associated with the private placement securities:

1. Begin with valuations provided by our managers.
2. Segregate out the public stocks and value them at 75 percent of their close on the last day of the month.
3. Accept all manager markdowns, taking the lowest if several managers hold the same position.
4. Review manager markups on privates to be sure that they are reasonable, taking the lowest if the same position is held by several managers.
5. Review 3 and 4 to be sure that they are reasonable given the current market conditions and recommend changes to the Board only if material.

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

APPROVAL OF THE UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY VALUATION POLICY

RESOLVED by the Finance Committee of the Board of Visitors of the University of Virginia that the Valuation Policy (Attachment A, page 57) be adopted.

C. POOLED ENDOWMENT FUND ADMISSION AND REDEMPTION POLICY:
Approves the Pooled Endowment Fund Admission and Redemption Policy, in concurrence with the September 18, 2001, University of Virginia Investment Management Company action.

Nearly all of the University's endowment is pooled for investment purposes in the Pooled Endowment Fund. This Fund currently allows for participants to buy in or out on the first business day of each month.

The UVIMCO Board has passed a resolution recommending placing restrictions on admissions to and redemptions from the Pooled Endowment Fund. The concern developed as a result of the increase in the endowment's commitment to illiquid securities and the planned addition of significant sums of money from related foundations to become part of the pool. The concerns were twofold: First it is difficult to have an accurate value for the private equity investments prior to distribution; and second, a large addition or withdrawal would adversely affect the other participants as the allocation to illiquid investments could not easily be adjusted to meet these flows. The issue is real but the magnitude of the problem is still uncertain. We intend to create a process that meets the University's needs, is attractive to University-Related foundations, properly addresses the long-term nature of an endowment fund and above all, is simple. After polling our peers and running the proposed changes past those parties likely to be affected (our related foundations), the attached policy proposes the following:

1. Move over time from a monthly to a quarterly unit value calculation. The portfolio will be priced monthly for internal purposes but allow for admits and redeems only quarterly.
2. Limit the net amount that can be added to or subtracted from the Pooled Endowment Fund on a quarterly basis to two percent (currently \$34 million). Requests will be prorated as needed to meet this requirement. The University will use its best efforts to meet all requests for admission on the date requested.
3. Require a 45-day notice period on admits and redeems larger than \$5 million to allow time to meet the 30- to 45-day notice period on many hedge funds.

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

APPROVAL OF THE UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT
COMPANY POOLED ENDOWMENT FUND ADMISSION AND REDEMPTION POLICY

RESOLVED by the Finance Committee of the Board of Visitors of the University of Virginia that the attached Pooled Endowment Fund Admission and Redemption Policy (Attachment B, page 59) be approved.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: October 19, 2001

COMMITTEE: Finance

AGENDA ITEM: II. 2002-2004 Biennial Budget Submission

BACKGROUND: Every two years, the University submits its biennial budget request to the Department of Planning and Budget for inclusion in the Governor's budget proposal, which is presented to the General Assembly in December. This request must be submitted to the state on October 15, 2001.

DISCUSSION: The budget submission emphasizes base budget adequacy, maintenance of new facilities, graduate student aid, reimbursement for indigent care provided by physicians, Virginia 2020, a student fee increase and technology. Initiatives for the Academic Division (Agency 207) total \$23.4 million (general funds [GF]) and \$47.6 million (nongeneral funds [NGF]) in year one, and \$28.2 million (GF) and \$93.1 million (NGF) in year two. Initiatives for the Medical Center (Agency 209) total \$94.7 million (NGF) in year one and \$184.4 million (NGF) in year two. Initiatives for the University of Virginia's College at Wise (Agency 246) total \$1.3 million (GF) in years one and two. Not included in the items below are initiatives developed centrally by the state for faculty salaries, undergraduate student aid, higher education equipment trust fund and enrollment growth. If the Board concludes that it does not want to submit one or more of the following amendments, the University will withdraw them.

AGENCY 207 - Academic Division:

- 1) *Base budget adequacy (\$4.4 million and 44 FTEs in year one and \$8.8 million and 88 FTEs in year two) - A request for a four-year phased allocation of what the Joint Subcommittee on Higher Education Funding Policies has calculated as the University's shortfall in base budget funding.*
- 2) *Operations and maintenance costs for new facilities (\$3.48 million and 20.9 FTEs in year one and \$3.65 million and 30.5 FTEs in year two) - Provide support for operations and maintenance costs of new Educational & General facilities. This includes new facilities that were opened in 2001-2002 and were not funded by the state due to the budget impasse.*

- 3) *Graduate student aid (\$3.5 million in years one and two) -* The University must attract top-quality graduate students, who will be the next generation of faculty, researchers and innovators, if it is to remain a major research institution. Support for graduate students is inadequate and hinders the University's competitive ability to recruit students. Surveys by the University show that 40 percent of those who decline graduate admission do so because the financial aid packages offered are not competitive with those of other institutions.
- 4) *Funding for UVa Health Plan (\$781,500 in years one and two) -* The University requests general funds to make the state's funding of the University-sponsored health care plan comparable to the state funding provided for other state-sponsored health plans.
- 5) *Indigent Care (\$4.15 million [\$2 million GF and \$2.15 million NGF] and 21 FTEs in years one and two) -* Permanent base budget allocation to reimburse the School of Medicine for services provided by physicians for indigent care.
- 6) *Core Support for Virginia 2020 Initiatives (\$5.92 million in year one and \$5.76 million in year two; 11 FTEs in both years):*
 - a. *Public Service and Outreach -* Establish the position of vice provost for public service in the Office of the Vice President and Provost.
 - b. *International Activities -* Add staff to the Office of International Studies to meet current demand for services, and to meet the anticipated increase in activities related to implementation of Virginia 2020 recommendations. Provide start-up funding for four study abroad programs.
 - c. *Science and Technology - Faculty Replacement -* Provide funds for the replacement of retiring faculty and additional faculty needed to build strength in the science and technology focus areas identified in Virginia 2020. Provide funds for planning the development of the science and technology focus areas identified in Virginia 2020.
 - d. *Fine and Performing Arts -* Establish an equipment replacement fund to ensure that faculty and students

have access to state-of-the-art technology, the highest quality instruments and other equipment.

- 7) *Athletics fee increase (language only)* - A language change to the Appropriation Act providing for the University to increase its athletics fee in excess of that allowed by current Appropriations Act language. This would be a part of the long-term strategy to shore up the finances of the Athletic Department while maintaining the competitive position of the non-revenue sports and complying with Title IX.
- 8) *Information Technology Support (\$1.37 million in years one and two):*
 - a. *Enhance Information Technology Security* - Intensify the University's efforts to reduce information technology security vulnerabilities and to promote safe computing practices within the University community.
 - b. *Develop Computer-based Teaching Tools* - Establish a small applications-development group to create and support computer-based instructional software.
 - c. *Respond to Information Technology Environment Changes* - Increase flexibility needed to operate an effective information technology organization in the higher education arena.
- 9) *Fund Virginia Microelectronics Engineering Consortium (\$547,090 in years one and two, 6.00 FTEs)* - The University, Virginia Tech, Old Dominion, George Mason, Virginia Commonwealth, William & Mary and the Virginia Community College System have joined forces to create a framework for a statewide microelectronics education and research consortium.
- 10) *Provide per capita funding for the Virginia Foundation for the Humanities (\$1,270,000 and 5 FTEs in year one and \$1,570,000 and 7 FTEs in year two)* - Provide funding for the resolution passed by the General Assembly which supports a funding level of \$1 per capita in the Commonwealth for the Virginia Foundation for the Humanities to develop, expand and deliver programs and services statewide.

- 11) *Support State Arboretum of Virginia - Blandy Farm (\$160,000 and 4 FTEs in year one and \$266,000 and 6 FTEs in year two)* - Increase funding to allow the Arboretum to continue its current programs and to better serve the citizens of the Commonwealth through a well-maintained and interpreted Arboretum collection.
- 12) *Non-General Fund Revenues and FTEs (\$10.45 million and 81 FTEs in year one and \$20.9 million and 173 FTEs in year two)* - A technical adjustment to increase our NGF appropriation to reflect additional indirect cost recoveries and tuition revenues from tuition increases and expanded programs.
- 13) *Non-General Fund Financial Aid (\$500,000 in year one and \$1 million in year two)* - A technical adjustment to increase our financial aid appropriation to reflect increased financial aid funded from tuition increases.
- 14) *Sponsored Programs (\$28 million and 127 FTEs in year one and \$56 million and 254 FTEs in year two)* - A technical adjustment to support projected increases in sponsored programs expected at the University over the next two years.
- 15) *Auxiliary (\$6.5 million and 8 FTEs in year one and \$13 million and 16 FTEs in year two)* - A technical adjustment to increase our Auxiliary Programs appropriation to reflect growth in Auxiliary expenditures.

AGENCY 209 - Medical Center:

- 1) *Interest on Operating Balances (\$4.4 million [NGF] in years one and two)* - Companion to the legislative request to require the Medical Center to be credited with the imputed interest on its non-general operating cash balances (primarily patient care revenues), on deposit with the State Treasurer. This request increases the NGF appropriation of the Medical Center by the amount of the requested interest earnings.
- 2) *Non-General Fund Revenues and FTEs (\$90.3 million and 505 FTEs in year one and \$180.0 million and 553 FTEs in year two)* - A technical adjustment to increase the Medical Center's operating appropriation to reflect expected growth

in patient revenues and, accordingly, operating expenditures.

AGENCY 246 - University's College at Wise:

- 1) *Center for Teaching Excellence (\$500,000 and 5 FTE in years one and two)* - To provide five additional faculty members to aid in developing future teachers and expanding the knowledge base of the existing teachers. These funds will be matched by \$300,000 from the region's school districts, the Southwest Virginia Public Education Consortium and the College.
- 2) *Integrated Systems Project (\$295,000 and 7 FTE in years one and two)* - Provide positions to insure compliance is maintained in the new system with audit control requirements. The College requests that these funds be appropriated during 2001-2002, due to training demands and system implementation.
- 3) *Technology Initiative (\$500,000 and 5 FTEs in years one and two)* - To provide faculty and staff positions to begin implementation of this program and address MIS needs for the region to aid in job preparedness and assist economic development efforts. Implementation of this program will enable the College to set forth as a national leader in the use of technology throughout the liberal arts. During the 2000 Session of the General Assembly, an appropriation of \$100,000 was made to fund initial efforts at implementing the recommendations of SCHEV.

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

APPROVAL OF 2002-2004 BIENNIAL BUDGET AMENDMENTS FOR THE ACADEMIC DIVISION, MEDICAL CENTER AND COLLEGE AT WISE

WHEREAS, the 2002-2004 biennial budget amendments have been carefully reviewed; and

WHEREAS, the amendments represent the highest priority initiatives for the Academic Division, Medical Center and the College at Wise; and

WHEREAS, the request is aligned with the mission of the institutions and with their respective strategic plans;

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

RESOLVED FURTHER that the Board of Visitors understands that to the extent these initiatives are not included in the Governor's amendments to the 2002-2004 biennial budget that the Academic Division, Medical Center and the College at Wise may want to pursue similar requests to the legislature; and

RESOLVED FURTHER that the Executive Vice President and Chief Operating Officer is authorized to transmit to the General Assembly any request not funded by the Governor as long as there are no material differences from the items already endorsed by the Board of Visitors.

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UNIVERSITY OF VIRGINIA
FISCAL IMPACT STATEMENT

PROJECT/PROPOSED BOARD OF VISITORS ACTION: Approval of the 2002-2004 biennial budget submission.

DESCRIPTION: Every two years the University submits its biennial budget request to the Department of Planning and Budget for inclusion in the Governor's budget proposal, which is presented to the General Assembly in December.

FISCAL IMPACT: (Amounts stated in millions of dollars.)

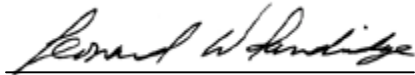
	<u>2002-2003</u>	<u>2003-2004</u>
<u>Agency 207 - Academic Division</u>		
<u>General Funds</u>		
1. Base Budget Adequacy	\$4.40	\$8.80
2. O & M for New Facilities	\$3.48	\$3.65
3. Graduate Student Aid	\$3.50	\$3.50
4. Funding for UVa Health Plan	\$0.75	\$0.75
5a. Indigent Care	\$2.00	\$2.00
6. Virginia 2020 Initiatives	\$5.92	\$5.76
7. Athletics Fee Increase	N/A	N/A
8. Information Technology	\$1.37	\$1.37
9. Virginia Microelectronics Eng. Cons.	\$0.55	\$0.55
10. Virginia Foundation for the Humanities	\$1.27	\$1.57
11. State Arboretum of Virginia	\$0.16	\$0.27
Total General Funds for Agency 207	\$23.40	\$28.22
<u>Non-General Funds</u>		
5b. Indigent Care	\$2.15	\$2.15
12. Non-General Fund Revenues and FTEs	\$10.45	\$20.90
13. Non-General Fund Financial Aid	\$0.50	\$1.00
14. Sponsored Programs	\$28.00	\$56.00
15. Auxiliary Enterprises	\$6.50	\$13.00
Total Non-General Funds for Agency 207	\$47.60	\$93.05
<u>2002-2003</u> <u>2003-2004</u>		
<u>Agency 246 - University's College at Wise</u>		
1. Center for Teaching Excellence	\$0.50	\$0.50
2. Integrated Systems Project	\$0.30	\$0.30
3. Technology Initiative	\$0.50	\$0.50
Total General Funds for Agency 246	\$1.30	\$1.30

Agency 209 - Medical Center

1. Interest on Operating Balances	\$4.40	\$4.40
2. Non-General Fund Revenues and FTEs	<u>\$90.30</u>	<u>\$180.00</u>
Total Non-General Funds for Agency 209	<u>\$94.70</u>	<u>\$184.40</u>

CONCLUSION: The Board of Visitors should approve the 2002-2004 biennial budget submission. The above recommendations support the University's strategic goals and priorities. The degree to which additional funds from the state are made available will dictate how much the agencies must seek from other potential sources.

RECOMMEND APPROVAL OF BOARD ACTION:



Leonard W. Sandridge
October 19, 2001

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: October 19, 2001

COMMITTEE: Finance

AGENDA ITEM: III.A. Endowment Report

ACTION REQUIRED: None

Market Value and Performance as of August 31, 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: Annually, at the fall meeting, we take the opportunity to review performance of the fiscal year ending June 30. The return on the endowment was modestly positive at 2.0 percent; however, after divestments to meet the income distribution, the growth in the endowment was a negative \$18.7 million. The target benchmark returned a negative 3.3 percent, the S&P 500 a negative 14.8 percent and the Merrill Lynch 7-10 Year Government Index a positive 10.9 percent. Bonds were king again.

Within the portfolio, strong returns in the hedge funds, up 20 percent; long-only domestic equity, up 4.8 percent; real estate, up 8.8 percent; and fixed income, up 9.6 percent, were offset by losses in the private equity and international portfolios. We made several decisions early on in the year to help dampen the decline in the portfolio value. The hedge fund portfolio was increased from 16 percent of the portfolio to 39 percent a year later. Likewise, all private equity distributions were sold as soon as possible creating the cash flow to increase hedge fund investments. The over-weighting of value and smaller capitalization stocks also helped to keep the return on the fund positive.

The markets have continued to decline over the past two months. For the months of July and August, the Pooled Endowment Fund returned 0.4 percent again led by hedge funds, bonds and real estate. All other areas were negative. The numbers for

September will be available at the October 19 Finance Committee meeting. Suffice it to say, there were few places to hide from the market decline. Details of the returns on the endowment through August 31, 2001, are reported in the following Investment Report.

INSERT REPORT

Report on Actions of the Board of the Investment
Management Company, September 18, 2001

BACKGROUND: The University of Virginia Investment Management Company (UVIMCO) Board meets quarterly and reports all of its activities at the following meeting of the Finance Committee.

DISCUSSION: At its September 18, 2001, meeting in Richmond, the UVIMCO Board approved of the following actions:

1. Investment of \$15 million with Brockway Moran & Partners Fund II
2. Divestment of BPI Global Opportunities Fund
3. Approval of revisions to Valuation Policy
4. Approval of Pooled Endowment Fund Admission and Redemption Policy
5. Approval of Peer Group Policy

In addition, the Domestic Equity Committee met in Connecticut on September 26, 2001, and approved the following actions:

1. Investment of \$25 million with Claiborne Capital Group
2. Divestment of BGI Value Fund
3. Divestment of \$20 million from J. W. Bristol

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: October 19, 2001

COMMITTEE: Finance

AGENDA ITEM: III.B. Financial Aid Follow-Up Report

ACTION REQUIRED: None

BACKGROUND: At the June 2001 meeting of the Finance Committee, a request was made for information regarding the debt burden carried by undergraduate students.

DISCUSSION: Currently, the average loan indebtedness at graduation for those students who borrowed is approximately \$12,000 for in-state students and \$17,000 for out-of-state students. Approximately 30 percent of our undergraduates borrow.

Grant assistance is used to meet a greater percentage of need for students whose family income is less than \$75,000. Loans, as a percentage of total financial aid, increase as family income increases. For families with higher incomes, most of the debt is from Parent Plus loans, which are based on the creditworthiness of the parents, and not on need.

We closely monitor the amount of debt carried by our students, and provide financial counseling and informational materials.

Graphs and charts with additional details will be presented in the meeting.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: October 19, 2001

COMMITTEE: Finance

AGENDA ITEM: III.C. UVa Health Plan Annual Report

ACTION REQUIRED: None

BACKGROUND: The Board has asked that the Executive Vice President and Chief Operating Officer report regularly on the status of the University's self-insured health care plan.

DISCUSSION: The University, with the help of fringe benefit consultants, regularly monitors its health insurance claims and premiums, the adequacy of its reserves and the outlook for future health care costs. We anticipate that health care costs will increase 8.2 percent in the year ahead, driven largely by pharmaceutical costs. Currently, claims are slightly lower than we projected a year ago. Our reserve for claims "incurred but not reported" or paid is fully funded, as is our contingency reserve.

The UVa Health Plan will increase its premiums slightly, effective January 2002. Rates will be set to cover our projected claims costs, to hold employee premiums equal to or less than the state-sponsored employee benefits plan and to keep the reserve at an appropriate level based on projected costs. Increases to the co-payments associated with the Plan's prescription benefits will help manage the continuing escalation of prescription drug costs.

A detailed report will be provided during the October 19 Finance Committee meeting.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: October 19, 2001

COMMITTEE: Finance

AGENDA ITEM: III.D. Pricing Policy for 2002-2003 Tuition
and Required Fees

ACTION REQUIRED: None

BACKGROUND: The Board normally approves tuition and required fees at its April meeting. Members of the Board have emphasized that it is important to review pricing policy and outlook prior to the meeting at which action is taken.

The Governor's budget and General Assembly actions set the criteria and framework for the establishment of tuition and fees. Board policy and Board response to institutional requirements determine the specific tuition structure within the state-prescribed framework.

DISCUSSION: The discussion at the Board meeting will address undergraduate, graduate and professional school charges and the outlook for 2002-2003. The freeze on in-state undergraduate tuition and educational and general fees expires with the current budget on June 30, 2002. The Governor will provide guidance for the next academic year in his budget for the 2002-2004 period. We believe it is time for the freeze to be lifted to help support operating budget needs. Our final proposal for in-state undergraduate tuition and fees will be based on provisions included in the new budget. Out-of-state undergraduate and graduate tuition increases will be related to actions taken by the 2002 General Assembly concerning funding of salary increases or base budget adequacy and the operational needs and priorities of the University.

As mentioned in the tuition policy discussion in October 2000, the University has a serious concern about its ability to compete effectively for the best graduate students. As a first step in addressing this concern, in June 2001, the Board approved a budget which provided for a voucher for health insurance for graduate students who earn or receive fellowships over \$5,000 or greater. A second step towards making the University's graduate student financial aid packages more

competitive concerns the funding of the differential in in-state and out-of-state tuition. While in-state tuition is funded for graduate teaching assistants (from tuition) and for graduate research assistants (from research grants and contracts), the differential between in-state and out-of-state students is only partially funded (from tuition). Since our peer institutions generally fully fund this differential for graduate engineering and science students, we are at a disadvantage in competing for the best graduate students in these fields. While our AAU peer public institutions have an out-of-state graduate tuition level that is about three times the in-state graduate rate, the University has an out-of-state graduate tuition that is more than four times the in-state graduate tuition. We are considering ways that we may be able to address this large differential in the graduate in-state and out-of-state tuition rates. If we develop a feasible solution, the proposal will be a part of the tuition and fee recommendations presented to the Board in the spring.

Darden School and Law School tuition will continue to emphasize the self-sufficiency model. The Darden School and the University have finalized a self-sufficiency agreement that projects self-sufficiency for the School in 2003-2004, and is dependent upon three assumptions related to tuition revenue: (1) Out-of-state tuition will be increased to a level comparable with peers in the top 10 of the *Business Week* and the *USNWR* rankings. (2) In-state tuition will maintain the \$5,000 differential from out-of-state tuition that was achieved in 2000-2001. (3) The Darden School will add two sections of 60 students each in 2002-2003 and 2003-2004. Accordingly, the Darden School will propose that, in addition to normal tuition increases, out-of-state entering students will pay a \$1,500 surcharge in 2002-2003, and that all in-state students will pay a tuition and fee charge that is \$5,000 less than that proposed for out-of-state students.

In 2001-2002, the Law School maintained in-state tuition at a 30 percent discount off out-of-state tuition with a \$1,200 surcharge to first-year in-state students. This surcharge will be extended to first- and second-year students in 2002-2003. In order to finalize a self-sufficiency model with the University, the Law School also needs to reach a goal of charging market rate tuition for out-of-state students and maintaining a \$5,000 differential between in-state and out-of-state tuition. Accordingly, in 2002-2003, the Law School will increase out-of-state tuition to meet market rates of peers. Additionally, the Law School will implement a second phase of surcharges (\$1,200)

intended to move in-state tuition to within \$5,000 of out-of-state tuition by 2005-2006. As the Law School increases in-state tuition to meet this goal, they will increase their commitment to scholarships and loan forgiveness at a percentage rate at least equal to the annual increase in Law School tuition and required fees. To assist in achieving this, the Law School will establish and maintain an enhanced financial aid program that provides "loan forgiveness" to all eligible University Law graduates who enter public service and to all who enter the practice of law anywhere in the Commonwealth.

In 2002-2003, the School of Medicine plans to continue the implementation of its surcharges, which increases in-state tuition to a level comparable to other state-supported medical schools. In 2002-2003, the \$2,000 surcharge first implemented in 1999-2000, will be fully rolled out to all four classes. A second surcharge for \$1,000 began in 2001-2002. In 2002-03, first- and second-year medical students will be assessed this \$1,000 surcharge. The School of Medicine is currently exploring the development of a tuition policy similar to the other professional schools - establishing in-state tuition at a set differential from out-of-state tuition. If we develop a feasible plan that appropriately recognizes the public service mission of medical education, the proposal will be a part of the tuition and fee recommendations presented to the Board in the spring.

Required fees and housing and dining rates will be set to address state salary requirements, approved capital projects and inflation, and will be in keeping with the state's policy on mandatory non-educational and general fees. In April 2001, the Board approved a \$50 fee increase for Athletics to address recommendations of the Virginia 2020 Strategic Planning Task Force for the Department of Athletics. The analysis of the funding of the Athletics budget continues and may suggest that additional future increases will be necessary to appropriately fund the Athletics budget. Future housing fees will be influenced by the amount of renovations and modernizations required to preserve the quality of our student housing system. A significant portion of our system is of an age where we can expect building and infrastructure conditions to require attention.

The University of Virginia's College at Wise plans to continue the implementation of the student fee increases necessary to fund the new Student Center. For 2002-2003, the fee will increase by \$100, for a total fee of \$544.

We will seek Board comments on the various strategies, alternatives and projections. The outcome of the discussions will determine the direction taken in the development of the tuition and fee structure for 2002-2003. No action will be taken at this meeting.

MISCELLANEOUS FINANCIAL REPORTS
Finance Committee
University of Virginia

October 19, 2001

ACADEMIC DIVISION

FINANCIAL REPORT

ACCOUNTS AND LOANS RECEIVABLE AS OF JUNE 30, 2001

Summary of Accounts Receivable:

The University's Academic Division's total accounts receivable as of June 30, 2001, were \$12,701,000 as compared to \$16,943,000 at March 31, 2001. The major sources of receivables at June 30, 2001, were sponsored programs of \$10,690,000.

The past due receivables over 120 days old were \$1,274,000 at June 30, 2001, or 10.03 percent of total receivables. The University's fiscal year cumulative percentage of past due receivables over 120 days old is 4.32 percent, well below the Commonwealth's management standard of ten percent.

	<u>Student Accounts</u>	<u>Sponsored Programs</u>	<u>Other Receivables</u>	<u>Total</u>
Gross Accounts Receivable	\$185,000	\$10,690,000	\$1,826,000	\$12,701,000
Less: Allowance for Doubtful Accounts	<u>6,000</u>	<u>0</u>	<u>72,000</u>	<u>78,000</u>
Net Accounts Receivable	<u>\$179,000</u>	<u>\$10,690,000</u>	<u>\$1,754,000</u>	<u>\$12,623,000</u>
Accounts Receivable Greater than 120 Days Past Due	<u>\$144,000</u>	<u>\$962,000</u>	<u>\$168,000</u>	<u>\$1,274,000</u>

SOURCE: Bursar's Office

DATE: August 24, 2001

ACADEMIC DIVISION

FINANCIAL REPORT

ACCOUNTS AND LOANS RECEIVABLE AS OF JUNE 30, 2001

Summary of Loans Receivable:

The default rate for the Perkins Student Loan Program decreased by 0.42 percent to 6.48 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 remained the same at 0 percent. The Nursing Undergraduate Student Loan Program default rate increased by .10 percent to 2.20 percent. All medical loan programs are well below the five percent federal threshold. The University Loan Program default rate increased by .14 percent to 3.13 percent.

	<u>Gross Loans Receivable</u>	<u>Current Default Rate</u>	<u>Inc./ (Dec) From Last Quarter</u>
Perkins Student Loans	\$16,408,000	6.48%	(0.42)%
Health Professions Loans	1,045,000	0.00%	(0.00)%
Undergraduate Nursing Loans	575,000	2.20%	0.10%
University Loans	11,437,000	3.13%	0.14%
Total Student Loan Outstanding	<u>\$29,465,000</u>		

SOURCE: Bursar's Office
DATE: August 24, 2001

**EXPENDITURE OF FUNDS FROM PRATT ESTATE
For Year Ended June 30, 2001**

	<u>6/30/00</u> <u>Carryforward</u>	<u>FY 01</u> <u>Allocations¹</u>	<u>Total</u> <u>Available</u>	<u>FY 00-01</u> <u>Expenditures</u>	<u>6/30/01</u> <u>Balance</u>
Arts & Sciences					
Biology					
Student Support	\$ 166,665.37	\$ 205,405.00	\$ 372,070.37	\$ 103,683.03	\$ 268,387.34
Faculty Salary Support	39,391.65	115,734.00	155,125.65	77,124.85	78,000.00
Research & Equipment ²	<u>311,239.14</u>	<u>-46,139.00</u>	<u>265,100.14</u>	<u>37,105.22</u>	<u>227,994.92</u>
	517,296.16	275,000.00	792,296.16	217,913.10	574,383.06
Chemistry					
Student Support	114,801.03	115,000.00	229,801.03	135,432.04	94,368.99
Faculty Salary Support	25,777.13	80,000.00	105,777.13	43,619.46	62,157.67
Research & Equipment ²	<u>-81,899.65</u>	<u>130,000.00</u>	<u>48,100.35</u>	<u>23,165.73</u>	<u>24,934.62</u>
	58,678.51	325,000.00	383,678.51	202,217.23	181,461.28
Mathematics					
Student Support	190,738.91	133,924.00	324,662.91	31,713.00	292,949.91
Faculty Salary Support	211,572.61	180,473.00	392,045.61	159,355.44	232,690.17
Research & Equipment ²	<u>115,327.04</u>	<u>10,603.00</u>	<u>125,930.04</u>	<u>10,664.40</u>	<u>115,265.64</u>
	517,638.56	325,000.00	842,638.56	201,732.84	640,905.72
Physics					
Student Support	135,476.36	0.00	135,476.36	1,829.00	133,647.36
Faculty Salary Support	271,744.21	69,820.00	341,564.21	102,059.52	239,504.69
Research & Equipment ²	<u>935,709.01</u>	<u>255,180.00</u>	<u>1,190,889.01</u>	<u>95,341.10</u>	<u>1,095,547.91</u>
	1,342,929.58	325,000.00	1,667,929.58	199,229.62	1,468,699.96
Presidential Science Initiative	295,133.59	140,000.00	435,133.59	0.00	435,133.59
Science & Technology Initiative	250,000.00	250,000.00	500,000.00	0.00	500,000.00
Provost Faculty Start-Ups	500,000.00	500,000.00	1,000,000.00	0.00	1,000,000.00
Arts & Sciences Basic	100,000.00	-100,000.00	0.00	0.00	0.00
School of Medicine					
Student Support	1,039,257.39	645,005.00	1,684,262.39	845,786.02	838,476.37
Research & Equipment ³	3,561,949.22	693,995.00	4,255,944.22	974,998.20	3,280,946.02
Presidential Science Initiative	33,105.35	0.00	33,105.35	33,105.35	0.00
Science & Technology Initiative	250,000.00	250,000.00	500,000.00	9,950.00	490,050.00
	<u>250,000.00</u>	<u>200,000.00</u>	<u>450,000.00</u>	<u>9,950.00</u>	<u>440,050.00</u>
	<u>5,134,311.96</u>	<u>1,789,000.00</u>	<u>6,923,311.96</u>	<u>1,873,789.57</u>	<u>5,049,522.39</u>
TOTALS	\$ 8,715,988.36	\$ 3,829,000.00	\$ 12,544,988.36	\$ 2,694,882.36	\$ 9,850,106.00

NOTES:

¹Allocations include amounts approved by the Board of Visitors for 2001-02 and carryforward amounts from prior year allocations.

²Research & Equipment includes the balances in the clearing accounts.

³School of Medicine Research & Equipment includes a one-time special allocation of \$2.5 million for the Vivaria project.

SOURCE: Financial Analysis

DATE: August 24, 2001

UNIVERSITY OF VIRGINIA
INTEGRATED SYSTEM PROJECT STATUS REPORT
October 2001

The Integrated Systems Project completed its Phase 1 deployment on July 9, 2001, at 8:00 a.m. This followed a one-week "Dim Week," as old systems shut down on July 2, and data was converted and migrated into the Oracle system.

Approximately 1,600 new Oracle users (in addition to the 400 Labor Distribution users who had gone live on May 29) gained access to the system on July 9. A functional help desk, positioned in the office of the Chief Human Resources Officer, was fully staffed at that time, and handled between 300 and 400 calls daily for the first three weeks. Calls then stabilized to under 200 a day by mid-August.

A process was established to monitor transactions being entered into the system and to monitor the running of nightly process, when transactions are migrated between Oracle applications and to the Operational Data Store. Efforts are ongoing to identify and rectify problem areas as they manifest themselves. An Application Support Center has been established and staffed to monitor the system's performance, oversee revisions and enhancements, coordinate testing of the financial applications with the development and testing of Phase 2 applications, and manage the upgrade to the next version of the Oracle applications.

Training of users of the Oracle applications is now the responsibility of the new Division of Training within the Office of Human Resources.

The kick-off for Phase 2 of the project, Human Resources/Payroll, was held on July 16, 2001. Phase 2 consists of the following Oracle applications:

- Human Resources Management (HRM)
- Payroll
- Time Management
- Training Administration
- Fixed Assets

The training administration application will go live early November so that management of registration and training for Phase 2 can take place within Oracle. The fixed assets team began its work the beginning of October. All applications except training administration have a go live date of July 1, 2002.

The HRM, Payroll and Time Management teams have completed mapping the as-is processes and the to-be processes, have identified University requirements and completed a gap analysis of which requirements can be met by the Oracle applications, and which will require workarounds or modifications to the software. They are currently developing a working prototype.

Over the next few months, the teams will be setting up the applications, designing reports, scheduling conversions and migrations and scheduling training.

SOURCE: Integrated System Project
DATE: August 27, 2001

INTERNAL LOANS TO UNIVERSITY DEPARTMENTS AND ACTIVITIES
As of August 31, 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 Operating Officer)

PROJECT	PURPOSE (INT PROJECT)	DATE OF LOAN	INTEREST RATE	ORIGINAL LOAN AMOUNT	PRINCIPAL PAYMENTS MADE TO DATE	OUTSTANDING PRINCIPAL	APPROXIMATE FINAL PAYMENT
103807	CVC Football Facility (102331)	12/22/98	Fed. Funds+60 pts.	3,000,000.00	900,310.55	2,099,689.45	Dec 2009
100391	Mail Services (100391)	05/14/98	Fed. Funds+60 pts.	150,000.00	121,875.00	28,125.00	May 2002
105324	McCue Center (103887)	06/29/98	Fed. Funds+60 pts.	332,000.00	249,000.00	83,000.00	Sep 2001
103762	NRAO Addition(103762)	VARIOUS	Fed. Funds+60 pts.	823,821.67	-	823,821.67	Apr 2002
100384	Parking & Trans. (100381)	03/25/98	Fed. Funds+60 pts.	1,000,000.00	812,500.00	187,500.00	Mar 2002
103947	WTJU(102005)	06/01/00	Fed. Funds+60 pts.	120,000.00	24,000.00	96,000.00	May 2005
103842	Scott Stadium(103243)	06/26/01	Fed. Funds+60 pts.	11,274,040.82	-	11,274,040.82	Jun 2005
GRAND TOTAL INTERFUND BORROWINGS				\$16,699,862.49	\$2,107,685.55	\$14,592,176.94	

- 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 Financial Analysis.
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 \$10 million BOV limit.

SOURCE: Financial Administration
DATE: September 12, 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 Operating Officer authorization to approve the write-off of bad debts and free service for the Medical Center)

INDIGENT CARE: Indigent care charges totaling \$15.7 million for the period April 1, 2001 - June 30, 2001 have been written off. For the fiscal year that ended on June 30, 2001, \$57.1 million has been written off. Recoveries during this period amounted to \$2.0 million.

The cost of indigent care in fiscal year 1999-2000 amounted to \$31.4 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 \$31.3 million all of which will be funded through the Medicaid special disproportionate share payments.

BAD DEBT: Bad debt charges totaling \$7.4 million for the period April 1, 2001 - June 30, 2001 have been written off. Total write-offs for fiscal year 2000-2001 amounted to \$22.0 million. During this same period, \$9.5 million was recovered through suits, collection agencies and Virginia refund set-off.

SOURCE: Medical Center Finance
DATE: August 24, 2001

MEDICAL CENTER
 ACCOUNTS COMMITTEE REPORT
 (Dollars in Thousands)

	<u>Annual Activity</u>	
	<u>Estimated</u> 2000-01	<u>Actual</u> 1999-00
<u>INDIGENT CARE (IC)</u>		
Charge Write-Offs	\$57,107	
Recoveries	(\$2,037)	
Net Charge Write-Off	\$55,070	\$58,668
% of Net Write-Offs to Revenue	8.12%	9.85%
Net IC Charges Factored to Cost	\$44,745	\$40,397
Medicaid Unreimbursed Cost	(\$13,404)	(\$8,981)
Total Indigent Care (TIC) Cost	\$31,340	\$31,415
State Appropriation	\$0	\$0
Medicaid Special DSA* Payment ¹	\$40,615	\$36,465
TIC Funding	\$40,615	\$36,465
TIC Funding as % of TIC Cost	130%	116%
Unfunded Indigent Cost (UIC)	(\$9,275)	(\$5,050)

	<u>Annual Activity</u>	
	<u>Estimated</u> 2000-01	<u>Actual</u> 1999-00
<u>BAD DEBT</u>		
Charge Write-Offs	\$21,982	\$18,660
Recoveries	(\$9,495)	(\$9,675)
Net Charge Write-Offs	\$12,847	\$8,986
% of Net Write-Offs to Revenue	1.84%	1.48%

SOURCE: Medical Center
 DATE: August 24, 2001

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

QUARTERLY BUDGET REPORT

As of June 30, 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 year ended June 30, 2001 follows.

At the end of the fourth quarter of fiscal year 2000-2001 revenues collected totaled 100.5 percent of budgeted revenues; actual expenditures totaled 96.6 percent of budgeted expenditures.

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

SOURCE: Budget Office
DATE: September 20, 2001

**ACADEMIC DIVISION
2000-2001 REVENUE BUDGET SUMMARY**

	2000-2001 Revised Budget	06/30/01 Actual Revenues	Uncollected Budget Balance	06/30/01 Percentage Collected	06/30/00 Percentage Collected
Educational & General					
Tuition & Fees	\$151,032,759	\$148,712,842	\$2,319,917	98.5%	98.3%
State Appropriations	165,253,256	165,345,878	(92,622)	100.1%	100.0%
Endowment Income	38,408,524	38,441,364	(32,840)	100.1%	98.3%
Gifts	57,247,275	56,517,109	730,166	98.7%	96.9%
Spons. Pgms & Ind. Cost Recoveries	189,088,390	181,552,698	7,535,692	96.0%	96.1%
Sales, Services & Other	17,876,084	26,716,239	(8,840,155)	149.5%	136.3%
Total Educational and General	618,906,288	617,286,130	1,620,158	99.7%	99.3%
Student Financial Assistance					
State Appropriations	5,580,937	5,663,771	(82,834)	101.5%	99.8%
Transfer from Tuition	8,433,543	8,631,642	(198,099)	102.3%	106.1%
Spons. Pgms & Ind. Cost Recoveries	12,996,610	12,992,858	3,752	100.0%	94.3%
Gifts & Endowment Income	21,313,787	20,808,360	505,427	97.6%	105.7%
Other Income	354,333	378,310	(23,977)	106.8%	94.3%
Total Student Financial Assistance	48,679,210	48,474,941	204,269	99.6%	101.5%
Auxiliary Enterprises					
Athletics & Related Activities	24,132,111	28,769,408	(4,637,297)	119.2%	105.4%
Dining Services	3,540,000	4,429,962	(889,962)	125.1%	93.7%
Housing	19,656,500	19,485,365	171,135	99.1%	105.4%
Newcomb Hall & Related Activities	3,840,345	3,810,687	29,658	99.2%	105.1%
University Bookstores	21,410,000	22,424,230	(1,014,230)	104.7%	108.9%
Parking & Transportation	7,364,000	7,372,955	(8,955)	100.1%	104.8%
Student Health	6,684,038	5,835,662	848,376	87.3%	101.4%
Other Auxiliary Activities	6,218,645	6,093,368	125,277	98.0%	99.0%
Total Auxiliary Enterprises	92,845,639	98,221,637	(5,375,998)	105.8%	105.0%
TOTAL REVENUES	\$760,431,137	\$763,982,708	(3,551,571)	100.5%	100.1%

**ACADEMIC DIVISION
2000-2001 EXPENDITURE BUDGET SUMMARY**

	2000-2001 Revised Budget	06/30/01 Actual Expenditures	Unexpended Budget Balance	06/30/01 Percentage Expended	06/30/01 Percentage Expended
<u>Educational & General</u>					
Instruction	\$217,676,904	\$ 219,818,276	\$(2,141,372)	101.1%	99.4%
Research	24,901,596	24,373,686	527,910	97.9%	69.2%
Public Services	18,694,405	14,790,891	3,903,514	79.1%	111.5%
Academic Support	99,053,984	74,045,340	25,008,644	74.8%	87.8%
Student Services	14,237,688	15,682,949	(1,445,261)	110.2%	105.7%
Institutional Support	56,408,711	56,720,102	(311,391)	100.6%	100.8%
Oper. & Maint. of Physical Plant	37,344,610	42,301,076	(4,956,466)	113.3%	97.4%
Spon. Pgms & Ind. Cost Recoveries	150,588,390	139,868,322	10,720,068	92.9%	86.4%
<u>Total Educational & General</u>	\$618,906,288	\$587,600,642	31,305,646	94.9%	93.9%
<u>Student Financial Assistance</u>	48,679,210	47,703,400	975,810	98.0%	97.7%
<u>Auxiliary Enterprises</u>					
Athletics & Related Activities	23,900,786	28,846,985	(4,946,199)	120.7%	106.6%
Dining Services	3,525,800	3,544,141	(18,341)	100.5%	100.8%
Housing	19,515,027	19,858,955	(343,928)	101.8%	113.1%
Newcomb Hall & Related Activities	3,867,180	3,822,281	44,899	98.8%	98.9%
University Bookstores	21,355,372	23,337,849	(1,982,477)	109.3%	102.3%
Parking & Transportation	7,324,000	7,397,633	(73,633)	101.0%	98.9%
Student Health	6,684,038	5,855,978	828,060	87.6%	102.9%
Other Auxiliary Activities	5,964,492	5,548,780	415,712	93.0%	82.9%
<u>Total Auxiliary Enterprises</u>	92,136,695	98,212,602	(6,075,907)	106.6%	103.9%
TOTAL EXPENDITURES	\$759,722,193	\$733,516,644	\$ 26,205,549	96.6%	95.4%

DEFINITION OF TERMS

Educational and General - those activities that embrace the three programs directly related to the higher education mission: (1) instruction, (2) research and (3) public service. These activities also encompass 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 that 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 that are supported entirely though 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, including teaching faculty, support staff, instructional equipment and related routine operating costs.

Research - encompasses expenditures for activities such as support for research faculty, but does not include sponsored research. Activities include the Center for Public Service, the Office of 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 School of Medicine's clinical physicians' salaries and fringe benefits related to patient care.

Academic Support - the program that 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.

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.

UNIVERSITY OF VIRGINIA
QUASI-ENDOWMENT ACTIONS

December 1, 2000 - July 31, 2001

(Per October 1990 and June 1996 Board of Visitors resolutions granting the Executive Vice President and Chief Operating Officer authority to approve selected quasi-endowment transactions, including establishments and disinvestments, less than \$2,000,000.)

<u>Additions</u>	<u>Amount</u>
Berne, Robert M. Symposium	\$ 5,000.00
Boyd, Malvina Y. Professorship in Oncology Nursing	33,333.33
Brown Residential College Quasi-Endowment	791,498.00
Buford Scholarship Quasi-Endowment*	49,905.36
Dean's Discretionary Research Fund for Infectious Disease*	116,177.41
Eminent Scholars Income Stabilization Endowment	14,166.08
Faculty and Staff Undergraduate Scholarships -- UVa Matching Fund	300.00
Marks, Helen D. Scholarship Quasi-Endowment	4,842.12
Parson, William Professorship in Teaching Excellence Quasi-Endowment*	69,542.00
Pediatrics Operational Quasi-Endowment Fund*	53,277.75
UVAW Athletics Special Gift Restricted Quasi-Endowment	118,377.03
University Quasi-Endowment Fund (1)	454,902.26
University of Virginia Bookstore Quasi-Endowment for Excellence	<u>250,000.00</u>
Total Additions to Quasi-Endowments	\$1,961,321.35

<u>Divestments</u>	
Batman, Undesignated Restricted Quasi-Endowment	252,292.58
Carlson Psychiatry Research Fund	100,000.00
GKSA Quasi Unrestricted Endowment	850,000.00
Thaler, Myles H. Quasi-Endowment for HIV Research	12,229.00
Wright, Eugene M. Jr. Memorial Fund	<u>20,024.61</u>
Total Divestments from Quasi-Endowments	\$1,234,546.19

<u>Endowment Income Capitalizations</u>	
Antrim, Lottie C. Income Capitalization	8,748.91
AT&T Professorship in Engineering Quasi-Endowment	13,117.86
Batman, Undesignated Restricted Quasi-Endowment	176,996.14
Bogges, Margaret F. Memorial Fund	18,464.80
BP America Professorship Quasi-Endowment	181.75
Bristol Laboratories Quasi-Endowment - Hecht	7,675.99
Chrysler, W. P. Fund for Engineering Library	1,504.81
Class of 1955 Endowment Fund	1,159.64

<u>Endowment Income Capitalizations, continued</u>	<u>Amount</u>
Class of 1956 Endowment Fund	3,947.63
Class of 1957 Endowment Fund	3,069.13
Class of 1958 Endowment Fund	3,901.91
Class of 1959 Endowment Fund	4,561.41
Class of 1960 Endowment Fund	3,844.88
Class of 1961 Endowment Fund	3,472.67
Class of 1962 Endowment Fund	5,115.29
Class of 1963 Endowment Fund	1,485.80
Class of 1964 Endowment Fund	3,087.32
Class of 1965 Endowment Fund	328.47
Class of 1965 Endowment Fund	942.31
Dermatology General Investment Fund	18,544.86
Difazio, Cosmo A. Professorship in Anesthesiology Quasi-Endowment	6,863.13
Eminent Scholars Income Stabilization Endowment	5,388.60
Hamilton, Janet S. & John D. Quasi-Endowment	10,505.13
Hecht -- Cruachem Chemistry Quasi-Endowment	5,717.98
Hecht -- Cruachem Chemistry Quasi-Endowment #2	5,173.47
Hecht -- Cruachem Chemistry Quasi-Endowment #3	2,349.62
Henderson, Charles Professorship Restricted Quasi-Endowment	16,344.94
Hodge, Peggy M. Quasi-Endowment for Arthritis Research	10,648.40
Hughes Quasi-Endowment Income Capitalization	2,441.72
Jessup, Claude A. Fund	39,148.37
Johnson, Willis Engineering Quasi-Endowment	408.93
Kinnier, Henry L. Professorship Quasi-Endowment	53,648.14
Lacy, L.A. Distinguished Professorship Quasi-Endowment	363.49
McIntyre, Howard Quasi-Endowment in Neurology	18,391.09
Miller, Mae W. Cancer Research Fund	1,062.80
Medical School Academic Enrichment Unrestricted Quasi- Endowment	35,018.13
Miller Center Eminent Scholar Endowment	275,902.62
Miller, Mae W. Cancer Research Quasi-Endowment	3,599.26
Miller, Mae W Quasi-Endowment for Heart Research	5,165.76
Moyston Quasi-Endowment for Ophthalmology	7,864.22
Nau, John L. III Professorship Quasi-Endowment	960.81
Olsson, Anne Shirley Carter Quasi-Endowed Professorship	22,864.26
Pathology Academic Enrichment Quasi-Unrestricted	36,770.98
Perry, Ferman W. Professorship Restricted Quasi- Endowment	27,015.95
Phase II CHE Building Unrestricted Quasi-Endowment	29,986.21
Plastic Surgery Quasi-Endowment Fund	103,641.17
Rader, Louis T. Professorship Quasi-Endowment	681.55
Radiology Fund Special Diagnostic	2,613.58
Ross, William & Harriet Diabetes Restricted Quasi- Endowment	2,662.19

<u>Endowment Income Capitalizations, continued</u>	<u>Amount</u>
School of Medicine Research Fund Quasi-Endowment	6,716.60
School of Medicine Quasi-Endowment	48,176.43
Taylor, Henry N. Fund	192.48
UVA Medical Center Professorship in Nursing Restricted Quasi-Endowment	250,000.00
Vaughan, Joseph L. Chair Restricted Quasi-Endowment	17,365.33
Virginia Quarterly Review Anonymous	332.72
Wade, Nancy & Neal Professorship Rest Quasi-Endowment	272.62
Wilsdorf, Heinz & Doris Professorship Quasi-Endowment	181.75
Winslow, Julia D. Quasi-Endowment School of Medicine	<u>6,118.71</u>
Total Endowment Income Capitalizations	\$1,341,319.45

NOTES:

* Quasi-endowment established since October 31, 2000.

1. Includes current unrestricted gifts to the University that, under a standing Board of Visitors resolution, are required to be added to the University's Unrestricted Endowment Fund.

SOURCE: Financial Administration
DATE: August 24, 2001

UNIVERSITY OF VIRGINIA
SALARY AND COMPENSATION FOR FULL-TIME FACULTY
AT AAU AND SCHEV PEER GROUP INSTITUTIONS

These reports provide average compensation and salary figures for institutions included in the American Association of Universities, and average salary figures for the University's peer institutions, as established by the State Council of Higher Education in Virginia. These figures include instructional faculty paid on a full-time basis; all medical faculty have been excluded. Salary figures for faculty with eleven- or twelve-month duties have been converted to nine-month figures by multiplying the total salaries by 9/11. The source for these figures is "The Annual Report on the Economic Status of the Profession, 2000-2001," Academe, March/April 2001, the bulletin of the American Association of University Professors.

SOURCE: Institutional Assessment and Studies
DATE: September 4, 2001

UNIVERSITY OF VIRGINIA FACULTY SALARY AVERAGES

Salary at AAU Institutions:

- AAU salary data includes all sources of funds.
- The 59 institutions included in this year's rankings are only the US institutions. Two Canadian institutions, the University of Toronto and McGill University, have been excluded.
- The UVa average in each of the years displayed represents the salary average as of December 1 of that year and reflects the merit increase of that date. The 1996-1997 average does not include the increases from endowment funds that were made in early 1997 retroactive to December 1996. That retroactive increase from the endowment, along with the December 1997 installment from the endowment and five percent increase from the state, are represented in the 1997-1998 figures.
- The UVa percent increase between 1999-2000 and 2000-2001 was 5.13 percent. This was somewhat higher than the median for the AAU (4.37 percent), but the University's rank position of 21st in the group remained unchanged.
- In 1989-1990, before the first round of the Wilder budget cuts, UVa ranked 18th (69th percentile) in the AAU. Since then our ranking has varied, never rising above 18th, dropping as low as 32nd in 1996-1997, and now stands at 21st (66th percentile) in 2000-2001. During that eleven-year period our average salary increased from \$54,100 in 1989-1990 to \$82,000 in 2000-2001 (a total increase of 52 percent, which is the equivalent of a 3.85 percent raise each year).

Compensation at AAU Institutions:

- As in the case of the average salary, average compensation was reported as of December 1 of those years.
- The UVa percent increase between 1999-2000 and 2000-2001 was 4.58 percent. This was slightly higher than the median

for the AAU (4.46 percent) and resulted in a one-position increase in our compensation ranking (from 26th to 25th).

- In 1989-90 UVa ranked 20th (65th percentile) in compensation. Since then our ranking has varied, never rising above 20th, dropping as low as 31st in 1996-1997, and now stands at 25th (59th percentile) in 2000-2001. During that eleven-year period our average compensation increased from \$66,800 in 1989-1990 to \$100,500 in 2000-2001 (a total increase of 50 percent, which is the equivalent of a 3.78 percent raise each year).

State Salary at SCHEV Peer Institutions:

- In the spring of 1997, SCHEV approved a new sample of peer institutions for the University. Again, the UVa state salary average represents the salary average as of December 1 each year. The state salary average excludes all endowment funds.
- The UVa percent increase between 1999-2000 and 2000-2001 was 4.60 percent. Although this was somewhat lower than the mean for the peer group (5.15 percent), it resulted in an increase in our ranking (from 13th to 11th) because of the relatively smaller increases of the two institutions immediately above UVa last year.
- In 1989-1990, UVa ranked 10th in our previous state peer group of 25. In the newly constituted group, the University began in 1996-1997 at position 16 (27th percentile), and has risen to position 11 (46th percentile) by 2000-2001.

SOURCE: Institutional Assessment and Studies
DATE: August 8, 2001

**SCHEV APPROVED 2000-2001 INSTITUTIONAL PEER GROUP
UNIVERSITY OF VIRGINIA**

Rank	Institution	2000-2001 Salary
1	Pennsylvania, U of	\$103,800
2	Northwestern U	95,600
3	California-Berkeley, U of	94,400
4	Duke U	91,800
5	Washington U	87,700
6	Emory U	85,400
7	North Carolina-Chapel Hill, U of	79,700
8	South Carolina, U of	79,500
9	Wisconsin-Madison, U of	78,900
10	Connecticut, U of	78,700
11	Virginia, U of	77,925
12	Illinois-Urbana, U of	77,700
13	Michigan-Ann Arbor, U of	77,500
14	Maryland-College Park, U of	77,300
15	Vanderbilt U	77,100
16	SUNY Buffalo	74,500
17	Iowa, U of	74,400
18	Ohio State U	73,900
19	Boston U	73,079
20	Texas-Austin, U of	71,100
21	Arizona, U of	69,900
22	Tulane U	69,500
23	Pittsburgh, U of	67,100
24	Colorado-Boulder, U of	66,700
25	Kentucky, U of	64,900
	Mean Salary (excluding UVa)	78,757
	Standard Deviation (excluding UVa)	9,678
	UVa Percentile	46%
	60th Percentile Salary	81,225

Notes:

- UVa figures represent the authorized state salary average rather than the actual average. They are intended to exclude all endowment funds.
- All medical faculty have been excluded from the above salary averages.
- The Boston University averages for 1997-1998, 1998-1999, 1999-2000, and 2000-2001 are estimates obtained by applying the sample group's average increases (3.72 percent, 3.87 percent and 4.29 percent) to Boston's average from 1996-1997.
- In 1996-1997 and 1997-1998, UC Berkeley received five percent increases on November 1 instead of at the beginning of the year. Estimates of those increases have been included in the above figures even though they were not included in the AAUP report.

SALARY FOR FULL-TIME FACULTY AT AAU INSTITUTIONS - 1989 - 2001

COMPENSATION FOR FULL-TIME FACULTY AT AAU INSTITUTIONS - 1993 - 2001

SPONSORED PROGRAMS RESTRICTED GRANTS & CONTRACTS

July 1, 2000 - June 30, 2001

For the year ended June 30, 2001, the University received sponsored program awards totaling \$224 million, representing a seven percent increase from June 30, 2000. The Department of Health and Human Services continued as the University's major source of awards, accounting for 49 percent of the total. The School of Medicine received approximately 57 percent of fiscal year awards, followed by Arts & Sciences at 19 percent and Engineering at 16 percent. Awards received included \$48 million for Facilities & Administrative (indirect) cost, a 14 percent increase from 2000.

SOURCE: Office of Sponsored Programs
DATE: September 3, 2001

RESTRICTED GRANTS & CONTRACTS

For the period July 1, 2000 - June 30, 2001
(In Millions)

School	DE	DOD	DOE	Non Federal	DHHS	NASA	NSF	Other Federal	State	Total 00 - 01	Total 99 - 00	% Inc./ Dec.
Architecture				0.28				0.07	0.20	0.55	0.60	-8%
Arts & Sciences	0.97	2.11	2.69	5.60	13.71	2.73	7.89	5.90	0.31	41.91	35.82	17%
Education	1.16			2.16	0.46		0.54		1.30	5.62	8.45	-33%
Engineering		8.50	0.52	9.96	1.02	1.83	9.24	2.16	2.62	35.85	29.88	20%
Law				0.88				0.20	0.15	1.23	1.40	-12%
Medicine		0.73	0.32	29.22	93.60	0.18	0.93	0.37	1.78	127.13	120.81	5%
Nursing				0.17	1.06				0.02	1.25	2.23	-44%
Other *	7.36		0.04	1.77	0.02		0.13	0.71	1.15	11.18	10.39	8%
Total 00-01	9.49	11.34	3.57	50.04	109.87	4.74	18.73	9.41	7.53	224.72	209.58	7%
Total 99-00	11.63	9.80	2.89	56.97	91.80	7.19	12.61	9.34	7.35	209.58		
% Inc./Dec.	-18%	16%	24%	-12%	20%	-34%	49%	1%	2%	7%		

Note: Totals may be off slightly due to rounding.

* Includes Alderman Library, Vice Provost for Research and Public Service, Vice President and Provost, University Police, Vice President for Student Affairs, UVa's College at Wise, Continuing Education, Financial Aid, Cooper Center for Public Service, Health Sciences Library, Miller Center, Student Health, UVa Art Museum, University Press of Virginia and the Women's Center.

SOURCE: Office of Sponsored Programs
DATE: September 3, 2001

WRITE-OFF OF BAD DEBTS FOR NON-PATIENT SERVICES

July 1, 2000 - June 30, 2001

The University is writing off \$235,101 in uncollectable sponsored program grant activity. This write-off represents costs that were incurred back to the late 1980s. The relevant grants have since been closed and final reports accepted by the sponsors.

The Office of Sponsored Programs has reviewed these debts with the affected schools of the University and with various sponsors. More than half of the total write-offs (\$157,698, or 67 percent) are from industry accounts.

SOURCE: Office of Sponsored Programs
DATE: September 4, 2001

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ATTACHMENTS

UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY
VALUATION POLICY

1. Publicly Traded Securities

1.1. Exchange listed securities

1.1.1. Value using last reported sale price of security as of valuation date.

1.2. Over the counter securities

1.2.1. Value using the mean of the bid and asked of security as of valuation date.

1.3. Publicly registered investment company shares / open ended mutual fund shares

1.3.1. Value using published net asset value as of valuation date.

1.4. Independent third party source will be used.

1.4.1. Will obtain third party pricing source through Custodian.

2. Private Placement Securities

2.1. Includes domestic and foreign limited partnerships, corporations and other fund structures not publicly registered.

2.2. General procedures

2.2.1. Value using Best Available valuation Data received, adjusting for subsequent cash flows and any measurable portfolio gains or losses occurring through the valuation date.

2.2.1.1. Best Available Data relates to the latest available manager financial statements at the time valuations are being determined.

2.2.1.2. Cash flow adjustments are determined from subsequent additional investment or fund distributions.

2.2.1.3. Capital gain or loss adjustment will be considered when amounts are material and estimable through available published information.

2.2.1.3.1. When holdings are duplicated among managers, the more conservative manager's valuation will be used.

2.2.1.3.2. Additional loss reserves may be considered based upon general market conditions and UVIMCO Board committee action.

2.3. Additional procedures

2.3.1. Real estate investment funds

2.3.1.1. Convert manager financial statement information from book value to fair market, when applicable.

2.3.1.1.1. Manager provided appraisal information to be used.

2.3.1.2. Reduce valued interest for any un-amortized intangible assets.

2.3.1.3. Reduce valued interest by 1.5% of the fair market value of fund real estate investments as estimated liquidation costs.

2.3.1.4. Reduce valued interest by 25% of any unrealized capital gains after considering the adjustments listed above.

2.3.2. Private equity investment funds

2.3.2.1. Adjust manager financial statement information for publicly traded portfolio equity securities.

2.3.2.1.1. Value undistributed publicly traded equity securities at 75% of the value determined through applying valuation policy in section 1, above.

2.3.2.1.2. Value subsequently distributed publicly traded equity securities at amount due from liquidating broker or 75% of the value determined through applying valuation policy in section 1, above, whichever applies.

UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY
POOLED ENDOWMENT FUND ADMISSION AND REDEMPTION POLICY

1. General

- 1.1. The University will always endeavor to use its best efforts in accommodating any investment in or divestment from the Pooled Endowment Fund.
- 1.2. Admissions, redemptions and the Unitization process will be administered on a monthly or quarterly basis at the discretion of the Finance Committee of the Board of Visitors.

2. Key Terms

- 2.1. Admission Cap
 - 2.1.1. During periods when it is difficult to put money to work, to the extent requested admissions exceed redemptions for any Unitization Date, such excess may be limited to a percentage of total PEF assets as of the immediately preceding Unitization Date.
 - 2.1.1.1. Two (2) percent when Quarterly Unitization is in practice.
 - 2.1.1.2. Three quarters (0.75) percent when Monthly Unitization is in practice.
 - 2.1.2. Requests exceeding \$2,500,000 will be allocated pro rata.
- 2.2. Admission Date
 - 2.2.1. The day following a Unitization Date.
- 2.3. Measurement Date
 - 2.3.1. The date which Share market valuation and periodic income and capital gain or loss activity is determined for each Unitization Date.
 - 2.3.2. This date is expected not to exceed sixty (60) days beyond the Unitization Date when Quarterly Unitization is in practice.
 - 2.3.3. This date is expected not to exceed thirty (30) days beyond the Unitization Date when Monthly Unitization is in practice.
- 2.4. Partial Redemption Limit
 - 2.4.1. For any Unitization Date, the amount calculated as 75% of the market value of a Participant's interest in the PEF as of the immediately preceding Unitization Date.

- 2.5. Participants
 - 2.5.1. Eligible parties that may be admitted to invest into the PEF including University accounts, charitable trusts, related foundations and any other account approved by the Finance Committee.
- 2.6. PEF
 - 2.6.1. Pooled Endowment Fund
- 2.7. Redemption Cap
 - 2.7.1. To the extent requested redemptions exceed admissions for any Unitization Date, such excess will be limited to a percentage of total PEF assets as of the immediately preceding Unitization Date.
 - 2.7.1.1. Two (2) percent when Quarterly Unitization is in practice.
 - 2.7.1.2. Three quarters (0.75) percent when Monthly Unitization is in practice.
 - 2.7.2. Requests exceeding \$2,500,000 will be allocated pro rata.
- 2.8. Share
 - 2.8.1. Unit of measure for allocating economic interest in the PEF assets.
- 2.9. Unitization Date
 - 2.9.1. If on a Quarterly Unitization basis, the last day of each March, June, September and December.
 - 2.9.2. If on a Monthly Unitization basis, the last day of each calendar month.
- 3. Admissions
 - 3.1. Subject to the Admission Cap, when deemed necessary, Participants, except Charitable Trusts, seeking to invest on any Admission Date must have cash funds available and deposited into the University's current funds account on or before the related Unitization date.
 - 3.2. Subject to the Admission Cap, when deemed necessary, Charitable Trust Participants seeking to invest on any Admission Date must have cash funds available on or before the related Unitization date.
 - 3.3. Shares purchased by any Participant will be calculated and this information will be made available on or after the related Measurement Date.
 - 3.4. Admission requests for amounts of \$5 million or greater require 45 days notice prior to a Unitization Date.

4. Redemptions

- 4.1. Subject to the Redemption Cap, Participant's seeking to redeem an amount equal to or greater than the Partial Redemption Limit will receive payment for a percentage of that amount on the Unitization Date and the balance due shortly following the Measurement Date.
 - 4.1.1. Eighty five (85) percent when Quarterly Unitization is in practice.
 - 4.1.2. Ninety five (95) percent when Monthly Unitization is in practice.
- 4.2. Subject to the Redemption Cap, Participant's seeking to redeem an amount less than the Partial Redemption Limit will receive payment for 100% of that amount on the Unitization Date.
- 4.3. Shares redeemed by any Participant will be calculated and this information will be made available on or after the related Measurement Date.
- 4.4. Redemption requests for amounts of \$5 million or greater require 45 days notice prior to a Unitization Date.

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