

October 19, 2001

MEMORANDUM

TO: The Finance Committee:

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

and

The Remaining Members of the Board:

Thomas J. Bliley, Jr.	Gordon F. Rainey, Jr.
Charles M. Caravati, Jr.	Terence P. Ross
William G. Crutchfield, Jr.	Elizabeth A. Twohy
T. Keister Greer	Benjamin P.A. Warthen
Elsie Goodwyn Holland	Sasha L. Wilson

FROM: Alexander G. Gilliam, Jr.

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

The Finance Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 9:00 a.m., Friday, October 19, 2001, in the Board Room of the Rotunda; William H. Goodwin, Jr., Chair, presided. Charles L. Glazer, Timothy B. Robertson, Thomas A. Saunders, III, Joseph E. Wolfe, and John P. Ackerly, III, Rector, were present.

Also present were Thomas J. Bliley, Jr., Charles M. Caravati, Jr., M.D., William G. Crutchfield, Jr., T. Keister Greer, Mrs. Elsie Goodwyn Holland, Gordon F. Rainey, Jr., Terence P. Ross, Ms. Elizabeth A. Twohy, Benjamin P.A. Warthen, and Ms. Sasha L. Wilson.

Present as well were John T. Casteen, III, Leonard W. Sandridge, Alexander G. Gilliam, Jr., Paul J. Forch, Ms. Colette Sheehy, Gene D. Block, Robert D. Sweeney, Ms. Patricia M. Lampkin, Ms. Yoke San Reynolds, R. Ariel Gomez, M.D., William W. Harmon, John C. Jeffries, Ms. Alice W. Handy, Ms. Yvonne Hubbard, and Ms. Jeanne Flippo Bailes.

The Chair asked Mr. Sandridge, Executive Vice President and Chief Operating Officer, to present the Agenda.

The first three items on the Agenda were Consent items: an "intent to issue bonds" resolution for six projects and resolutions approving two UVIMCO policies.

The intent to issue bonds resolution is intended to declare the University's intent to issue bonds for the Hospital Expansion Project, the Arena/Parking Project, the Observatory Hill Dining Facility, the Health Sciences Center Parking Structure, the Emmet Street Parking Structure and the Arts & Sciences Parking Structure.

The Hospital Expansion Project includes the construction of a 75,000 square foot addition and the renovation of 152,000 gross square feet of space. There is a \$4million planning authorization for the Project and the University has submitted a \$54million construction authorization request to the Governor, to be considered by the General Assembly at the 2002 Session.

The Arena and the parking structures that will go with it are to be built on Massie Road, across the street from University Hall. There is a \$10million planning authorization for the Project and construction authorization request for \$110million has been submitted to the Governor for consideration by the General Assembly at the next Session.

The Observatory Hill Dining Facility Project will replace the present dining hall and the adjacent Tree House. The University has a \$10million authorization for the project and will seek a \$12million supplement from the General Assembly.

The Health Sciences Parking Structure is to be built as an addition to the present South Garage, which is between the Biomedical Engineering and Medical Sciences Building and the railroad tracks. The University has submitted a request for an authorization of \$10million for the project.

The Emmet Street Parking Structure is to be built off the Ivy Road on a lot between the Cavalier Inn and the Dynamics Building. The University has submitted a request for \$14million in nongeneral funds.

The Arts & Sciences Parking Structure will support the new Arts & Sciences Building, planned for the current B-1 Parking Lot on Jefferson Park Avenue, across from New Cabell Hall.

The necessary resolution expressing the University's intent to issue bonds for these projects was adopted by the Committee and recommended to the full Board for its approval at its meeting on October 19, 2001 (see Minutes of the Board of Visitors meeting of that date).

The next two resolutions approved actions taken by the Board of the University of Virginia Investment Management Company (UVIMCO) on September 18<sup>th</sup>. One changes UVIMCO's valuation policy and the other its pooled endowment fund admission and redemption policy. The two resolutions were adopted and recommended to the full Board for approval at its meeting on October 19, 2001 (see Minutes of the Board of Visitors meeting of that date).

Ms. Sheehy, Vice President for Management and Budget, presented the next item - approval of the University's 2002-2004 biennial Budget submission. She reminded Members that because the University's requests had to be in Richmond by October 15<sup>th</sup>, informal approval of them had been obtained from Board Members by letter.

On motion, the Committee adopted a resolution approving the University's Budget requests and recommended it to the full Board for approval (see Minutes of the meeting of the Board of Visitors, October 19, 2001).

The Chair and Mr. Sandridge asked Ms. Handy, University Treasurer, to present the customary report on the Endowment.

As of September 30<sup>th</sup>, the total Endowment market value stood at \$1,677.4 million, in comparison to \$1,706.3 million on June 30<sup>th</sup>. The largest single portfolio category is hedge funds, which make up 39% of the total. Among the University's peer group, on the other hand, holdings in hedge funds make up 15% of the total. As for University-related foundations, on June 30<sup>th</sup>, the Alumni Association's endowment stood at \$173.2million, the Darden School's at \$178.1million, the Law School at \$116.7million, the Medical School Foundation at \$22.5million, and the Virginia Student Aid Foundation (VSAF) at \$15.5million.

Ms. Handy reported on the actions taken by the Board of the University of Virginia Investment Management Company (UVIMCO) on September 18<sup>th</sup> and September 25<sup>th</sup> (see the Minutes of the meeting of the Board of Visitors of October 19, 2001, for a listing of these).

Several Members complimented Ms. Handy and the UVIMCO Board for the performance of the Endowment in a time of great market turbulence.

Recalling for Members the discussion on student financial aid that took place at the June Board of Visitors meeting and questions raised then about the amount of undergraduate indebtedness, Mr. Sandridge asked Ms. Reynolds, Vice President for Finance, to address some of these issues.

The average loan indebtedness for students who borrow is \$12,000 for in-state students and \$17,000 for non-Virginians; about 30% of undergraduates borrow money to finance their educations. Ms. Reynolds showed the Committee charts illustrating three kinds of loans - Parent Plus loans, unsubsidized loans and subsidized loans - and related them both to the amounts borrowed and the families' incomes. Not many students take advantage of work-study programs, though many students may have jobs outside these programs. Out of a total of \$27,366,353 in need-based aid, 28% came from Federal student loans, 25% came from tuition money, 13% from the State, 12% from Federal grants, and 9% from gifts and endowment income. In response to a question, it was stated that the default rate on loans is 1.3%, which is very low.

Ms. Yvonne Hubbard, Director of Financial Aid, answered a number of questions.

In response to a request from the Board that there be regular reports on the University's Health Plan, Mr. Sandridge and Ms. Reynolds gave a brief report. They emphasized that the University's plan is a University-owned self insurance plan and that it has not been affected by the sale of QualChoice. Ms. Reynolds said that the plan this year met all of its stated objectives save one: the establishment and maintenance of a 90% satisfaction rate among enrollees (the satisfaction rate was 89%).

Mr. Sandridge asked Ms. Sheehy to give a quick report on the University's tuition pricing policy.

Ms. Sheehy observed that in the twenty years she has been working on tuition pricing, it has never been so complicated. For in-state undergraduates, the present State freeze on tuition rises most likely will continue; for out-of-state undergraduates there probably will be a modest increase. There may be changes in graduate student tuitions as the University seeks ways to provide financial aid that is competitive with our peers. Student fees could be affected by the need for improving student

housing and the necessity to meet athletics operating requirements.

For the Darden School, out-of-state tuition probably will be raised to market rates; in-state tuition will continue to be \$5,000 below out-of-state tuition.

Mr. Rainey told the Committee that he and Messrs. Ross and Sandridge had met over the summer with the Mr. Jeffries, the new Dean of the Law School, to discuss tuition at the Law School; Mr. Warthen also was involved in some of these discussions. He asked Mr. Ross to comment. Mr. Ross prefaced his comments by introducing Mr. Jeffries. He said Mr. Jeffries has decided to forgive all loans to students - Virginians and non-Virginians - who elect to go to work in Virginia or who enter public service.

For the Medical School, first and second-year students from Virginia will pay a surcharge. Consideration is being given to instituting a public service loan forgiveness program similar to that just begun by the Law School.

Mr. Sandridge asked the Committee to consider the report on faculty salaries in the material prepared for the meeting. The President commented on the report.

On motion, the meeting was adjourned at 10:00 a.m.

AGG:jb

These minutes have been posted to the University of Virginia's Board of Visitors website.

<http://www.virginia.edu/bov/financeminutes.html>