

January 25, 2002

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  
January 25, 2002

The Finance Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 9:45 a.m., Friday, January 25, 2002, in the Board Room of the Rotunda; William H. Goodwin, Jr., Chair, presided. Thomas F. Farrell, II, Charles L. Glazer, Timothy B. Robertson, Thomas A. Saunders, III, Joseph E. Wolfe, and John P. Ackerly, III, Rector, were present.

Present as well were Thomas J. Bliley, Jr., Charles M. Caravati, Jr., M.D., William G. Crutchfield, Jr., T. Keister Greer, Gordon F. Rainey, Jr., Terence P. Ross, Ms.

Elizabeth A. Twohy, Benjamin P.A. Warthen, and Ms. Sasha L. Wilson.

Also present 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, Robert E. Reynolds, M.D., Ms. Yoke San L. Reynolds, R. Ariel Gomez, M.D., William W. Harmon, Ms. Alice W. Handy, Robert Grainger, and Ms. Jeanne Flippo Bailes.

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

The first item requiring Committee action was a consent item. Mr. Sandridge explained that quasi-endowment transactions of \$2,000,000 or more must be approved by the Board. The Law School has requested the divestment of \$2,000,000 from the Roy C. Moyston Fund, which is restricted for the Law School's use. The money will be used to renovate offices in Withers-Brown Hall at the School.

On motion, the Committee approved the necessary resolution and recommended it to the full Board for consideration (see Minutes of the meeting of the Board of Visitors, January 26, 2002).

The second item, also calling for action by the Committee but on the regular agenda, was a request to transfer property to the University from the University of Virginia Foundation. The property in question, a 7.2 acre tract on the Ivy Road just north of Emmet Street and adjacent to the railroad tracks, was acquired by the University in 1983 as part of the Valentine-Massie properties. As the University did not have an immediate use for the property, the Board in October, 1988 approved its transfer to the UVa Foundation. The "Emmet Street Parking Structure" is planned for this site as a University project, so the Committee was requested to transfer title from the Foundation back to the University.

On motion, the Committee approved the resolution authorizing the transfer, and recommended it to the full Board for consideration (see Minutes of the meeting of the Board of Visitors, January 26, 2002).

Mr. Sandridge asked Ms. Reynolds, Vice President for Finance, to present the next item, a resolution setting student housing rates at the University and at Wise, for 2002-2003.

Ms. Reynolds reminded the Committee that last January, the Board approved the first installment of a \$150 fee (it was planned to levy the fee over three years, increasing it by \$50 each year) to be put in a reserve fund for significant repairs. This reserve fund in the end will amount to about \$4million. Ms. Reynolds told the Committee that 29% of all existing beds in the University's housing stock are 50 years old or older and 75% are 25 years old or older, which makes the need for a reserve fund imperative.

Mr. Ross proposed that the resolution be amended to increase the fee this year from \$50 to \$100, and his proposal met with general approval. Mr. Sandridge agreed to the proposal but asked that it not apply to The University's College at Wise.

Ms. Reynolds went on to say that both the University's room rate and that proposed for Wise are below the statewide average. Before Mr. Ross' proposed rise in the fee is factored in, the increase proposed for the University was 6.2% and 2.8% for Wise.

The Committee approved the resolution, with Mr. Ross' amendment to raise the fee from \$50 to \$100, and recommended it to the full Board for consideration (see Minutes of the meeting of the Board of Visitors, January 26, 2002).

Mr. Sandridge next asked Ms. Sheehy, Vice President for Management and Budget, to report on the state budget.

Ms. Sheehy's report reflected the generally gloomy budget news from Richmond. She outlined both the budget Governor Gilmore sent to the General Assembly before he left office and the subsequent amendments submitted by Governor Warner. The Gilmore budget called for a 2% salary

increase in the first year of the biennium, but the Warner amendments eliminate that. Governor Gilmore's budget mandates a 6% across the board budget cut for each year of the biennium. The budget allows a tuition increase, but the money raised would revert to Richmond. Governor Warner's budget caps the in-state tuition rise to 5% (Governor Gilmore's reversions would require a 6.5% increase), but all of that would revert to Richmond as in Governor Gilmore's budget.

These and other cuts in both budgets are of very serious concern.

Ms. Sheehy said that because of the revenue shortfalls and consequent budget cuts, the presidents of the state colleges have not submitted requests for money to Richmond. Nonetheless, there are general priorities for higher education in the biennium: the most important of these are faculty and staff salary increases and adequate base budgets.

The Rector encouraged the Administration to ask for help from Members in making the University's needs known in the Legislature.

Ms. Sheehy and Mr. Sandridge then offered a resolution proposing amendments to the state's capital budget: the amendments cover projects in the Academic Division, at the Medical Center and at Wise.

On motion, the Committee approved the resolution and recommended it to the full Board for approval (see Minutes of the meeting of the Board of Visitors, January 26, 2002).

Ms. Handy gave her customary report on the Endowment: as of December 31<sup>st</sup>, the Endowment stands at \$1,767.5billion, up from \$1,706.3billion on June 30<sup>th</sup>. The amount invested in hedge funds has increased to 46.5% from 41.2% over the same period. The actual divisions in the portfolio are about on target, except for the percentage invested in private equity, which is low.

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The Chair then reported on actions taken by the University of Virginia Investment Management Company (UVIMCO) Board at its meeting on December 13<sup>th</sup> (these actions are listed in the UVIMCO Board Minutes of that date and in the Minutes of the meeting of the full Board of Visitors, January 25-26, 2002).

After a brief further discussion of budgetary problems, the Committee, on motion, adjourned at 10:50 a.m.

AGG:lah

These minutes have been posted to the University of Virginia's Board of Visitors website.  
<http://www.virginia.edu/bov/financeminutes.html>