

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS
MEETING OF THE
FINANCE COMMITTEE
May 30, 2002
and
JUNE 1, 2002**

FINANCE COMMITTEE

Thursday, May 30, 2002
4:45 - 6:15 p.m.

and

Saturday, June 1, 2002
9:00 - 9:45 a.m.
Board Room, The Rotunda

AGENDA

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BOARD OF VISITORS CONSENT AGENDA

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 Arts & Sciences Building, the Aquatic & Fitness Center Addition, the Emmet Street Parking Structure and the Cancer Center Renovation project. The first three are Academic Division projects. The Cancer Center is a Medical Center project.

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 Arts & Sciences Building will be a new academic building for the College of Arts & Sciences. The facility will have classrooms, research spaces, academic department offices and meeting spaces. It will significantly reduce the College's shortfall of academic space. The building will be designed to accommodate the latest computing technology, and will include videoconferencing facilities and media labs. The total project cost is \$41 million. The maximum principal amount of the bond issuance is \$9 million.

The Aquatic & Fitness Center Addition is a 42,000 GSF addition housing a gymnasium complex, fitness and weightlifting areas and the Engineering/Science Chiller Plant. The gymnasium will have three basketball courts and a three-lane walking track. The total project cost is \$10.4 million. The maximum principal amount of the bond issuance is \$5.5 million

The Emmet Street Parking Structure will be a 1,200-space parking garage located on University land behind the Cavalier Inn at the intersection of Emmet Street and Ivy Road. At its October 2001 meeting, the Board of Visitors approved an intent to issue bond resolution for this project in a principal amount not to exceed \$14 million. Today's request increases the principal amount by \$3.5 million to \$17.5 million. The \$14 million budget provided sufficient funding for a four-level, 930 car parking garage. Further evaluation of the parking requirements for the new Arts & Sciences Building on Jefferson Park Avenue (JPA) found that it is unlikely to be able to put 500 cars on the same site with the building. The revised plan is to put about 150 cars on the JPA site and accommodate another 250 cars on a fifth level of

the Emmet Street Garage. The \$17.5 million budget supports the addition of a fifth level, giving the garage a capacity of 1,200 cars.

The Cancer Center project will renovate 23,800 GSF on the 4th and 5th floors of the Multistory Building and in the Davis Wing allowing the Cancer Center to expand its facilities and increase its patient load. The total project cost is \$5 million. The maximum principal amount of the bond issuance is \$5 million.

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

APPROVAL OF INTENT TO ISSUE BONDS FOR THE ARTS & SCIENCES BUILDING, THE AQUATIC & FITNESS CENTER, THE EMMET STREET PARKING STRUCTURE AND THE CANCER CENTER RENOVATION PROJECT

WHEREAS, The Rector and Visitors of the University of Virginia (the "Institution") has undertaken or will undertake the acquisition of the School of Medicine research building, the construction of the Arts & Sciences building, an addition to the Aquatic & Fitness Center, the expansion of the Institution's hospital, the construction of the Emmet Street parking structure and the renovation of the Institution's Cancer Center facilities (collectively, the "Project").

WHEREAS, on November 9, 2000, the Board of Visitors of the Institution adopted a resolution declaring its official intent under Treasury Regulations Section 1.150-2 in connection with the acquisition of the School of Medicine research building, a portion of the Project, to issue indebtedness in the amount of \$17,000,000 from which it expressed its expectation to reimburse itself for expenditures with the proceeds thereof.

WHEREAS, on October 19, 2001, the Board of Visitors of the Institution adopted a resolution declaring its official intent under Treasury Regulations Section 1.150-2 in connection with the expansion of the Institution's hospital and the construction of the Emmet Street parking structure, each a portion of the Project, to issue indebtedness in the amounts of \$54,000,000 and \$14,000,000, respectively, from which it expressed its expectation to reimburse itself for expenditures with the proceeds thereof. With respect to the portion of the Project consisting of the construction of the Emmet Street parking structure, the Board of Visitors of the Institution now expects to issue an additional \$3,500,000 in indebtedness.

WHEREAS, the Institution has made or will make expenditures (the "Expenditures") in connection with the Project.

WHEREAS, the Institution may determine that the funds advanced and to be advanced to pay Expenditures will be reimbursed to the Institution from the proceeds of one or more obligations to be issued by the Institution (the "Indebtedness").

RESOLVED that:

1. With respect to the portion of the Project consisting of the construction of the Emmet Street parking structure, the Board of Visitors of the Institution now expects to issue an additional \$3,500,000 in Indebtedness from which the Institution expects to reimburse itself for Expenditures as provided herein and in the October 19, 2001 resolution and to such extent hereby so modifies the October 19, 2001 resolution. Other than as modified hereby, the October 19, 2001 resolution remains in full force and effect.

2. With respect to the portions of the Project not consisting of the acquisition of the School of Medicine research building, the construction of the Emmet Street parking structure and the expansion of the Institution's hospital, the Board of Visitors of the Institution hereby adopts this declaration of official intent under Treasury Regulations Section 1.150-2 and declares that the Institution intends to reimburse itself with the proceeds of Indebtedness for Expenditures made on, after or within 60 days prior to the date of the adoption of this Resolution with respect to the Project, except that Expenditures made more than 60 days prior to the date hereof may be reimbursed as to certain *de minimis* or preliminary expenditures described in Treasury Regulations Section 1.150-2(f) and as to other expenditures permitted under applicable Treasury Regulations.

3. The maximum principal amount of Indebtedness expected to be issued for (i) the portion of the Project consisting of the Emmet Street parking structure is \$17,500,000 and (ii) those portions of the Project excluding the acquisition of the School of Medicine research building, the construction of the Emmet Street parking structure and the expansion of the Institution's hospital is \$19,500,000.

4. This Resolution shall take effect immediately upon its adoption.

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UNIVERSITY OF VIRGINIA
FISCAL IMPACT STATEMENT

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

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

1. Arts & Sciences Building
2. Aquatic & Fitness Center Addition
3. Emmet Street Parking Structure
4. Cancer Center Renovation Project

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

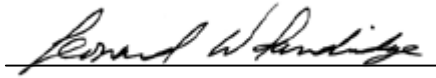
FISCAL IMPACT: This proposal has no fiscal impact at the present time since it merely constitutes an intent to issue bonds, not an actual debt obligation for any project. The following information is useful for planning purposes:

1. The Arts & Sciences Building will be a major academic building for the College of Arts & Sciences. The facility will have classrooms, research space, academic department offices and meeting spaces. It will significantly reduce the College's shortfall of academic space. The building will be designed to accommodate the latest computing technology, and will include videoconferencing facilities and media labs. The total project cost is \$41 million.
2. The Aquatic & Fitness Center Addition is a 42,000 GSF addition housing a gymnasium complex, fitness and weightlifting areas and the Engineering/Science Chiller Plant. The gymnasium will have three basketball courts and a three-lane walking track. The total project cost is \$10.4 million.
3. The Emmet Street Parking Structure will be an approximately 1,200-space parking garage that will be built on University land behind the Cavalier Inn at the intersection of Emmet Street and Ivy Road. The total project cost is \$17.5 million.

4. The Cancer Center project will renovate 23,800 GSF on the 4th and 5th floors of the Multistory Building and in the Davis Wing allowing the Cancer Center to expand its facilities and increase its patient load. Total project cost is \$5 million.

CONCLUSION: The Board of Visitors should approve the intent to issue bonds for the construction or renovation of these 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
June 1, 2002

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: May 30, 2002

COMMITTEE: Finance

AGENDA ITEM: II.A. 2002-2003 Budget

BACKGROUND: At its May meeting, the Board acts on the proposed operating budgets for the Academic Division, The University of Virginia's College at Wise and the Medical Center. Since the October 2001 Board meeting, the Board has heard reports on the operating and capital budget requests submitted to the state for the period 2002-2003, the preliminary budget assumptions for the 2002-2003 operating budget and the results of the 2002 General Assembly session. At its January and April meetings, the Board approved tuition and fees and housing and dining rates for 2002-2003, which comprise a significant revenue source for the operating budget.

DISCUSSION: The 2002-2003 expenditure budget proposals for all divisions of the University total \$1.44 billion, representing an increase of 1.9 percent compared with the revised budgets of the previous fiscal year. Of this amount, \$835.8 million relates to the Academic Division, \$19.7 million to The University of Virginia's College at Wise and \$587.6 million to the Medical Center.

Academic Division

Under the proposed budget, the Academic Division revenues will increase by 3.1 percent to a total of \$835.9 million. This growth is driven by a 10.7 percent increase in tuition, growth in sponsored programs of 9.9 percent and an increase of 6.8 percent in gifts and endowment income. Tuition accounts for 24.4 percent of all Academic Division revenues; state general funds comprise 16.9 percent; and sponsored program revenues represent 27.7 percent. Auxiliary enterprise revenues (15.4 percent), gifts and endowment income (13.2 percent) and revenues from other sources (2.4 percent) comprise the remainder of the revenue budget.

Academic Division expenditures are projected to increase by \$24.7 million, or 3.0 percent. Personnel costs comprise approximately 60 percent of total operating expenditures in the Academic Division.

The 2002-2003 budget reflects a \$25.4 million general fund budget reduction assessed by the Commonwealth to close a projected \$3.8 billion budget gap over the next two years. The general fund budget reduction increases to \$33.3 million in 2003-2004. The reduction has been funded through tuition increases approved by the Board in April and through across-the-board budget reductions to schools and departments. While vacant positions are being eliminated, the reduction is being implemented without layoffs.

The 2002-2003 budget also emphasizes graduate and undergraduate financial aid, faculty retention and the continuation of the Integrated Systems Project. The Integrated Systems Project, which will replace all of the University's core administrative systems with an integrated suite of systems, will cost \$6.5 million in 2002-2003. While the Human Resource system goes live on June 26, 2002, stabilization will continue through September 30, 2002. Additionally, an upgrade to our current version of Oracle software is planned for 2002-2003 to deliver enhanced functionality. In June 2001, the Board approved authorization for an internal loan of up to \$20 million for a period of up to nine years to finance the Integrated Systems Project. Approximately \$6.9 million of this authorization will be exercised in 2001-2002, with an additional \$1.2 million drawn down in 2002-2003.

The University of Virginia's College at Wise

The proposed University of Virginia's College at Wise expenditure budget increases by \$718,000, or 3.8 percent, in 2002-2003. Incremental tuition revenues and general fund base budget increases more than offset Wise's general fund budget reduction of \$440,000, resulting in a net E&G budget increase of 2.0 percent. This incremental revenue will be invested to fund special instructional projects and to provide additional institutional support. There is also an increased investment in student financial aid from the state and growth in auxiliaries which comprise the remainder of the increase.

Medical Center

The Medical Center total expenditure budget is proposed to increase by \$2.1 million, or 0.3 percent, during 2002-2003, compared with the revised budget for 2001-2002. The budget reflects projected increases in medical supplies (4 percent) and pharmaceuticals (15 percent), offset by a decrease in expenses per adjusted discharge of 4.4 percent. This reduction in expenses per adjusted discharge reflects efficiencies in operations in response

to declining revenues from non-recurring sources. The budget presentation will include a proposal to increase hospital room rates and ancillary service charges by 5.0 percent and to pay bonuses equal to a minimum of 2.5 percent of base pay for eligible employees.

The Medical Center's fiscal plan has been developed to respond to the challenge of providing patient care, teaching and research services in an ever-changing health care industry. Revisions in Medicare legislation as they relate to the Balanced Budget Act and the Ambulatory Payment Classification system, changes in Medicaid claims settlements and payment methodologies and pressures from third party payers will have a negative revenue impact on a per case and per outpatient basis. The cost of providing quality patient care will continue to rise because of labor shortages and increases in pharmaceutical and medical supply expenses. In 2002-2003 the Medical Center expects to continue to care for patients with higher acuity illnesses -- a level of acuity experienced by only a handful of hospitals in the United States. Management will continue to identify and implement process improvement strategies that will allow for operational streamlining and cost improvement to take place over the next several years. The revised 2001-2002 and 2003-2004 operating budgets will reflect one-time revenue settlements from Medicaid, Medicare, Trigon and the Commonwealth of Virginia.

For a full discussion of the budget proposal as well as comparative revenue and expenditure data for the Academic Division, the College at Wise and the Medical Center, please refer to the budget summary distributed in preparation for the May 31, 2002 Finance Committee meeting.

Pratt Fund

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

split into two equal endowments, with 50 percent of the original principal assigned to the College of Arts & Sciences and the remaining 50 percent assigned to the School of Medicine.

A distribution of \$1.3 million from each individual endowment, for a total of \$2.6 million, in 2002-2003 is recommended to support the proposed projects. This distribution is made directly to the College of Arts & Sciences and the School of Medicine and is consistent with amounts distributed in each of the past four years. Committees in each of the schools developed the proposal (found on page 47) to spend the distribution in a manner consistent with previous years.

The Vice President for Research requests a special distribution to be split equally between the Arts & Sciences and the School of Medicine Pratt funds in the amount of \$2.33 million in 2002-2003, \$2.33 million in 2003-2004, and \$2.34 million in 2004-2005 to match an award of \$7 million from the Ivy Foundation to develop an Institute for Morphogenesis and Regeneration Medicine (formerly bio-differentiation), one of the primary recommendations of the Virginia 2020 Commission on Science and Technology.

In addition to these new distributions, an additional \$1.2 million in special initiatives has been approved previously by the Board of Visitors. Year three of a three-year commitment of \$500,000 will be distributed in 2002-2003 to fund a portion of the Funding Excellence in Science and Technology awards established in 2000-2001 as the result of the recommendations from the Virginia 2020 Science and Technology Commission. An annual allocation of \$500,000 from the Arts & Sciences Pratt Fund was also approved for distribution to a New Faculty Start-Up Fund managed by the Vice President and Provost. This fund is used to finance start-up expenses incurred in hiring new faculty in the Departments of Biology, Chemistry, Mathematics and Physics. Year two of a three-year commitment of \$200,000 will be distributed in 2002-2003 to the School of Medicine to provide funding to make a critical faculty hire in the field of combinatorial chemistry - a joint appointment in the Departments of Chemistry and Pharmacology.

Deans in each of the schools, the Vice President of Research, the Vice President and Provost and the President support these projects. The following table shows aggregate allocations; the attachment on page 47 describes the specific allocations.

2002-2003 Pratt Fund Allocation

	Equipment	Faculty Salaries	Fellowships	Research	To be allocated	Total
Biology	\$19,072	\$83,830	\$222,098			\$325,000
Chemistry	\$65,000	\$130,000	\$130,000			\$325,000
Mathematics	\$6,500	\$241,230	\$77,270			\$325,000
Physics	\$50,000	\$111,254	\$163,746			\$325,000
FEST	\$250,000					\$250,000
New Faculty Start-Up Fund	\$500,000					\$500,000
Institute for Morphogenesis and Regeneration				1,166,500		\$1,166,500
<i>Arts & Sciences Subtotal</i>	<i>\$890,572</i>	<i>\$566,314</i>	<i>\$593,114</i>	<i>\$1,166,500</i>		<i>\$3,216,500</i>
School of Medicine New Faculty Hire		\$200,000	\$717,000	\$328,061	\$254,939	\$1,300,000
FEST	\$250,000					\$250,000
Institute for Morphogenesis and Regeneration				1,166,500		\$1,166,500
<i>School of Medicine Subtotal</i>	<i>\$250,000</i>	<i>\$200,000</i>	<i>\$717,000</i>	<i>\$1,494,561</i>	<i>\$254,939</i>	<i>\$2,916,500</i>
TOTAL	\$1,140,572	\$766,314	\$1,310,114	\$2,661,061	\$254,939	\$6,133,000

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

APPROVAL OF THE 2002-2003 OPERATING BUDGET FOR THE ACADEMIC DIVISION

RESOLVED that the 2002-2003 Operating Budget for the Academic Division is approved, as recommended by the President and the Chief Financial Officer;

APPROVAL OF THE 2002-2003 OPERATING BUDGET FOR THE UNIVERSITY OF VIRGINIA'S COLLEGE AT WISE

RESOLVED that the 2002-2003 Operating Budget for The University of Virginia's College at Wise is approved, as recommended by the President and the Chief Financial Officer.

APPROVAL OF THE 2002-2003 OPERATING AND CAPITAL BUDGET FOR THE UNIVERSITY OF VIRGINIA MEDICAL CENTER

RESOLVED that the 2002-2003 Operating and Capital Budget for the University of Virginia Medical Center, which includes hospital room and ancillary service rate increases of 5.0 percent and

bonuses equal to a minimum of 2.5 percent of base pay for eligible employees, is approved, as recommended by the President and the Chief Financial Officer.

APPROVAL OF PRATT FUND DISTRIBUTION FOR 2002-2003

RESOLVED that the budget for the expenditure of funds from the Estate of John Lee Pratt be approved to supplement appropriations made by the Commonwealth of Virginia for the School of Medicine and Departments of Biology, Chemistry, Mathematics and Physics in the College of Arts & Sciences. The normal allocations, not to exceed \$2.6 million for 2002-2003, are suggested by the department chairs and recommended by the dean of each school. The special distributions are not to exceed \$3,533,000 for 2002-2003. To the extent the annual income from the endowment is not adequate to meet the recommended distribution, the principal of the endowment will be disinvested to provide funds for the approved budgets.

UNIVERSITY OF VIRGINIA
FISCAL IMPACT STATEMENT

PROJECT/PROPOSED BOARD OF VISITORS ACTION: Approval of the Budget for fiscal year 2002-2003.

DESCRIPTION: The 2002-2003 expenditure budget proposals for all divisions of the University total \$1.44 billion, representing an increase of 1.9 percent compared with the revised budgets of the previous fiscal year. Of this amount, \$835.8 million relates to the Academic Division, \$19.7 million to The University of Virginia's College at Wise and \$587.6 million to the Medical Center.

Academic Division

	Incremental Change FY02 to FY03	Percent Change From FY02	Percent of Incremental Change
Revenues			
E&G State Gen'l Funds	(\$25,610,054)	(15.8%)	(103.0%)
E&G Grants & Contracts	\$19,475,924	9.9%	78.3%
E&G Tuition and Fees	\$17,728,182	10.9%	71.3%
E&G Endowment Income	\$2,340,510	4.4%	9.4%
E&G Gifts	\$1,794,205	6.9%	7.2%
E&G Other	\$1,063,585	5.8%	4.3%
Student Aid	\$6,280,159	9.7%	25.3%
Auxiliaries	\$1,791,519	1.4%	7.2%
Total Revenue Budget	\$24,864,030	3.1%	100.0%
Expenses			
Instruction	\$6,620,932	3.0%	26.8%
Research	(\$304,778)	(1.1%)	(1.2%)
Public Service	(\$1,647,558)	(12.7%)	(6.7%)
Academic Support	(\$3,647,842)	(3.8%)	(14.8%)
Student Services	(\$1,212,969)	(7.1%)	(4.9%)
Institutional Support	\$1,193,849	2.7%	4.8%
O&M of Plant	(\$112,282)	(0.2%)	(0.5%)
Sponsored Programs	\$15,903,000	10.5%	64.5%
Student Aid	\$6,280,159	9.7%	25.5%
Auxiliaries	\$1,599,316	1.3%	6.5%
Total Expense Budget	\$24,671,827	3.0%	100.0%

FISCAL IMPACT: Key issues raised by the fiscal year 2002-2003 Budget include:

Faculty and Staff Retention: As mandated by the General Assembly, the fiscal year 2002-2003 budget includes no base salary adjustments for faculty or classified employees. A provision to award a 2.5 percent one-time bonus to classified and faculty

employees is not reflected in the University's fiscal year 2002-2003 budget since a central state reserve account will hold funds for this. It is estimated that faculty salaries will fall to the 28th percentile nationally, in sharp contrast to the state's goal of maintaining such expenditures at the 60th percentile level.

General Funding per In-State Student: As a result of the decrease in state appropriations, the expected funding per in-state student will decrease to approximately \$11,000 from \$13,083 in the current year. Comparable figures from benchmark schools (fiscal year 2001-2002) include the University of North Carolina at Chapel Hill, \$24,178; the University of California at Berkeley, \$22,309; and the University of Michigan, \$17,083.

Financial Aid: Under-funding and non-competitive financial aid packages remain a concern for graduate students; however, the problem is exacerbated because of the rise in undergraduate tuition which also necessitates additional financial aid resources.

Medical Center

At the close of the current fiscal year, the Operating Margin is expected to be \$1.1 million, essentially break-even. Higher than expected cost pressures are the primary cause. For 2002-2003 the Medical Center is anticipating a 3 percent rise in Total Revenue, resulting in a 3 percent Operating Income margin.

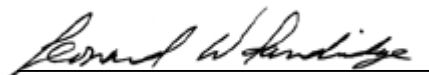
The College at Wise

Facing similar budget constraints as the Academic Division, the College's general fund reduction of \$440,000 will be offset by a base budget increase for a net gain of \$229,000. Moreover, tuition and fee increases will add another \$380,000.

Expense Summary (\$ millions):

Division:	Budget 2002-2003	Revised 2001-2002	Increase	Percent Increase
Academic	\$ 835.8	\$ 811.1	\$24.7	3.0 percent
Medical Center	\$ 587.6	\$ 585.6	\$ 2.1	0.3 percent
College at Wise	\$ 19.7	\$ 19.0	\$ 0.7	3.8 percent
Total	\$1,443.1	\$1,415.7	\$27.5	1.9 percent

RECOMMEND APPROVAL OF BOARD ACTION: The University should adopt the proposed Budget for fiscal year 2002-2003.



Leonard W. Sandridge
May 30, 2002

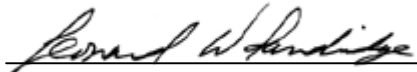
UNIVERSITY OF VIRGINIA
FISCAL IMPACT STATEMENT

PROJECT/PROPOSED BOARD OF VISITORS ACTION: Approval of distributions to the School of Medicine and to select departments within the College of Arts & Sciences from funds established by the Pratt Bequest for fiscal year 2002-2003.

DESCRIPTION: A total distribution of \$6.13 million is proposed; \$1.3 million distribution for Arts & Sciences (Biology, Chemistry, Physics and Mathematics), \$1.3 million distribution for the School of Medicine, \$500,000 to assist in the further funding of the Science and Technology Venture Fund (to be divided equally between the College and the School of Medicine), \$500,000 to provide resources for faculty start-ups in the College and \$200,000 to fund new faculty hires in the School of Medicine. In addition, another \$2.33 million will be allocated to provide matching funds for a possible foundation grant to create the institute for Morphogenesis and Regenerative Medicine. In the event that the grant funding is not received, the principal distribution will not be required. The School of Medicine and the College of Arts & Sciences will share this distribution equally. The intended uses conform to the guidelines established in the Pratt will. In total, the College of Arts & Sciences will receive a distribution of \$3,216,500 and the School of Medicine will receive \$2,916,500.

FISCAL IMPACT: The \$2.6 million distribution to the two schools equals the amounts allotted in each of the four prior fiscal years. The \$1.2 million additional funding supports key initiatives identified by the Virginia 2020 plan for science and technology. The \$2.33 million in matching funds for the possible grant also relates to a Virginia 2020 priority.

CONCLUSION: The University of Virginia should distribute \$6.133 million from the Pratt Fund portfolio for the prescribed purposes. The initiatives receiving funds are in accordance with the wishes of the Pratt Estate, the needs of the two schools and the University's objectives concerning science and technology.



Leonard W. Sandridge
May 30, 2002

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UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: June 1, 2002

COMMITTEE: Finance

AGENDA ITEM: II.B. Bond Issuance - Pooled Bond Program

BACKGROUND: The Virginia College Building Authority's (VCBA) Pooled Bond Program was established by the General Assembly during the 1996 Session. The University proposes using the VCBA for the School of Medicine Research Building, the Arts & Sciences Building, the Aquatic & Fitness Center Addition, the Emmet Street Parking Structure, the Hospital Expansion project and the Cancer Center Renovation project in a principal amount not to exceed \$108 million for all six projects. Total cost for these projects is \$149 million.

The Pooled Bond Program is designed to provide the Commonwealth's institutions of higher education with the opportunity to secure financing for capital projects at attractive rates. The lower rates are a result of VCBA's bond ratings and attractive market perception. In addition, administrative costs will be spread among the participants, thereby reducing the costs incurred by each institution.

DISCUSSION: The School of Medicine Research Building project involves the acquisition of a 73,000 gross square foot (GSF) research facility being constructed by the University of Virginia Real Estate Foundation at its Fontaine Research Park. The facility will provide state-of-the-art, multi-task laboratory space for biomedical research programs in the areas of endocrinology and diabetes. The building will also have faculty offices, administrative and conference spaces and other support spaces. At its November 9, 2000 meeting, the Board of Visitors approved an intent to issue bonds for this project in a principal amount not to exceed \$17 million. The School of Medicine will pay debt service on the bonds. The total project cost is \$17 million.

The Arts & Sciences Building project will be a major academic building for the University's College of Arts & Sciences. The facility will have classrooms, research space, academic department offices and meeting space. It will significantly reduce the College's shortfall of academic space. The building will be designed to accommodate the latest

computing technology, and will include videoconferencing facilities and media labs. Approval of the project's intent to issue resolution in a principal amount not to exceed \$9 million is on the Consent Agenda for this meeting of the Committee. Debt service on the bonds will be paid by the E&G Facilities Debt Service account, which is funded by student fees. The total project cost is \$41 million.

The Aquatic & Fitness Center Addition project will be a 42,000 GSF addition housing a gymnasium complex, fitness and weightlifting areas and the Engineering/Science Chiller Plant. The gymnasium will have three basketball courts and a three lane-walking track. Approval of the project's intent to issue resolution in a principal amount not to exceed \$5.5 million is on today's consent agenda. Debt service on the bonds will be paid by the Intramural-Recreational Sports Department. The total project cost is \$10.4 million.

The Emmet Street Parking Structure will be a 1,200-space parking garage located on University land behind the Cavalier Inn at the intersection of Emmet Street and Ivy Road. At its October 2001 meeting, the Board of Visitors approved an intent to issue resolution for this project in a principal amount not to exceed \$14 million. On the Consent Agenda for this meeting there is new intent to issue resolution that increases the principal amount by \$3.5 million to \$17.5 million. Debt service on the bonds will be financed by private funds. The total project cost is \$17.5 million.

The Hospital Expansion project will consist of a 75,000 GSF addition and 152,000 GSF of renovations. The Heart Center, Interventional Radiology Procedures Suites, Surgical Operating Suites and the Clinical Laboratories will be reconfigured and/or expanded by this project. At its October 2001 meeting, the Board of Visitors approved an intent to issue bonds for this project in a principal amount not to exceed \$54 million. Debt service on the bonds will be funded by hospital operating revenues. The total project cost is \$58 million.

The Cancer Center project will renovate 23,800 GSF on the 4th and 5th floors of the Multistory Building and in the Davis Wing so that the Cancer Center can expand its facilities and increase its patient load. Approval of the project's intent to issue resolution in a principal amount not to exceed \$5 million is on the Consent Agenda for this meeting. Debt service on the bonds will be funded by hospital operating revenues. The total project cost is \$5 million.

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

APPROVAL OF BOND ISSUANCE

WHEREAS, pursuant to Chapter 3.2, Title 23 of the Code of Virginia of 1950, as amended (the "Act"), the General Assembly of Virginia has authorized the Virginia College Building Authority (the "Authority") to develop a pooled bond program (the "Program") to purchase bonds and other debt instruments issued by public institutions of higher education in the Commonwealth of Virginia (the "Institutions") to finance or refinance the construction of projects of capital improvement specifically included in a bill passed by a majority of those elected to each house of the General Assembly of Virginia (the "Projects"); and

WHEREAS, the Authority intends to issue from time to time under the Program its Educational Facilities Revenue Bonds (Public Higher Education Financing Program) (the "Bonds") to finance the purchase of bonds and other debt instruments issued by the Institutions to finance or refinance the Projects, all in the furtherance of the purposes of the Act and the Program; and

WHEREAS, the Board of Visitors of The Rector and Visitors of the University of Virginia (the "Board") may from time to time wish to finance or refinance Projects of the University of Virginia (the "Institution") through the Program;

WHEREAS, if the Institution wishes to finance or refinance a Project through the Program, it will be necessary for the Institution to enter into a Loan Agreement (a "Loan Agreement") between the Authority and the Institution and to evidence the loan to be made by the Authority to the Institution pursuant to the Loan Agreement by issuing the Institution's promissory note (the "Note") pursuant to Section 23-19 of the Code of Virginia of 1950, as amended, and pursuant to the Loan Agreement, the Authority will agree to issue its Bonds and to use certain proceeds of the Bonds to purchase the Note issued by the Institution and the Institution will agree to use the proceeds received from the Authority to finance or refinance the construction of the Project and to make payments under the Loan Agreement and the Note in sums sufficient to pay, together with certain administrative and arbitrage rebate payments, the principal of premium, if any, and interest due on that portion of the Bonds issued to purchase the Note; and

WHEREAS, the Institution now proposes to sell to the Authority its Note (the "2002A Note") to be issued under a Loan Agreement (the "2002A Loan Agreement") to finance or refinance from the proceeds of Bonds issued by the Authority in 2002 (the "2002A Bonds") all or a portion of the costs of the acquisition of the School of Medicine research building, the construction of the Arts and Sciences building, an addition to the Aquatic & Fitness Center, the expansion of the Institution's hospital, the construction of the Emmet Street parking structure and the renovation of the Institution's cancer center, all located on the Institution's Charlottesville campus (collectively, the "2002A Project"); and

WHEREAS, it is the desire of the Board to delegate to such Authorized Officers (as hereinafter defined) of the Institution the authority to approve the form of the 2002A Loan Agreement and the form of the 2002A Note on behalf of the Board and, similarly, to authorize such Authorized Officers of the Institution to execute, deliver and issue in the name of and on behalf of the Institution, the 2002A Loan Agreement, the 2002A Note and any and all documents necessary to effectuate the financing or refinancing of all or a portion of the costs of the 2002A Project through the Program with the Authority and to facilitate the purchase of the 2002A Note by the Authority; and

WHEREAS, it is the desire of the Board to approve the further participation by the Institution in the Program in order to finance and refinance the 2002A Project and to authorize the execution, delivery and issuance of such other Loan Agreements and Notes on terms and conditions substantially similar to the 2002A Loan Agreement and 2002A Note, as to be approved by the Authorized Officers or either of them, and to similarly authorize such authorized Officers of the Institution to execute, deliver and issue in the name of and on behalf of the Institution, all Loan Agreements, all Notes and any and all future documents necessary to effectuate the Program by financing or refinancing the 2002A Project with the Authority and to facilitate the purchase of the Notes by the Authority.

RESOLVED:

Section 1. The 2002A Project is hereby designated a Project to be undertaken and financed or refinanced by the Authority and, accordingly, the President of the Institution and the Executive Vice President and Chief Operating Officer of the Institution (the "Authorized Officers"), or either of them, are hereby delegated and invested with full power and authority to

approve the form of the 2002A Loan Agreement and the 2002A Note, and any pledge to the payment of the 2002A Note of the Institution's total gross university sponsored overhead, unrestricted endowment income, tuition and fees, indirect cost recoveries, auxiliary enterprise revenues, general and nongeneral fund appropriations and other revenues not required by law or restricted by a gift instrument to be used for another purpose, any of which are not required by law or by binding contract entered into on or prior to the date of issuance of the 2002A Bonds to be devoted to some other purpose on a basis that is senior in priority to the 2002A Bonds, as may be provided in the 2002A Loan Agreement, and such approval is hereby authorized, subject to the provisions of Section 4 hereof.

Section 2. Subject to the provisions of Section 4 hereof, the Authorized Officers, or either of them, are each hereby delegated and invested with full power and authority to execute, deliver and issue on behalf of the Board, (a) the 2002A Loan Agreement and the 2002A Note whose approval of such documents in accordance with Section 1 shall be evidenced conclusively by the execution and issuance of the 2002A Note and (b) any and all other documents, instruments or certificates as may be deemed necessary to consummate the financing or refinancing of all or a portion of the costs of the 2002A Project through the Program, the construction of the 2002A Project and the Institution's participation in the Program, and to further carry out the purposes and intent of this Resolution. The Authorized Officers are directed to take such steps and deliver such certificates prior to the delivery of the 2002A Note as may be required under existing obligations of the Institution.

Section 3. The Authorized Officers, or either of them, are each hereby delegated and invested with full power and authority to execute and deliver, on behalf of the Board, (a) such future Loan Agreements in substantially the form of the 2002A Loan Agreement, as to be approved by the Authorized Officers or either of them, with such changes, insertions or omissions as may be approved by the Authorized Officers, whose approval shall be evidenced exclusively by the execution and delivery of the future Loan Agreement, (b) such future Notes in substantially the form of the 2002A Note, as to be approved by the Authorized Officers or either of them, with such changes, insertions or omissions as may be approved by the Authorized Officers, whose approval shall be evidenced exclusively by the execution and delivery of the future Note, and (c) any and all other

documents, instruments or certificates as may be deemed necessary in the future to consummate the Program, the construction, financing or refinancing of the 2002A Project and the Institution's participation in the Program, and to further carry out the purposes and intent of this Resolution in the future, it being the intent of the Board that no further action on behalf of the Board shall be necessary to empower the Authorized Officers, or either of them, to execute, deliver and issue such future Loan Agreements, future Notes and other documents as may be deemed necessary in order for the Institution to participate in the Program in the future.

Section 4. The authorizations given above as to the approval, execution, delivery and issuance of the 2002A Loan Agreement and the 2002A Note are subject to the following parameters: (a) that the principal amount to be paid under the 2002A Note shall not be greater than the aggregate amount authorized for the 2002A Project by the General Assembly of Virginia, including any adjustments required or permitted by law, (b) that the interest rate payable under the 2002A Note shall not exceed a "true" or "Canadian" interest cost more than 50 basis points higher than the interest rate for "AA" rated securities with comparable maturities, as reported by Delphis-Hanover, or another comparable service or index, on the date that the interest rates on the 2002A Note are determined, taking into account original issue discount or premium, if any, (c) that the weighted average maturity of the principal payments due under the 2002A Note shall not be in excess of 20 years, (d) that the last principal payment date under the 2002A Note shall not extend beyond the period of the reasonably expected economic life of the 2002A Project, (e) that the financing of the 2002A Project and the terms and provisions of the 2002A Loan Agreement and the 2002A Note will comply with the Alternative Construction and Financing Guidelines issued by the Commonwealth's Secretary of Finance, and (f) that the actual interest rates, maturities, and date of the 2002A Note shall be approved by an Authorized Officer, which approval will be evidenced by the execution of the 2002A Note.

Section 5. The authorizations given above as to the execution, delivery and issuance of any future Loan Agreements and future Notes are subject to the following parameters: (a) that the principal amount to be paid under such Notes shall not be greater than the amount authorized for the Projects being financed by the General Assembly of Virginia, including any adjustments required or permitted by law, (b) that the interest

rate payable under such Notes shall not exceed a "true" or "Canadian" interest cost more than 50 basis points higher than the interest rate for "AA" rated securities with comparable maturities, as reported by Delphis-Hanover, or another comparable service or index on the dates that the interest rates on the Notes are determined, taking into account original issue discount or premium, if any, (c) that the weighted average maturity of the principal payments due under such Notes shall not be in excess of 20 years, (d) that the last principal payment date under such Notes shall not extend beyond the period of the reasonably expected economic life of the Projects being financed, and (e) that the financing of such Projects and the terms and provisions of such Loan Agreements and Notes will comply with the then current Alternative Construction and Financing Guidelines issued by the Commonwealth's Secretary of Finance.

Section 6. The Board acknowledges, on behalf of the Institution, that if the Institution fails to make any payments of debt service due under any Loan Agreement or Note, including the 2002A Loan Agreement and the 2002A Note, the Program authorizes the State Comptroller to charge against the appropriations available to the Institution all future payments of debt service on that Loan Agreement and Note when due and payable and to make such payments to the Authority or its designee, so as to ensure that no future default will occur on such Loan Agreement or Note.

Section 7. The Board agrees that if the Authority determines that the Institution is an "obligated person" under Rule 15c2-12 of the Securities and Exchange Commission with respect to any issue of Bonds, the Institution will enter into a continuing disclosure undertaking in form and substance satisfactory to the Authority and the Institution and will comply with the provisions and disclosure obligations contained therein.

Section 8. This resolution shall take effect immediately upon its adoption.

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UNIVERSITY OF VIRGINIA
FISCAL IMPACT STATEMENT

PROJECT/PROPOSED BOARD OF VISITORS ACTION: Participation in the Pooled Bond Program to finance six approved projects.

DESCRIPTION: The proceeds from the Pooled Bond Program will be used to finance six capital projects approved by the Board at prior meetings.

1. Acquisition of the School of Medicine Research Building (intent to issue bonds approved November 9, 2000)
2. Arts & Sciences Building (intent to issue bonds approved June, 2002)
3. Aquatic & Fitness Center Addition (intent to issue bonds approved June, 2002)
4. Emmet Street Parking Structure (intent to issue bonds approved October, 2001 and June, 2002)
5. Hospital Expansion (intent to issue bonds approved October, 2001)
6. Cancer Center Renovations (intent to issue bonds approved June, 2002)

FISCAL IMPACT:

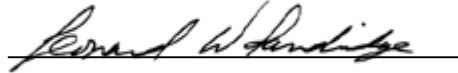
Project	Bond Amount	Estimated Annual Debt Service	Repayment Revenue Source
SOM Research Building	\$ 17,000,000	\$1,423,000	Endowment Income
Arts & Sciences Building	\$ 9,000,000	\$ 753,000	Student Fees
Aquatic & Fitness Center	\$ 5,500,000	\$ 460,000	Student Fees
Emmet Street Parking Structure	\$ 17,500,000	\$1,464,000	Investment Earnings
Hospital Expansion	\$ 54,000,000	\$4,519,000	Hospital Operating Revenues
Cancer Center Renovations	\$ 5,000,000	\$ 460,000	Hospital Operating Revenues
TOTAL	\$108,000,000	\$9,079,000	

The amounts shown represent the limits established by the Board and the principal for the bonds issued shall not exceed

these. The debt service numbers also include a two percent issuance fee, which represents a maximum rate. The exact percentage for this expense will be established at the time of issuance and will be determined by the number of participants in the Pooled Bond Program. Interest revenue earned is not included. Terms for the bonds have not been finalized but the figures above were computed using a rate of 5.75 percent over twenty years (suggested interest rate supplied by the State Treasurer's Office).

CONCLUSION: The University should proceed with its plan to participate in the Pooled Bond Program to finance the above-referenced projects in conformance with prior Board approvals and decisions. Feasibility statements prepared in conjunction with the development of these new buildings attest that each can support the anticipated debt service.

RECOMMEND APPROVAL OF BOARD ACTION:

A handwritten signature in cursive script, reading "Leonard W. Sandridge", is written over a horizontal line.

Leonard W. Sandridge
June 1, 2002

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: June 1, 2002

COMMITTEE: Finance

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

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

DISCUSSION: Mr. Caputo is completing a four-year term and is eligible for reappointment to a four-year term commencing July 1, 2002. He has been an active participant at the UVIMCO meetings. Mr. Caputo is an advisory director of Morgan Stanley Dean Witter, an investment bank located in New York City.

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

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

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

RESOLVED that A. Macdonald Caputo of New York is reappointed to serve as a public member of the University of Virginia Investment Management Company Board for a term of four years beginning July 1, 2002.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: June 1, 2002

COMMITTEE: Finance

AGENDA ITEM: III.A. Vice President's Remarks

ACTION REQUIRED: None

BACKGROUND: The Executive Vice President and Chief Operating Officer will inform the Board of recent events that do not require formal action, but of which it should be made aware.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: June 1, 2002

COMMITTEE: Finance

AGENDA ITEM: III.B. Endowment Report

ACTION REQUIRED: None

Market Value and Performance as of March 31, 2002

BACKGROUND: The Rector and Visitors of the University, particularly the Board of 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: As discussed at the last Board meeting, the markets have been difficult for yet another year. The three bright spots continue to be hedge funds, emerging markets and fixed income. Going forward, however, these areas are not such obvious choices. Emerging markets are still cheap relative to historical valuations, but not as cheap as six months ago. The yield on fixed income is very low and therefore the chance for further appreciation from here is muted and, as discussed at the last meeting, the volatility in the markets and the flood of money into the area is making hedge funds and shorting more challenging. The domestic equity market is still very expensive relative to historical averages.

The Pooled Endowment Fund is up 0.7 percent since the beginning of the fiscal year (including income). The target portfolio return was -0.2 percent. The domestic and international stock market indexes were down 4.8 percent and 5.7 percent respectively.

We are continuing to put money into hedge funds and private equity and have moved our developed market international exposure into the emerging markets.

Details of the returns on the endowment through March 31, 2002, are reported on the following Investment Report.

DEBBIE RINKER TO INSERT ENDOWMENT SPREADSHEET HERE.

Actions of the Investment Management Company

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

DISCUSSION: The UVIMCO Board held committee meetings in March and April and a full Board meeting on May 22, 2002, in Richmond, Virginia. The UVIMCO committees and full Board approved investments of: \$20 million with Audax Mezzanine Fund, L.P., 25 million with The Boston Company, \$25 million with H.I.G. Capital Partners, III, \$50 million with Viking Global Equities, III, and \$35 million with Lone Kauri. The Board also approved the Farm Team Program.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: June 1, 2002

COMMITTEE: Finance

AGENDA ITEM: III.C. Debt Capacity Update

ACTION REQUIRED: None

BACKGROUND: At the January 2001 Board meeting, the University's new debt capacity policy was discussed. The following guidelines were established:

1. The University will strive to maintain a debt service to revenues ratio of four percent (80 percent of the Commonwealth's ratio of five percent).
2. The University will strive to maintain a fair allocation of debt capacity among areas of the University.

The debt advisory committee computes the debt capacity of the University on an annual basis. The debt capacity model calculates the maximum amount of debt that can be prudently issued in upcoming fiscal years. It does not constitute a recommendation to issue debt. Each year the committee computes various ratios used by bond rating agencies to monitor our level of debt, noting significant trends. Senior management uses the work of the debt capacity committee in deciding among capital projects to put forward for approval by the Board of Visitors, Governor and General Assembly.

DISCUSSION: Current debt capacity as well as bond ratings and other debt management issues will be discussed.

MISCELLANEOUS FINANCIAL REPORTS

**Finance Committee
University of Virginia**

June 1, 2002

ACADEMIC DIVISION

FINANCIAL REPORT

ACCOUNTS AND LOANS RECEIVABLE AS OF March 31, 2002

Summary of Accounts Receivable:

The University's Academic Division's total accounts receivable at March 31, 2002 were \$16,375,000 as compared to \$46,157,000 at December 31, 2001. The major sources of receivables at March 31, 2002 were sponsored programs of \$11,129,000.

The past due receivables over 120 days old were \$788,000 at March 31, 2002, or 4.81 percent of total receivables, 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	\$1,236,000	\$11,129,000	\$4,010,000	\$16,375,000
Less: Allowance for Doubtful Accounts	<u>37,000</u>	<u>160,000</u>	<u>329,000</u>	<u>526,000</u>
Net Accounts Receivable	<u>\$1,199,000</u>	<u>\$10,969,000</u>	<u>\$3,681,000</u>	<u>\$15,849,000</u>
Accounts Receivable Greater than 120 Days Past Due	<u>\$ 52,000</u>	<u>\$ 510,000</u>	<u>\$ 226,000</u>	<u>\$ 788,000</u>

SOURCE: Bursar's Office

DATE: May 9, 2002

ACADEMIC DIVISION

FINANCIAL REPORT

ACCOUNTS AND LOANS RECEIVABLE AS OF March 31, 2002

Summary of Loans Receivable:

The default rate for the Perkins Student Loan Program decreased by 0.17 percent to 6.10 percent. This is based on the cohort default rate calculation and is well below the 15 percent threshold set by federal regulations. The Health Professions Loan Program default rate decreased by 0.57 percent to 0.43 percent. The Nursing Undergraduate Student Loan Program default rate increased by 0.09 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 0.17 percent to 3.75 percent.

	<u>Gross Loans Receivable</u>	<u>Current Default Rate</u>	<u>Inc./ (Dec) From Last Quarter</u>
Perkins Student Loans	\$17,560,000	6.10%	0.17%
Health Professions Loans	860,000	0.43%	(0.57)%
Undergraduate Nursing Loans	614,000	2.20%	(0.09)%
University Loans	11,569,000	3.75%	0.17%
Total Student Loan Outstanding	\$30,603,000		

SOURCE: Bursar's Office
DATE: May 9, 2002

INTERNAL LOANS TO UNIVERSITY DEPARTMENTS AND ACTIVITIES
for the month of March, 2002

(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.)

LIAB ACCT	PURPOSE	INTEREST ACCT	DATE OF LOAN	ORIGINAL LOAN AMOUNT	PRINCIPAL PAYMENTS TO DATE	OUTSTANDING PRINCIPAL	APPROX. FINAL PAYMENT
103807	CVC Football Facility	102331	12/22/98	\$3,000,000.00	\$900,310.55	\$2,099,689.45	12/2009
100391	Mail Services	100391	05/14/98	150,000.00	140,625.00	9,975.00	05/2002
100384	Parking & Transportation	100381	03/25/98	1,000,000.00	1,000,000.00	-	03/2002
103947	WTJU	102005	06/01/00	120,000.00	24,000.00	96,000.00	05/2005
115567	ITC-Cincom	100105	02/01/02	950,000.00	-	950,000.00	07/2005
115608	ITC-Disk Hardware	100105	02/01/02	130,000.00	-	130,000.00	07/2004
	Internal Loans Subtotals			\$5,350,000	\$2,064,935.55	\$3,285,064.45	
103842	Scott Stadium	103243	06/26/01	13,000,000.00	-	13,000,000.00	04/2006
GRAND TOTAL INTERFUND BORROWINGS APPLIED TO							
\$10MM BOV LIMIT						\$16,285,064.45	

Notes: 1. This report does not include all uses of interfund borrowings, only those formal loan agreements that are approved by the Budget Office and administered by Investment and Tax Services.
2. The interest rate on all loans is the Federal Funds rate + 60 basis points.
3. Total internal loans cannot exceed the \$10 million BOV established limit; however, the Scott Stadium loan was separately authorized outside of the \$10 million threshold.

SOURCE: Financial Administration
DATE: April 25, 2002

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 \$13.1 million for the period January 1, 2002 through February 28, 2002 have been written off. For the first eight months of the current fiscal year, \$44.1 million has been written off. Recoveries during this period amounted to \$1.9 million.

The estimated cost of indigent care in fiscal year 2000-2001 amounted to \$43.9 million of which 92 percent was funded through the Medicaid special disproportionate share payments. The cost of indigent care for fiscal year 2001-2002 is estimated to be \$42.0 million, of which 97 percent will be funded through the Medicaid special disproportionate share payments.

BAD DEBT:

Bad debt charges totaling \$5.7 million for the period January 1, 2002 through February 28, 2002 have been written off. For the first eight months of this fiscal year charges worth \$18.8 million were written off. During this same period, \$6.1 million was recovered through suits, collection agencies and Virginia refund set-off.

SOURCE: Medical Center Finance
DATE: April 25, 2001

MEDICAL CENTER
 ACCOUNTS COMMITTEE REPORT
 (Dollars in Thousands)

	Year to Date	Annual Activity	
	07/01/2001 02/28/2002	Estimated 2001-02	Actual 2000-01
<u>INDIGENT CARE (IC)</u>			
Charge Write-Offs	44,057		
Recoveries	<u>(1,856)</u>		
Net Charge Write-Off	42,201	59,099	55,070
% of Net Write-Offs to Revenue	8.00%	7.52%	8.33%
Net IC Charges Factored to Cost	37,951	48,018	50,239
Medicaid Unreimbursed Cost	<u>(3,425)</u>	<u>(6,039)</u>	<u>(6,317)</u>
Total Indigent Care (TIC) Cost	34,526	41,979	43,922
State Appropriation	0.00	0.00	0.00
Medicaid Special DSA Payment ¹	27,077	40,615	40,615
TIC Funding	27,077	40,615	40,615
TIC Funding as % of TIC Cost	78%	97%	92%
Unfunded Indigent Cost (UIC)	7,450	1,364	3,307

	Year to Date	Annual Activity	
	07/01/2001 02/28/2002	Estimated 2001-02	Actual 2000-01
<u>BAD DEBT</u>			
Charge Write-Offs	18,821		21,982
Recoveries	<u>(6,096)</u>		(9,495)
Net Charge Write-Offs	12,725	14,932	12,487
% of Net Write-Offs to Revenue	2.41%	1.90%	1.84%

NOTE:

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

SOURCE: Medical Center Finance
 DATE: April 29, 2002

REPORT ON WRITE-OFF OF NON-PATIENT
BAD DEBT FOR FISCAL YEAR 2001-2002

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

The University's write-off of non-patient bad debts for fiscal year 2001-2002 is \$350,019. This year's write-off decreased by \$27,633 or 7.3 percent. These write-offs do not constitute a compromise, settlement or discharge of the debts. For the past ten years, the University has collected approximately 38 percent of the accounts written off.

	FY <u>2001-2002</u>	FY <u>2000-2001</u>	FY <u>1999-2000</u>	FY <u>1998-1999</u>	FY <u>1997-1998</u>
Tuition and Fees	\$92,309	\$66,381	\$109,103	\$107,644	\$97,295
Auxiliary Service					
Fines and Charges	66,344	81,450	73,345	101,002	70,250
Library Fines and Charges	34,407	814	26,104	40,267	-
University Student Loans	13,976	7,318	12,856	20,965	32,299
Other Charges	23,582	22,364	27,580	14,374	16,456
Uncollectible Salary Payments to Former Employees	18,463	45,166	5,271	1,037	45,245
University Press	4,453	1,621	2,155	-	5,092
UVa's College at Wise	96,485	152,538			
TOTAL	\$350,019	\$377,652	\$256,414	\$258,289	\$266,637

SOURCE: Financial Administration
DATE: April 24, 2002

REPORT ON ENDOWMENT BY SCHOOL/FOUNDATION

UNIVERSITY OF VIRGINIA
QUASI-ENDOWMENT ACTIONS

October 1, 2001 - March 31, 2002

(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>
Darden, Barbara B. Endowed Scholarship*	\$ 165,000.00
Faculty and Staff Undergraduate Scholarships -- UVA Matching Fund	5,548.50
Paquin, Albert J., Jr., Fellowship in Urology	3,032.76
Pediatrics Operational Quasi-Endowment Fund*	167,977.90
U-21 Equity Limited*	631,200.00
University Consolidated Quasi-Endowment Fund (1)	<u>1,163,495.76</u>
Total Additions to Quasi-Endowments	\$2,136,254.92

<u>Divestments</u>	
Carlson Psychiatry Research Fund	100,000.00
School of Medicine Research Quasi-Endowment Fund	26,144.56
Thaler, Myles H. Quasi-Endowment for HIV Research	<u>11,192.00</u>
Total Divestments from Quasi-Endowments	\$137,336.56

<u>Endowment Income Capitalizations</u>	
Antrim, Lottie C. Income Capitalization	1,827.27
AT&T Professorship in Engineering Quasi-Endowment	25,800.00
Bogges, Margaret F. Memorial Fund	9,880.73
BP America Professorship Quasi-Endowment	146,000.00
Bristol Laboratories Quasi-Endowment - Hecht	4,107.52
Chrysler, W. P. Fund for Engineering Library	788.28
Class of 1955 Endowment Fund	620.53
Class of 1956 Endowment Fund	2,112.43
Class of 1957 Endowment Fund	1,642.33
Class of 1958 Endowment Fund	2,087.97
Class of 1959 Endowment Fund	2,440.87
Class of 1960 Endowment Fund	2,057.44
Class of 1961 Endowment Fund	1,858.28
Class of 1962 Endowment Fund	2,712.25
Class of 1963 Endowment Fund	839.36
Class of 1964 Endowment Fund	1,652.06
Class of 1965 Endowment Fund	504.24
Dermatology General Investment Fund	9,923.59
Difazio, Cosmo A. Professorship in Anesthesiology Quasi-Endowment	3,672.56

<u>Endowment Income Capitalizations, continued</u>	<u>Amount</u>
HAMILTON, Janet S. & John D. Quasi-Endowment	21,400.00
Hecht -- Cruachem Chemistry Quasi-Endowment	3,059.78
Hecht -- Cruachem Chemistry Quasi-Endowment #2	2,768.38
Hecht -- Cruachem Chemistry Quasi-Endowment #3	1,161.30
Henderson, Charles Professorship Restricted Quasi-Endowment	32,600.00
Hughes Quasi-Endowment Income Capitalization	249.09
Kinnier, Henry L. Professorship Quasi-Endowment	32,900.00
McIntire, Howard Quasi-Endowment in Neurology	9,842.03
Miller, Mae W. Cancer Research Fund	1,926.00
Moyston Quasi-Endowment for Ophthalmology	4,208.24
Perry, Ferman W. Professorship Restricted Quasi- Endowment	20,400.00
Phase II CHE Building Unrestricted Quasi-Endowment	16,045.99
Plastic Surgery Quasi-Endowment Fund	40,595.74
Radiology Fund Special Diagnostic	1,398.56
Ross, William & Harriet Diabetes Restricted Quasi- Endowment	1,424.56
School of Medicine Quasi-Endowment	25,779.81
Taylor, Henry N. Fund	103.00
Vaughan, Joseph L. Chair Restricted Quasi-Endowment	27,000.00
Virginia Quarterly Review Anonymous	178.05
Total Endowment Income Capitalizations	\$463,568.24

NOTES:

- (*) Quasi-endowment newly established or originally funded since September 30, 2001.
- (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: April 29, 2002

UNIVERSITY OF VIRGINIA
INTEGRATED SYSTEMS PROJECT IMPLEMENTATION STATUS

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

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

DISCUSSION: The Integrated Systems Project is nearing the go-live date for the Phase 2 implementation of the Oracle Human Resources, Payroll and Fixed Assets applications, as well as continuing to manage the Oracle financial applications that are now in production.

The Human Resources, Payroll and Time Management applications are in the midst of their third conference room pilots, testing full integration between these applications and the other Oracle applications. The need for additional testing has caused us to plan a fourth conference room pilot.

End users are completing responsibility-based training. All 650 future users will have completed training by the June 26 go-live date.

The Fixed Assets team has initiated its third conference room pilot activity, testing full integration. Fixed Assets training will be complete before its July 1 go-live date.

Production Management

The Integrated System Application Support Center continues to work with Oracle Corp. and others to improve the performance of the live financial system and to refine the reports that are available to users. All University employees, including those in the Medical Center, now have access to the features offered through the Oracle Self Service application, such as the ability to register on-line for employee training.

SOURCE: ISP Office
DATE: April 25, 2002
REVISED: May 31, 2002

ATTACHMENT

2002-2003 PRATT FUND ALLOCATIONS

ARTS AND SCIENCES – \$1,300,000

Biology - The Biology Department proposes to allocate \$222,098 for fellowships, to support entering Ph.D. students, to provide summer support for incoming graduate students, to cover tuition and fees (in part or in full) of seven returning students and to supplement two presidential fellowships and training grant stipends. The department proposes to allocate \$3,830 to provide partial support of the salaries of the director and associate director of the Mountain Lake program. An allocation of \$19,072 will be used purchase equipment for new faculty members Keith Kozminski and Dorothy Schafer. The department requests that \$65,000 be transferred to the Arts and Sciences Pratt Special Account in partial repayment of the funds made available in 1998-1999 in support of the hiring of Janis Antonovics as the Lewis and Clark Professor of Biology. The department requests that \$15,000 be transferred to the Arts and Sciences Pratt Special Account in partial payment of funds to be made available in 2002-2003 to support the hiring of Mario Geysen as the Alfred Burger Professor of Chemistry.

Chemistry - The Chemistry Department proposes that \$120,000 be allocated to provide fellowship support and tuition differentials to continuing graduate students and fellowship support to incoming graduate students. The department requests that an additional \$10,000 be allocated to provide matching funds required for a National Science Foundation (NSF) summer undergraduate research award. The department proposes to allocate \$60,000 to provide summer salary for Professors Mario Geysen, James Landers and Milton Brown; summer salary to the director of the Research Experience for Undergraduates program, James Demas; and summer salary for Robert Bryan for laboratory experiment development. The department requests \$65,000 for equipment for start-ups for new faculty and for equipment matching commitments. The department requests that \$25,000 be transferred to the Arts and Sciences Pratt Special Account in partial repayment of the funds made available in 1998-1999 in support of the hiring of Janis Antonovics as the Lewis and Clark Professor of Biology. The department requests that \$15,000 be transferred to the Arts and Sciences Pratt Special Account in partial payment of funds to be made available in 2002-2003 to

support the hiring of Mario Geysen as the Alfred Burger Professor of Chemistry.

Mathematics - The Mathematics Department proposes to allocate \$201,230 for the following purposes: \$24,020 to provide partial academic year salary and one month of summer wages for one Whyburn instructor in 2002-2003, and \$49,700 for salary support for visiting professor Wolfgang Castell, \$49,700 for visiting professor Eugene Seneta, and \$77,810 for replacement faculty and short term visiting faculty. The department proposes to allocate \$6,500 to purchase additional and replacement equipment for the department's computer laboratories. The department also proposes to allocate \$77,270 for graduate fellowships. The department requests that \$25,000 be transferred to the Arts and Sciences Pratt Special Account in partial repayment of the funds made available in 1998-1999 in support of the hiring of Janis Antonovics as the Lewis and Clark Professor of Biology. The department requests that \$15,000 be transferred to the Arts and Sciences Pratt Special Account in partial payment of funds to be made available in 2002-2003 to support the hiring of Mario Geysen as the Alfred Burger Professor of Chemistry.

Physics - The Physics Department proposes to allocate \$71,254 to provide summer support for new assistant professors Jongsoo Yoon and Charles Sackett, and for salary of a postdoctoral fellow in support of Assistant Professor Yoon. The department further proposes to allocate \$50,000 for equipment for Professor Yoon. The department proposes to allocate \$163,746 in fellowship support. The department requests that \$25,000 be transferred to the Arts and Sciences Pratt Special Account in partial repayment of the funds made available in 1998-1999 in support of the hiring of Janis Antonovics as the Lewis and Clark Professor of Biology. The department requests that \$15,000 be transferred to the Arts and Sciences Pratt Special Account in partial payment of funds to be made available in 2002-2003 to support the hiring of Mario Geysen as the Alfred Burger Professor of Chemistry.

SCHOOL OF MEDICINE - \$1,300,000 (\$254,939 remains unallocated at this time.)

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

Biomolecular Research and Mass Spectrometry Facility This core facility provides a wide array of highly specialized services

including protein and DNA sequencing, peptide synthesis, amino acid and carbohydrate analyses, X-ray film processing, protein chemistry, and mass spectrometry. The in-house availability of these services, which require expensive, sophisticated instrumentation and operating expertise, has contributed significantly to the spectrum of ongoing investigation at the University as well as reducing research costs. The facility's 2002-2003 operating budget is approximately \$1,431,369. Pratt funds (\$150,412) award for 2002-2003 will subsidize user fees and allow for the development of new techniques related to the provided services.

Small Animal Multimodality Imaging Core (SAMMIC) was established in 1991 to provide magnetic resonance imaging capabilities for biomedical applications. It handles samples larger than those suitable for the Nuclear Magnetic Resonance (NMR) facility in Chemistry and smaller than the clinical facility, and thus is suitable for small animals and other research applications. A growing number of investigators in clinical departments as well as engineering and related fields are applying this technology to their research. In addition, the facility provides instruction for students, fellows and faculty in the basic theoretical and practical aspects of magnetic resonance imaging and related techniques. Pratt funds (\$60,000) are awarded to subsidize the lab's operating budget (\$320,805 in 2002-2003); user fees and departmental funds make up the balance.

Tissue Procurement Facility. As the Health System becomes increasingly focused on translational research, the availability of specific human tissues for research purposes becomes increasingly important. This facility provides for protocol-driven collection of diseased and normal tissue, and the storage, culturing, analysis and distribution of these materials. The Pratt endowment provides \$20,805.

Transgenic Mouse Core Facility. This core facility was established in 1992 to support genetics research. The facility is equipped to produce transgenic and gene knock-out mice for use in studies of normal gene function and altered gene expression as well as in developing animal models for human diseases. It is a multi-user core facility with an operating budget of \$209,458. In 2002-2003 Pratt funds (\$64,317) are awarded as a subsidy to enhance the availability of this important technology to investigators throughout the University.

Centralized Electron Microscope Core Facility. This core facility continues to provide excellent service to a substantial

number of investigators throughout the School of Medicine. It offers unique facilities that include two transmission electron microscopes, a scanning electron microscope and a confocal microscope. In addition, the Core provides expertise in the preparation of a wide variety of types of samples to be used with these microscopes. It has maintained a strong user base for over 20 years and has an excellent record of cost recovery, which is expected to 77 percent in 2002-2003. The Pratt contribution (\$32,527) is for the overall operating costs of the core.

FELLOWSHIPS AND SCHOLARSHIPS

Graduate Research Assistantships funded by the Pratt allocation are an important component of the school's research training program in the basic medical sciences. Students are compensated during the final years of their training, when primarily engaged in individual research projects. In addition, students receive support while on summer research rotations. The Pratt funds allocation of \$245,000 represents approximately 13 percent of the 2002-2003 total program budget of \$1.9 million.

Postdoctoral Fellowship Support. The major recipients are expected to be postdoctoral fellows in the basic sciences that have received peer-reviewed external fellowships, which need supplementation to bring salary support to a competitive level. These supplements will be administered through the office of the Associate Dean for Graduate Studies. Support of \$72,000 is awarded for 2002-2003.

\$400,000 will be provided for research training to support the M.D/Ph.D. Program. This program plays a vital role in the School of Medicine by providing future physicians with extensive research training that shapes their subsequent careers. This program had been funded by NIH for 21 years and experienced a funding hiatus. The program will again receive NIH funding with a phasing-in period, and will therefore continue to need Pratt funding for the next several years. This support will maintain this valuable program until external support is established.

2001-2002 PRATT ALLOCATION TO THE SCHOOL OF MEDICINE

Of the 2001-2002 \$1.3 million Pratt allocation to the School of Medicine, \$126,209 remained unallocated at the time of the June 2001 Board of Visitors meeting. A mid-year award of \$56,210 was made to Dr. Jae Lee for support of the Genechip/Microarray Bioinformatics Core to support Genechip/Microarray analysis

with an aim to expanding to proteomics. After this award, \$69,999 from the 2001-2002 allocation remains uncommitted.

SPECIAL DISTRIBUTION

The Vice President for Research requests a special distribution to be split equally between the Arts & Sciences and the School of Medicine Pratt funds in the amount of \$2.33 million in 2002-2003, \$2.33 million in 2003-2004, and \$2.34 million in 2004-2005 to match an award of \$7 million from the Ivy Foundation to develop an Institute for Morphogenesis and Regeneration Medicine (formerly bio-differentiation), one of the primary recommendations of the Virginia 2020 Commission on Science and Technology.

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