

January 31, 2003

MEMORANDUM

TO: The Finance Committee:

William H. Goodwin, Jr., Chair
Thomas F. Farrell, II
Charles L. Glazer
Mark J. Kington
Thomas A. Saunders, III
Warren M. Thompson
John P. Ackerly, III, Ex Officio

and

Thomas J. Bliley, Jr.	Gordon F. Rainey, Jr.
William G. Crutchfield, Jr.	Terence P. Ross
T. Keister Greer	Elizabeth A. Twohy
Elsie Goodwyn Holland	E. Darracott Vaughan, Jr., M.D.
Don R. Pippin	H. Timothy Lovelace, Jr.

FROM: Alexander G. Gilliam, Jr.

SUBJECT: Minutes of the Meeting of the Finance Committee

The Finance Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 10:05 a.m., Friday, January 31, 2003, in the East Oval Room of the Rotunda; William H. Goodwin, Jr., Chair, presided. Thomas F. Farrell, II, Mark J. Kington, Warren M. Thompson, and John P. Ackerly, III, Rector, were present.

Also present were Thomas J. Bliley, Jr., William G. Crutchfield, Jr., T. Keister Greer, Mrs. Elsie Goodwyn Holland, Don R. Pippin, Gordon F. Rainey, Jr., Ms. Elizabeth A. Twohy, E. Darracott Vaughan, Jr., M.D., and H. Timothy Lovelace, Jr.

Present as well were John T. Casteen, III, Leonard W. Sandridge, Alexander G. Gilliam, Jr., Paul J. Forch, R. Edward Howell, Arthur Garson, Jr., M.D., Gene D. Block, Ms. Colette Sheehy, Robert D. Sweeney, Robert E. Reynolds, M.D., Ms. Yoke San L. Reynolds, R. Ariel Gomez, M.D., Ms. Patricia M. Lampkin, William W. Harmon, Steven H. Kaplan, and Ms. Jeanne Flippo Bailes.

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

The first two items were Consent items: the disposition of property on 10 1/2 Street in Charlottesville, adjacent to Stacey Hall, and the disposition of the College at Wise's share in two lots on Park Avenue in Norton.

The 10 1/2 Street proposal involves granting 1,800 square feet to a developer, Tenth and Main LLC, who owns adjacent property and who wants to improve the appearance and usefulness of the parcel in question as he develops his own property. The land is of no use to the University, and the improvements the developer has in mind would improve access to Stacey Hall - the developer proposes easements to the University, which would permit this.

The University of Virginia's College at Wise was left 50% interest in two lots in Norton by Ms. Virginia Irene Meador, who died in 1995. The lots, which are unimproved, are adjacent to the Norton United Methodist Church, which wishes to acquire them for church use. The Church has proposed a price which would give the College \$5,000; the College will use the money for student scholarships or loans. The purchase price is greater than the assessed value of the lots.

On motion, the Committee adopted the necessary resolutions and recommended them to the full Board for approval (see Minutes of the meeting of the Board of Visitors, February 1, 2003).

The first item on the Action Agenda was the approval of student housing rates for 2003-2004 at the University and at The University of Virginia's College at Wise, as well as housing at the Mountain Lake Biological Station in Giles County for the summer of 2003. Mr. Sandridge asked Ms. Reynolds, Vice President for Finance, to make the presentation.

Ms. Reynolds first reviewed for the committee the reserve fund for facilities improvement. In January 2001, the Board of Visitors approved an annual fee of \$50, to be part of the housing fee, for this fund. In January 2002, the Board approved an addition of \$100, for a total of \$150; a \$150 increase in the facilities improvement fee is needed for 2003-2004, and similar enhancements to the fee can be expected over the next four years. Ms. Reynolds then reminded the Committee of the immediate need for such a fee: the deterioration of the Alderman Road dormitories and Bice House on Brandon Avenue. It has not yet been decided what will be done to the Alderman Road houses and the eventual cost of renovation will depend on these decisions and on whether programs will be added to the dormitories beyond the function of simply providing housing.

Ms. Reynolds drew the Committee's attention to a table, which showed the amounts expended on repairing and renovating student housing, from 1995 forward (a copy of this table is appended as an Attachment).

The proposed housing rates for the University for 2003-2004 would be an increase of 10.6%, as compared to 8.5% in 2002-2003. The average housing rate for the University thus would be \$2,711, which is below the statewide average of \$3,050 for last year. Of the 10.6% increase proposed, 6.1% would be for the facilities improvement fee.

The proposed increase at Wise would be 4.8%.

The necessary resolution, which also covered increases at Mountain Lake, was approved by the Committee and recommended to the full Board for approval (see Minutes of the meeting of the Board of Visitors, February 1, 2003).

Mr. Sandridge next told the Committee that he and Ms. Reynolds would lead a discussion of the University's debt structure and policy. Ms. Reynolds pointed out that the University currently handles short-term debt by internal loans. It is proposed now that commercial paper be issued to take care of debt, principally for construction projects.

As for long-term debt, it is proposed to increase the variable rate component (most of the current debt is at fixed rates). Another proposal would increase the diversity of debt maturity, and Ms. Reynolds suggested that in the future, the University would want to consider the possibility of swaps.

Ms. Reynolds and Mr. Sandridge said the University proposes to issue bonds in early March to cover the cost of seven projects; the Executive Committee will be asked to meet on March 5th, to approve the exact terms of the bonds, though the Finance Committee is being asked at this meeting to approve the issuance of the bonds. Mr. Farrell noted that on most boards, the finance committee, not the executive committee, approves such things. Mr. Sandridge and Mr. Forch observed that the statutes, as repeated in the Board Manual, provide for the Executive Committee to do this. Notwithstanding, Mr. Farrell said he thought it would be useful for the Executive Committee to hear the recommendations of the Finance Committee on matters of this sort.

On motion, the necessary resolutions, to authorize the issuance of bonds and commercial paper, were approved by the Committee and recommended to the full Board for approval (see Minutes of the meeting of the Board of Visitors, February 1, 2003).

Mr. Sandridge asked Ms. Sheehy, Vice President for Management and Budget, to report on the progress of the Governor's budget amendments in the General Assembly.

Ms. Sheehy gave her report, noting that as the Budget is still being debated in the General Assembly, little definite can be said at this point. The customary discussion on tuition thus was postponed until the terms of the state Budget are clearer.

Ms. Handy, University Treasurer, gave her customary report on the Endowment. There was a substantial rise in the pooled endowment fund between June 30th and December 31st, but when liabilities are taken into account, the rise is less significant - \$1,753.8billion on December 31st from \$1,729.3billion on June 30th. Hedge funds, on December 31st, accounted for 50.5% of the total, with the other principal components of the University's portfolio being private equity at 13.8%, cash at 12.6% and fixed income at 9.1%. The targets of the Board of the University of Virginia Investment Management Company (UVIMCO) for the portfolio are 60% hedge funds and 20% in private equity, with real estate, fixed income, domestic equity and international at 5% each.

Since the October Board of Visitors meeting, Ms. Handy said, the UVIMCO Board has approved the following actions:

The investment of \$25m with Glenhill Capital Management
The investment of \$50m with Sun Capital Partners, Inc.
The investment of \$5m with Rx Capital Management, L.P.,
Abrams/Bison Investments, LLC and SuttonBrook Capital Management
The addition of \$20m to Arisaig Partners and GMO Emerging Markets
The sale of Claiborne Capital Management (\$50m)
The inclusion of absolute return in hedge fund farm teams
Reinvestment of capital from Lone Pine into Lone Kauri
The purchase of secondary interest in select private equity funds
Revisions to the General Faculty and Medical Center Retirement
Plan.

Mr. Sandridge called Members' attention to several miscellaneous financial reports in the material distributed to them.

On motion, the meeting was adjourned at 11:00 a.m.

AGG:lah

Attachment

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

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

ATTACHMENT

STUDENT HOUSING
REPAIR AND RENOVATIONS
(\$ in Thousands)

	1995- 1996	1996- 1997	1997- 1998	1998- 1999	1999- 2000	2000- 2001	2001- 2002	Revised Budget 2002- 2003	Budget 2003- 2004
Expenditures from Reserve	\$3,278	\$2,981	\$2,227	\$1,185	\$4,452	\$6,271	\$5,717	\$5,505	\$4,147
Contribution to Reserve	\$3,256	\$4,563	\$3,076	\$4,106	\$4,348	\$3,806	\$3,527	\$5,026	\$5,700