

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS
MEETING OF THE
FINANCE COMMITTEE
May 30, 2003**

FINANCE COMMITTEE

Friday, May 30, 2003
9:00 - 11:00 a.m.
Board Room, The Rotunda

Committee Members:

William H. Goodwin, Jr., Chair
Thomas F. Farrell, II
Charles L. Glazer
Mark J. Kington
Thomas A. Saunders, III

Warren M. Thompson
Georgia M. Willis
John O. Wynne

AGENDA

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BOARD OF VISITORS CONSENT AGENDA

PARTICIPATION IN THE UNIVERSITY'S COMMERCIAL PAPER PROGRAM:

Allows the University to provide short-term financing for the new parking facility at the Health Science Center and the addition to the National Radio Astronomy Observatory facility through the University's commercial paper program.

At the January 2003 meeting, the Board approved a commercial paper program to provide short-term financing for projects and initiatives awaiting bond financing. The Board has approved resolutions covering the intent to issue bonds for these two projects. They have also received authorization from the Commonwealth of Virginia to issue bonds. It is expected that the projects will require short-term financing in the late summer-early fall timeframe. The current request is for authority to incur debt for short-term financing for the two projects. Short-term financing will be provided for the capital projects only if a detailed business plan is presented documenting their fiscal soundness and approvals are obtained from the Executive Vice President and Chief Operating Officer, the Vice President for Finance, the Vice President for Management and Budget and the appropriate area Vice President. This action would not authorize the University to issue long-term bonds for the projects. Prior to issuing and incurring long-term debt, the Board will consider and approve a separate action and will be provided an appropriate fiscal impact statement with comments on each project's financial considerations.

The addition to the Health Science Center's South Garage obtained Board approval in October 2001 for an intent-to-issue resolution. During its 2002 session, the General Assembly authorized \$10.8 million for this project to provide additional parking to meet existing demand in the Health Sciences Center and to provide replacement parking for the parking spaces lost to the Biomedical Engineering and Medical Sciences Building and MR-6. The current project cost is approximately \$10.5 million.

The National Radio Astronomy Observatory (NRAO) addition originally came before the Board in March 1999 in an intent-to-issue resolution. In June 2000, the Board agreed to allow this project to participate in the Commonwealth's pooled bond program. Delays related to funding for a research project forced this capital project to be postponed until fiscal year 2004. NRAO leases a building at the University and commercial space in Charlottesville. The addition will enable the consolidation of its staff into one facility and the creation of

space for the new major research project. NRAO and the University have a signed agreement outlining their respective financial obligations for construction of the facility. The total project cost is expected to be \$7.4 million.

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

APPROVAL OF PARTICIPATION OF THE HEALTH SCIENCE CENTER GARAGE AND THE ADDITION TO THE NATIONAL RADIO ASTRONOMY OBSERVATORY BUILDING IN THE UNIVERSITY'S COMMERCIAL PAPER PROGRAM

WHEREAS, the University intends to undertake the Health Science Center Garage and the National Radio Astronomy Observatory Addition (the "Projects") with bonds as a financing source; and

WHEREAS, the United States Department of the Treasury has promulgated final regulations in Section 1.150-2 of the Treasury Regulations (the "Regulations") governing when the allocation of bond proceeds to reimburse expenditures previously made by a borrower shall be treated as an expenditure of the bond proceeds; and

WHEREAS, the University officially declared its intentions to issue debt in accordance with the Regulations in October 2001 and March 1999, respectively; and

WHEREAS the Commonwealth of Virginia has granted authority for debt financing for each of these in the following legislation:

- a. Health Science Center Garage (207-16559): Initial Authorization 2001, Chapter 1073, Item Number 4-4.01m; Supplemental Authorization 2002-2004, Chapter 899, Item C-40
- b. National Radio Astronomy Observatory (207-16280): Initial Authorization 1999, Chapter 935; Supplemental Authorization 1998-2000, Chapter 1072; and

WHEREAS, the University may be required to provide short-term financing to the Projects prior to issuing long-term debt in order to implement an efficient and timely construction schedule; and

WHEREAS, if the University arranges short-term financing for a particular project, and if the project is not ultimately

completed, or if the project utilizes funding sources other than bonds, then the appropriate school or unit remains responsible for refunding the short-term obligation;

RESOLVED that, pursuant to the Regulations and prior Board actions, the University of Virginia may utilize its existing commercial paper program to provide short-term financing to these two projects under the following conditions:

1. This resolution confirms the prior declarations of official intent under Section 1.150-2 of the Regulations, in October 2001 and March 1999;
2. The Commonwealth of Virginia has authorized these projects with:
 - a. Health Science Center Garage (207-16559): Initial Authorization 2001, Chapter 1073, Item Number 4-4.01m; Supplemental Authorization 2002-2004, Chapter 899, Item C-40
 - b. National Radio Astronomy Observatory (207-16280): Initial Authorization 1999, Chapter 935; Supplemental Authorization 1998-2000, Chapter 1072; and
3. The applicant projects must submit a comprehensive and detailed financial plan;
4. The Executive Vice President and Chief Operating Officer, the Vice President for Finance, the Vice President for Management and Budget and the appropriate area Vice President will approve the financial plan;
5. Short-term financing shall not exceed twenty-four months in maturity for each of these projects;
6. The school or unit remains responsible for any debt obligation incurred regardless of the status of the capital project or whether or not a bond issuance actually occurs.

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UNIVERSITY OF VIRGINIA
FISCAL IMPACT STATEMENT

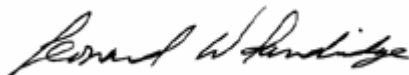
PROJECT/PROPOSED BOARD OF VISITORS ACTION: Approve the participation of two capital projects in the University's commercial paper program.

DESCRIPTION: The University intends to construct the Health Sciences Center Garage and the National Radio Astronomy Observatory addition. Approval of this proposal, in conjunction with previous authorizations, will enable the projects to apply for short-term financing through the University's commercial paper program established in March 2003.

FISCAL IMPACT: This proposal has no fiscal impact at the present time since it does not obligate the University to long-term debt financing for any project. The University would like to fund these projects on a short-term basis with commercial paper if the projects can demonstrate fiscal soundness by presenting for approval a comprehensive business case with complete funding inflow and outflow data. If the projects meet the necessary conditions, then the University may extend short-term financing at the blended interest rate of the available funding sources, currently 4.75 percent.

CONCLUSION: The Board of Visitors should allow these two projects to obtain interim financing under the University's commercial paper program, subject to the conditions specified in the resolution.

RECOMMEND APPROVAL OF BOARD ACTION:



Leonard W. Sandridge
May 30, 2003

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UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: May 30, 2003

COMMITTEE: Finance

AGENDA ITEM: II.A. 2003-2004 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 2002 Board meeting, the Board has heard reports on the budget requests submitted to the state for the period 2003-2004, the preliminary budget assumptions for the 2003-2004 operating budget and the results of the 2003 General Assembly session. At its February and April meetings, the Board approved tuition and fees and housing and dining rates for 2003-2004, which comprise a significant revenue source for the operating budget.

DISCUSSION: The 2003-2004 expenditure budget proposal for all divisions of the University totals \$1.58 billion, representing an increase of 6.9 percent compared with the revised budgets of the previous fiscal year. Of this amount, \$895.1 million relates to the Academic Division, \$19.8 million to the University of Virginia's College at Wise and \$665.4 million to the Medical Center.

Academic Division

Under the proposed budget, Academic Division revenues will increase by 4.4 percent to \$895.5 million. This growth is driven by a 12.8 percent increase in tuition, growth in sponsored programs of 5.5 percent and an increase of 5 percent in auxiliary enterprise revenues. Revenue from grants, contracts and indirect cost recoveries accounts for 27.3 percent of all Academic Division revenues and tuition and fees collections account for 26.6 percent. For the first time, revenues from private resources - gifts and endowment income - will exceed revenues from the state general funds. Gifts and endowment income will contribute \$134 million or 15 percent of Academic Division revenues, as compared to \$121 million and 13.5 percent from state general funds. Revenues from state general funds are down from 23 percent just three years ago and 35 percent fifteen years ago. Auxiliary enterprise revenues (15.0 percent) and revenues from other sources (2.6 percent) comprise the remainder of the revenue budget.

Academic Division expenditures are projected to increase by \$37.9 million, or 4.4 percent to \$895.1 million. Personnel costs comprise approximately 79 percent of educational and general expenditures and 65 percent of total operating expenditures in the Academic Division.

The 2003-2004 budget reflects a \$52 million general fund budget reduction assessed by the Commonwealth to help close a projected \$6 billion state-wide budget gap over the 2002-2004 biennium. The \$12 million incremental reduction over 2002-2003 has been funded through tuition increases approved by the Board in April. Of the total \$52 million general fund reduction, approximately 54 percent has been covered from tuition increases, while 46 percent was achieved through departmental cost reduction strategies.

The 2003-2004 budget also emphasizes graduate and undergraduate financial aid and faculty and staff compensation. The cost of employee benefits increases significantly in 2003-2004 due to healthcare cost increases and the increased contribution to the Virginia Retirement Plan. In addition, the 2003 General Assembly approved a 2.25 percent salary increase for classified staff and faculty. While this will not be a compensation increase over 2002-2003 since a 2.5 percent one-time bonus was paid, it does represent a cost increase to the University. The University's nongeneral fund revenues did not have to fund any of the bonus for state-funded positions in 2002-2003; in 2003-2004 the University will be responsible for funding 64 percent of the cost of the salary increase for state-funded positions.

The University of Virginia's College at Wise

The proposed University of Virginia's College at Wise expenditure budget increases by \$15,000, or 0.1 percent, in 2003-2004. Incremental tuition revenues will offset Wise's incremental general fund budget reduction of \$430,000, resulting in a net E&G budget which remains essentially flat. Wise's total 2003-2004 general fund budget reduction will be \$1.58 million or 14 percent of their original base appropriation for 2003-2004.

Medical Center

The Medical Center total expenditure budget is proposed to increase by \$64.3 million, or 10.7 percent, during 2003-2004, compared with the revised budget for 2002-2003. Total margin is

expected to be \$37.7 million or 4.3 percent. The budget reflects projected increases in expenses per adjusted discharge (4.3 percent), medical supplies (4 percent) and pharmaceuticals (5 percent) and employee health benefits (12 percent). The budget presentation will include a proposal for hospital room rates and ancillary service charges to increase commensurate with the inflationary impacts on expenses by five percent and to enhance personnel compensation packages by over \$9 million.

For the Medical Center, providing quality patient care while continuing to manage an appropriate operating margin is the top priority. The Corporate Integrity Agreement and the new Health Insurance Portability and Accountability Act legislation are external pressures that will result in additional expenses for the Medical Center. The cost associated with providing quality patient care will continue to have upward pressure due to labor shortages and increases in pharmaceutical and medical device expenses. The 2003-2004 fiscal plan features the implementation, jointly with the School of Medicine, of early phases of the Decade Plan, the opening of two modular operating rooms and approximately nine new beds, enhanced personnel compensation packages and facility expansion.

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 received in preparation for the May 29, 2003, 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 and 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 2003-2004 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 45) to spend the distribution in a manner consistent with previous years.

In 2003-2004, the School of Medicine proposes a special allocation of \$4 million for the Decade Plan - the first joint planning effort of the School of Medicine, the Medical Center and the Health Services Foundation. The Decade Plan charts the ways in which the University will create innovative "models for all of U.S." in areas such as patient service, translational research from cell to bedside, professionalism in teaching and service to the community. These models will result in widespread benefit and visibility, taking the University to top status as a health care institution by 2012, as defined objectively by national rankings and through peer recognition of excellence. As the name would indicate, this is the first year of a multi-year funding plan that spans ten years. The School of Medicine proposes to leverage million Pratt funds and on-going fundraising efforts to provide the financial resources necessary to carry out the objectives of the Decade Plan.

In addition to these new distributions, an additional \$700,000 in special initiatives has been previously approved by the Board of Visitors. An annual allocation of \$500,000 from the Arts and 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 three of a three year commitment of \$200,000 will be distributed in 2003-2004 to the School of Medicine to provide funding to support Mario Geysen as the Alfred Burger Professor of Chemistry - a joint appointment in the Departments of Chemistry and Pharmacology. Professor Geysen is establishing Combinatorial Sciences Center, which will contain a core facility for the synthesis of potential therapeutic compounds and which will also develop high throughput assay capability for biological targets developed by researchers in the School of Medicine.

Last April the Board of Visitors approved an investment of \$3.0 million to match a grant from the Ivy Foundation in support of an Institute for Morphogenesis and Regenerative Medicine. In

2002-2003, \$1,166,500 was allocated from both the Arts and Sciences Pratt Fund and the School of Medicine Pratt Fund. The remaining \$667,000 - \$333,500 each from the Arts and Sciences Pratt Fund and the School of Medicine Pratt Fund - will be allocated in 2004-2005.

Deans in each of the schools, the Vice President of Research, the Vice President and Provost and the President support these projects. The table below shows aggregate allocations; Attachment A on page 45 describes the specific allocations.

2003-2004 Pratt Fund Allocation

	Equipment	Faculty Salaries	Fellowships	Research	To be allocated	Total
Biology		\$98,931	\$226,069			\$325,000
Chemistry	\$100,000	\$135,000	\$90,000			\$325,000
Mathematics	\$20,000	\$240,400	\$64,600			\$325,000
Physics	\$60,180	\$89,820	\$175,000			\$325,000
New Faculty Start-Up Fund	\$500,000					\$500,000
<i>Arts & Sciences Subtotal</i>	<i>\$680,180</i>	<i>\$564,151</i>	<i>\$555,669</i>	<i>\$0</i>	<i>\$0</i>	<i>\$1,800,000</i>
School of Medicine	\$325,000		\$517,000	\$458,000		\$1,300,000
New Faculty Hire		\$200,000				\$200,000
The Decade Plan		\$2,500,000		\$1,500,000		\$4,000,000
<i>School of Medicine Subtotal</i>	<i>\$325,000</i>	<i>\$2,700,000</i>	<i>\$517,000</i>	<i>\$1,958,000</i>	<i>\$0</i>	<i>\$5,500,000</i>
TOTAL	\$1,005,180	\$3,264,151	\$1,072,669	\$1,958,000	\$0	\$7,300,000

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

APPROVAL OF THE 2003-2004 OPERATING BUDGET FOR THE ACADEMIC DIVISION

RESOLVED that the 2003-2004 Operating Budget for the Academic Division is approved, as recommended by the President and the Chief Financial Officer;

APPROVAL OF THE 2003-2004 OPERATING BUDGET FOR THE UNIVERSITY OF VIRGINIA'S COLLEGE AT WISE

RESOLVED that the 2003-2004 Operating Budget for The College at Wise is approved, as recommended by the President and the Chief Financial Officer.

APPROVAL OF THE 2003-2004 OPERATING AND CAPITAL BUDGET FOR THE UNIVERSITY OF VIRGINIA MEDICAL CENTER

RESOLVED that the 2003-2004 Operating and Capital Budget for the University of Virginia Medical Center is approved, as recommended by the President, the Chief Financial Officer and the Medical Center Operating Board.

APPROVAL OF PRATT FUND DISTRIBUTION FOR 2003-2004

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 and Sciences. The normal allocations, not to exceed \$2.6 million for 2003-2004, are suggested by the department chairs and recommended by the dean of each school. The special distributions are not to exceed \$4.7 million for 2003-2004. 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 2003-2004.

DESCRIPTION: The University's operating budget income for 2003-2004 totals \$1.62 billion, an increase of \$98.4 million or 6.9 percent over the revised 2002-2003 budget. Of the total revenue budget \$895.5 million relates to the Academic Division, \$703.2 million to the Medical Center and \$19.8 million to The University of Virginia's College at Wise.

Over the past three years, the Academic Division budget has looked as follows:

Academic Division

	Revised 2001-02	Revised 2002-03	2003-04
Revenues (in \$ Millions)			
State Appropriations (E&G)	\$161.6	\$130.3	\$115.6
Sponsored Programs (E&G)	\$197.6	\$216.8	\$228.7
Tuition and Fees (E&G)	\$162.0	\$186.1	\$209.9
Student Aid	\$64.9	\$74.7	\$80.1
Endowment Income & Gifts (E&G)	\$79.7	\$100.6	\$104.2
Auxiliaries	\$127.0	\$128.2	\$134.6
Sales, Services, Other (E&G)	\$18.2	\$21.0	\$22.5
Total	\$811.0	\$857.7	\$895.5
Percent of Total Revenues			
State Appropriations (E&G)	19.93%	15.19%	12.90%
Sponsored Programs (E&G)	24.36%	25.28%	25.54%
Tuition and Fees (E&G)	19.98%	21.70%	23.44%
Student Aid	8.00%	8.71%	8.95%
Endowment Income & Gifts (E&G)	9.83%	11.73%	11.64%
Auxiliaries	15.66%	14.94%	15.03%
Sales, Services, Other (E&G)	2.24%	2.45%	2.51%
	100.00%	100.00%	100.00%
Percent Change Over Prior Year			
State Appropriations (E&G)	-2.2%	-19.4%	-11.3%
Sponsored Programs (E&G)	4.5%	9.7%	5.5%
Tuition and Fees (E&G)	7.3%	14.9%	12.8%
Student Aid	**	15.1%	7.2%
Endowment Income & Gifts (E&G)	**	26.2%	3.6%
Auxiliaries	**	0.9%	5.0%
Sales, Services, Other (E&G)	1.8%	15.6%	6.9%

** - Accounting changes from the prior year invalidate year over year comparisons

FISCAL IMPACT: The key issue remains the considerable decrease in the level of funding provided by the Commonwealth of Virginia. In fiscal year 2003-2004, it is expected that the University will receive only 13.5 percent of its academic educational and general revenues (including support for financial aid) and only about 8.1 percent of its total revenues from the state. By eliminating over \$52.2 million from the base general fund appropriations over the past two years, the Commonwealth has forced the University to implement sizable increases in tuition, fees and other controllable sources while simultaneously reducing expenditures on an extensive scale. This has led to a commensurate increase in the need for financial aid, for which funding has grown 52 percent since the 1999-2000 fiscal year.

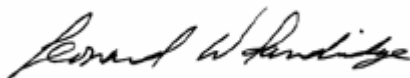
Virginia is certainly not the only state to experience a budget crisis or to significantly curtail appropriations for higher education; however, the University continues to lose ground to its public peers in terms of overall governmental funding for in-state students. Because the University is committed to excellence and its public mandate, to offset the decline in state support it will continue to seek ways to expand its other sources of revenue and to operate as efficiently and effectively as possible.

Expense Summary (\$ millions):

Division:	Budget 2003- 2004	Revised 2002- 2003	Increase	Percent Increase
Academic	\$895.1	\$857.2	\$37.9	4.4 percent
Medical Center	\$665.4	\$601.1	\$64.3	10.7 percent
College at Wise	\$19.8	\$19.8	\$0.0	< 0.1 percent
Total	\$1,580.3	\$1,478.1	\$102.2	6.9 percent

CONCLUSION: The Board should adopt the proposed budget for 2003-2004.

RECOMMEND APPROVAL OF BOARD ACTION:



Leonard W. Sandridge
May 30, 2003

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 and Sciences from funds established by the Pratt Bequest for fiscal year 2003-2004.

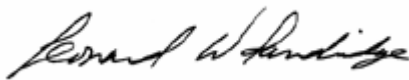
DESCRIPTION: Under the proposed distributions, the College of Arts and Sciences will receive \$1.8 million from the Pratt Fund. Of this amount, \$1.3 million is designated for equipment, faculty salaries and fellowships within the Departments of Biology, Chemistry, Mathematics and Physics. An additional \$500,000 is targeted for new faculty "start-ups".

In addition to its \$1.3 million allotment for equipment, fellowships and research, the School of Medicine has requested additional distributions to fund a faculty hire (Year 3 of 3, \$200,000) and to support the implementation of its Decade Plan (\$4.0 million). This latter initiative is the first step of a combined effort between the School, the Medical Center and the Health Services Foundation to move the enterprise into the top tier of health care institutions. The School of Medicine's total requested distribution from the Pratt Fund in 2003-2004 will be \$5.5 million.

FISCAL IMPACT: The initiatives to be funded by the proposed distribution of \$7.3 million from the Pratt endowment 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. The \$2.6 million distribution to the two schools equals the amounts allotted in each of the five prior fiscal years. The \$700,000 additional funding for faculty and start-ups supports key initiatives identified by the Virginia 2020 plan for science and technology. The \$4.0 million request to the School of Medicine also supports the spirit of Virginia 2020 and other strategic efforts.

CONCLUSION: The University should provide \$7.3 million from the Pratt Fund portfolio for the prescribed purposes.

RECOMMEND APPROVAL OF BOARD ACTION:



Leonard W. Sandridge
May 30, 2003

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UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: May 30, 2003

COMMITTEE: Finance

AGENDA ITEM: II.B. Acquisition of Environmental Services
for the Medical Center

BACKGROUND: The Medical Center's contract for environmental services, which had a five-year term and an additional five-year renewable term, will expire on September 30, 2003. The Medical Center is using a competitive procurement process to select the vendor not later than August 15, 2003.

This procurement action is being brought before the Board because the annual projected expenditure exceeds \$5,000,000, which is the procurement amount that the Board of Visitors has authorized the Executive Vice President and Chief Operating Officer to execute without prior approval by the Board.

DISCUSSION: The Medical Center seeks to establish a new contract for environmental services by entering into a five-year contract with the option by the University of renewing for an additional five years. The total projected expenditure for the original five-year term is \$32,500,000.

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

APPROVAL OF ACQUISITION OF ENVIRONMENTAL SERVICES

WHEREAS, the University of Virginia Medical Center desires to contract with a vendor for the provision of environmental services at an estimated cost of \$6.5 million per year for a five year period with the University's option to renew the contract for an additional five year period. During this period, the vendor shall provide all environmental services, including but not limited to, housekeeping (custodial) services and waste management, throughout the Medical Center. This contract shall become effective October 1, 2003 and will replace an existing contract; and

WHEREAS, the Medical Center, through a competitive process, will select a firm to provide these environmental services.

RESOLVED that the Executive Vice President and Chief Operating Officer of the University is hereby authorized to execute a contract for environmental services for the Medical Center upon the recommendation of the Vice President and Chief Executive Officer of the Medical Center and approval of the Office of the General Counsel.

UNIVERSITY OF VIRGINIA
FISCAL IMPACT STATEMENT

PROJECT/PROPOSED BOARD OF VISITORS ACTION: Approve the delegation of authority to execute a contract for an environmental services provider for the Medical Center.

DESCRIPTION: The Medical Center seeks to begin negotiations with various environmental service providers. The current contract for such services expires September 30, 2003. Because the financial commitment required exceeds the Board's policy governing procurement, University officials must receive special authority to execute an agreement with prospective firms.

FISCAL IMPACT: The resolution states that the Medical Center expects to spend \$32.5 million over five years for contracted environmental services. This represents the approximate level negotiated five years ago at the start of the current agreement. Medical Center officials envision, but cannot guarantee, that the final cost will not be substantially different. The current contract has clauses and incentives for the vendor to receive compensation for meeting certain savings and performance targets. It is expected that the new arrangement will have similar language. An effective contractor can positively influence customer and patient satisfaction, ultimately creating a net benefit to both revenues and expenses for the Medical Center. For this reason, the proposals from applicant vendors will be evaluated equally by financial and non-financial factors. The Medical Center stopped providing environmental services in-house fifteen years ago for both cost and management efficacy reasons.

CONCLUSION: The Board should grant special authority to University officials to negotiate and execute a contract for environmental services at the Medical Center.

RECOMMEND APPROVAL OF BOARD ACTION:



Leonard W. Sandridge
May 30, 2003

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UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: May 30, 2003

COMMITTEE: Finance Committee

AGENDA ITEM: II.C. Acquisition of Nutrition Services
for the Medical Center

BACKGROUND: The Medical Center's contract for nutrition services, which had a five-year term and an additional five-year renewable term, will expire on September 30, 2003. The Medical Center is using a competitive procurement process to select a vendor not later than August 15, 2003.

This procurement action is being brought before the Board because the annual projected expenditure exceeds \$5,000,000, which is the procurement amount that the Board of Visitors has authorized the Executive Vice President and Chief Operating Officer to execute without prior approval by the Board.

DISCUSSION: The Medical Center seeks to establish a new contract for nutrition services by entering into a five-year contract with the option by the University of renewing for an additional five years. The total projected expenditure for the original five-year term is \$30,000,000.

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

APPROVAL OF ACQUISITION OF NUTRITION SERVICES

WHEREAS, the University of Virginia Medical Center desires to contract with a vendor for the provision of nutrition services at an estimated cost of \$6 million per year for a five year period with the University's option to renew the contract for an additional five year period. During this period, the vendor shall provide all nutrition services, including dining and related services, at the Medical Center for patients, visitors, employees, clinical staff and others. This contract shall become effective October 1, 2003 and will replace an existing contract; and

WHEREAS, the Medical Center, through a competitive process, will select a firm to provide these nutrition services.

RESOLVED that the Executive Vice President and Chief Operating Officer of the University is hereby authorized to execute a contract for nutrition services for the Medical Center upon the recommendation of the Vice President and Chief Executive Officer of the Medical Center and approval of the Office of the General Counsel.

UNIVERSITY OF VIRGINIA
FISCAL IMPACT STATEMENT


PROJECT/PROPOSED BOARD OF VISITORS ACTION: Approve the delegation of authority to execute a contract for a nutritional services provider for the Medical Center.

DESCRIPTION: The Medical Center seeks to begin negotiations with various nutritional service providers. The current contract for such services expires September 30, 2003. Because the financial commitment required exceeds the Board's policy governing procurement, University officials must receive special authority to execute an agreement with prospective firms.

FISCAL IMPACT: The resolution states that the Medical Center expects to spend \$30.0 million over five years for contracted nutritional services. This represents the approximate level negotiated five years ago at the start of the current agreement. Medical Center officials expect, but cannot guarantee, that the final cost will not be substantially different. The current contract has clauses and incentives for the vendor to receive compensation for meeting certain savings and performance targets. It is expected that the new arrangement will have similar language. An effective contractor can positively influence customer and patient satisfaction, ultimately creating a net benefit to both revenues and expenses for the Medical Center. For this reason, the proposals from applicant vendors will be evaluated equally by financial and non-financial factors. The Medical Center stopped providing nutritional services in-house fifteen years ago for both cost and management efficacy reasons. There are no envisioned material changes in "private use" status arising from the proposed contract that would negatively affect the recently-issued tax-exempt financing.

CONCLUSION: The Board should grant special authority to University officials to negotiate and execute a contract with a nutritional services provider for the Medical Center.

RECOMMEND APPROVAL OF BOARD ACTION:



Leonard W. Sandridge
May 30, 2003

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UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: May 30, 2003

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: May 30, 2003

COMMITTEE: Finance

AGENDA ITEM: III.B. Endowment Report

ACTION REQUIRED: None

Market Value and Performance as of April 30, 2003

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: Since our last report to the Board of Visitors, the stock and bond markets have reversed roles with stocks staging a strong rally (up over nine percent for the two months) and bonds falling modestly (down close to one percent). The strength of this rally underscores the distress of the equity market, with stocks still down six percent for the fiscal year while bonds are up nearly 11 percent. As anticipated and discussed, we did not participate in the up-tick in stocks due to our large position in hedge funds. This sector of the portfolio was up three percent over the two-month period and still looks good for the fiscal-year-to-date, up seven percent. Private equity and real estate continue to be marked down due to weakness in both markets. We have no real feel whether or not further reductions are still to come, but do know that the valuations are significantly more reasonable than two to three years ago. Meanwhile, we continue to look for undervalued areas of the market, adding significantly to our credit-related and emerging market positions over the past year.

The endowment spreadsheet is provided as a separate document.

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 met on May 21, 2003, prior to the date of advance distribution of the Finance Committee material. A summary of the May 21, 2003 UVIMCO board actions will be distributed at the May 30, 2003 Finance Committee meeting.

MISCELLANEOUS FINANCIAL REPORTS

**Finance Committee
University of Virginia**

May 30, 2003

ACADEMIC DIVISION

FINANCIAL REPORT

ACCOUNTS AND LOANS RECEIVABLE AS OF MARCH 31, 2003

Summary of Accounts Receivable:

The University's Academic Division's total accounts receivable at March 31, 2003 were \$16,685,000 as compared to \$49,391,000 at December 31, 2002. The major sources of receivables at March 31, 2003 were sponsored programs of \$11,876,000 and other receivables of \$3,509,000.

The past due receivables over 120 days old were \$1,137,000 at March 31, 2003, or 6.81 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	\$1,300,000	\$11,876,000	\$3,509,000	\$16,685,000
Less: Allowance for Doubtful Accounts	<u>39,000</u>	<u>594,000</u>	<u>351,000</u>	<u>984,000</u>
Net Accounts Receivable	<u>\$1,261,000</u>	<u>\$11,282,000</u>	<u>\$3,158,000</u>	<u>\$15,701,000</u>
Accounts Receivable Greater than 120 Days Past Due	<u>\$ 66,000</u>	<u>\$ 554,000</u>	<u>\$ 517,000</u>	<u>\$ 1,137,000</u>

SOURCE: Revenue & Collections
DATE: April 29, 2003

ACADEMIC DIVISION

FINANCIAL REPORT

ACCOUNTS AND LOANS RECEIVABLE AS OF MARCH 31, 2003

Summary of Loans Receivable:

The default rate for the Perkins Student Loan Program decreased by 0.14 percent to 6.78 percent. This is based on the cohort default rate calculation and is well below the 15 percent threshold set by federal regulations. The Health Professions Loan Program default rate remained the same at 0.43 percent. The Nursing Undergraduate Student Loan Program default rate decreased by 0.79 percent to 1.91 percent. All medical loan programs are well below the five percent federal threshold. The University Loan Program default rate also decreased by 1.21 percent to 3.52 percent.

	<u>Gross Loans Receivable</u>	<u>Current Default Rate</u>	<u>Inc. / (Dec) From Last Quarter</u>
Perkins Student Loans	\$16,658,000	6.78%	(0.14)%
Health Professions Loans	529,000	0.43%	0.0 %
Undergraduate Nursing Loans	636,000	1.91%	(0.79)%
University Loans	10,328,000	3.52%	(1.21)%
Total Student Loan Outstanding	\$28,151,000		

SOURCE: Student Financial Services
DATE: April 29, 2003

**INTERNAL LOANS TO UNIVERSITY DEPARTMENTS AND ACTIVITIES
for the month of March 31, 2003**

(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	DATE OF LOAN	ORIGINAL LOAN AMOUNT	PRINCIPAL PAYMENTS TO DATE	OUTSTANDING PRINCIPAL	APPROX. FINAL PAYMENT
115024	Baseball Stadium	06/14/02	\$1,525,000.00	\$140,000.00	\$1,385,000.00	06/2003
115608	ITC-Disk Hardware	02/01/02	130,000.00	43,333.00	86,667.00	07/2004
115567	ITC-Cincom	02/01/02	950,000.00	237,500.00	712,500.00	07/2005
107202	Keck Center	06/22/01	50,000.00	-	50,000.00	06/2005
103869	Gilmer Hall	06/22/01	45,147.96	-	45,147.96	06/2005
103947	WTJU	06/01/00	120,000.00	48,000.00	72,000.00	05/2005
N/A	UVA Medical Center	07/10/02	3,925,921.46	992,206.48	2,933,714.98	06/2006
103807	CVC Football Facility	12/22/98	3,000,000.00	1,285,772.18	1,714,227.82	06/2009
Total Internal Loans Subject to \$15M Limit Established by BOV³			\$9,746,069.42	\$2,746,811.66	\$6,999,257.76	

Other Internal Loans:

103842	Scott Stadium Internal Construction Loan ¹	04/26/01	10,338,494.75	-	10,338,494.75	04/2006
115086	Integrated Systems Project ²	06/25/02	6,900,000.00	-	6,900,000.00	06/2010

- Notes: 1. Per April 2001 Board of Visitors resolution approving short-term construction loans of up to \$13 million.
2. Per June 2001 Board of Visitors resolution approving short-term loans of up to \$20 million.
3. Per April 2003 Board of Visitors resolution approving the expansion of the internal loan pool from \$10 million to \$15 million.
4. In addition to the above internal loans, in October 2002, the Board of Visitors approved an additional temporary pool up to \$35 million from existing assets to support capital projects. The University will repay the principal of this pool by June 30, 2003.

**SOURCE: Investment & Tax Services
DATE: April 23, 2003**

**REPORT ON WRITE-OFF OF NON-PATIENT
BAD DEBT FOR FISCAL YEAR 2002-2003**

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

The University's write-off of non-patient bad debts for fiscal year 2002-2003 is \$284,243. This year's write-off decreased by \$65,773 or 19 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 33 percent of the accounts written off.

	<u>FY</u> <u>2002-2003</u>	<u>FY</u> <u>2001-2002</u>	<u>FY</u> <u>2000-2001</u>	<u>FY</u> <u>1999-2000</u>	<u>FY</u> <u>1998-1999</u>
Tuition and Fees	95,352	92,309	66,381	109,103	107,644
Auxiliary Service					
Fines and Charges	84,926	66,344	81,450	73,345	101,002
Library Fines and Charges	25,776	34,407	814	26,104	40,267
University Student Loans	20,879	13,976	7,318	12,856	20,965
Other Charges	35,108	42,045	67,530	32,851	15,411
University Press	-	4,453	1,621	2,155	-
UVa's College at Wise	-	96,485	152,538	-	-
Communication Disorder Program	22,202	-	-	-	-
TOTAL	284,243	350,019	377,652	256,414	285,289

SOURCE: Financial Administration
DATE: April 29, 2003

QUARTERLY BUDGET REPORT

As of March 31, 2003

This report compares, on a quarterly basis, the approved annual budget with year-to-date actual revenues and expenditures for the Academic Division. Enclosed are the reports as of the third quarter ended March 31, 2003.

At the end of the third quarter of fiscal year 2002-2003, revenues collected totaled 95.3 percent of budgeted revenues; actual expenditures totaled 83.7 percent of budgeted expenditures. It is important to note that revenue collections and expenditures are not evenly distributed throughout the year.

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

SOURCE: Budget Office
DATE: May 5, 2003

University of Virginia Academic Division
 2002-2003 Revenue Budget Summary
 As of March 31, 2003

	2002-2003 Original Budget	03/31/03 Actual Revenues	Uncollected Budget Balance	03/31/03 Percentage Collected
Revenue Projections				
Educational & General				
Tuition & Fees	\$179,705,357	\$182,019,988	(\$2,314,631)	101.3%
State General Fund Appropriation	136,015,517	139,909,042	(3,893,525)	102.9%
Grants, Contracts and Indirect Cost	217,123,124	188,770,225	28,352,899	86.9%
Endowment Income	56,119,146	36,534,629	19,584,517	65.1%
Gifts	27,707,599	35,036,771	(7,329,172)	126.5%
Sales, Services & Other	19,292,935	24,646,463	(5,353,528)	127.7%
Total Educational and General	635,963,678	606,917,118	29,046,560	95.4%
Student Financial Assistance				
Transfer from Tuition	24,503,252	24,837,602	(334,350)	101.4%
State General Fund Appropriation	5,550,128	5,219,755	330,373	94.0%
Grants, Contracts and Indirect Cost	14,475,400	13,873,920	601,480	95.8%
Endowment Income	12,261,910	13,990,330	(1,728,420)	114.1%
Gifts	13,950,347	13,979,574	(29,227)	100.2%
Investment Income and Other	451,940	404,633	47,307	89.5%
Total Student Financial Assistance	71,192,977	72,305,814	(1,112,837)	101.6%
Auxiliary Enterprises				
Athletics	24,879,288	25,025,158	(145,870)	100.6%
University Bookstores	28,225,300	24,802,966	3,422,334	87.9%
Housing and Conference Services	22,564,000	20,819,511	1,744,489	92.3%
Parking & Transportation	11,217,000	8,278,609	2,938,391	73.8%
Voice Communications	10,606,711	11,645,991	(1,039,280)	109.8%
Student Health	6,318,428	6,160,909	157,519	97.5%
Intramural/Recreational Sports	4,685,500	5,059,937	(374,437)	108.0%
Printing Services	4,616,600	3,097,641	1,518,959	67.1%
Newcomb Hall & Related Activities	4,140,573	4,049,818	90,755	97.8%
Dining Services	3,087,600	2,479,940	607,660	80.3%
Other Auxiliary Activities	8,385,070	6,219,463	2,165,607	74.2%
Total Auxiliary Enterprises	128,726,070	117,639,943	11,086,127	91.4%
Total Revenues	\$835,882,725	\$796,862,875	\$39,019,850	95.3%

**University of Virginia Academic Division
2002-2003 Expenditure Budget Summary
As of March 31, 2003**

	2002-2003 Original Budget	03/31/03 Actual Expenditures	Unexpended Budget Balance	03/31/03 Percentage Expended
Expenditure Projections				
Educational & General				
Instruction	\$224,643,538	\$172,631,883	\$52,011,655	76.8%
Research	27,341,626	28,246,332	(904,706)	103.3%
Public Service	11,285,592	10,502,599	782,993	93.1%
Academic Support	92,724,591	71,113,290	21,611,301	76.7%
Student Services	15,968,923	13,421,486	2,547,437	84.0%
Institutional Support	45,999,867	40,963,325	5,036,542	89.1%
Operation & Maintenance of Plant	50,692,541	39,509,102	11,183,439	77.9%
Grants and Contracts	<u>167,307,000</u>	<u>146,203,650</u>	<u>21,103,350</u>	<u>87.4%</u>
Total Educational and General	<u>635,963,678</u>	<u>522,591,667</u>	<u>113,372,011</u>	<u>82.2%</u>
35 Student Financial Assistance	71,192,977	75,739,885	(4,546,908)	106.4%
Auxiliary Enterprises				
Athletics	24,825,573	21,163,523	3,662,050	85.2%
University Bookstores	28,123,000	26,439,096	1,683,904	94.0%
Housing	22,422,440	15,891,632	6,530,808	70.9%
Parking & Transportation	11,182,000	6,402,480	4,779,520	57.3%
Voice Communications	10,606,711	9,180,231	1,426,480	86.6%
Student Health	6,318,428	4,938,066	1,380,362	78.2%
Intramural/Recreation Sports	4,685,500	3,468,614	1,216,886	74.0%
Printing Services	4,616,600	2,927,748	1,688,852	63.4%
Newcomb Hall & Related Activities	4,349,099	4,011,497	337,602	92.2%
Dining Services	3,073,900	1,577,065	1,496,835	51.3%
Other Auxiliary Activities	8,461,726	5,314,198	3,147,528	62.8%
Total Auxiliary Enterprises	<u>128,664,977</u>	<u>101,314,150</u>	<u>27,350,827</u>	<u>78.7%</u>
Total Expenditures	<u>\$835,821,632</u>	<u>\$699,645,702</u>	<u>\$136,175,930</u>	<u>83.7%</u>

DEFINITION OF TERMS

Educational and General - those activities which embrace the three programs directly related to the higher education mission: (1) instruction, (2) research and (3) public service. These activities also encompass the support programs: academic support, institutional support, and maintenance and operation of physical plant; and sponsored programs associated with instruction, research and public service.

Student Financial Assistance - those activities which promote student accessibility to the University through scholarships and fellowships. Student loans, student wages and aid from third parties are not included.

Auxiliary Enterprises - those activities which are supported entirely through fees charged to users, such as housing, athletics, dining services, the telephone system and the bookstore.

Sponsored Programs and Indirect Cost Recoveries - primarily research projects, but also includes activities restricted to institutional and service programs.

Instruction - expenditures for the primary mission of the University, which includes teaching faculty, support staff, instructional equipment and related routine operating costs.

Research - includes expenditures for activities such as support for research faculty, but does not include sponsored research. Activities include the Center for Public Service, the State Climatologist and the Center for Liberal Arts.

Public Service - includes activities such as the Miller Center of Public Affairs, the Virginia Foundation for the Humanities and Public Policy and that portion of the medical school's clinical physicians salaries and fringe benefits related to patient care.

Academic Support - the program which encompasses the libraries, the activities of the deans of the schools and other related expenditures.

Student Services - activities whose primary purpose is to contribute to the students' emotional and physical well-being and to their intellectual, cultural and social development outside the classroom.

Institutional Support - primarily includes the financial, administrative, logistical and development activities of the University.

Operation and Maintenance of Plant - includes expenditures for activities related to the operation and maintenance of the physical plant, net of amounts charged to auxiliary enterprises and the Medical Center.

ENDOWMENT/INVESTMENTS FOR UVA AND RELATED FOUNDATIONS*
December 31, 2002
(In Thousands)

	R & V Funds Invested by UVIMCO	Related Foundation Funds Invested by UVIMCO	Related Foundation Funds Invested by Direction of Foundation Board	Funds Invested by Alumni Assoc	Total
University of Virginia Medical School and related foundations	\$403,584	\$6,116	\$15,741	\$4,124	\$429,565
Darden School and related foundation	72,153	30,373	126,881	0	229,407
College of Arts and Sciences and related foundations	197,264	4,920	4,315	3,613	210,112
University of Virginia Law School and related foundation	28,162	20,023	117,593	0	165,778
School of Engineering and related foundation	48,285	0	0	2,487	50,772
McIntire School of Commerce and related foundation	24,297	0	0	18,541	42,838
Graduate School of Arts and Sciences	26,999	0	0	0	26,999
School of Nursing	20,421	0	0	1,499	21,920
University of Virginia's College at Wise and related foundation	16,467	389	167	1,647	18,670
Curry School of Education and related foundation	7,726	4,700	62	17	12,505
School of Architecture	9,244	0	0	350	9,594
School of Continuing and Professional Studies	47	0	0	0	47
Alumni Association**	0	0	0	200,082	200,082
Athletics and related foundation	23,417	16,898	16,701	275	57,291
Miller Center and related foundation	34,899	2,446	0	0	37,345
Alumni Board of Trustees	0	0	29,176	0	29,176
University of Virginia Foundation and UVa Real Estate Foundation	0	18,446	0	0	18,446
All Other	840,941	13,059	0	0	854,000
	\$1,753,906	\$117,370	\$310,636	\$232,635	\$2,414,547

Notes: * Excludes security lending.

** Includes funds on deposit for other areas/schools not individually listed.

SOURCE: Financial Administration

DATE: February 21, 2003

UNIVERSITY OF VIRGINIA
QUASI-ENDOWMENT ACTIONS

December 1, 2002 - March 31, 2003

(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>
Dean's Discretionary Research Fund for Infectious Disease	\$ 165,000.00
Dulaney, Paul S. Memorial Fund	54.00
Faculty and Staff Undergraduate Scholarships -- UVA Matching Fund	25.00
Howland, Benjamin C. Memorial Lecture Fund	485.00
McGaughy, John Bell Graduate Fellowship*	100,000.00
Nursing Legacy Scholarship Fund Quasi-Endowment*	377,980.00
Nursing Legacy Fellowship Fund Quasi-Endowment*	175,000.00
Moyston Quasi-Endowment for Ophthalmology	200,000.00
Pediatrics Operational Quasi-Endowment Fund*	250,914.99
Plavnick, Robert L. Outstanding Student Award	200.00
U-21 Equity Limited*	368,800.00
University Quasi-Endowment Fund (1)	<u>179,137.63</u>
Total Additions to Quasi-Endowments	\$1,692,736.86

<u>Divestments</u>	
Academic Support - Emergency Medicine Quasi-Endowment	265,169.89
Ophthalmology Academic Support Quasi-Endowment	70,019.98
Plastic Surgery Quasi-Endowment Fund	445,000.00
Total Divestments from Quasi-Endowments	\$780,189.87

<u>Endowment Income Capitalizations</u>	
Alumni Council - Thomas Jefferson Restricted Quasi-Endowment	23,000.00
Antrim, Lottie C. Income Capitalization	2,016.37
AT&T Professorship in Engineering Quasi-Endowment	38,494.55
Ball, Frances M. Eminent Scholars Quasi-Endowment	37,000.00
Bankard, Merrill H. Professorship Restricted Quasi-Endowment	33,000.00
Bishko, Julian Eminent Scholar Quasi-Endowment	19,000.00
Boggess, Margaret F. Memorial Fund	10,903.31
BP America Professorship Quasi-Endowment	52,000.00
Bristol Laboratories Quasi-Endowment - Hecht	2,954.86

Endowment Income Capitalizations (Continued)

Bronfman, Edgar M. Chair in Modern Judaic Studies Quasi-Endowment	20,000.00
Brown, W.L. Lyons Professorship Quasi-Endowment	25,000.00
Bryan, John Stewart Professorship in English Restricted Quasi-Endowment	28,000.00
Byrd, Harry F. Jr. Professorship in Government and Foreign Affairs Quasi-Endowment	51,000.00
Cabell, James B. Memorial Quasi-Endowment	95,000.00
Carr, Lucien III Chair in Engineering Quasi-Endowment	47,000.00
Chrysler, W.P. Fund for Engineering Library	845.02
Class of 1955 Fund	684.74
Class of 1956 Fund	2,331.05
Class of 1957 Fund	1,812.30
Class of 1958 Fund	2,304.04
Class of 1959 Fund	2,693.48
Class of 1960 Fund	2,270.36
Class of 1961 Fund	2,050.60
Class of 1962 Fund	2,992.95
Class of 1963 Fund	926.22
Class of 1964 Fund	1,823.03
Class of 1965 Fund	556.44
Cooper, Julia A. Professorship Quasi-Endowment	24,000.00
Corcoran, W. W. Chair in History Restricted Quasi- Endowment	63,000.00
Corcoran, W. W. Chair of History Income Capitalization	11,000.00
Corcoran, W. W. - Environmental Sciences Quasi-Endowment	19,000.00
Cummin, Hugh and Winifred Memorial Restricted Quasi- Endowment	21,000.00
Dean's Adenosine Patent Quasi-Unrestricted Income	78,755.07
Dermatology General Investment Fund	10,950.60
Difazio, Cosmo A. Professorship in Anesthesiology Quasi-Endowment	4,052.63
Digges, Thomas G. Professorship Restricted Quasi- Endowment	23,000.00
Ern, Ernest H. Professorship Restricted Quasi-Endowment	18,000.00
Glass, Carter and Robertson, Willis Professorship Quasi- Endowment	135,000.00
Gordan, Douglas H. Professorship in French Literature	18,000.00
Griffin Alice Professorship Quasi-Endowment	100,000.00
Hamilton, Janet S. and John D. Quasi-Endowment	26,773.06
Harrison Professorship Quasi-Endowment	85,100.00
Hart, James Professorship Quasi-Endowment	19,000.00
Hecht-Cruachem Chemistry Quasi Endowment	3,376.43
Hecht-Cruachem Chemistry Quasi Endowment #2	3,054.88
Hecht-Cruachem Chemistry Quasi Endowment #3	1,281.62

Endowment Income Capitalizations (Continued)

Henderson, Charles Professorship Restricted Quasi-Endowment	4,000.00
Hughes Endowment Income Capitalization Quasi-Endowment	1,441.79
Jefferson, Thomas Memorial Professorship Quasi-Endowment	46,000.00
Johnson, T. Cary Chair Professorship in History Quasi-Endowment	23,000.00
Johnson, Wills Engineering Quasi-Endowment	12,000.00
Kent, Linden Memorial Quasi-Endowment	75,000.00
Kinnier, Henry L. Professorship Quasi-Endowment	47,653.73
Lacy, L. A. Distinguished Professorship Quasi-Endowment	2,000.00
Linville, Thomas M. Restricted Quasi-Endowment	12,000.00
Madison, James Professorship in History	30,000.00
McConnell, Joseph Professorship in Math Restricted Quasi-Endowment	19,700.00
McIntire, Howard Quasi Endowment In Neurology	10,860.60
Miller, Mae W. Cancer Research Quasi Endowment	2,125.32
Money, J. M. Professorship Restricted Quasi-Endowment	6,000.00
Morse, Frederick Chair Quasi-Endowment	11,000.00
Moyston Quasi-Endowment for Ophthalmology	4,643.75
Munster, W. S. Professorship Restricted Quasi-Endowment	14,000.00
Nau, III John L. Professorship Quasi-Endowment	18,000.00
Newcomb, John L. Chair Restricted Quasi-Endowment	5,000.00
Oglesby, Earnest J. Professorship Restricted Quasi-Endowment	22,000.00
Perry, Ferman W. Professorship Restricted Quasi-Endowment	40,428.55
Phase II Chemistry Building Unrestricted Quasi Endowment	17,706.62
Plastic Surgery Quasi-Endowment Fund	41,583.29
Quarles, Lawrence Chair Restricted Quasi-Endowment	8,000.00
Quarles, Lawrence Professorship (NES) Restricted Quasi-Endowment	90,000.00
Rader, Louis T. Professorship Quasi-Endowment	14,000.00
Radiology Fund Special Diagnostic	1,543.30
Reynolds, William G. Chair Restricted Quasi-Endowment	6,000.00
Ross, William and Harriet Diabetes Restricted Quasi-Endowment	1,571.99
School of Medicine Quasi Endowment	28,447.80
Shannon, Edgar F. Professorship in Arts and Sciences Quasi-Endowment	15,000.00
Spicer, George and Leone Restricted Quasi-Endowment	22,000.00
Starke, Edgar A. Research Professorship Quasi-Endowment	2,000.00
Stettinius, Edward R. Chair in History Restricted Quasi-Endowment	50,000.00
Stone, Whitney Chair Restricted Quasi-Endowment	9,000.00
Taylor, Henry N. Fund	113.66
Vaughan, Joseph L. Chair Restricted Quasi-Endowment	34,169.03

Endowment Income Capitalizations (Continued)

Virginia Microelectronics Quasi-Endowment*	20,000.00
Virginia Quarterly Review Anonymous	196.46
Wade, Nancy and Neal Professorship Restricted Quasi- Endowment	3,000.00
Weedon, Ellen B. Professorship in East Asian Studies Quasi-Endowment	17,000.00
Whyburn, Gordon T. Professorship Quasi-Endowment	49,000.00
Williams, Langbourne M. Professorship in American History Quasi-Endowment	68,000.00
Wilsdorf, Heinz and Doris Professorship Quasi-Endowment	21,678.00
 Total Endowment Income Capitalizations	 \$2,096,867.50

*Quasi-endowment newly established or originally funded since
December 1, 2002.

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

SOURCE: Investment & Tax Services
DATE: April 29, 2003

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 Oracle Finance and Human Resources applications are operational and stabilized. Responsibility for application support was transferred to the Vice President for Finance effective March 31, 2003. Over the next several months and years, we will adjust the size and focus of the support organization to meet ongoing system support, upgrade and enhancement requirements. The organization charged with application support has been named Integrated System Deployment & Support (ISDS) to reflect its mission to support and maintain the applications, as well as to deploy enhanced functionality on an ongoing basis.

We expect to select a vendor to assist us with our major upgrade to the new 11i version of the applications. The initial "technical upgrade" is expected to begin as soon as possible. Selected 11i functional upgrades will follow the technical upgrade.

As reported for the last Board meeting, the Provost's Office has formed a workgroup to make a recommendation regarding the student system for the University. Their recommendation is due at the end of May.

SOURCE: Integrated Systems Deployment & Support
DATE: April 30, 2003

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ATTACHMENT

2003-2004 PRATT FUND ALLOCATIONS

ARTS AND SCIENCES – \$1,300,000

Biology - The Biology Department proposes to allocate \$226,069 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 \$18,931 to provide partial support of the salaries of the director and associate director of the Mountain Lake program. 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 \$80,000 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 \$65,000 to provide summer salary for Professors Mario Geysen and Milton Brown; and summer salary to the director of the Research Experience for Undergraduates program, James Demas as well as summer salary for the Director of the Research Experience for Undergraduates program. The department requests \$100,000 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 \$45,000 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 \$200,400 for the following purposes: \$76,800 to provide partial academic year salary and one month of summer wages for three Whyburn instructor in 2003-2004 and \$70,000 for salary support for visiting professor Hichem Hajaiej and visiting professor Bertrand Gonard; \$38,600 for long-term visitors and conference lecturers associated with the new Institute of Mathematical Science; and \$15,000 for replacement faculty and short-term visiting faculty. The department proposes to allocate \$20,000 to purchase additional and replacement equipment for the department's computer laboratories. The department also proposes to allocate \$64,600 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 \$49,820 to provide summer support for assistant professors Jongsoo Yoon and for salary of a postdoctoral fellow in support of Assistant Professor Yoon. The department proposes to allocate \$175,000 in fellowship support. The department further proposes that \$60,180 be allocated for to match equipment purchases from sponsored grant and contract funds. 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

Support and Training of Student Researchers - \$517,000

Graduate students and post-doctoral fellows are central, essential components of successful biomedical research programs. Although training programs from the federal government and charitable foundations fund many of these positions, a modest institutional share from the Pratt Bequest helps to attract superlative students. These extremely committed individuals

have been absolutely critical in enhancing the quality of research in the Ph.D. and M.D./Ph.D. programs at the University.

Core Facility Support - \$458,000

Core facilities - including, but not limited to, the Small Animal Multimodality Imaging Core, Central Electron Microscope Facility, Tissue Culture Facility and Biomolecular Research Facility - provide access to large, expensive equipment that otherwise would not be available to individual investigators. They also provide essential services that help researchers conduct assays, obtain specialized samples and reduce expenses. Each core serves investigators from a diverse group of departments and centers. These facilities operate on a fee-for-service basis, and, after development costs and other expenses, average a cost recovery of 60-80 percent, with the differential funded by Pratt allocations. These resources provide a competitive advantage to the University's research programs. The Pratt endowment subsidy keeps costs low and provides financial stability.

Research Support Equipment - \$325,000

With the continued success and growth of the School of Medicine's sponsored programs, there is an increased need to provide infrastructure equipment support related to this research. The purchase of high-cost, specialized equipment (and associated maintenance costs) often requires institutional cost-sharing. The reduction in ETF allocations has made the use of Pratt funding for such purchases even more critical. This portion of the allocation will be used to continue expanding the available equipment (caging, racks, etc.) in the animal care facilities and provide support for matching funds that are needed for key equipment purchases that will support multiple researchers.

2002-2003 PRATT ALLOCATION TO THE SCHOOL OF MEDICINE

Of the 2002-2003 \$1.3 million Pratt allocation to the School of Medicine, \$254,939 remained unallocated at the time of the June 2002 Board of Visitors meeting. This amount has been allocated in support of the Core Facilities as described above.

SPECIAL DISTRIBUTION

The School of Medicine proposes a special distribution of \$4 million for the Decade Plan - the first joint planning effort of the School of Medicine, the Medical Center and Health Services

Foundation. The Decade Plan charts the ways in which the University will create innovative "Models for all of U.S." in areas such as patient service, translational research from cell to bedside, professionalism in teaching and service to the community. These models will result in widespread benefit and visibility, taking the University to top status as a health care institution by 2012, as defined objectively by national rankings and through peer recognition of excellence.

The Faculty Development Council has identified areas of concentration, based on current strengths, including cancer, aging, cardiovascular disease, children's health, diabetes and obesity, digestive health, immunology, infectious diseases, global health, neurosciences, organogenesis and women's health. While these are important areas, investment in programs will be based not only in these areas, but also in areas that demonstrate potential for future innovation and areas that at present cannot be identified as the Health System moves into the next decade.

2003-2004 is the first year of a multi-year funding plan that spans ten years. The School of Medicine proposes to leverage Pratt funds and on-going fundraising efforts to provide the financial resources necessary to carry out the objectives of the Decade Plan.