

October 3, 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  
Georgia M. Willis  
John O. Wynne  
Gordon F. Rainey, Jr., Ex Officio

and

The Remaining Members of the Board:

Thomas J. Bliley, Jr.	Don R. Pippin
William G. Crutchfield, Jr.	John R.M. Rodney
Susan Y. Dorsey	Terence P. Ross
Lewis F. Payne	E. Darracott Vaughan, Jr., M.D.

FROM: Alexander G. Gilliam, Jr.

SUBJECT: Minutes of the Meeting of the Finance Committee Held  
on October 3, 2003

The Finance Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 8:30 a.m., Friday, October 3, 2003, in the East Oval Room of the Rotunda; William H. Goodwin, Jr., Chair, presided. Thomas F. Farrell, II, Charles L. Glazer, Mark J. Kington, Thomas A. Saunders, III, Warren M. Thompson, Ms. Georgia M. Willis, John O. Wynne, and Gordon F. Rainey, Jr., Rector, also were present.

Present as well were Thomas J. Bliley, Jr., William G. Crutchfield, Jr., Ms. Susan Y. Dorsey, Lewis F. Payne, Don R. Pippin, E. Darracott Vaughan, Jr., M.D., and John R.M. Rodney.

Also there were John T. Casteen, III, Leonard W. Sandridge, Alexander G. Gilliam, Jr., Paul J. Forch, Ms. Colette Sheehy, Ms. Alice W. Handy, Ms. Yoke San L. Reynolds, Robert E. Reynolds,

M.D., Ms. Patricia M. Lampkin, Steven H. Kaplan, and Ms. Jeanne Flippo Bailes.

OWING TO A TOTAL BREAKDOWN OF THE RECORDING EQUIPMENT IN THE ROTUNDA, THESE MINUTES ARE A RECONSTRUCTION

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

CONSENT AGENDA - WISE-FM PROGRAMMING AGREEMENT AND TRANSFER OF ASSETS

WISE-FM, a radio station on the campus of The University of Virginia's College at Wise, is owned by the University. It was founded three years ago with funding that is no longer available, which now means an operating shortfall of \$100,000-\$125,000 in operating expenses. An agreement has been made with WVTF-FM to take over the management of programming for the station. According to the agreement, the license and assets of WISE-FM will be transferred to WVTF-FM, a transfer which will save the University approximately \$100,000 to \$125,000 in annual operating expenses.

Mr. Sandridge proposed the necessary resolution approving the programming agreement and the transfer of the license and assets of WISE-FM.

The Committee approved the following resolution and recommended it to the full Board for approval:

APPROVAL OF THE PROGRAMMING AGREEMENT WITH WVTF AND AUTHORIZATION FOR THE EXECUTIVE VICE PRESIDENT AND CHIEF OPERATING OFFICER TO TRANSFER ASSETS AND LICENSE FOR WISE-FM TO WVTF-FM

WHEREAS, WISE-FM does not have sufficient sources of funding to continue as a radio station owned and operated by The University's College at Wise; and

WHEREAS, the majority of WISE-FM's current programming is public radio programming also broadcast by WVTF-FM, the public radio affiliate operated by Virginia Tech; and

WHEREAS, WVTF-FM has agreed to assume programming for WISE-FM on a short term basis, providing the area residents with uninterrupted public radio programming; and

WHEREAS, The University's College at Wise would like to transfer the WISE-FM license and other pertinent assets to WVTF-FM, not to include office equipment and other assets that may be used by the College at Wise.

RESOLVED, that the programming agreement with WVTF-FM is hereby ratified; and

RESOLVED FURTHER, that the Executive Vice President and Chief Operating Officer is authorized to take the necessary steps to transfer the license and other pertinent assets of WISE-FM to WVTF-FM, in accordance with applicable law.

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OPERATING BUDGET SUBMISSION FOR THE 2004-2006 BIENNIUM

The University every two years submits requests to the Department of Planning and Budget in Richmond for the biennial state budget. The Governor makes a budget proposal, after reviewing requests by the state agencies - including the University - to the General Assembly; in this instance, the Governor's budget will go to the Legislature on December 17<sup>th</sup>. The latest Capital Plan, for 2004-2010, was approved by the Board on April 4<sup>th</sup> and sent to Richmond on May 24<sup>th</sup>.

Mr. Sandridge reviewed the budget proposals with the Committee; the budget included figures for the Academic Division, the Medical Center and The University of Virginia's College at Wise. He proposed the necessary resolution.

After discussion, the Committee approved the following resolution and recommended it to the full Board for approval:

APPROVAL OF 2004-2006 BIENNIAL BUDGET REQUEST FOR THE ACADEMIC DIVISION, THE MEDICAL CENTER AND THE UNIVERSITY OF VIRGINIA'S COLLEGE AT WISE

WHEREAS, the expected 2004-2006 biennial budget request has been carefully reviewed; and

WHEREAS, the expected biennial budget request represents the highest priority initiatives and is aligned with the mission of the institution;

RESOLVED that the Board of Visitors of the University of Virginia endorses and supports the preliminary 2004-2006 biennial budget; and

RESOLVED FURTHER that the Executive Vice President and Chief Operating Officer is authorized to transmit the final biennial budget request to the Governor as long as there are no material differences from the items already endorsed by the Board of Visitors; and

RESOLVED FURTHER that the Board of Visitors understands that to the extent these initiatives are not included in the Governor's 2004-2006 biennial budget, the Academic Division, the Medical Center and the University of Virginia's College at Wise may want to pursue similar requests to the legislature; and

RESOLVED FURTHER that the Executive Vice President and Chief Operating Officer is authorized to transmit to the General Assembly any request not funded by the Governor as long as there are no material differences from the items already endorsed by the Board of Visitors.

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POLICY GOVERNING EXERCISE OF AUTONOMY IN LEASES OF PROPERTY

The General Assembly in 1996 enacted legislation that delegated autonomy to the University for certain aspects of Medical Center and University leases. At the last Session legislation was enacted that expanded the original program to include income leases and created a new program to capital leases.

Mr. Sandridge proposed a resolution updating University policies in accord with the General Assembly's modifications enacted at the last Session.

The following resolution was approved by the Committee and recommended to the full Board for approval:

APPROVAL OF EXPANSION OF THE UNIVERSITY OF VIRGINIA POLICY STATEMENT GOVERNING EXERCISE OF AUTONOMY IN LEASES OF PROPERTY TO INCLUDE INCOME OPERATING LEASES AND CAPITAL LEASES

WHEREAS, the General Assembly of Virginia, at the 1996 Session, enacted legislation providing for a permanent delegation of autonomy to the University to be exercised on behalf of the Medical Center in relation to leases of property; and

WHEREAS, the enabling legislation further delegated autonomy to the University to be exercised through a two-year pilot program for expense leases of property, other than leases entered into on behalf of the Medical Center; and

WHEREAS, the pilot program has been continued by subsequent legislative actions; and

WHEREAS, the General Assembly of Virginia, at the 2003 Session, enacted legislation 1) expanding the 1996 pilot program for the delegation of autonomy for operating leases to the

University to include income operating leases and 2) creating a pilot program for capital leases; and

WHEREAS, the legislation as enacted by the General Assembly of Virginia in 1996 required that the authority delegated to the University not be exercised until the Board of Visitors adopted an appropriate system of policies, procedures, reviews, approvals and guidelines pursuant to which University officials would be guided in their exercise of the delegated autonomy; and

WHEREAS the Board of Visitors on June 14, 1996, approved a "Policy Statement Governing Exercise of Autonomy in Leases of Property," for the permanent delegation to the Medical Center and for the pilot program for the balance of the University; and

WHEREAS, the system of policies, procedures and guidelines included in the "Policy Statement" has provided for the efficient and businesslike administration of property leases; and

WHEREAS, the 1996 policy statement has been revised to include income operating leases and capital leases, and is now titled "Policy Statement Governing Exercise of Autonomy in Operating and Capital Leases of Property;"

RESOLVED that the "Policy Statement Governing Exercise of Autonomy in Operating and Capital Leases of Property," attached hereto, is approved; and

RESOLVED FURTHER that the President be delegated the authority (1) to implement the Policy Statement in the manner he deems most appropriate; and (2) to delegate further to his designee the administrative responsibility to implement and assure compliance with the Policy Statement.

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APPOINTMENT OF PETER F. DOLAN TO THE BOARD OF THE UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY (UVIMCO)

Mr. Sandridge proposed a resolution electing Peter F. Dolan of Medfield, Massachusetts, to the Board of the University of Virginia Investment Management Company (UVIMCO) as a public member. Mr. Dolan took an MBA from the Darden School in 1988. His term would be for four years.

The Committee approved the following resolution and recommended it to the full Board for approval:

APPROVAL OF THE APPOINTMENT OF A PUBLIC MEMBER TO THE BOARD OF THE UNIVERSITY OF VIRGINIA INVESTMENT MANAGEMENT COMPANY

RESOLVED that Peter F. Dolan, of Medfield, Massachusetts, is hereby appointed to serve as a public member of the Board of the University of Virginia Investment Management Company for a term of four years, beginning July 1, 2003.

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REPORT ON THE ENDOWMENT

Ms. Handy, Treasurer of the University and President of UVIMCO, gave the customary report on the Endowment, which on August 31<sup>st</sup> stood at \$1,851.8 billion.

This was Ms. Handy's last meeting with the Committee as President of UVIMCO and Treasurer of the University. Several Members expressed appreciation for her fine work and her service to the University, and Mr. Sandridge and Ms. Handy gave a summary report of her work in these positions.

ACTIONS TAKEN BY THE UVIMCO BOARD ON SEPTEMBER 4<sup>TH</sup>

The Chair reported that the following actions were taken by the UVIMCO Board on September 4<sup>th</sup>; none of these actions require ratification by the Finance Committee or the Board of Visitors.

- Resolved, the investment of \$50 million in Tudor BVI Global is approved.
- Resolved, the investment of \$5 million each in Akela Capital Management and in Gotham Asset Management is approved.
- Resolved, an additional investment of \$1.6 million in Shorenstein I is approved.
- Resolved, the investment of \$25 million in Kensico Capital Management is approved.
- Resolved, investments of \$5 million each in Abrams Bison Investments, Akela Capital Management, and Hawkshaw Capital Management are approved.
- Resolved, the new derivatives policy is approved.
- Resolved, the new asset allocation policy is approved.

UVA HEALTH PLAN - ANNUAL REPORT

Mr. Sandridge gave the annual report on the UVA Health Plan, which is self-insured. The general objectives for the Plan are to ensure its financial stability, maintain appropriate reserves, hold Plan cost increases below 10%, and achieve a 90% satisfaction rate among enrollees. Cost increases, consistent

with national trends, have increased at a rate above 10%, however. Mr. Sandridge then outlined a suggested restructuring of the Plan which would offer two variations.

TUITION PRICING POLICY

Reminding the Committee that the Board usually approves tuition and required fees at the April meeting, Mr. Sandridge led a discussion of the University's pricing policy. There was a lengthy and useful discussion, at the conclusion of which the Chair asked for a discussion at the February meeting of in-state vs. out-of-state undergraduate tuition policies.

Mr. Sandridge referred Members to the usual miscellaneous reports, previously distributed to them.

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On motion, the meeting was adjourned at 9:55 a.m.

AGG:lah

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

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

**ATTACHMENT**

**POLICY STATEMENT GOVERNING  
EXERCISE OF AUTONOMY  
IN OPERATING AND CAPITAL  
LEASES OF PROPERTY**

THE RECTOR AND VISITORS OF THE  
UNIVERSITY OF VIRGINIA POLICY STATEMENT  
GOVERNING EXERCISE OF AUTONOMY IN OPERATING AND CAPITAL  
LEASES OF PROPERTY

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THE RECTOR AND VISITORS OF THE  
UNIVERSITY OF VIRGINIA POLICY STATEMENT  
GOVERNING EXERCISE OF AUTONOMY IN OPERATING AND  
CAPITAL LEASES OF PROPERTY

I. Preamble

Chapters 995 and 933 of the 1996 Virginia Acts of Assembly (House Bill No. 884 and Senate Bill No. 389, respectively) provide that, subject to certain conditions established in subsection 2 of § 23-77.4 of the legislation, operating leases entered into by the University of Virginia on behalf of the University of Virginia Medical Center shall be exempt from § 2.2-1149 of the Code of Virginia and from any rules, regulations and guidelines of the Commonwealth's Division of Engineering and Buildings in relation to leases of real property from others. Contracts entered into by the University on behalf of the Medical Center are also exempted from §§ 2.2-1155 and 23-4.1 of the Code of Virginia in relation to leases of Medical Center real or personal property to others. Exercise of this autonomy in entering into operating leases is to be in compliance with policies, procedures and guidelines adopted by the Board of Visitors which are to direct that competition be sought to the maximum practical degree, that all costs of occupancy are to be considered, and that the use of the space to be leased is

necessary and is efficiently planned. Subsection C of § 4-5.08 of the 1996-98 Appropriation Act delegates to the University as a whole the authority granted the Governor and the Commonwealth's Department of General Services ("DGS") in § 2.2-1149 of the Code of Virginia regarding operating leases for the University other than the Medical Center. This latter delegation supplants the supervisory role of DGS which is established pursuant to § 2.2-1149, the provisions of which have been implemented by policies, procedures and guidelines promulgated by DGS pursuant to this section of the Code of Virginia. This authority has since been continued through 2002-04 by subsequent legislative action. This latter delegation of authority is subject to certain conditions, the foremost of which is that the Board of Visitors must develop and submit policies, procedures and guidelines governing operating leases by the University for approval by the Secretaries of Finance and Administration by September 1, 1996. More recently § 4-5.08 of the 2003 Appropriation Act extended the delegated authority approved in § 4-5.08 of the 1996 Appropriation Act to include 1) leases of University real or personal property to others and 2) capital leases to the University as a whole provided that such capital leases have been specifically authorized by the Governor or the General

Assembly pursuant to the Appropriation Act and have been reviewed and approved by the Treasury Board.

The following provisions of this policy statement constitute the adopted Board of Visitors policies, procedures and guidelines required by the enabling legislation regarding operating and capital leases entered into by the University on behalf of the Medical Center or on behalf of any other part of the University.

## II. Definitions

The following words and terms, when used in this policy statement, shall have the following meaning unless the context clearly indicates otherwise:

"Board of Visitors" means the Rector and Visitors of The University of Virginia.

"Enabling legislation" means Chapters 995 and 933 of the 1996 Virginia Acts of Assembly (House Bill No. 884 and Senate Bill No. 389, respectively), § 4-5.08 of the 1996-98 Appropriation Act, and § 4-5.08 of the 2003 Appropriation Act.

"Operating Lease" means a leasehold interest in real property, or improvements thereon, which is not a Capital Lease as the term "Capital Lease" is defined within Generally Accepted Accounting Principles pursuant to the pronouncements of the Financial Accounting Standards Board.

"University" means the University of Virginia, including the Medical Center unless otherwise expressly stated.

"University of Virginia Medical Center" or the "Medical Center" means that part of the University of Virginia Health Sciences Center consisting of the University of Virginia Hospital, referenced in the 1996-98 Appropriation Act as Agency 209, and related health care and health maintenance facilities.

### III. Scope of Policy

This policy statement applies to operating leases of real property and to capital leases as defined in guidelines established by the Secretary of Finance and as defined in the Generally Accepted Accounting Principles ("GAAP") promulgated by the Financial Accounting Standards Board. This policy statement applies University-wide; provided, however, for non-Medical Center leases, this policy statement is applicable only during the 2002-04 biennium unless extended or continued by subsequent act of the General Assembly.

### IV. Requirements for Leases

#### A. Factors To Be Considered When Entering Into Leases

The decision to enter into a lease shall be based upon cost, demonstrated need, compliance with the policies, procedures and guidelines established in this policy

statement, consideration of all costs of occupancy, and a determination that the use of the space to be leased actually is necessary and is efficiently planned. Leases shall also conform to the space planning procedures, if any, which may be adopted by the President or his designee to ensure that the plan for the space to be leased is consistent with the purpose for which the space is intended.

In addition, capital leases require specific authorization by the Governor or the General Assembly pursuant to the Appropriations Act and approval by the Treasury Board. The authorization and approval must be received prior to procurement of the lease.

B. Competition to Be Sought to Maximum Practicable Degree

Competition shall be sought to the maximum practicable degree when the University seeks to lease real property from another party. The President or his designee is authorized to ensure that leases by the University are procured through competition to the maximum degree practicable and to determine when, under guidelines that may be developed and adopted by the President or his designee, it is impractical to procure leases through competition.

C. Procurement of Leases

Except where competition is deemed impractical pursuant to Sections IV(B) and IV(F) of this policy statement: (i) leases entered into by the University on behalf of the Medical Center shall be procured as provided in the University of Virginia Medical Center Procurement Guidelines, 8 VAC 85-10-10 et. seq., and (ii) leases entered into by the University for non-Medical Center purposes shall be procured in a manner which complies with the provisions of the Virginia Public Procurement Act, § 11-35 et seq. of the Code of Virginia.

D. Approval of Form of Lease Required

1. The form of leases entered into by the University on behalf of the Medical Center shall be approved by a representative of the Attorney General's office.

2. The form of leases entered into by the University for non-Medical Center leases shall be approved by a representative of the Attorney General's office.

E. Execution of Leases

All operating leases entered into by the University and all leases entered into pursuant to Section IV(F) shall be

executed by the person or persons designated by the President or his designee.

F. University as Lessor

When University property is leased by the University to another party, the following guidelines shall apply:

1. Such leases shall be for a purpose consistent with the mission of the University.

2. The President or his designee shall determine, on a case-by-case basis or through the issuance of general guidelines, when such leases shall be procured through competition and when the procurement of such leases through competition is impractical or not warranted; and

3. Both real and personal property of the University may be leased to another party.

G. Compliance with Other Provisions of Law

The enabling legislation requires that all leases entered into by the University on behalf of the Medical Center shall meet all requirements of law except those from which such leases have been exempted. The University is exempt from any rules, regulations and guidelines of the Division of Engineering and Buildings in relation to leases of real property which it enters into on behalf of the Medical Center. The provisions of

§ 10.1-1188 of the Code of Virginia governing Environmental Impact Reviews remain applicable to all University leases which otherwise trigger the requirements of that section. In addition, § 11-72 through 11-80 of the Virginia Public Procurement Act (Ethics in Public Contracting), the State and Local Government Conflict of Interests Act, § 2.2-3100 et seq., and the Virginia Governmental Frauds Act, 18.2-498.1 et. seq. of the Code of Virginia, continue to apply to all leases.

It therefore shall be the policy of the University that leases governed by these guidelines shall be entered into so as to comply with the requirements of the Code of Virginia and the Appropriation Act and other provisions of law applicable to leases, including those enacted in the future, except to the extent the Code of Virginia or the Appropriation Act exempt such leases from such requirements.

H. Certification of Occupancy

All property leased by the University pursuant to these guidelines shall be certified for occupancy by the building official of the appropriate public body.

I. Copies of Leases and Amendments Forwarded to Department of General Services

Upon entering leases, and upon any subsequent amendment of such leases, the University shall provide copies of all

lease documents and any attachments thereto to the Department of General Services.

J. Implementation of Board of Visitors Policies, Procedures and Guidelines

The President or his designee is authorized to take such measures as are reasonable and necessary to implement the provisions of these policies, procedures and guidelines and to ensure compliance therewith.