

September 10, 2004

MEMORANDUM

TO: The Finance Committee:

Thomas A. Saunders, III, Chair  
Thomas F. Farrell, II  
W. Heywood Fralin  
Mark J. Kington  
Warren M. Thompson  
Georgia M. Willis  
John O. Wynne  
Gordon F. Rainey, Jr., Ex Officio

and

The Remaining Members of the Board:

William G. Crutchfield, Jr.    Lewis F. Payne  
Susan Y. Dorsey                    Don R. Pippin  
G. Slaughter Fitz-Hugh, Jr.    Terence P. Ross  
Glynn D. Key                        E. Darracott Vaughan, Jr., M.D.  
James W. Head

FROM: Alexander G. Gilliam, Jr.

SUBJECT: Minutes of the Finance Committee Meeting Held on  
September 10, 2004

The Finance Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 2:10 p.m., Friday, September 10, 2004, in Conference Rooms A and B at the Development Office, 400 Ray C. Hunt Drive, in the Fontaine Research Park; Thomas A. Saunders, III, Chair, presided. Thomas F. Farrell, II, W. Heywood Fralin, Ms. Georgia M. Willis, and Gordon F. Rainey, Jr., Rector, were present.

Also present were Leonard W. Sandridge, Alexander G. Gilliam, Jr., Ms. Yoke San L. Reynolds, Ms. Colette Sheehy, R. Edward Howell, and Ms. Jeanne Flippo Bailes.

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

The first two items were Consent Agenda items.

TUITION RATES FOR THE 2005 JANUARY TERM

The January Term, a new concept (it will be discussed at the meeting of the Educational Policy Committee on September 18<sup>th</sup>), is a two week term to be held in January during the last part of the Christmas Break. It will enable undergraduates to take intensive courses - roughly, a semester's worth of work in two weeks - in this country and abroad, that they might not otherwise be able to fit into their curricula. The program will be administered by the Summer School Office and the tuition will be equivalent to that charged in the Summer Session.

Mr. Sandridge pointed out that in the future, January Term tuition rates will be presented to the Committee for approval at the same time as the regular session rates.

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

APPROVAL OF TUITION RATES FOR 2005 JANUARY TERM

RESOLVED that the tuition applicable to the 2005 January Term be approved as shown below:

	<u>Virginian</u>	<u>Non-Virginian</u>
Undergraduate Per Credit Hour	\$ 170	\$ 740
Graduate Per Credit Hour	\$ 215	\$ 660

TRANSFER OF REAL PROPERTY FROM THE UNIVERSITY OF VIRGINIA FOUNDATION TO THE RECTOR AND VISITORS IN SUPPORT OF THE NORTH GROUNDS CONNECTOR

The North Grounds Connector, which has been planned for some years, is to connect Massie Road with the U.S. 29/250 By-Pass; its construction is part of the Arena project. A section of the road and right-of-way will encroach on the northeast corner of the University of Virginia Foundation's Montesano property. The area involved is irregular in shape and encompasses about 4,908 square feet. The Buildings and Grounds Committee approved an easement for this parcel on February 5<sup>th</sup>; at the time, the Virginia Department of Transportation indicated that this would suffice, but their lawyers have now determined that the University must own the property if the state is to maintain the road.

The Foundation supports this transfer; the costs associated with the transfer will be limited to survey and title charges.

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

APPROVAL OF THE TRANSFER OF REAL PROPERTY FROM THE UNIVERSITY OF VIRGINIA FOUNDATION TO THE UNIVERSITY OF VIRGINIA RECTOR AND VISITORS IN SUPPORT OF THE NORTH GROUNDS CONNECTOR

WHEREAS, the construction of, and right-of-way for, the North Grounds Connector will encroach on the northeast corner of the University of Virginia Foundation's Montesano property; and

WHEREAS, the Virginia Department of Transportation has determined that to maintain the road as a part of the Commonwealth's Route 302 System, the road right-of-way must fall entirely on state property; and

WHEREAS, the North Grounds Connector is needed to improve access to North Grounds facilities, and the University's costs associated with the transfer will be limited to closing costs, and will be nominal;

RESOLVED that the gift of the aforesaid property consisting of approximately 4,908 square feet, and located at the northeast corner of the Montesano property, from the University of Virginia Foundation is approved pending appropriate action by the University of Virginia Foundation Board of Directors; and

RESOLVED FURTHER that the Executive Vice President and Chief Operating Officer of the University of Virginia is authorized to execute any and all contracts and other documents pertaining to the transfer of the aforesaid property as he may deem necessary or appropriate.

2005 OPERATING AND CAPITAL AMENDMENTS TO THE 2004-2006 BIENNIAL BUDGET

Continuing to the regular Action Agenda, Mr. Sandridge presented proposed amendments to the operating and capital budgets for the second year of the 2004-2006 Biennial Budget. These amendments will be submitted to Richmond for possible inclusion in the amended budget the Governor will submit to the General Assembly in December. The details of procedure and what is allowable are not yet known, but may be known by the time of the full Board meeting at the end of the month. The amendments proposed by Mr. Sandridge thus may not actually be submitted in the form and extent proposed.

Amendments to the operating budget for the Academic Division would total \$12.7million, for the Medical Center \$1.4million in general funds and \$1.4million in non-general funds, and for The University of Virginia's College at Wise, \$2.1million.

As for amendments to the capital budget, \$30.4million would be sought in supplements for authorized projects in the Academic Division, and \$107.8million for new projects. For the Medical Center, the University would propose to request \$85.8million for capital projects and \$1.9million for The University of Virginia's College at Wise.

Mr. Sandridge opined that the non-general fund projects in the amendments probably would be approved.

A list of the proposed amendments is appended to these Minutes as an Attachment.

The Committee adopted the following resolution approving the proposed amendments and recommended it to the full Board for approval:

APPROVAL OF THE 2005 AMENDMENTS TO THE 2004-2006 BIENNIAL BUDGET FOR THE ACADEMIC DIVISION, THE MEDICAL CENTER, AND THE UNIVERSITY OF VIRGINIA'S COLLEGE AT WISE

WHEREAS, the instructions for submitting budget amendments to the Governor have not yet been issued; and

WHEREAS, the expected 2005 operating and capital budget amendments have been carefully reviewed; and

WHEREAS, the expected budget amendments represent the highest priority initiatives and are aligned with the mission of the institution;

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

RESOLVED FURTHER that the Executive Vice President and Chief Operating Officer is authorized to transmit the final biennial budget amendments 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 revised 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.

#### SPENDING POLICY

Mr. Sandridge asked Ms. Reynolds, Vice President for Finance, to lead a discussion of the University's spending policy.

Ms. Reynolds reminded the Committee that in April, 2001, the Board of Visitors adopted a new spending policy for annual distributions from the University's Endowment: a "4.5% of a twelve-quarter moving average of the market value of the Pooled Endowment Fund." This policy was applied to the distributions for FY 2002-2003 and FY 2003-2004, but Ms. Reynolds said it was timely to re-examine whether the current spending policy should be retained or revised.

She presented statistical summaries of the University's spending policy over the years, as well as comparisons with the policies of other institutions. She then raised the question, "Is 4.5% of Market Value the appropriate rate?" And then, what is the appropriate formula?

After some discussion, the Committee asked her to come back to them with a set of recommendations so that a considered decision can be made.

#### ANNUAL REPORT ON THE UVA HEALTH PLAN

Reminding the Committee that the Board had asked him to make periodic reports on the status of the University's self-insured Health Plan, Mr. Sandridge made his report. The Plan, he said, is better than most in the state. The objectives of the Plan are its financial stability, the maintenance of appropriate reserves. To keep cost increases as low as possible while maintaining financial integrity, and to achieve a high rate of satisfaction among enrollees. These objectives are being met.

Cost increases are projected over the next year, however, and to meet these, an increase in premiums is planned, effective January, 2005 - Mr. Sandridge outlined these increases and said they would take effect if there were no objections from the Committee. There were no objections.

ENDOWMENT REPORT

Mr. Sandridge gave a brief report on the Endowment: on June 30<sup>th</sup>, the total consolidated Endowment stood at \$2.793billion, of which 71%, or \$1.981billion, was held by the Rector and Visitors. As of July 31, hedge funds accounted for 55.3% of the portfolio, followed by private equity at 11.8%. The target for these two categories is 57.5% in hedge funds and 19.5% in private equity.

ACTIONS OF THE UVIMCO BOARD

He also reported on actions taken by the Board of the University of Virginia Investment Company (UVIMCO) since the last meeting of the Committee.

These approved actions are as follows:

- \$30 million in EnCap Energy Capital Fund V, L.P.
- \$25 million in Brookdale Investors V, L.P.
- \$25 million in Bain Capital Fund VIII, L.P. (We received \$20 million allocation)
- \$20 million in HarbourVest Partners 2004 Direct Fund, L.P.
- \$20 million in WCAS Capital Partners IV, L.P.
- \$20 million in TCI Focus Fund, L.P.
- \$10 million in Bain Capital Co-Investment Fund VIII, L.P. (We received \$5 million allocation.)
- \$5 million in Richmond Capital Partners, L.P.
- \$5 million in Formative Ventures Emerging Technologies Fund

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On motion, the meeting was adjourned at 4:00 p.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>

AGENCY 207 - Academic Division:

- 1) *Provide Operations and Maintenance Funding for New Facilities (\$941,913 GF and 28 FTEs) - Support for operations and maintenance costs of new facilities and infrastructure (Wilsdorf Hall, the Engineering/Science Chiller Plant, and the Cavalier Substation Expansion) scheduled to open in 2005-2006.*
- 2) *Provide Comparable Funding for UVa Health Plan (\$3.39 million GF) - Support to make the state's funding of the University-sponsored health care plan comparable to the state funding provided for other state-sponsored health plans, based upon 2005-2006 employer premium increases. We are requesting the full amount as GF, but expect the state to determine a split between GF and NGF.*
- 3) *Invest in Research Enterprise by Improving Graduate Stipends (\$3.375 million GF) - Support to move, over the next four years, average net stipend levels to \$12,000, an estimated total cost of \$13.5 million.*
- 4) *Develop Clinical Science Scholar Program (\$5.0 million GF and 5 FTE) - Support to attract world-renowned physicians and clinical research to the Commonwealth, bringing expertise in patient care in fields not currently well-developed in the region.*
- 5) *Adjust Non-General Fund Appropriation for Educational & General Surplus Property Activity (\$120,000 in 2004-2005 and \$180,000 in 2005-2006) - Support projected increases in educational and general surplus property sales expected at the University over the next two years.*
- 6) *Adjust Non-General Fund Appropriation for Federal Sponsored Research Activity (\$8 million and 28 FTEs in 2004-2005 and \$11 million and 60 FTEs in 2005-2006) - Support projected increases in federal sponsored research expected at the University over the next two years.*
- 7) *Adjust Non-General Fund Appropriation for Auxiliary Surplus Property Activity (\$288,000 in 2004-2005 and \$548,000 in 2005-2006) - Support projected increases in auxiliary surplus property sales expected at the University over the next two years.*

- 8) *Supplement MR-6 (\$9.9 million NGF)* - Supplement the existing bond authorization for construction of a new research building to allow the University to complete the fit-out of the entire building shell including the vivarium spaces.
- 9) *Supplement Fayerweather Hall (\$2.3 million GF)* - Supplement to accommodate a substantial, unforeseen spike in prices for key materials and components, including steel.
- 10) *Supplement Ruffin Hall (Studio Art) (\$4.2 million GF)* - Supplement to accommodate an expected substantial, unforeseen spike in prices for key materials and components, including steel, as well as additional design features.
- 11) *Supplement Rouss/Commerce Project (\$8.0 million NGF)* - Supplement for additional square footage to accommodate programmatic enhancements, as well as expected price increases.
- 12) *Add to McLeod Hall (\$6.0 million NGF)* - Authorize NGF contribution to accompany GF authorization provided in 2004 General Assembly Session.
- 13) *Construct North Parking Garage (\$21.6 million NGF)* - Bond authorization to construct a new 1,200 car parking deck with pedestrian bridge to replace parking garage to be demolished in conjunction with the Medical Center's Clinical Cancer Center.
- 14) *Enclose Football Practice Field (\$1.8 million NGF)* - Authorization to enclose football practice field.
- 15) *Construct Arts Grounds Parking Garage (estimated \$8.0 million NGF)* - Authorization to construct new parking garage in the vicinity of the new arts precinct.
- 16) *Construct Arts Center (\$91 million NGF)* - Authorization to replace previously approved projects for the Performing Arts Center (\$47 million) and the UVa Art Museum (\$30 million) with new \$91 million authorization for a consolidated and expanded Arts Center.

- 17) *Construct New Curry School of Education Facility (\$32 million NGF)* - Authorization to construct a new education school facility which will consolidate academic and research programs in one facility with advanced technology capabilities that will meet state and national standards.

AGENCY 209 - Medical Center:

- 1) *Adjust Indigent Care Reimbursement (\$680,000 GF and \$680,000 NGF in 2004-05 and \$714,000 GF and \$714,000 NGF in 2005-06)* - Increase reimbursement for healthcare provided at the Virginia Ambulatory Surgery Center, newly acquired by the Medical Center, for Medicaid and qualified indigent patients.
- 2) *Construct Clinical Cancer Center (estimated \$63.7 million NGF)* - Authorization (including \$38 million in bond authorization) to develop a new facility to consolidate cancer services, to replace outdated radiation oncology operations with a state-of-the art facility, and to meet increasing demand for cancer services as the population ages.
- 3) *Acquire Core Lab Facility (\$8.1 million NGF)* - Authorization to purchase newly constructed core lab facility which relocates lab services out of the main hospital facility to allow room for direct patient care operations.
- 4) *Acquire Virginia Ambulatory Surgery Center (VASC) (\$7 million NGF)* - Request authorization to purchase VASC from the Health Services Foundation to consolidate all surgical facilities and better coordinate inpatient and outpatient surgery activities.

AGENCY 246 - University of Virginia's College at Wise:

- 1) *Support Student Enrollment Growth (\$1,269,225 GF and 30 FTE)* - Support for five additional faculty and 25 additional classified staff to allow the College to support the student enrollment increases of 21 percent over the past five years and physical plant growth of 40 percent over the past seven years. The faculty will be added in the areas of teacher education, nursing and business where enrollment increases have stretched departments limiting diversity in course offerings and

impeding the ability to fill critical core academic positions. Prior to recent growth, the College was already at the lowest employment ratio for Virginia four-year institutions. The additional classified positions will allow the College to improve service and support for facilities and to faculty and students, handling operational growth and addressing historical shortfalls in staffing.

- 2) *Develop Computer Science and Engineering Program (\$808,550 GF and 9 FTE)* - To complement a regional goal of technology-based employment growth, the College has conducted a feasibility study which demonstrated the viability of adding an accredited Computer Science and Software Engineering program. Development of this program will allow the College to serve a regional need and significantly aid the area economy.
- 3) *Supplement Residence Hall (\$785,000 NGF)* - Supplement to bond authorization to accommodate a substantial, unforeseen spike in prices for key materials and components, including steel.
- 4) *Acquire Buffer Properties (\$1.1 million GF)* - Request funds to acquire three buffer properties (approximately 20 acres) adjacent to the College that will provide suitable land for future expansion potential for the College. The College's original request for this project was for the acquisition of two properties with a budget of \$799,000 funded by general funds. The project was awarded during the 2004 session by the General Assembly, but in conference changed to non-general fund authorization from general fund funding. Non-general fund funding is not available.