

March 31, 2005

MEMORANDUM

TO: The Finance Committee:

Thomas F. Farrell, II, Chair
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:

A. Macdonald Caputo	Vincent J. Mastracco, Jr.
The Hon. Alan A. Diamonstein	The Hon. Lewis F. Payne
Susan Y. Dorsey	Don R. Pippin
G. Slaughter Fitz-Hugh, Jr.	E. Darracott Vaughan, Jr., M.D.
Glynn D. Key	James W. Head

FROM: Alexander G. Gilliam, Jr.

SUBJECT: Minutes of the Finance Committee Meeting on
March 31, 2005

The Finance Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 2:30 p.m., Thursday, March 31, 2005, in the Board Room of the Rotunda; Thomas F. Farrell, II, Chair, presided.

W. Heywood Fralin, Mark J. Kington, Ms. Georgia M. Willis, John O. Wynne, and Gordon F. Rainey, Jr., Rector, were present.

Also present were A. Macdonald Caputo, Alan A. Diamonstein, G. Slaughter Fitz-Hugh, Jr., Ms. Glynn D. Key, Vincent J. Mastracco, Jr., Lewis F. Payne, Don R. Pippin, and James W. Head.

Present as well were John T. Casteen, III, Leonard W. Sandridge, Alexander G. Gilliam, Jr., Gene D. Block, Arthur Garson, Jr., M.D., R. Edward Howell, Ms. Patricia M. Lampkin, Robert E. Reynolds, M.D., Ms. Yoke San L. Reynolds, Ms. Colette Sheehy, Ernest H. Ern, Ms. Marcia D. Childress, and Ms. Jeanne Flippo Bailes.

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

Consent Agenda: Faculty and Staff Housing Rates, 2005-2006

Mr. Sandridge and Ms. Reynolds, Vice President for Finance, reminded the Committee that the Board customarily sets the faculty and staff housing rates at this meeting. The University, they said, operates 92 faculty and staff housing units, covering a wide variety of types. It is proposed that the housing rates for 2005-2006 be increased by an average of 6.36% over the 2004-2005 rates.

On motion, the Committee adopted the following resolution approving the new housing rates and recommended it to the full Board for approval:

APPROVAL OF INCREASE IN FACULTY AND STAFF HOUSING RATES FOR 2005-2006

RESOLVED that the faculty and staff housing rates be approved as indicated, effective July 1, 2005. The Executive Vice President and Chief Operating Officer is authorized to increase the rates to market level when a property is vacated.

ACADEMIC DIVISION

<u>Properties</u>	<u>Utilities Furnished</u>	<u>Rents</u>		<u>Percent of Increase</u>	<u>Prop. Rents 2005-06 Per Month</u>	<u>Utilities Paid by Occupant</u>
		<u>2004-05 Per Month</u>	<u>Amount of Increase</u>			
<u>Piedmont Estates</u>						
1 Bedroom Apt. (7)(F)	WS,E,G,C,T	\$593	\$36	6.07%	\$629	
2 Bedroom Apt. (16)(UF)	WS,E,G,C,T	\$718	\$43	5.99%	\$761	
Houses (3BR) (16)(1E) (UF)	WS,C,T	\$1,030	\$70	6.80%	\$1,100	E, G
Townhouses (3BR)(5)(UF)	WS,C,T	\$1,030	\$70	6.80%	\$1,100	E, G
Farmhouse Apt. 1 (1BR)(F)	WS,E,G,C,T,AC	\$651	\$49	7.53%	\$700	
Farmhouse Apt. 2 (3 BR)(UF)	WS,E,G,C,T	\$672	\$40	5.95%	\$712	
Farmhouse Apt. 3 (1 BR)(F)*	WS,E,G,C,T,AC	\$560	\$140	25.00%	\$700	
Farmhouse Apt. 4 (2 BR)(F)	WS,E,G,C,T,AC	\$736	\$44	5.98%	\$780	
*Furnished for 2005-06						

Properties	Utilities Furnished	Rents			Prop. Rents 2005-06 Per Month	Utilities Paid by Occupant
		2004-05 Per Month	Amount of Increase	Percent of Increase		
<u>Sundry</u>						
Vyssotsky Cottage (3BR)(UF)	WS,T,AC	\$825	\$57	6.91%	\$882	E,G
McGuffey Cottage (Eff)(UF)	WS,E,V,T,AC	\$507	\$32	6.31%	\$539	
Upper Mews (1BR)(F)	WS,E,HP,C,T,AC	\$708	\$22	3.11%	\$730	
Lower Mews (1BR)(F)	WS,E,HP,C,T,AC	\$600	\$36	6.00%	\$636	
Monroe Hill Range (1BR)(UF)	WS,E,HVAC,T,V	\$760	\$51	6.71%	\$811	
Brown College Apts. (2)(UF)	WS,E,HVAC,T,V	\$669	\$46	6.88%	\$715	
Hereford Coll. Apts. (2)(UF)	WS,E,HVAC,T,V	\$780	\$48	6.15%	\$828	
Hereford Coll.Princ.Res. (3BR)(UF)	WS,E,HVAC,T,V	\$972	\$58	5.97%	\$1,030	
102 Cresap Fac. Apt. (1BR)(F)	WS,E,G,T,HVAC,V	\$725	\$44	6.07%	\$769	
Hedge House (2BR)(F)	WS,C,T,AC	\$773	\$46	5.95%	\$819	E,G
Orchard House (5RMS)(F)	WS,E,G,C,T,AC	\$372	\$26	6.99%	\$398	
118 Oakhurst, Upper (2BR)(UF)	WS,G,C	\$680	\$43	6.32%	\$723	E,T
118 Oakhurst, Lower (2BR)(UF)	WS,G,C,AC	\$680	\$43	6.32%	\$723	E,T
409 Valley Road, (2BR)(F)	WS,E,G,C,AC	\$960	\$58	6.04%	\$1,018	T
411 Valley Road, (2BR)(F)	WS,E,G,C,AC	\$960	\$58	6.04%	\$1,018	T
503 Valley Road, (1BR)(UF)	C	\$544	\$39	7.17%	\$583	WS,E,G,T
424 MLLH, (1BR)(UF)	WS,E,G,C,HVAC,V	\$693	\$49	7.07%	\$742	
423 MLLH, (2BR)(UF)	WS,E,G,C,HVAC,V	\$809	\$49	6.06%	\$858	
<u>Birdwood Properties</u>						
Cottage (1BR)(UF)	WS,C,T	\$554	\$34	6.14%	\$588	E
Garage Apt.(2BR)(UF)	WS,C,T	\$792	\$54	6.82%	\$846	E,G
Cash House (3BR)(UF)	WS,C,T,AC	\$1,013	\$68	6.71%	\$1,081	E,G
Middleton House (4BR)(UF)	WS,C,T,AC	\$1,190	\$71	5.97%	\$1,261	E,G
<u>E & G Properties</u>						
Montebello (3BR/Garage)	WS,E,G,AC	\$745	\$39	5.23%	\$784	C,T
Big Morea (4BR)	WS,E,G,AC,T	\$1,042	\$48	4.61%	\$1,090	C
Little Morea (2BR)	WS,E,G,AC,T	\$800	\$34	4.25%	\$834	C
Sunnyside (4BR)	WS,E,O,AC	\$1,633	\$66	4.04%	\$1,699	C
Monroe Hill House (4BR)	WS,E,HVAC,T,V	\$964	\$45	4.67%	\$1,009	C
Buckingham Palace (Eff)	WS,E,HP,AC,T	\$357	\$21	5.88%	\$378	C
Pavilion I (5BR)	WS,E,HVAC,T,V	\$878	\$43	4.90%	\$921	C
Pavilion II (5BR)	WS,E,HP,T,V	\$650	\$36	5.54%	\$686	C
Pavilion III (5BR)	WS,E,HVAC,T,V	\$878	\$43	4.90%	\$921	C
Pavilion IV (5BR)	WS,E,HP,T,V	\$650	\$36	5.54%	\$686	C
Pavilion V (5BR)	WS,E,HVAC,T,V	\$878	\$43	4.90%	\$921	C
Pavilion VI (5BR)	WS,E,HVAC,T,V	\$878	\$43	4.90%	\$921	C
Pavilion VIII Upper (3BR)	WS,E,HVAC,T,V	\$566	\$34	6.01%	\$600	C
Pavilion VIII Lower (1BR)	WS,E,HVAC,T,V	\$298	\$15	5.03%	\$313	C
Pavilion IX (5BR)	WS,E,HVAC,T,V	\$878	\$43	4.90%	\$921	C
Pavilion X (5BR)	WS,E,HP,T,V	\$650	\$36	5.54%	\$686	C
<u>Blandy Farm</u>						
Curator's House	WS	\$0	\$0	0.00%	\$0	E,O
Green Farm House	WS	\$65	\$0	0.00%	\$65	E,O

Notes:

- In total sixteen properties (Piedmont Houses) were brought to market this budget year.
- The (E) designates properties that have been enhanced.
- The (F) designates properties that are furnished. The (UF) designates properties that are unfurnished.
- Utility abbreviations are as follows: WS (water, sewer), E (electric), G (gas), O (oil), HP (heating plant), HVAC (heating, ventilating, and air conditioning), AC (window air conditioning), C (cable TV), V (voice), and T (trash).

- - - - -

Action Items: Contract Rates for Dining Services, 2005-2006, the Academic Division and The University of Virginia's College at Wise

Ms. Reynolds proposed a resolution setting the contract rates for dining services at the University and at Wise for the coming academic year. The University meal plan rate increases would range from 3.5% to 5.4%, with an average increase of 4%. The meal plans at Wise would increase by 5%.

On motion, the Committee adopted the following resolution approving the new dining rates, and recommended the resolution to the full Board for approval:

APPROVAL OF CONTRACT RATES FOR DINING SERVICES FOR 2005-2006 FOR THE ACADEMIC DIVISION AND THE UNIVERSITY OF VIRGINIA'S COLLEGE AT WISE

RESOLVED that the student contract rates for dining services be approved as shown below, effective beginning with the 2005-2006 session:

ACADEMIC DIVISION

	<u>Actual 2004-2005</u>	<u>Amount of Increase</u>	<u>Percent Increase</u>	<u>Proposed 2005-2006</u>
<u>Regular Meal Plans (1,2)</u>				
Unlimited Entry w/ \$150 Plus Dollars	\$2,990	\$110	3.7%	\$3,100
15 Meals per week w/ \$400 Plus Dollars	2,990	110	3.7%	3,100
13 Meals per week w/ \$500 Plus Dollars	2,990	110	3.7%	3,100
10 Meals per week (first year) w/ \$790 Plus Dollars	2,990	110	3.7%	3,100
10 Meals per week (upperclass) w/ \$350 Plus Dollars	2,550	90	3.5%	2,640
100 Meals per semester w/ \$350 Plus Dollars	1,690	80	4.7%	1,770
80 Meals per semester w/ \$350 Plus Dollars	1,470	70	4.8%	1,540
50 Meals per semester w/ \$390 Plus Dollars	1,110	60	5.4%	1,170
<u>Residential College/Language House Meal Plans (1,2,3)</u>				
Unlimited Entry w/ \$150 Plus Dollars	\$3,100	\$110	3.5%	\$3,210
15 Meals per week w/ \$400 Plus Dollars	3,100	110	3.5%	3,210
13 Meals per week w/ \$500 Plus Dollars	3,100	110	3.5%	3,210
10 Meals per week (first year) w/ \$790 Plus Dollars	3,100	110	3.5%	3,210
10 Meals per week (upperclass) w/ \$350 Plus Dollars	2,660	100	3.8%	2,760
100 Meals per semester w/ \$350 Plus Dollars	1,800	80	4.4%	1,880
80 Meals per semester w/ \$350 Plus Dollars	1,580	70	4.4%	1,650
50 Meals per semester w/ \$390 Plus Dollars	1,220	60	4.9%	1,280

Finance Committee - March 31, 2005 - 5.

	<u>Actual 2004-2005</u>	<u>Amount of Increase</u>	<u>Percent Increase</u>	<u>Proposed 2005-2006</u>
<u>Athletic Meal Plans</u>				
Unlimited Entry w/ \$150 Plus Dollars	\$3,100	\$110	3.5%	\$3,210
15 Meals per week w/ \$400 Plus Dollars	3,100	110	3.5%	3,210
13 Meals per week w/ \$500 Plus Dollars	3,100	110	3.5%	3,210
10 Meals per week (first year) w/ \$790 Plus Dollars	3,100	110	3.5%	3,210
10 Meals per week (upperclass) w/ \$350 Plus Dollars	2,660	100	3.8%	2,760
100 Meals per semester w/ \$350 Plus Dollars	1,800	80	4.4%	1,880
80 Meals per semester w/ \$350 Plus Dollars	1,580	70	4.4%	1,650
<u>Other</u>				
Law School Dining Spending Account (4)	\$400	(\$200)	-50.0%	\$200

THE UNIVERSITY OF VIRGINIA'S COLLEGE AT WISE

19 Meal Plan	\$2,582	\$130	5.0%	\$2,712
12 Meal Plan	2,322	\$116	5.0%	\$2,438

- (1) Plus Dollars are credited to a student's identification card and may be used in the same manner as cash at any board dining hall and/or retail operation.
- (2) First-year students are required to purchase a 13-, 15-, or unlimited-meal plan during their first semester. During their second semester, they may switch to a 10-meal plan with \$790 Plus Dollars.
- (3) Some residential colleges and language houses have a dining requirement as part of their program.
- (4) Law School students are allowed to deposit a minimum \$200 per academic year into a dining spending account.

- - - - -

Action Items: Approval of Endowment Spending Policy

Ms. Reynolds reminded the Committee that at its meeting in September, 2004, it heard a report on the impact of the University's spending policy on the two objectives of "(1) preserving the purchasing power of the Endowment principal and (2) providing stable and adequate distributions to support programs."

Ms. Reynolds proposed that the Endowment spending policy be changed to a policy of increasing the annual payout by inflation, provided the resulting distribution falls within certain parameters related to Endowment market value.

There was a lengthy discussion of the Endowment spending policy, after which the Committee adopted the following resolution approving the proposed new policy, and recommended the resolution to the full Board for approval:

APPROVAL OF ENDOWMENT SPENDING POLICY

WHEREAS, the University's existing endowment spending policy, approved by the Board of Visitors in April 2001, must be revised to align with reduced investment return expectations and to allow the University an opportunity to make strategic adjustments from time to time;

RESOLVED that the endowment spending policy, effective July 1, 2005, shall be as follows:

The spending policy calls for a percentage increase in the annual distribution from the endowment, unless such increase causes the distribution to fall outside a range defined as 3.5 percent on the low end and 5.5 percent on the high end of the market value of the Pooled Endowment Fund. If the distribution falls outside of this range, the Finance Committee may recommend either raising or lowering the rate of increase. The first distribution under the new policy would be made in January 2006.

For Class A shares, the annual increase is pegged to inflation, where "inflation" is defined as the Higher Education Price Index or its equivalent. It is set initially at 3.6 percent and will be reviewed in five years.

For Class B shares, the annual payout is set at the level of the June 2005 distribution, until such time that the payment has been reduced to a unit distribution identical to that of the Class A shares, from which point the annual distribution will remain the same for Class A and Class B shares.

- - - - -

Action Items: Approval of Revised Enrollment Projections

Mr. Sandridge then introduced a discussion of enrollment projections at the University. He explained that in 1990, the Board approved a phased enrollment growth plan for the next 15 years which put a projected on-Grounds enrollment of 20,170 in 2004-05. Of these, 12,685 were to be undergraduate students, 5,185 graduate students, 1,700 first-professional students (Law and Medicine) and 600 on-Grounds continuing education students.

These were modified subsequently over the years to reflect a number of factors, including changing patterns in admission applications - both graduate and undergraduate - and the growth in the number of college-bound high school seniors. In 2003, the Board extended the plan one additional year, which is to say through 2007-2008, and projected an enrollment of 19,655 on-Grounds students.

The proposed 2009-2010 enrollment projections would increase undergraduate enrollment to 13,565 students; graduate student enrollment would be 4,882; there would be no change in the number of first professional students, and there would be 104 additional Continuing and Professional Studies students. The total in 2009-2010 would be 20,797.

These proposed enrollment projections have been submitted to the State Council of Higher Education in Virginia; the Executive Vice President and the Provost will meet with the SHEV leadership on April 4th to review the University's proposals.

After discussion, the Committee adopted the following resolution approving the enrollment projections, and recommended the resolution to the full Board for approval:

APPROVAL OF REVISED ENROLLMENT PROJECTIONS

WHEREAS, the University's existing enrollment plan, approved by the Board of Visitors in April 2003, must be revised to reflect projected increases in the undergraduate and graduate enrollment levels; and

WHEREAS, the Board previously discussed the University's action plan relative to enrollment growth - to grow by 1,100 undergraduate students and 400 graduate students over the next decade; and

WHEREAS, the University is committed to serving the higher education needs of the Commonwealth of Virginia and the nation; and

WHEREAS, the revised enrollment projections for 2005-2006 through 2009-2010 were submitted to the State Council of Higher Education in Virginia on March 17, 2005;

RESOLVED that the Executive Vice President and Chief Operating Officer is authorized to develop plans with the State Council of Higher Education in Virginia which will put the University on track to increase total enrollment by 1,500 students over the next decade; and

RESOLVED FURTHER that all undergraduate growth maintain the current mix of in-state and out-of-state students.

- - - - -

Vice President's Remarks

Mr. Sandridge and Ms. Sheehy, Vice President for Management and Budget, reviewed for the Committee the process used in developing proposed tuition and fees. These usually are set by the Board at its April meeting.

Mr. Sandridge concluded the Agenda by referring Members to several written reports, which were among the materials distributed to them previously.

- - - - -

On motion, the meeting was adjourned at 4:05 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>