

February 7, 2008

MEMORANDUM

TO: The Finance Committee:

John O. Wynne, Chair
A. Macdonald Caputo
The Honorable Alan A. Diamonstein
Thomas F. Farrell, II
G. Slaughter Fitz-Hugh, Jr.
Glynn D. Key
Austin Ligon
Vincent J. Mastracco, Jr.
Warren M. Thompson
W. Heywood Fralin, Ex Officio
Daniel M. Meyers, Consulting Member

and

The Remaining Members of the Board:

Daniel R. Abramson	Don R. Pippin
Susan Y. Dorsey	Gordon F. Rainey, Jr.
The Honorable Lewis F. Payne	E. Darracott Vaughan, Jr., M.D.
Carey J. Mignerey	

FROM: Alexander G. Gilliam, Jr.

SUBJECT: Minutes of the Finance Committee Meeting on
February 7, 2008

The Finance Committee of the Board of Visitors met, in Open Session, at 8:35 a.m., Thursday, February 7, 2008, in the Board Room at the Rotunda; John O. Wynne, Chair and Vice Rector, presided. A. Macdonald Caputo, the Hon. Alan A. Diamonstein, G. Slaughter Fitz-Hugh, Jr., Ms. Glynn D. Key, Austin Ligon, Vincent J. Mastracco, Jr., and W. Heywood Fralin, Rector, were present.

Also present were Daniel R. Abramson, the Hon. Lewis F. Payne, Gordon F. Rainey, Jr., and Carey J. Mignerey.

Daniel M. Meyers, Consulting Member, was present.

Present as well were John T. Casteen, III, Leonard W. Sandridge, Alexander G. Gilliam, Jr., Paul J. Forch, Arthur Garson, Jr., M.D., Ms. Susan A. Carkeek, James L. Hilton, R. Edward Howell, Ms. Yoke San L. Reynolds, Ms. Colette Sheehy, Richard A. Kovatch, and Ms. Jeanne Flippo Bailes.

The Chair opened the meeting and welcomed Mr. Daniel Meyers, representing the Council on Foundations, as the Consulting Member of the Committee.

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

ACTION ITEMS:

Student Housing Rates, 2008-2009

Mr. Sandridge reminded the Committee that student housing rates - for the University, for The University of Virginia's College at Wise, and for summer school courses - customarily are set at the Winter Meeting of the Board.

He introduced Mr. Richard Kovatch, Associate Vice President for Business Operations, and asked him to make the presentation.

Mr. Kovatch said the proposed increases amounted to 5.4% at the University, 4.1% for summer school courses, and 5.8% for Wise. The proposed room rates for the University will put the University slightly above the average for public institutions in the state but sixth in rank among these institutions. Wise's new rates are below average and fifth from the bottom among state schools. The University's rates are far below the average for "peer" and selected other institutions.

After discussion of a number of housing questions, the Committee, on motion, approved the following resolution and recommended it to the full Board for approval:

APPROVAL OF STUDENT HOUSING RATES FOR 2008-2009

RESOLVED that rental increases for student housing facilities be approved as shown below, effective beginning with the 2008-2009 session:

<u>Facility</u>	<u>Actual 2007-2008 Per Student Per Session</u>	<u>Amount of Increase</u>	<u>Percent Increase</u>	<u>Proposed 2008-2009 Per Student Per Session</u>
<u>Academic Division</u>				
DORMITORIES				
<u>Alderman/Observatory Houses</u>				
Double Room	\$3,980	\$210	5.28%	\$4,190
<u>Brown College</u>				
Double Room	\$4,680	\$240	5.13%	\$4,920
<u>McCormick Road</u>				
Double Room	\$3,830	\$200	5.22%	\$4,030
Small Double Room	\$3,590	\$190	5.29%	\$3,780
Single	\$3,990	\$210	5.26%	\$4,200
<u>Lawn</u>				
Single	\$4,520	\$230	5.09%	\$4,750
Single (no fireplace)	\$4,410	\$230	5.22%	\$4,640
<u>Range</u>				
Regular Single	\$4,520	\$230	5.09%	\$4,750
Twelve Month Rate:				
Regular Single (new 2008-2009)	n/a	n/a	n/a	\$6,630
<u>Crackerbox</u>				
Single Room (discontinued 2008-2009)	\$4,520	n/a	n/a	n/a
Twelve Month Rate:				
Single Room (new 2008-2009)	n/a	n/a	n/a	\$6,630
<u>Mary Munford/ Roberta Gwathmey</u>				
Double Room	\$3,980	\$210	5.28%	\$4,190
Single Room	\$4,520	\$230	5.09%	\$4,750
<u>Sprigg (Lewis/Hoxton)</u>				
Double Room	\$4,370	\$230	5.26%	\$4,600
Small Double Room	\$4,160	\$220	5.29%	\$4,380
Single Room	\$4,730	\$240	5.07%	\$4,970
Single Room (with bathroom)	\$4,930	\$250	5.07%	\$5,180
<u>Gooch/Dillard</u>				
Double Room	\$4,370	\$230	5.26%	\$4,600
Single Room	\$4,730	\$240	5.07%	\$4,970
Twelve Month Rate:				
Single Room	\$6,230	\$400	6.42%	\$6,630

<u>Facility</u>	<u>Actual 2007-2008 Per Student Per Session</u>	<u>Amount of Increase</u>	<u>Percent Increase</u>	<u>Proposed 2008-2009 Per Student Per Session</u>
<u>Hereford College</u>				
Double Room	\$4,370	\$230	5.26%	\$4,600
Single Room	\$4,680	\$240	5.13%	\$4,920
<u>French House</u>				
Large Double Room	\$4,500	\$230	5.11%	\$4,730
Double Room	\$4,370	\$230	5.26%	\$4,600
Single Room	\$4,820	\$250	5.19%	\$5,070
<u>Russia House</u>				
Double Room	\$4,350	\$230	5.29%	\$4,580
Single Room	\$4,750	\$240	5.05%	\$4,990
<u>Spanish House</u>				
Double Room	\$4,370	\$230	5.26%	\$4,600
Single Room	\$4,820	\$250	5.19%	\$5,070
<u>Shea House</u>				
Double Room	\$4,370	\$230	5.26%	\$4,600
Single Room	\$4,820	\$250	5.19%	\$5,070
APARTMENTS - SINGLE STUDENT				
<u>Copeley Hill III, IV, Lambeth Field</u>				
Two Bedroom (double occupancy)	\$4,400	\$230	5.23%	\$4,630
Three Bedroom (double occupancy)	\$4,290	\$220	5.13%	\$4,510
<u>Bice House</u>				
Two Bedroom (double occupancy)	\$4,400	\$230	5.23%	\$4,630
Three Bedroom (double occupancy)	\$4,290	\$220	5.13%	\$4,510
Single	\$4,800	\$250	5.21%	\$5,050
<u>Faulkner (Hench, Mitchell, Younger)</u>				
Single	\$4,800	\$250	5.21%	\$5,050
Large Single	\$5,600	\$280	5.00%	\$5,880
APARTMENTS - FAMILY (per month)				
<u>Copeley Hill I & II</u>				
One Bedroom (furnished)	\$695	\$10	1.44%	\$705
One Bedroom (unfurnished)	\$670	\$5	0.75%	\$675
Two Bedroom (furnished)	\$845	\$10	1.18%	\$855
Two Bedroom (unfurnished)	\$809	\$16	1.98%	\$825
Three Bedroom (furnished)	\$909	\$36	3.96%	\$945
Three Bedroom (unfurnished)	\$872	\$35	4.01%	\$907
<u>University Gardens</u>				
One Bedroom (furnished)	\$674	\$27	4.01%	\$701
One Bedroom (unfurnished)	\$644	\$26	4.04%	\$670
Two Bedroom (furnished)	\$810	\$32	3.95%	\$842
Two Bedroom (unfurnished)	\$773	\$31	4.01%	\$804
Summer School				
Per Night	\$18.25	\$0.75	4.11%	\$19

Proposed Facility	Actual	Actual	Proposed
	2007-2008 Per Student Per Session	Amount of Increase	2008-2009 Per Student Per Session
<u>College at Wise</u>			
McCraray	\$3,456	\$208	\$3,664
Asbury, Thompson, Henson Randolph, Townhouses, Theme Housing, Culbertson	\$3,994	\$230	\$4,224

Notes:

1. Family Housing apartments are approaching or at market.
2. Summer School stay is a 21-night minimum.
3. The rate for a double room used as a single is 135% of the double rate.
4. The rate for a double room used as a triple is 85% of the double rate.

MOUNTAIN LAKE BIOLOGICAL STATION

Housing	Actual Daily 2007	Proposed Daily 2008	Percent Increase
Dormitories	\$4.00	\$4.10	2.50%
Cabins	\$6.10	\$6.20	1.64%
Apartments	\$6.10	\$6.20	1.64%

NOTES:

1. Apartments and cabins fees change when used as dormitories.
2. Rates for apartments and cabins were adjusted to be the same rate in 2007.

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2008-2009 Tuition and Fees for Special Programs

Mr. Sandridge explained that the proposal for raising tuition and fees before the Committee was for special programs rather than the ordinary University programs whose tuitions are set at the June meeting. The Darden School's MBA for Executives Program proposes a 6.3% increase; the McIntire School's Executive Program proposes no increase; the School of Engineering's Accelerated Master's Program in Systems Engineering would increase by 1.5% for Virginians and 1.3% for non-Virginians; and the Post-Baccalaureate Pre-Medical Certificates Program (which is run by the School of Continuing and Professional Studies) proposes to increase by 6% for Virginians and non-Virginians.

On motion, the Committee approved the following resolution and recommended it to the full Board for approval:

APPROVAL OF 2008-2009 TUITION AND FEES FOR CERTAIN PROGRAMS

RESOLVED that the tuition and fees applicable to the following programs be approved as shown below, effective May 1, 2008:

	Virginian			Non-Virginian				
	2007-08 Approved	Amount of Increase	Percent of Increase	2008-09 Proposed	2007-08 Approved	Amount of Increase	Percent of Increase	2007-08 Proposed
MBA for Executives	\$96,000	\$6,000	6.25%	\$102,000	\$96,000	\$6,000	6.25%	\$102,000

The price is all inclusive for the 22 months of the full program. The price includes fees of approximately \$24,500, including estimated 2008-2009 and 2009-2010 special session mandatory fees, books, materials, computer leasing, software licenses, group meals, and lodging over the 22 month period.

MIT	\$34,900	\$0	0.00%	\$34,900	\$39,900	\$0	0.00%	\$39,900
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The price includes fees of approximately \$9,600, including the estimated 2008-2009 for special session mandatory fees, books, materials, software licenses, group meals, and lodging.

Systems Eng.	\$32,500	\$500	1.54%	\$33,000	\$37,500	\$500	1.33%	\$38,000
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The price includes fees of approximately \$12,500, including the estimated 2008-2009 special session mandatory fee, books, materials, technology, group meals, and lodging.

Post-Bac, Pre-Med	\$19,100	\$1,150	6.02%	\$20,250	\$24,100	\$1,450	6.02%	\$25,500
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The price includes the estimated 2008-2009 full-time mandatory fees.

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Capital Project Reviews:

Financial Plans for New Capital Projects

Mr. Sandridge asked Ms. Sheehy, Vice President for Administration and Budget, to discuss proposed capital projects. He noted these projects will be discussed by the Buildings and Grounds Committee from the point of view of design; the Finance Committee, however, must approve the projects with respect to their financial feasibility.

Ms. Sheehy discussed each of these: four projects in the Academic Division, one at The University of Virginia's College at Wise, and eight associated with the Medical Center.

For the Academic Division, the projects include replacing the field at The Park, the University's principal intramural field, at \$1.4million; the renovation of Garrett Hall for the Batten School at \$14million, to be repaid from the Batten Endowment; the acquisition of Montesano from the UVa Foundation at \$1.7million; and the expansion/replacement of the Science/Engineering Chiller Plant at \$21million.

For Wise, Ms. Sheehy said it is proposed to renovate the Greear Gymnasium and construct a Convention Center, which would require \$30million in State general funds and \$5million in gifts.

Medical Center projects include the renovation of the Heart Center at the Hospital at \$15.6million; the replacement of two operating rooms and the addition of an MRI room at the Hospital for \$14.3million; the renovation of the Surgical Pathology Laboratory for \$6.6million; the addition of elevators in the Hospital for \$7.6million; the renovation of the Radiology Department for \$21.2million; repairs to the Primary Care Center for \$6.6million; the construction of a vault at the Moser Radiation Therapy Center for \$2.5million; and upgrading the south side of West Main Street along property owned by the University and used by the Medical Center for \$3.3million.

On motion, the Committee approved the resolution covering these projects and recommended it to the full Board for approval:

APPROVAL OF FINANCIAL PLANS FOR NEW CAPITAL PROJECTS AND BUDGET AMENDMENT
TRANSMISSION TO GENERAL ASSEMBLY

WHEREAS, the University proposes that the following new capital projects be added to the University's Major Capital Projects Program:

Replace Field at The Park	\$1,400,000
Renovate Garrett Hall	\$14,000,000
Acquire Montesano	\$1,700,000
Upgrade Science/Engineering Chiller Plant	\$21,000,000
College at Wise - Renovate Greear Gym and Construct Convocation Center	\$35,000,000
University Hospital (UH) - Renovate Heart Center	\$15,583,000
UH - Add Operating and MRI Rooms	\$14,294,000
UH - Renovate Surgical Pathology Lab	\$6,581,250
UH - Add Elevators	\$7,594,000
UH - Renovate Radiology Department	\$21,212,000
Primary Care Center - Repair Brick/Replace Roof	\$6,581,000
Construct Moser Vault Addition	\$2,507,000
Upgrade W. Main Street Streetscape and Utilities	<u>\$4,000,000</u>
TOTAL	\$151,452,250

RESOLVED, the Board of Visitors deems the financial plans for the new capital outlay projects proposed to be added to the University's Major Capital Projects Program to be reasonable and complete, and approves them; and

RESOLVED FURTHER, the Executive Vice President and Chief Operating Office is authorized to transmit the revised budget amendment for the College at Wise for the Renovate Greear Gym/Construct Convocation Center capital project to the General Assembly.

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Intent to Issue Tax-Free Debt

Ms. Sheehy explained that Federal tax regulations require that the Board of Visitors pass an intent-to-issue resolution before the University can issue tax-exempt debt. The resolution, however, does not authorize the University to issue long-term debt. She noted, though, that the resolution contains a list of possible projects to be financed with long-term debt.

On motion, the Committee approved the resolution and recommended it to the full Board for approval:

APPROVAL OF INTENT TO ISSUE TAX-EXEMPT DEBT

WHEREAS, the University intends to undertake the following capital projects utilizing tax-exempt debt as a funding source:

ACADEMIC DIVISION

Claude Moore Medical Education Building
 Renovate Garrett Hall
 "Rugby Road Administrative Building" Renovation
 Replace Field at The Park
 Expand and Replace Science/Engineering Chiller Plant
 Printing and Copying Services Addition
 Upgrade of Central Grounds Medium Temperature Hot
 Water Piping

MEDICAL CENTER

Balcony(Bed) Expansion
 Bed Remodeling Project
 Fontaine Clinical Office Building Third Floor Fit-out
 Upgrade West Main Street Streetscape and Infrastructure
 University Hospital - Heart Center
 Renovate University Hospital - Elevators
 University Hospital - Surgical Pathology Lab
 University Hospital - Two Operating Rooms and MRI Room

COLLEGE AT WISE

New Dining Hall

New Residence Hall

WHEREAS, the United States Department of the Treasury has promulgated final regulations in Section 1.150-2 of the Treasury 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 Regulations require a declaration of official intent by a borrower to provide evidence that the borrower intended to reimburse such expenditures with proceeds of its debt; and

WHEREAS, the Board of Visitors of the University of Virginia desires to make such a declaration of official intent as required by the Regulations; and

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

WHEREAS, the University has funding mechanisms to accommodate short-term financing needs, defined as a period of less than sixty months; and

WHEREAS, the authority for the University to enter into financing arrangements exceeding sixty months in maturity for each project listed is not included in this resolution; and

WHEREAS, if the University provides debt financing for a particular project, the appropriate school or unit remains responsible for repaying the incurred debt, even if the project is not ultimately completed;

RESOLVED that, pursuant to the terms of the Treasury Regulations, the University of Virginia declares its intent to reimburse expenditures in accordance with the following:

1. The University reasonably expects to reimburse expenditures incurred for each project from the issuance of tax-exempt debt to be issued by the University incurred for each project;

2. This resolution is a declaration of official intent under Section 1.150-2 of the Regulations;

3. The maximum principal amount of debt expected to be issued for the purpose of reimbursing expenditures relating to each project is as follows:

ACADEMIC DIVISION

Claude Moore Medical Education Building = \$10,300,000

Renovate Garrett Hall = \$11,000,000

"Rugby Road Administration Building" Renovation = \$17,200,000

Replace Field at The Park = \$1,400,000

Expand and Replace Science/Engineering Chiller Plant = \$8,250,000

Printing and Copying Services Additions = \$300,000 (total of this and all prior approvals = \$1,300,000)

Upgrade of Central Grounds Medium Temperature Hot Water Piping = \$10,100,000

MEDICAL CENTER

Balcony (Bed) Expansion = \$18,000,000 (total of this and all prior approvals = \$80,200,000)

Bed Remodeling Project = \$25,800,000

Fontaine Clinical Office Building Third Floor Fit-out = \$4,000,000 (total of this and all prior approvals = \$21,325,000)

Upgrade West Main Street Streetscape and Infrastructure = \$3,300,000

University Hospital - Heart Center = \$14,500,000

Renovate University Hospital - Elevators = \$7,500,000

University Hospital - Surgical Pathology Lab = \$6,500,000

University Hospital - Two Operating Rooms and MRI Room = \$14,200,000

COLLEGE AT WISE

New Dining Hall (requested) = \$2,600,000 (total of this and all prior approvals = \$9,600,000)

New Residence Hall (requested) = \$1,000,000 (total of this and all prior approvals = \$9,000,000); and

RESOLVED FURTHER that each project is a separate enterprise independent of other projects, and that the authorization for funding relates to each individual project; and

RESOLVED FURTHER that funds may be borrowed for each project on a short-term basis, but only if the following conditions are met:

1. The Board of Visitors approves the current resolution;

2. A comprehensive and detailed financial plan for the school/unit project is submitted to and approved by senior management;

3. Short-term financing shall not exceed sixty months in maturity; and

4. The school or unit remains responsible for repaying any debt obligation incurred regardless of the status of the capital project.

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Budget and Scope Reviews for Capital Projects

Ms. Sheehy reminded the Committee that all capital project budget increases in excess of ten percent require the approval of the Finance Committee and the Buildings and Grounds Committee. She brought three such projects to the Committee: the Hospital Bed Remodeling Project, the Clinical Office Building 3rd Floor Fit-Out, and the Printing and Copying Services Addition. The first of these involves a change in scope; the other two require budget increases.

On motion, the Committee approved the following resolution and recommended it to the full Board for approval:

APPROVAL OF PROJECT SCOPE AND BUDGET MODIFICATIONS

RESOLVED, the Board of Visitors approves the scope modification and change in funding to University debt for the Hospital Bed Remodeling Project (previously approved as the General Clinical Research Center/Psychiatry Beds Relocation to be funded from hospital operating revenues); the budget increases for the Clinical Office Building Third Floor Fit-out (increase of \$4 million to \$21.325 million); and the Printing and Copying Services Addition (increase of \$700,000 to \$3.3 million).

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Medical Center Quasi-Endowment

Ms. Reynolds, Vice President and Chief Financial Officer, told the Committee that the Vice President and Chief Operating Officer is authorized by the Board to approve individual quasi-endowment transactions which are less than \$2million; anything above that must be approved by the Board.

The University wishes to withdraw funds from the Medical Center depreciation reserve, which is held in trust by the State Treasurer, and create a Medical Center quasi-endowment; this initial withdrawal would be \$87million and thus requires approval by the Board.

On motion, the Committee approved the requisite resolution and recommended it to the full Board for approval:

APPROVAL OF MEDICAL CENTER QUASI-ENDOWMENT

WHEREAS, the Board of Visitors must approve the creation of any quasi-endowment greater than \$2 million; and

WHEREAS, the Medical Center has a long-range plan that provides for acquisition or construction of capital assets.

RESOLVED that the Board of Visitors authorizes the establishment of a quasi endowment to fund costs of future acquisition or construction of hospital capital assets; and

RESOLVED FURTHER that the Vice President and Chief Financial Officer is authorized to deposit subsequent amounts of up to an additional \$300 million over the next three years without further Board of Visitors approval.

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Collaborative Educational and Research Initiatives with Rolls-Royce

Mr. Sandridge reviewed the Memorandum of Understanding signed by the University, Virginia Tech, the Virginia Community College System, Prince George County, the Commonwealth and Rolls-Royce, on November 20, 2007, in connection with the decision by Rolls-Royce to establish a jet engine manufacturing plant in Prince George County, to the east of Petersburg. It is to be built on a 1,050 acre parcel of land, and it is estimated that the factory and related business will bring approximately 500 jobs to Prince George County and another 100 jobs to Northern Virginia.

By the terms of the Memorandum of Understanding, the University - which is to say the UVa Foundation - will build the Commonwealth Center for Advanced Manufacturing (CECAM) in Prince George; CECAM will house office space, research laboratories and training facilities. The University and Virginia Tech will create a Center for Aerospace Propulsion Systems (CAPS) to collaborate on specific research activities with Rolls-Royce. The Commonwealth, the University, Virginia Tech and the Community College System will collaborate on various educational initiatives, with money from the Commonwealth and from Rolls-Royce.

Mr. Sandridge explained that the Board must ratify the University's participation and authorize the University, or the UVa Foundation, to accept the land in Prince George County designated for CECAM and to construct the facility.

Mr. Rainey, though not a Member of the Committee, said he would recuse himself from voting on this resolution at the meeting of the full Board.

On motion, the Committee approved the following resolution and recommended it to the full Board for approval:

APPROVAL OF COLLABORATIVE EDUCATIONAL AND RESEARCH INITIATIVES WITH ROLLS- ROYCE

RESOLVED, that the Board of Visitors supports an educational and research collaboration among the University of Virginia, the Commonwealth of Virginia, Virginia Polytechnic Institute and State University, the Virginia Community College System, Rolls-Royce North America (USA) Holdings Co., and related parties as set forth in the Memorandum of Understanding dated November 20, 2007, and signed by all parties; and

RESOLVED FURTHER, that the Board of Visitors authorizes the University, or the University of Virginia Foundation, as appropriate, to accept approximately ten acres of land in Prince George County and to own and build on the property the Commonwealth Center for Advanced Manufacturing (CCAM), the construction and operating costs to be funded through charges to the tenants in the form of rent and/or subscription fees; and

RESOLVED FURTHER, that the Executive Vice President and Chief Operating Officer is authorized to execute any and all documents necessary or desirable to effect the transfer of the property for the CCAM to the University or the University of Virginia Foundation, to construct and operate the CCAM facility, to undertake and implement the collaborative initiatives enumerated in the Memorandum of Understanding executed by all parties on November 20, 2007, and to periodically report to the Board of Visitors on the progress of the foregoing.

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Approval to Form a Limited Liability Company and to Transfer Real Estate Owned by the University of Virginia and Located in Louisiana to that Entity

The University in 1972 received as a bequest from Mr. Hugh Vincent of New Orleans, an undivided 1/6th interest in 7,000 acres of mostly swampland in Orleans, St. Bernard, and Richland Parishes in Louisiana. On advice of counsel, the owners of the property have agreed to form a limited liability company governed by Louisiana law to own, operate and manage the property.

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

APPROVAL TO FORM A LOUISIANA LIMITED LIABILITY COMPANY AND TRANSFER THE HUGH VINCENT PROPERTY TO THAT ENTITY

WHEREAS, the University of Virginia owns a 1/6th undivided interest in approximately 7,000 acres in the Parishes of Orleans, St. Bernard, and Richland in Louisiana, this being the same real estate transferred to the University in a 1972 bequest by Mr. Hugh Vincent; and

WHEREAS, the University desires to better insulate itself from possible liability and exposure that may arise from owning a 1/6th interest in the property and also provide a structure for management of the property;

RESOLVED, the University's proposed transfer of its undivided interest in the said property to a Limited Liability Company is approved; and

RESOLVED FURTHER, the Executive Vice President and Chief Operating Officer is authorized to execute all documents pertaining to the creation and operation of the Limited Liability Company and the transfer of the real estate to the Limited Liability Company; and

RESOLVED FURTHER, the Executive Vice President and Chief Operating Office is authorized to appoint the University member to the Management Committee of the Limited Liability Company.

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Vice President's Reports

Mr. Sandridge commented briefly on the University's Spending Policy; he said the Committee will have a preliminary session on this at the April meeting with the idea of an action to be taken at the June meeting. The Chair noted the importance of this for the University.

Mr. Sandridge said work continues on an "early warning" system, being developed as a result of the events at Virginia Tech last spring.

Turning to the protection of pedestrian crosswalks, Mr. Sandridge showed the Committee a picture of a crossing on Emmet St. at Sprigg Lane, the first such protected crossing to be installed on the Grounds. Others are planned.

Mr. Sandridge referred Members to a number of written reports in material previously distributed to the Committee.

Review of Debt Program and Policy

Mr. Sandridge reminded the Committee that in 2002, the University, with the advice of financial advisors, investment bankers and bond counsel, developed a debt portfolio management program to provide external financing for capital projects. Subsequent to that founding action, the University has made adjustments of one kind or another.

He then asked Ms. Reynolds, Vice President and Chief Financial Officer, to lead the discussion. Ms. Reynolds told the Committee her presentation would be focused on program evaluation and the oversight and monitoring of the program. At the April meeting, she said she hoped the discussion would be centered on long-term planning goals.

Ms. Reynolds said her evaluation would include the five objectives of the program, the strategies used to achieve these objectives, outcomes and metrics and opportunities for improvement.

The five objectives are to achieve and retain a AAA rating; reduce long-term borrowing costs; to manage debt portfolio risk; to develop a predictable and stable repayment schedule for internal borrowers; and to use cost savings to benefit the University.

The University achieved a AAA rating in February, 2003, one of the few public institutions to be so rated.

Ms. Reynolds then discussed strategies to reduce long-term borrowing costs and to increase financial flexibility: these include using a diverse portfolio of debt instruments and managing the timing of long-term debt by using commercial paper for bridge financing.

As for the third objective, managing debt portfolio risk, Ms. Reynolds said the strategies have been to limit exposure to variable rate debt, to build a reserve for interest rate volatility, and to use derivatives strategically. She discussed this in some detail, citing figures and examples, and her discussion provoked much comment from Members.

To develop a predictable and stable repayment schedule for internal borrowers, several strategies have been used: the Finance Office acts as a central buffer to absorb the volatility of floating rates by managing debt structure; internal borrowers are charged a fixed blended rate and level amortization, thus insuring predictability for budgeting; internal borrowers have the flexibility to prepay; and there is a consistent rate of internal borrowing which is independent of external market conditions.

The internal borrowing rate is 4.75% - the rate is reviewed annually - which is lower than that charged by most of the University's peer institutions.

Written Reports

Mr. Sandridge called Members' specific attention to the written reports, "Enterprise Risk Management," and "Endowment Report."

The Chair asked that in the future the Committee's Agenda be rearranged to have important discussion items first and Action items last. Mr. Ligon seconded the suggestion.

Mr. Caputo commended Ms. Reynolds for her presentation and her work. Few organizations in the corporate world, he said, can show work of this quality.

On motion, the meeting was adjourned at 10:20 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>