

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS
MEETING OF THE
COMMITTEE OF THE WHOLE
JUNE 13, 2008**

BOARD MEETING AS A
COMMITTEE OF THE WHOLE

Friday, June 13, 2008
11:45 a.m. - 12:00 noon
Board Room, The Rotunda

AGENDA

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A. Human Resources Restructuring (Mr. Sandridge to introduce Ms. Susan Carkeek; Ms. Carkeek to report)	1
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II. ATTACHMENT	
• Plan for the Development of a Focused Ultrasound Program at the University of Virginia	

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: June 13, 2008

COMMITTEE: Committee of the Whole

AGENDA ITEM: I.A. Human Resources Restructuring

BACKGROUND: Passed in July, 2005, the "Restructured Higher Education Financial and Administrative Operations Act" and subsequent management agreement set out the parameters for the creation of a new Human Resources system for University Staff. The new system does not apply to the Medical Center employees already covered under the Medical Center human resources policies.

The University needs the absolutely best workforce to achieve its ambitions. The new University Staff system is designed to recruit, develop, and competitively compensate a superior workforce, and to better meet the future needs of the University. The Commission on the Future of the University's Academic Infrastructure Subcommittee suggests that "human resource systems must be strategically focused and aligned with the institution's purposes and goals to take advantage of the opportunities and to meet the challenges of the changing academy." The creation of a new Human Resources system provides an opportunity to do just that.

The University has engaged in a process that provides for broad employee input into the design of the new Human Resources system. The process has included design task forces, consisting of more than 250 employees from across the Grounds. The task forces are guided in their work by input received on the new Human Resources system from faculty and staff through focus groups held in October 2006, and through a survey conducted in April of 2007. The University is currently engaged in an open comment period soliciting further input on the proposed policies. Any material changes resulting from this input will be brought back for the approval of the Board of Visitors or its Executive Committee.

DISCUSSION: There are three key components in the design of the new University staff Human Resources system: employee development, performance evaluation, and compensation. (1) The new Human Resources system is being designed around a foundation of employee growth and development. New policies will place an

increasing emphasis on employee development, creating more opportunities for employee renewal and growth, and providing incentives to encourage staff to take advantage of learning, training, and leadership opportunities. (2) Changing the performance evaluation program to encourage employee association with University goals and priorities will enhance employee engagement, which is strongly linked with both personal and organizational high performance. (3) A compensation program with market-relevant salary ranges, merit-based pay increases, and rewards for developing individual capabilities will position the University to recruit and retain a superior workforce.

The new Human Resources system connects these three components. By linking meaningful goal setting and enhanced training and professional development with competitive compensation practices, the University can encourage continuous learning and motivate employees toward excellence. Effective training of managers and ongoing communication with all employees is critical to realizing the benefits of the new system.

These new policies and programs represent state-of-the-art human resource practices for a vibrant, engaged, and high-achieving workforce. At the same time, the new system preserves those policies that reflect the University's core values and that have made us a stable employer.

The system is being designed to address the needs of employees at all levels, from entry level through the senior administration of the University. To do this, the policies and programs must be scalable to encompass a variety of employment types, compensation, and benefit plans. The specific policy components are provided in the following resolution "Adoption of Human Resource Policies Governing University Staff under Higher Education Restructuring."

With approval of the new Human Resources system effective October 1, 2008, the University will commence a 90-day enrollment period during which classified staff and administrative and professional faculty may elect to participate in and be governed by the human resources programs established for University staff. All staff hired since July 1, 2006 are already designated "University staff" and will be covered by the new system. The new Human Resources system for University staff will be implemented on January 1, 2009.

The University's goal is to recruit, develop and competitively compensate a superior workforce, and creating a new University Staff Human Resources system will help us do that better. By developing a system that focuses on career development, market-relevant and merit-based compensation, meaningful goal-setting and performance evaluation processes, and enhanced training and professional development, we can prepare our workforce to meet the future needs of the University. The University of Virginia is known for its outstanding student experience. The new human resources system is being intentionally designed to make us equally well known for our employee experience: to be the leading employer in the region as well as the leading employer in higher education.

ACTION REQUIRED: Approval by the Board of Visitors

ADOPTION OF HUMAN RESOURCE POLICIES GOVERNING UNIVERSITY STAFF UNDER HIGHER EDUCATION RESTRUCTURING

WHEREAS, the Restructured Higher Education Financial and Administrative Operations Act provided level three institutions with an opportunity to develop a new human resources system for University staff, the designation of non-faculty employees hired on or after July 1, 2006; and

WHEREAS, the Management Agreement entered into by the University and the Commonwealth pursuant to the Restructured Higher Education Financial and Administrative Operations Act, authorizes the President, acting through the Executive Vice President and Chief Operating Officer, in consultation with the Executive Vice President and Provost, to adopt and implement new human resources systems for employees of the Academic Division and the University's College at Wise, and

WHEREAS, the Management Agreement continues the existing human resources system for Medical Center employees previously authorized by the Board in 1996; and

WHEREAS, the University is committed to creating a human resources system for University employees designed to recruit, develop, and competitively compensate a superior workforce better prepared to meet the future needs of the University; and

WHEREAS, the human resource system for University employees may include different provisions for reasonably different groups or classifications of employees; and

WHEREAS, the University established a process that provided for broad input from employees and their supervisors in the design of the new human resources system; and the recommended policies address the most significant findings from these efforts; and

WHEREAS, the University is currently engaged in an open comment period on the proposed policies; and any material policy changes resulting from this input will be subject to approval of the Board of Visitors or its Executive Committee; and

WHEREAS, with the approval of these policies effective October 1, 2008, the University will commence the 90-day enrollment period during which classified staff and administrative and professional faculty may elect to participate in and be governed by the human resources system established for University staff; and the new human resource system for University staff will be implemented on January 1, 2009;

RESOLVED, the proposed human resources policies for University staff, as described below, is adopted by the Board of Visitors to be implemented January 1, 2009.

Proposed policies:

The University will adopt an employee career development policy that provides for career development opportunities and the support necessary for them, subject to available funding and applicable policies. The career development policy shall include career paths to provide for planned progression, job enrichment opportunities, and ongoing education and training. These policies shall be tightly linked with those policies for performance planning and evaluation, and compensation.

The University will adopt a new compensation policy for university staff based on market-relevant salary ranges, replacing the current salary and job classification structure. The compensation policy will allow for differentiation in pay increases based on individual performance and employee development and will be administered in accordance with the Compensation Plan for University Staff to be approved by the Board of Visitors.

The University will adopt performance management policy to help managers and employees establish performance goals that are strategically aligned, as well as career development goals. The policy will provide the opportunity for interim reviews to track

employee progress. The performance evaluation policy will include a new rating scale; evaluation of performance goals, employee competencies, and career goals; and opportunities for coaching and for multiple sources of feedback.

The University will adopt a leave program that provides employees accrued leave benefits and changes the current leave structure for University staff to allow for cash-out of annual leave in excess of the maximum carry-over amount, as well as an initial leave allocation for new employees and those transferring within the University. In addition, the University will continue to explore ways to simplify the current leave program.

The University will adopt benefit provisions for University staff that include the following. (1) The University will provide optional retirement plan benefits to eligible University staff. (2) The University will offer part-time salaried University staff a partial employer subsidy toward the cost of health insurance. (3) The University will adopt a supplemental benefit credit, targeted to lower salaried employees. Eligible employees would receive a fixed dollar credit to help offset the cost of benefit deductions.

Except for the changes outlined above, other benefit provisions, including health insurance, retirement, and associated life and disability insurance benefits are unchanged by this resolution.

The University will adopt the current terms and conditions of employment for University staff, including progressive discipline and due process as found in the current Standards of Conduct and Layoff & Severance policies, with the exception that layoff notification for University staff will be increased to sixty days. These terms and conditions will not be applicable to employees in senior administration and coaching positions, which will continue to be covered by contractual provisions. The University will also adopt enhanced provisions for dispute resolution, and for flexible working arrangements including telecommuting and alternate work schedules.

In accordance with the Management Agreement entered into by the University and the Commonwealth pursuant to the Act, future material changes to policies for compensation, benefits or severance will be subject to approval by the Board of Visitors; and

RESOLVED FURTHER, the University is committed to providing effective, accessible, and ongoing training for managers and employees on the new human resources system to support successful implementation of these policies; and

RESOLVED FURTHER, any material changes resulting from input provided during the open comment period will be subject to the approval of the Board of Visitors or its Executive Committee; and

RESOLVED FURTHER, the authority to approve policies for University staff consistent with the statements above, and to engage in further delegation of authority for their oversight and implementation, be delegated to the President, acting through the Executive Vice President and Chief Operating Officer, in consultation with the Executive Vice President and Provost.

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: June 13, 2008

COMMITTEE: Committee of the Whole

AGENDA ITEM: I.B. Plan for Development of a Focused
Ultrasound Program

BACKGROUND: As part of the 2006-2007 budget appropriation, the Commonwealth of Virginia designated \$4,000,000 from the Higher Education Equipment Trust Fund to be used for expenses related to a focused ultrasound at the University of Virginia. The funding is to be used to support equipment purchases and the development of the physical plant, and may not be expended until the Board of Visitors reviews and approves a plan for the development of a focused ultrasound program. These funds may not be used to fund ongoing operations.

Normally, the Board of Visitors approves major capital projects every two years as part of the Six Year Major Capital Project program. When the University identifies new capital projects outside the Six Year Major Capital Project cycle, the projects require approval by the Finance and Buildings and Grounds Committees. For the construction of a Focused Ultrasound Facility, the Board of Visitors will review a financial plan for this project as well as review the project for inclusion in the University's Major Capital Projects Plan.

DISCUSSION: In response to the Commonwealth's appropriation of \$4,000,000 in Higher Education Equipment Trust Funds to support a focused ultrasound, the School of Medicine has developed a plan for the establishment of a Focused Ultrasound Program at the University of Virginia. Focused ultrasound is a new technology for non-invasive surgery and promises faster recovery than conventional surgical methods. Traditional invasive surgical methods are often painful, may damage healthy tissue, and involve long recovery times and long hospital stays. Focused ultrasound, on the other hand, is a non-invasive treatment that results in minimal discomfort, shorter recovery times, and outpatient treatment. In addition, focused ultrasound does not have many of the negative side effects that come from other non-invasive techniques that are associated with radiation. Focused ultrasound has been approved by the Federal Drug Administration to treat uterine fibroids. There are several promising clinical trials for other uses underway.

Future treatment possibilities include bone metastases, brain and breast tumors, prostate and even stroke.

The University of Virginia has a unique opportunity to be a leader in the development of the science and technology related to image guided focused ultrasound, similar to the role it has enjoyed with the gamma knife. Focused ultrasound is a treatment method that shows extraordinary promise - future study will include how focused ultrasound can be used to treat such illnesses as thromboembolic stroke, hemorrhagic stroke, epilepsy, movement disorders, kidney tumors, and pancreatic tumors. There is widespread interest in the research and clinical application of this equipment and it provides another example of the translational research focus (cells to bedside) that makes the University of Virginia a national leader.

Focused ultrasound sites exist at several prestigious institutions across the country including Brigham and Women's, Duke Health, the Mayo Clinic, and Weill Medical College of Cornell University.

The School of Medicine has identified a site close to the MR4 research facility that will be ideal for this operation. This site currently houses a modular vivarium, which would be removed and the animals relocated to vivaria in other research buildings. The Focused Ultrasound Facility, with a capital project budget of \$1.3 million, will be a modular building specially designed for this operation. Funding for the equipment, capital project, and operations will come from three primary sources:

- \$4.0 million allocated by the Commonwealth - \$1.0 million for the Focused Ultrasound Facility and \$3.0 million in Ultrasound equipment;
- \$4.0 million from an external foundation, Focused Ultrasound Foundation (FUSF) - \$2.5 million for a consigned MRI for 5 years and \$1.5 million in operating cash; and
- \$0.680 million to be shared by the School of Medicine, the Medical Center, and FUSF for the Focused Ultrasound Facility and other contingencies not provided in the sources above.

The external funding from the FUSF is philanthropic in nature and the intellectual property developed in the research activity will be owned by the University. In addition to the funds committed, the FUSF also will provide research grant

funding on a competitive basis to facilitate research into the potential clinical applications described above.

Development of the Focused Ultrasound Program is contingent upon receiving the \$4.0 million in matching funds from FUSF and additional cost share in the additional contingency costs.

For each of the next three years, the Executive Vice President and Provost and the Executive Vice President and Chief Operating Officer will provide a written annual report to the Board of Visitors describing progress in developing this program.

ACTION REQUIRED: Approval by the Board of Visitors

APPROVAL OF THE PLAN TO DEVELOP A FOCUSED ULTRASOUND PROGRAM AT THE UNIVERSITY OF VIRGINIA, THE FINANCIAL PLAN FOR THE CONSTRUCTION OF THE FOCUSED ULTRASOUND FACILITY, AND THE ADDITION OF THE FOCUSED ULTRASOUND FACILITY TO THE UNIVERSITY'S MAJOR CAPITAL PROJECTS PROGRAM

RESOLVED, the Board of Visitors approves the capital and operating plan for the development of a Focused Ultrasound Program at the University of Virginia as outlined in the Attachment; and

RESOLVED FURTHER, the Board of Visitors deems the financial plan for the Construction of the Focused Ultrasound Facility to be reasonable and complete, and approves it; and

RESOLVED FURTHER, the Construction of the Focused Ultrasound Facility, at an estimated cost of \$1.3 million, is approved as an addition to the University's Major Capital Projects Program; and

RESOLVED FURTHER, for each of the next three years, the Executive Vice President and Provost and the Executive Vice President and Chief Operating Officer shall provide a written annual report to the Board of Visitors describing progress in developing this program.

PLAN FOR THE DEVELOPMENT OF A FOCUSED ULTRASOUND PROGRAM
AT THE UNIVERSITY OF VIRGINIA

The Focused Ultrasound program will be facilitated by the investments provided by the Commonwealth and the Focused Ultrasound Foundation (FUSF). The funds will provide the necessary infrastructure to allow clinical and translational research as well as leverage the provision of clinical procedures as they are approved by the U.S. Food and Drug Administration.

Initial Investment

The initial investment will be roughly \$8.7 million and will be provided as follows:

- \$4.0 million allocated by the Commonwealth - \$1.0 million for the modular facility and \$3.0 million in Ultrasound equipment;
- \$4.0 million from an external foundation, Focused Ultrasound Foundation (FUSF) - \$2.5 million for a consigned MRI for 5 years and \$1.5 million in operating cash; and
- \$0.680 million to be shared by the School of Medicine, Medical Center, and FUSF for facility and other contingencies not provided in the sources above.

Operational Plan

The assumptions used in the model are all based on conservative estimates for both revenues and expenses. We have worked to limit the future risk to the University by using the external funding for the fixed expenses. To the degree that revenue assumptions are not accomplished, the expenses associated with this endeavor will not be incurred. Aside from the initial investment - all expenses are variable. Even the maintenance contract is considered to be a long-term variable expense.

As a result, the University and its faculty have an ideal opportunity for a research operation with a strong upside and limited risk exposure.

Year One: We plan to initiate research and trials in the areas of fibroids, breast cancer, palliative bone, and the brain. Research funding is assumed to come from the National Institutes of Health, the ultrasound equipment manufacturers, and the FUSF.

In addition, we estimate that we will provide 25 uterine fibroid ablations that will be reimbursed by commercial insurance payers. Revenues from these activities will be \$403,225. Aside from the research support, an additional \$500,000 will be provided by the FUSF for operational cash needs, resulting in a total of \$903,225. Expenses in the first year \$436,099 and are made up entirely of variable costs associated with the projected research and procedures.

Year Two: We plan to continue the studies above and add research in the areas of the liver and prostate. Procedures in all areas grow and the estimated revenues from those procedures will increase from \$403,225 to \$736,450. Total revenues, including the FUSF support, will grow to \$1,236,450. Variable expenses also grow with the increased procedures and in Year Two the maintenance contracts on the equipment (\$420,000/year) begin. Total expenses will increase from \$436,099 to \$1,222,977.

Year Three: Research and clinical volumes continue to increase and research involving kidneys is projected to begin. In order to avoid being overly optimistic, we have assumed that one of the clinical trials areas stops. Total revenues are estimated to increase from \$1,236,450 to \$1,329,675. Expenses grow at a commensurate rate, increasing from \$1,222,977 to \$1,333,732.

Years Four and Five: While we have projected changes in the mix of services, we have not projected growth in total procedure volumes. The major change that occurs in Year Four is that the \$500,000 annual commitment from the FUSF will be complete and the program will depend upon reserve cash (from the Year One surplus) and competitive educational and research awards to replace the operating cash commitment.