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UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS  
MEETING OF THE  
FINANCE COMMITTEE  
FEBRUARY 5, 2009

FINANCE COMMITTEE

Thursday, February 5, 2009

1:30 - 3:30 p.m.

Board Room, The Rotunda

Committee Members:

John O. Wynne, Chair

A. Macdonald Caputo

The Hon. Alan A. Diamonstein

Thomas F. Farrell, II

Glynn D. Key

W. Austin Ligon

Vincent J. Mastracco, Jr.

Warren M. Thompson

Daniel M. Meyers, Consulting Member

W. Heywood Fralin, Ex-officio

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UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: February 5, 2009

COMMITTEE: Finance

AGENDA ITEM: I.A. 2009-2010 Tuition and Fees for Special Programs

BACKGROUND: The University has four programs whose academic year begins in May or June rather than in August. For that reason, the Finance Committee considers their tuition proposals each year at this meeting. Additionally, the University is establishing for the first time a summer session rate for the Medical School to be effective this summer.

DISCUSSION: After an evaluation of market rates and to cover increasing cost of delivering the program, tuition and fees for the Darden School's MBA for Executives program are proposed to increase 6.9 percent for Virginians and non-Virginians to \$109,000 for the 22-month program.

Tuition and fees for the McIntire School of Commerce's Executive MS in Management of Information Technology (MIT) are proposed to increase by \$2,100 (six percent for Virginians and 5.3 percent for non-Virginians) in 2009-2010 after an evaluation of market rates and to cover the increasing cost of program delivery. Additionally, the McIntire School proposes a new optional independent study course that will be priced at a per credit hour charge of \$1,250 for Virginians and \$1,400 for non-Virginians.

Tuition and fees for the School of Engineering and Applied Science's Accelerated Master's Program in Systems Engineering are proposed to increase by \$1,000 for all students, which is a three percent increase for Virginians and a 2.6 percent increase for non-Virginians. The proposed increase reflects increased cost of the program, particularly space rental, as well as current market conditions.

Tuition and fees for the School of Continuing and Professional Studies' Post-Baccalaureate Pre-Medical Certificate Program are proposed to increase by 16.0 percent for Virginians (\$3,250) and 11.8 percent for non-Virginians (\$3,000) because of increasing program costs and to price the program more competitively. The first two years of the program have been

very successful, generating market demand sufficient to justify a price increase.

For the first time, the Board of Visitors is asked to consider a summer session rate for the School of Medicine. The Medical School and the Darden School have developed a program in which a student may work on the M.D. and the M.B.A. concurrently. The program calls for the student to complete one semester of medical education (normally the fall semester of a medical student's fourth year) during the summer. The first students in the program will be attending the Medical School in the upcoming summer session, so a summer session rate must be established. After this year, the Medical School summer session rate will be proposed to the Board of Visitors with the remainder of the summer rates at the April meeting.

**ACTION REQUIRED:** Approval by the Finance Committee and by the Board of Visitors

**APPROVAL OF 2009-2010 TUITION AND FEES FOR CERTAIN PROGRAMS**

RESOLVED, the Board of Visitors approves the tuition and fees applicable to the following programs as shown below, effective May 1, 2009, unless otherwise noted:

	Virginian			Non-Virginian				
	2008-09	Amount of Increase	Percent of Increase	2009-10 Proposed	2008-09 Approved	Amount of Increase	Percent of Increase	2009-10 Proposed
MBA for Execs	\$102,000	\$7,000	6.9%	\$109,000	\$102,000	\$7,000	6.9%	\$109,000
The price is all inclusive for the 22 months of the full program and includes estimated 2009-2010 and 2010-2011 special session mandatory fee, books, materials, computer leasing, software licenses, group meals, and lodging.								
MIT	\$34,900	\$2,100	6.0%	\$37,000	\$39,900	\$2,100	5.3%	\$42,000
The price includes the estimated 2009-2010 special session mandatory fee, books, materials, software licenses, group meals, and lodging.								
MIT Opt. Ind. Study	n/a	n/a	n/a	\$1,250/ cr. hr	n/a	n/a	n/a	\$1,400/ cr. hr
Systems Eng.	\$33,000	\$1,000	3.0%	\$34,000	\$38,000	\$1,000	2.6%	\$39,000
The price includes the estimated 2009-2010 special session mandatory fee, books, materials, technology, group meals, and lodging.								
Post-Bac, Pre-Med	\$20,250	\$3,250	16.0%	\$23,500	\$25,500	\$3,000	11.8%	\$28,500
The price includes the estimated 2009-2010 full-time mandatory fee.								
SOM 2009 Summer Session	n/a	n/a	n/a	\$13,911	n/a	n/a	n/a	\$18,214
The price includes the Summer 2009 special session mandatory fee.								

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: February 5, 2009

COMMITTEE: Finance

AGENDA ITEM: I.B. Financial Plans for Proposed Near-Term Additions to the Major Capital Projects Program

BACKGROUND: The University has a Major Capital Projects Program, consisting of capital projects authorized by the Board of Visitors, with financial plans reviewed by the Finance Committee. Every two years, the University initiates an update of the Major Capital Projects Program to identify new projects and make necessary revisions to existing projects in the plan. At this meeting, the Buildings and Grounds Committee will review the full update of the Major Capital Projects Program, with new projects proposed through 2020. The Finance Committee will also review the financial plans of projects proposed for the near term (defined as through fiscal year 2012). Any projects in the long-term view that are accelerated to begin earlier than anticipated in the near term will be brought back to the Board of Visitors for a full review of the financial plan.

DISCUSSION: At the Board of Visitors' Retreat in July 2008, it was suggested that we develop multiple scenarios for the capital program reflecting different sets of assumptions. Borrowing terminology used by a state advisory board, we present 1) a standard scenario which is believed to be a reasonable representation of what might be expected to happen in the next two-year period, 2) an alternate scenario which is more pessimistic and would result in the fewest capital projects moving forward, and 3) a growth scenario which includes all projects identified as needed and/or desired. The Buildings and Grounds Committee will discuss these different scenarios for the additional projects proposed for the near-term, through fiscal year 2012. For purposes of the financial plans, the Finance Committee will review the projects in the near-term, growth scenario. These projects represent those for which the University is seeking state tax funds; projects for which the University will use self-generated funds, such as facilities and administrative cost recoveries from grants (F&A), gifts, and operating funds; and projects to be financed with University debt.

Project budgets have been developed using current cost benchmarks for the particular type of construction (e.g., classroom versus laboratory versus athletic facility) escalated to an expected midpoint of construction. The project budgets for new construction and major renovations anticipate achieving Leadership in Energy and Environmental Design (LEED) certification.

Senior management of the University has reviewed the preliminary business plans for each of the proposals and found them acceptable. Some proposed projects are dependent upon external fund sources (state general funds or private fundraising), but if these funds are not forthcoming, the projects will not proceed unless other means of funding can be identified. The University will conduct more comprehensive assessments as the projects, if authorized, move toward design and construction.

The following financial plan descriptions summarize private funding strategies, the repayment of debt service, and how any incremental operating and maintenance costs will be funded. Details are not provided for maintenance reserve and deferred maintenance plans since those items will be made up of many smaller, yet-to-be identified projects.

#### Overall Debt Assessment

The University's Treasury Department has conducted a debt assessment to evaluate the impact on the University's key debt ratios as outlined in the Board of Visitors approved debt policy. At this time, the University anticipates that total debt funding of \$277.8 million sought for new projects proposed in the near-term, growth scenario will not jeopardize internal guidelines for debt ratios. (It is important to note that overall debt will be reduced by \$58.3 million to reflect the change in the funding model for the Ivy Foundation Translational Research Building.) The Treasury Department is closely monitoring the impact of the recent financial market turmoil on the University's debt ratios. It is clear that future debt capacity is adversely affected by the current fiscal environment. By accepting the Treasury Department's assessment, the Board of Visitors does not authorize the issuance of debt or any other long-term financial obligation; rather, the Board of Visitors approves the inclusion of these debt-funded projects as a part of the update of the Major Capital Projects Program.

Overall Private Funding Assessment

The University's Senior Associate Vice President for Principal Relationship Development has conducted an assessment of each program sponsor's ability to meet the philanthropic requirements as outlined in the project business plan. It is the University's assessment that the total private funding component of \$168.5 million sought for new projects proposed in the near-term, growth scenario, while perhaps a stretch goal for some project sponsors, is consistent with current private fundraising objectives and opportunities. Such an assessment is difficult in this economic climate when it would not be unexpected to see major donors pause before making new commitments. The Growth Scenario depicts the most optimistic fundraising prospects. No construction will begin on any project unless funding has been identified and confirmed.

ACADEMIC DIVISION

New Projects for the Near Term (through Fiscal Year 2012)

Alternate Scenario:

<i>Alderman Road Housing -</i>	<i>Cash</i>	<i>\$ 2.4M</i>
<i>Phase II, Building 2</i>	<i>Debt</i>	<i>\$27.6M</i>
		<i>\$30.0M</i>

This project is for the construction of the third residence hall in the Alderman Road Housing replacement project scheduled to open in fall 2012. This is a supplement to the already approved \$34.9 million project for Phase II, Building 1, bringing the total Phase II project to \$64.9 million. Cash reserves and University debt will fund the project, with the debt to be repaid from housing revenues. Since this residence house will replace another residence house, there will not be a net increase in operating and maintenance costs.

<i>Alderman Road Housing -</i>	<i>Cash</i>	<i>\$14.4M - \$14.4M</i>
<i>Phase III</i>	<i>Debt</i>	<i>\$50.6M - \$63.6M</i>
		<i>\$65.0M - \$78.0M</i>

This project is for the construction of the fourth and fifth residence houses in the Alderman Road Housing replacement project, expected to open in fall 2014. Cash reserves and University debt will fund the project, with the debt to be repaid from housing revenues. Since this project will replace two other residence houses, there will not be a net increase in operating and maintenance costs.

*Carr's Hill Residence Rehabilitation*      *Private*      *\$7.5M - \$8.0M*

This project will rehabilitate the nearly 12,000 gross square foot residence of the University president, implementing recommendations from the recently completed building assessment study. Repairs will address items such as structural deformation due to improper roof framing, first floor framing that is undersized for current usage, deterioration of exterior brick and woodwork, and outdated mechanical systems. Unrestricted private funds have been identified for the project. Incremental operating and maintenance needs are not expected following the rehabilitation.

*Hotel A Renovation*      *Private*      *\$4.7M - \$5.2M*

This project will rehabilitate the 3,633 gross square feet on both floors of Hotel A, the hotel at the north end of West Range, implementing recommendations from the recently completed Historic Structure Report. The renovations will be made on the basement level - which currently is out of use - and the basement exterior courtyard, as well as the main floor, and repairs to the building will address items such as existing and ongoing damage including water infiltration. HVAC, plumbing, electrical, and fire safety issues also will be considered. Private funding will most likely come from gifts already received and identified for historic renovations. Incremental operating and maintenance needs are not expected following the renovation.

*Rehearsal Hall*      *Private*      *\$10.7M - \$12.7M*

This project constructs a facility to provide space for the University Band and others to rehearse and perform, along with associated support activities. This project is fully dependent upon a successful fundraising campaign to initiate construction. When the facility opens, annual operations and maintenance costs are expected to be \$285,000, equivalent to a \$5.7 million endowment, and will need to be funded from tuition if the endowment is not raised.

*Anheuser-Busch Coastal Research Center*      *Private*      *\$770,000 - \$1.0M*  
*New Dry Lab Facility*

This project will add a much needed additional research building to include herbarium, library, and computational space for the Coastal Research Center. This project is fully dependent upon a successful fundraising campaign to initiate construction. When the facility opens, annual operations and maintenance costs are expected to be \$48,000 and will be funded from a combination of tuition and Facilities and Administrative (F&A) cost recoveries.



The Ivy Foundation Translational Research Building was previously approved as a 110,000 gross square foot, \$93.3 million project, to be funded from \$58.3 million debt and a \$35.0 million gift from the Ivy Foundation. Construction was expected to begin in the current year. The vision for the facility has changed, along with the funding model. The facility is now expected to cost \$120.0 million, requiring a \$26.7 million supplement. The University will now request state general funds of \$78.0 million for the facility, relieving the need for \$58.3 million in institutional debt. It is expected that the Ivy Foundation gift will grow in value by \$7 million, providing a total of \$42 million for the project. This project is fully dependent upon the availability of state funds for initiation. Operating and maintenance funding - estimated at \$3.1 million when the facility opens - will be funded from a combination of tuition and Facilities and Administrative (F&A) cost recoveries.

*Ivy Stacks Retrofit* *State GF \$6.7M - \$7.5M*  
 [Originally approved at October 2008 meeting.]

*North Chiller Plant Replacement - Phase I* *State GF \$26.9M - \$28.7M*  
*Debt \$26.9M - \$28.7M*  
*\$53.8M - \$57.3M*

This project replaces four aging chillers and accompanying systems with four new chillers and related support systems to provide chilled water to the University Health System, including the School of Medicine and the Medical Center. The project will also construct a 20,000 gross square foot building to accommodate 8,000 tons of chilled water generation systems and components. This project is dependent upon the availability of state funds and assumes an allocation of debt related to the Medical Center. The debt service will be repaid from hospital operating revenues. Incremental operating and maintenance needs are not expected.

*Miller Center, Phase III* *Private \$28.0M - \$30.0M*

This project will expand the Miller Center of Public Affairs to provide new space to house the Virginia Presidential Library, faculty and staff offices, and a conference facility for meetings and classroom purposes. Renovation and restructuring will also provide a more accessible and effective use of the existing space, especially on the ground floor. This project is fully dependent upon a successful fundraising campaign to initiate construction. When the facility opens, annual operations and maintenance costs are expected to be \$577,000, to be funded from a \$11.5 million endowment to be raised.

*Drama Building Addition -  
New Thrust Theater*

*Private \$14.0M - \$15.0M*

This project will construct a 300-seat thrust theater east of and perpendicular to the existing building. This project is fully dependent upon a successful fundraising campaign to initiate construction. When the facility opens, annual operations and maintenance costs are expected to be \$462,000, equivalent to an \$11.6 million endowment, and will need to be funded from incremental tuition if the endowment is not raised.

*Growth Scenario, Adds:*

*Bayly Building Expansion*

*Private \$26.0M - \$27.5M*

This project supplements the renovation project approved by the Board of Visitors in October 2008, bringing the total project to \$28.0 million - \$30.0 million. This project will include either a new wing or a new building to enhance the University Art Museum's presence. This project is fully dependent upon a successful fundraising campaign to initiate construction. When the facility opens, annual operations and maintenance costs are expected to be \$538,000, equivalent to a \$10.8 million endowment, and will need to be funded from incremental tuition if the endowment is not raised.

*Fiske Kimball Fine Arts Library  
Renovation*

*State GF \$10.0M - \$15.0M*

This project will renew existing space to support faculty and student study and collaborative work, create varied seating and flexible experimental space for an advanced technology infrastructure and to provide space for digitizing portions of the collection. This project is fully dependent upon the availability of state funds for initiation. Incremental operating and maintenance needs are not expected following the rehabilitation.

*Millmont Collaborative Conservation  
and Objects Study Center*

*Private \$6.7M - \$7.0M*

This project will construct a conservation facility that will also serve as a center for objects-based scholarship, and programming, a collaborative effort of the University Library, the University of Virginia Art Museum, and the Office of the Architect. This project is fully dependent upon a successful fundraising campaign to initiate construction. When the facility opens, annual operations and maintenance costs are expected to be \$310,000, equivalent to a \$7.1 million endowment, and will need to be funded from incremental tuition if the endowment is not raised.

<i>Rotunda Renovations, Phases I and II</i>	<i>State GF</i>	<i>\$40.3M</i>
	<i>Reserves</i>	<i>\$ 1.8M</i>
	<i>Private</i>	<i>\$ 8.2M</i>
		<i><u>\$50.3M</u></i>

Phases 1 and 2 of the Rotunda Renovation will address work which threatens the integrity of the building envelope and the building's ability to serve its current program, as well as some associated cosmetic issues, and will complete repairs to the building envelope to ensure its long term preservation. This project is dependent upon the availability of state funds and the success of fundraising for initiation. Incremental operating and maintenance needs are not expected following the rehabilitation.

<i>Alderman and Clemons Library</i>	<i>State GF</i>	<i>\$ 7.0M - \$ 8.2M</i>
<i>Chillers Replacement</i>	<i>Debt</i>	<i>\$ 5.0M - \$ 5.8M</i>
		<i><u>\$12.0M - \$14.0M</u></i>

This project will provide reliable and adequate chiller capacity to serve existing development (including Newcomb Hall, the Alderman, Clemons, and Special Collections Libraries, and other nearby facilities) by replacing three chillers nearing the end of their useful life. The project also will provide additional chiller capacity, mechanical space, and cooling towers to serve the future facilities. This project is dependent upon the availability of state funds and assumes an allocation of debt related to the auxiliary facilities in Newcomb Hall. The debt service will be repaid from auxiliary revenues. Incremental operating and maintenance needs are not expected.

<i>North Grounds Boiler and Chiller</i>	<i>State GF</i>	<i>\$13.1M - \$15.2M</i>
<i>Plant Replacement</i>	<i>Debt</i>	<i>\$ 5.9M - \$ 6.8M</i>
		<i><u>\$19.0M - \$22.0M</u></i>

The project will replace two existing boilers and two chillers as well as their associated auxiliaries at the North Grounds Mechanical Plant. This plant provides central heating and cooling to the Law School and the Judge Advocate General's (JAG) School. This project is dependent upon the availability of state funds and assumes an allocation of debt related to the JAG School's portion. The debt service will be repaid from rent paid to the University by the JAG School. Incremental operating and maintenance needs are not expected.

<i>Gilmer Hall/Chemistry Building</i>	<i>State GF</i>	<i>\$1.5M - \$1.8M</i>
<i>Renovation - Planning</i>		

This project initiates a planning phase to design and document selected renewal of Gilmer Hall and the Chemistry Building and Addition. Approval for the construction phase of the project

will be sought from the Board of Visitors before proceeding. This project is fully dependent upon the availability of state funds for initiation.

*Indoor Practice Air Supported Structure* *Private* \$4.0M - \$5.0M

This project will construct an indoor practice area for the Athletic Department's field sports to use for practice during inclement weather. This project is fully dependent upon a successful campaign to raise gifts to construct the facility. When the facility opens, annual operations and maintenance costs are expected to be \$150,000, to be funded from a \$3 million endowment to be raised.

*North Grounds to Old Ivy Road Duct Bank* *Debt* \$4.0M - 4.6M

This project would construct a 6-way electrical duct bank to serve the new ITC Data Center, Printing & Copying Services, Fontana Food, Ivy Stacks, Davenport Field and future anticipated development at the Miller Center and University owned property east of Fontana Food Services. Power will be provided from the existing North Grounds Substation and tied in near the intersection of Leonard Sandridge Road and Massie Road. Facilities Management requests the use of debt to construct the project, with repayment to come from utility charges. Any incremental operations and maintenance costs will be funded from tuition funds.

*2010-2012 Maintenance Reserve* *State GF* \$2.0M

This project is for the repair and replacement of plant, property, and equipment to maintain or extend the useful life of the University's Academic Division Educational & General (E&G) facilities.

MEDICAL CENTER

New Projects Proposed for the Near Term (through Fiscal Year 2012)

<i>Clinical Cancer Education Building</i>	<i>Private</i>	<i>\$3.8M - \$4.4M</i>
	<i>Cash</i>	<u><i>\$2.0M - \$2.0M</i></u>
		<i>\$5.8M - \$6.4M</i>

This project will construct an outpatient pharmacy (1,000 gross square feet), an education/conference/community function area (5,320 gross square feet), and a public lobby and corridor space (1,280 gross square feet) connecting the Health System East Parking Garage and the Emily Couric Clinical Cancer Center. This project is dependent upon a successful campaign to raise

gifts to construct the facility. Operating and maintenance costs will be funded from hospital operating revenues.

<i>W. Main St. Development, Private</i>	<i>\$ 37.0M - \$38.0M</i>	
<i>Including Children's Hospital</i>	<i>Debt</i>	<i>\$ 96.0M - \$99.0M</i>
	<i>Cash</i>	<i>\$ 4.4M - \$ 4.6M</i>
		<i>\$137.4M - \$141.6M</i>

The University of Virginia Foundation will construct a new building of approximately 150,000 gross square feet to be transferred to the University. The facility will replace the existing outpatient surgery center, consolidate Children's outpatient services, and provide retail space as agreed upon with the City of Charlottesville. The Medical Center will request debt and will need to raise gifts. Debt service and operating and maintenance costs will be funded from hospital operating revenues.

*Primary Care Center Annex - Medical Office Building*

The project is a building consisting of 12,000 - 15,000 gross square feet of open office space with a minimal number of private offices. This scope is an addition to the already approved Hospital Bed Remodeling project. Funding for the building is included in the larger project's budget. Operating and maintenance costs will be funded from hospital operating revenues.

<i>Deferred Maintenance Ten-Year Plan</i>	<i>Cash</i>	<i>\$100.0M</i>
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This project is for the repair and replacement of plant, property, and equipment to maintain or extend the useful life of the University's Medical Center facilities.

THE UNIVERSITY OF VIRGINIA'S COLLEGE AT WISE

New Projects Proposed for the Near Term (through Fiscal Year 2012)

Alternate Scenario:

<i>New Library - Planning</i>	<i>State GF</i>	<i>\$3.5M - \$3.5M</i>
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This item would provide planning for a new library at the College at Wise. This project is dependent upon the availability of state funds.

<i>2010-2012 Maintenance Reserve</i>	<i>State GF</i>	<i>\$0.77M</i>
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This project is for the repair and replacement of plant, property, and equipment to maintain or extend the useful life of the College's facilities.

Standard Scenario, Adds:

*New Library - Construction* State GF \$40.5M - \$56.5M

This project would provide collection, reference, work, and study space in a new facility to accommodate the anticipated continued growth at the College. The existing library has a significant lack of student study areas, which barely met the required guidelines of the College's last accreditation and will most likely miss the required allocation of space with the next review. This project is dependent upon the availability of state funds; incremental operating and maintenance needs would need to be funded from state funds and tuition.

Growth Scenario, Adds:

*Alternative Energy Feasibility Study* State GF \$2.0M

This feasibility project would determine whether a campus wind farm could reasonably be established to power the campus power grid, aiding the environment at large and offering unique learning opportunities for students. This project is dependent upon the availability of state funds.

*Campus Telecommunications Infrastructure* State GF \$5.7M - \$6.3M

This project would replace the current in-ground network and enable the College to integrate Voice Over Internet Protocol (VOIP) phone service, providing a reliable and sound telecommunications infrastructure. This project is dependent upon the availability of state funds; incremental operating and maintenance needs are not expected.

*Dam Improvements* State GF \$1.1M - \$1.2M

This project would provide the required safety modifications to the dams located in the western part of campus, adjacent to the planned site of the Multi-Purpose Center. This project is dependent upon the availability of state funds; incremental operating and maintenance needs are not expected.

*Proscenium Theater - Planning* State GF \$1.9M

This project would establish program guidelines and initial designs for a proscenium theatre. This project is dependent upon the availability of state funds.

*2010-2012 Maintenance Reserve* State GF \$0.13M

This project is for the repair and replacement of plant, property, and equipment to maintain or extend the useful life of the College's facilities.

ACTION REQUIRED: Approval by the Finance Committee and by the Board of Visitors

APPROVAL OF FINANCIAL PLANS FOR NEW CAPITAL PROJECTS PROPOSED FOR ADDITION TO THE MAJOR CAPITAL PROJECTS PROGRAM, TO COMMENCE BY FISCAL YEAR 2012

WHEREAS, the new projects to be added to the Major Capital Projects Program in the Near Term, Growth Scenario are ambitious and may not be realized on the schedule proposed in light of the current economic climate; and

WHEREAS, the Executive Vice President and Chief Operating Officer will confirm that appropriate funding is in place before any project commences construction;

RESOLVED, the financial plans for the new capital outlay projects expected to begin by 2012 in the Major Capital Projects Program are complete, and therefore are approved.

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: February 5, 2009

COMMITTEE: Finance

AGENDA ITEM: I.C. Intent to Issue Tax-Exempt Debt

BACKGROUND: Under federal tax regulations, the Board of Visitors must pass an intent-to-issue resolution prior to the University issuing tax-exempt debt to reimburse itself for certain qualified expenditures.

This resolution will also allow the University to provide short-term financing for the projects through the University's commercial paper program, where appropriate. Short-term financing may be provided for capital projects only after a project's business plan, including documentation of the project's fiscal soundness, has been approved by senior management.

This resolution does not authorize the University to issue long-term debt. Prior to the University issuing long-term debt, the Board of Visitors will be asked to approve a separate issuance resolution.

DISCUSSION: The University is presenting the capital projects listed below for the Board of Visitors' consideration under this intent-to-issue resolution. Approval of the intent-to-issue for each project listed is contingent upon Board of Visitors approval of the related project.

Project	Requested Intent to Issue Authorization	Total of Requested and Previous Intent to Issue Authorizations
<b>ACADEMIC DIVISION:</b>		
North Grounds to Old Ivy Road Duct Bank	\$4,600,000	\$4,600,000
Alderman and Clemons Library Chillers Replacement	\$5,824,000	\$5,824,000
North Chiller Plant Chillers Replacement	\$28,670,000	\$28,670,000
North Grounds Boiler and Chiller Plant Replacement	\$6,776,000	\$6,776,000
Alderman Road - Phase 2/Bldg. 2	\$27,574,545	\$27,574,545
Alderman Road - Phase 3/Bldgs. 3 and 4	\$63,627,592	\$63,627,592
Law School Slaughter Hall Renovation	\$8,000,000	\$8,000,000
Law School Repair and Renovation Program	\$20,000,000	\$20,000,000
Newcomb Hall Repair and Renovation	\$13,700,000	\$13,700,000
<b>MEDICAL CENTER</b>		
W. Main St. Development, including Children's Hospital	\$99,000,000	\$99,000,000
North Ridge Development Project (project approved by the Finance Committee in October 2008)	\$3,230,000	\$3,230,000

**ACTION REQUIRED: Approval by the Finance Committee and by the Board of Visitors**

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

North Grounds to Old Ivy Road Duct Bank  
Alderman and Clemons Library Chillers Replacement  
North Chiller Plant Chillers Replacement  
North Grounds Boiler and Chiller Plant Replacement  
Alderman Road - Phase 2/Building 2  
Alderman Road - Phase 3/Buildings 3 and 4  
Law School Slaughter Hall Renovation  
Law School Repair and Renovation Program  
Newcomb Hall Repair and Renovation

MEDICAL CENTER

W. Main St. Development, including Children's Hospital  
North Ridge Development Project

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 Board of Visitors of 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

North Grounds to Old Ivy Road Duct Bank = \$4,600,000  
Alderman and Clemons Library Chillers Replacement = \$5,824,000  
North Chiller Plant Chillers Replacement = \$28,670,000  
North Grounds Boiler and Chiller Plant Replacement = \$6,776,000  
Alderman Road - Phase 2/Building 2 = \$27,574,545  
Alderman Road - Phase 3/Buildings 3 and 4 = \$63,627,592  
Law School Slaughter Hall Renovation = \$8,000,000  
Law School Repair and Renovation Program = \$20,000,000  
Newcomb Hall Repair and Renovation = \$13,700,000

MEDICAL CENTER

W. Main St. Development, including Children's Hospital =  
\$99,000,000  
North Ridge Development Project = \$3,230,000; and,

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

RESOLVED FURTHER, 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.

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: February 5, 2009

COMMITTEE: Finance

AGENDA ITEM: I.D. Project Budget Review, Moser Radiation  
Therapy Center Addition

BACKGROUND: In accordance with the policy adopted by the Board of Visitors in October 2004, all capital project budget increases in excess of ten percent require the approval of the Finance and Buildings and Grounds Committees.

DISCUSSION: The Moser Radiation Therapy Center Addition was approved by the Board of Visitors on February 7, 2008 at \$2,507,000 to add 1,500 gross square feet for a second linear accelerator and 1,500 gross square feet for additional support space to the Center located on Ivy Road. The University requests a \$500,000 increase in the budget, bringing the total budget to \$3,007,000, in order to accommodate a 625 gross square foot increase in the size of the addition. This change would enable the Medical Center to increase the area of the radiation oncology vault to accommodate the use of a larger standard size Linear Accelerator and to increase the height to provide clearance for a future Proton Therapy Unit. The increase will also reconfigure the support space to accommodate existing property setbacks from the railroad. The budget increase will be funded from hospital operating revenues.

ACTION REQUIRED: Approval by the Buildings and Grounds Committee, the Finance Committee, and the Board of Visitors

APPROVAL OF PROJECT BUDGET INCREASE, MOSER RADIATION THERAPY CENTER ADDITION

WHEREAS, the Buildings & Grounds Committee approved this project budget and scope increase at its December 11, 2008, meeting;

RESOLVED, the addition of 625 gross square feet to the current 3,000 gross square foot project scope and the budget increase of \$500,000, bringing the total budget for the Moser Radiation Therapy Center Addition to \$3,007,000, is approved.

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: February 5, 2009

COMMITTEE: Finance Committee

AGENDA ITEM: I.E. Signatory Authority for Medical Center  
Procurement

Spinal Implant Devices

BACKGROUND: The Board of Visitors is required to approve the execution of any contract where the amount per year is in excess of \$5 million.

DISCUSSION: The University of Virginia Medical Center desires to contract with a vendor for the provision of spinal implants and related products and services at an estimated total cost of \$45 million over five years. The Medical Center is using a competitive procurement process to select the vendor.

ACTION REQUIRED: Approval by the Finance Committee and by the Board of Visitors

APPROVAL OF SIGNATORY AUTHORITY FOR MEDICAL CENTER PROCUREMENT  
OF SPINAL IMPLANTS AND RELATED PRODUCTS AND SERVICES

WHEREAS, at its December 4, 2008, meeting, the Medical Center Operating Board approved the delegation of authority to the Executive Vice President and Chief Operating Officer of the University to execute a contract for spinal implants and related products and services;

RESOLVED, the Board of Visitors authorizes the Executive Vice President and Chief Operating Officer of the University to execute a contract for spinal implants and related products and services, based upon the recommendation of the Vice President and Chief Executive Officer of the Medical Center in accordance with Medical Center procurement policy.

Health Care Information Management System  
(Electronic Medical Record)

BACKGROUND: The Board of Visitors is required to approve the execution of any contract where the amount per year is in excess of \$5 million.

DISCUSSION: The University of Virginia Medical Center desires to contract with a vendor for the provision of a health care information management system that will include an electronic medical record for all inpatient and outpatient clinical care provided by the Medical Center. The Medical Center is using a competitive procurement process to select the vendor.

ACTION REQUIRED: Approval by the Medical Center Operating Board, the Finance Committee and the Board of Visitors

APPROVAL OF SIGNATORY AUTHORITY FOR MEDICAL CENTER PROCUREMENT OF HEALTH CARE INFORMATION MANAGEMENT SYSTEM (ELECTRONIC MEDICAL RECORD)

WHEREAS, the Medical Center Operating Board finds it to be in the best interest of the University of Virginia and its Medical Center for the Medical Center to acquire a health care information management system that will include an electronic medical record for all inpatient and outpatient clinical care provided by the Medical Center;

RESOLVED, the Board of Visitors authorizes the Executive Vice President and Chief Operating Officer of the University, with the concurrence of the Chairs of the Medical Center Operating Board and the Finance Committee, to execute one or more contracts for the procurement of a health care information management system that will include an electronic medical record, along with the associated implementation and integration services, for the University of Virginia Medical Center, based on the recommendation of the Vice President and Chief Executive Officer of the Medical Center and in accordance with Medical Center procurement policy.

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: February 5, 2009

COMMITTEE: Finance

AGENDA ITEM: II.A. Impact of the Economic Downturn on University Operations

ACTION REQUIRED: None

Impact of the Economic Downturn on University Operations

Liquidity

We have been able to maintain sufficient short-term operating liquidity. Over the past year, we have moved our short-term cash equivalents to 80 percent repurchase agreements and treasury/agency securities. Several years ago, we invested cash balances that we expected to hold indefinitely in the UVIMCO long-term pool. We have experienced declines in the value of these funds consistent with those experienced in the endowment.

Debt

Approximately 27 percent of the Rector and Visitors' total debt is variable rate (\$229 million out of a total of \$861 million in debt). The remarketing of our variable rate bonds occurs each week on schedule. Our variable rate bonds remarketed on February 3, 2009 at 0.15 percent. During one week (September 30, 2008) the remarketing rate reached a high of 7.7 percent. We have had no trouble issuing our commercial paper. We issued commercial paper on January 19, 2009 with a June 2009 maturity at 0.4 percent. The University's AAA-bond rating has helped us during this period.

State Revenues

Governor Kaine's proposed 2009-2010 budget calls for a general fund reduction of eight percent or \$12.4 million. This is on top of the seven percent cut (\$10.6 million) made in the current year, for a total 2009-2010 cut of 15 percent. This equates to 6.2 percent of the total educational and general budget when tuition revenue is combined with the tax appropriation. Most schools and departments will see 6.2

percent in actual budget reductions. We cannot rule out the possibility that the General Assembly will make additional adjustments to the 2009-2010 budget.

The Governor placed no restrictions on tuition and fee increases.

The Governor eliminated the state match in the Eminent Scholars program. If accepted by the General Assembly, 2009-2010 will be the first year since the inception of the program in the 1960s that the state provides no matching funds. This represents a reduction of approximately \$2.8 million for the University in addition to the \$23 million described above.

Two capital projects will be delayed: New Cabell Hall renovation and Ruffner Hall renovation. These delays reflect concerns about the state's debt capacity. They do not reflect adversely on the projects' merits or the long-term likelihood of approval. We believe these delays will have minimal impact on the timeline for initiating the two projects. We have suggested ways to the General Assembly to allow both projects to move forward.

There will be no salary increases funded in 2009-2010, making two fiscal years in which there are no general salary increases. The Equipment Trust Fund remains at approximately \$10 million in the Governor's proposed budget, and Maintenance Reserve funding remains at nearly \$7.5 million in 2009-2010 (\$15 million for the biennium).

The Governor's budget includes proposals to limit the cost of Medicaid, which could reduce Medical Center revenues by as much as \$3.3 million in Fiscal Year 2010.

The University of Virginia's College at Wise also will incur a 15 percent budget cut for 2009-2010. Combined with permanent reductions they have already received, this brings their total budget reduction for this biennium to approximately \$3.3 million.

Appendix A summarizes the budget amendments, approved by the Board of Visitors in October 2008, that the University submitted to the Governor, along with the Governor's actions in the Budget Bill presented in December 2008.

On January 16, 2009, operating and capital budget amendments were submitted on behalf of the University to the

General Assembly (see Appendix B). The Board of Visitors' October 2008 approval of the budget amendment submission to the Governor also authorized the resubmission to the General Assembly of any requests not addressed in the Governor's Budget Bill. All but two of the amendments in Appendix B - the two that are starred - were previously approved by the Board of Visitors. The two new amendments are for the reinstatement of state's match of the Eminent Scholars Program and a request for incremental undergraduate financial aid.

### Endowment

The value of investments in the University Investment Management Company (UVIMCO) long-term pool, which includes the Rector and Visitors' investments and most of the related foundation endowment funds, are down approximately 26 percent for the period July through December 2008. The pool's market value declined from \$5.1 billion at June 30 to \$4.7 billion at September 30, to \$3.9 billion as of December 31. These numbers reflect complete mark-to-market, including all private equity and venture funds.

We have ample liquidity. UVIMCO has \$600 million in cash and Treasury bonds, and almost \$2 billion in other funds invested in liquid securities. Over the next three years UVIMCO expects to send approximately \$1.2 billion to private managers to meet capital calls and receive approximately \$700 million in distributions from private managers. We will have no trouble meeting this approximately \$500 million in net draws from private managers. Thereafter, distributions from private managers should exceed calls by approximately \$200 million per year.

In times like this, it is important to recall that we are a long-term investor, and to remember the endowment's performance over the last two decades, even with the significant downturns of recent months. As of December 31, our multi-year returns were: 3-year = 1.2 percent; 5-year = 6.2 percent; 10-year = 10.5 percent; 20-year = 12.0 percent. The S&P 500 returned -8.4 percent, -2.2 percent and -1.4 percent for the most recent 3-, 5-, and 10-year periods, respectively.

The Rector and Visitors increased the payout from the endowment in each of last two years. We are targeting 5 percent of the June 2008 value as the distribution for the current (2008-2009) year, and we plan to make that distribution. We are monitoring the situation carefully as we prepare our

recommendation to the Board for the distribution in 2009-2010. Current policy precludes us from distributing more than six percent of market value; the target is five percent. While we will make prudent distributions in the context of market conditions, we are aware that the endowment performance has produced gains over recent years well in excess of what has been distributed. In times like this we look to the endowment to stabilize and reinforce the University.

#### Capital Campaign and Sponsored Research

We are monitoring the impact of the economic downturn on both the Capital Campaign and awards for research from federal and private sponsors. We anticipate an impact on these revenue streams as a result of the economy, and we are taking that into consideration in our planning.

#### Sales and Services

Revenue streams that depend on sales and services have dropped as patrons have cut their spending. Event ticket sales are down in football and basketball, theatrical performances, and concerts at the John Paul Jones Arena. We are taking extraordinary steps to reduce operating costs and cut spending.

#### Patient Revenues

The Medical Center has seen decline in admissions that appears to be related to patients choosing to defer elective care. This is a national trend.

#### Other Comments

##### Employment

In prior periods of economic distress, we have managed to avoid layoffs. To reduce the likelihood of future layoffs and to continue to protect our workforce, we are leaving vacant positions open, reducing our numbers through attrition, and looking for ways to consolidate the work of units where appropriate. In some cases, we will be asking staff to take on different and expanded duties. We have taken opportunities to remind our employees of our track record of protecting the jobs of our faculty and staff in tough times.

### Student Financial Aid

It is too early to assess the long-term impact of the economic downturn on the need for student financial aid. We have not seen mid-year requests from parents and students. We have seen an increase in the cost to students of educational loans. Interest rates remain low, but students are facing less favorable terms, higher loan initiation fees charged by lenders, and in many cases student borrowers must have a credit-worthy co-signer. We expect the number of our students eligible for need-based financial aid to increase over the next year or two. This increase will be evident in the cost of Access UVa in the 2009-2010 budget.

### "Budget Impact" Web Site

We have created a web site ([www.virginia.edu/budgetimpact](http://www.virginia.edu/budgetimpact)) to communicate with our employees, alumni, friends and constituents in an open and transparent manner.

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: February 5, 2009

COMMITTEE: Finance

AGENDA ITEM: II.B. Preliminary 2009-2010 Assumptions on  
the Operating Budget

ACTION REQUIRED: None

Preliminary 2009-2010 Budget Assumptions

BACKGROUND: Each year at this time, we develop preliminary budget assumptions that will be used to formulate the target budget for the subsequent fiscal year.

DISCUSSION: The following budget assumptions will be used in the development of the 2009-2010 budget, which will be presented to the Board of Visitors for action in June:

1. The 2009-2010 state appropriation will reflect any budget changes as approved by the Governor and the 2009 General Assembly, including the permanent budget reduction of \$10.6 million assessed in fall 2008. Initially targets will be reduced by the \$12.5 million additional reduction included in the Governor's budget. The impact of these actions on the Academic Division's state appropriation will be reflected in the budget presented to the Board of Visitors in June. Any partial year amounts are annualized, and the targets are adjusted accordingly.
2. Tuition revenues will reflect rates approved by the Board of Visitors at the April meeting.
3. The 2009-2010 state budget will reflect the following:
  - Full funding will be provided for the projected cost of Access UVa. Resources available to meet non-mandatory institutional priorities will be very limited.
  - Vice presidents may reallocate existing funding and positions among units within their areas of responsibility.

- Budget targets will be adjusted to reflect changes in the fringe benefit rates for 2009-2010.
  - Reserves will be budgeted to fund any classified and faculty salary increases for the 2009-2010 fiscal year that may be approved by the 2009 General Assembly session. No salary increases are anticipated at this time.
  - Base budgets for non-personnel costs will not be increased for inflation.
  - Recoveries and transfer budgets will be adjusted as needed.
  - The Darden School and Law School financial self-sufficiency models will continue.
4. Distributions from the endowment will be budgeted based upon the 2009-2010 rate approved by the Board of Visitors in the spring. Related expenditures are based on historical spending patterns and will emphasize institutional and school priorities.
  5. Revenue and related expenditures from private gifts and other sales and services are budgeted based upon historical spending patterns and emphasize institutional and school priorities.
  6. Revenue and related expenditures from sponsored programs are budgeted based on historical spending patterns, sponsored program awards, and expected indirect cost recoveries.
  7. Revenue and related expenditures from auxiliaries are budgeted based on fees approved by the Board of Visitors in April (housing, dining and mandatory student fees) and anticipated activity.

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: February 5, 2009

COMMITTEE: Finance

AGENDA ITEM: II.C. 2009-2010 Tuition Outlook

ACTION REQUIRED: None

Preliminary 2009-2010 Tuition Outlook

The Governor's budget and General Assembly actions generally set the criteria and framework for the establishment of tuition and fees. Board of Visitors policy and response to institutional requirements determine the specific tuition structure within the state-proscribed framework. Since academic year 2006-2007, the University's tuition rates have been set at levels consistent with the rates proposed in the Six Year Financial Plans approved by the Board of Visitors and submitted to the Commonwealth in October 2005 and October 2007.

The most recently submitted Six Year Plan (October 2007) projected tuition increases of 7.7 percent for undergraduate in-state students and 5.5 percent for undergraduate out-of-state students. However, this plan was developed assuming that the state would continue to increase the University's budget for operating and maintenance funding, base budget adequacy, and financial aid. Given the state's economic situation, we know this is not a fair assumption. Looking to 2009-2010, we already know of nearly \$25 million in unavoidable costs for healthcare, utilities, operations and maintenance costs for new facilities, establishing a support organization of the new Student Information System, Access UVa, and others. These cost increases will more than consume all the incremental revenues that would be generated from the projected tuition increases in the Six Year Plan, without offsetting any of the known state budget reductions. Prior to the April Finance Committee meeting, staff will be in touch with Finance Committee members to discuss option that are available.

Impact of the New Student System on  
Tuition and Fee Pricing Structure

Early in the Student System Project, we began to consider changes to the current tuition and fee structure that would be

consistent with University priorities and compatible with how PeopleSoft is designed to function with minimal modification. After review, the University's administration has discussed several changes to the current structure.

The April proposal will incorporate several structural changes as described below.

*Undergraduate Tuition:* In order to help standardize the undergraduate tuition rates across different programs we believe a per credit hour charge with a flat rate for students taking in excess of a given number of credit hours is desired. This type of charging structure is common at most universities and is the type of structure accommodated by the new student system software.

*Graduate Tuition:* During a graduate student's time at the University she/he might be enrolled in course credits, research credits, or a combination of both. Our objective will be to ensure that each student pays an appropriate rate for the credits in which she/he is enrolled.

*Other Tuition:* The new tuition structure will align the charging model used for University students who enroll in the School of Continuing and Professional Studies credit-bearing courses with other on grounds tuition charges.

*Mandatory Fees:* In order to ensure consistent access to University activities, we will make a recommendation regarding the assessment of the full mandatory fee to all on-Grounds students. (In the past, a partial fee was assessed to full-time students who were enrolled in less than four class credit hours but whose research hours brought them to full-time enrollment.)

In summary, any proposed tuition and fee structure will:

- Acknowledge the academic demands associated with class credits and directed research credits;
- Reduce the complexity of tuition calculations; and,
- Utilize delivered functionality in PeopleSoft.

The University of Virginia's College at Wise tuition and fee structure will remain fundamentally unchanged.

UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: February 5, 2009

COMMITTEE: Finance

AGENDA ITEM: II.D. Enterprise Risk Management

ACTION REQUIRED: None

BACKGROUND: As reported at the June 2008 meeting, the University engaged KPMG to conduct an initial assessment of the current framework for assessing and managing the strategic and high-level operational risks. This initial assessment includes the Academic Division, but excludes patient care and the University's College at Wise.

There are two phases to the Enterprise Risk Management (ERM) project. Phase I is to explore the feasibility and desirability of developing a framework to link the existing risk programs; e.g., through the use of common policies, risk evaluation processes, vocabulary, and reporting. Phase II consists of a pilot to identify and manage strategic and high-level operational risks that the University may not be addressing systematically.

DISCUSSION:

To date, the University and KPMG have:

1. Developed project briefing materials to support the project team's data gathering efforts including an engagement briefing document, an interview guide, and risk rating criteria to be used in assessing the relative weights (impact and probability) of risks identified during the interview process discussed in item (4) below.
2. Phase I:
  - a. Obtained a high-level understanding of the University's current risk management programs (i.e. information technology security, risk management, emergency preparedness, ARMICS, compliance) and offered preliminary recommendations for developing an umbrella framework for these programs, including common

policies, risk evaluation, processes, vocabulary, and reporting. Senior management of the University currently is reviewing and validating these recommendations.

- b. Conducted interviews with the program owners for risk management programs currently in place to determine whether there were any high-level strategic risks that have been considered for their areas and assess the feasibility of developing an ERM umbrella framework.
3. Phase II: Conducted interviews with selected University staff to begin developing the University's portfolio of top risks. KPMG is working with University staff to assess the likelihood of occurrence and magnitude of impact of the risks identified during the interview process. These discussions included consideration of risks associated with recommendations of the University's Commission of the Future of the University. KPMG is developing a draft report.

The Vice President and Chief Financial Officer will present an interim report on Phase I of the ERM initiative (framework for existing risk management programs) at this meeting. The final report covering Phase II of the project will be presented at a future Finance Committee meeting.

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**MISCELLANEOUS FINANCIAL REPORTS**  
**Finance Committee**  
**University of Virginia**

**February 5, 2009**

UNIVERSITY OF VIRGINIA ACADEMIC DIVISION

FINANCIAL REPORT

ACCOUNTS AND LOANS RECEIVABLE AS OF SEPTEMBER 30, 2008

Summary of Accounts Receivable:

The University's Academic Division's total accounts receivable at September 30, 2008 was \$32,543,000 as compared to \$17,454,000 at June 30, 2008. The major sources of receivables at September 30, 2008 were student accounts of \$16,328,000 and other sponsored programs of \$10,123,000.

The past due receivables over 120 days old were \$1,570,000 as of September 30, 2008 or 4.82 percent of total receivables which is below the Commonwealth's management standard of ten percent.

	<u>Student Accounts</u>	<u>Sponsored Programs</u>	<u>Other Receivables</u>	<u>Total</u>
Gross Accounts Receivable	\$ 16,328,000	\$ 10,123,000	\$ 6,092,000	\$ 32,543,000
Less: Allowance for Doubtful Accounts	67,000	557,000	83,000	707,000
Net Accounts Receivable	<u>\$ 16,261,000</u>	<u>\$ 9,566,000</u>	<u>\$ 6,009,000</u>	<u>\$ 31,836,000</u>
Accounts Receivable Greater than 120 Days Past Due	<u>\$ 148,000</u>	<u>\$ 1,236,000</u>	<u>\$ 186,000</u>	<u>\$ 1,570,000</u>

SOURCE: Financial Administration  
DATE: November 5, 2008

UNIVERSITY OF VIRGINIA ACADEMIC DIVISION

FINANCIAL REPORT

ACCOUNTS AND LOANS RECEIVABLE AS OF SEPTEMBER 30, 2008

Summary of Loans Receivable:

The default rate for the Perkins Student Loan Program was 0.85 percent for the quarter ending September 30, 2008. This is based on the cohort default calculation and is well below the 15 percent threshold set by federal regulations. The Health Professions Loan Program default rate remained the same at zero percent. The Nursing Undergraduate Student Loan Program default rate remained at 2.34 percent. Both medical loan programs are well below the five percent federal threshold. The University Loan Program default rate increased by 0.66 percent to 3.78 percent for the quarter.

	<u>Gross Loans Receivable</u>	<u>Current Default Rate</u>	<u>Inc./ (Dec) From Last Quarter</u>
Perkins Student Loans	\$ 18,146,000	0.85%	(6.84%)
Health Professions Loans	20,000	0.00%	0.00%
Undergraduate Nursing Loans	1,211,000	2.34%	0.00%
University Loans	<u>12,166,000</u>	3.78%	0.66%
Total Student Loan Outstanding	<u>\$ 31,543,000</u>		

SOURCE: Financial Administration  
DATE: November 5, 2008

## MEDICAL CENTER FINANCIAL REPORT

The Medical Center prepares a periodic financial report, including write-offs of bad debt and indigent care, and reviews it with the Executive Vice President and Chief Operating Officer of the University before submitting the report to the Medical Center Operating Board. In addition, the Medical Center provides an update of significant operations of the Medical Center - the Operations Report - which have occurred since the last Medical Center Operating Board meeting.

### FINANCE REPORT

The inpatient volume in the first five months of Fiscal Year 2009 has been unusual in that admissions are 6.2 percent below budget but patient days are only .2 percent below budget. The length of stay has exceeded budget by 6.7 percent. Those volumes impact the results of operations as follows:

- The major determinant of net revenue is admissions, so net revenue is below budget.
- The major determinant of available capacity is unfilled beds. Since length of stay is up, we continue to have a lack of capacity at peak times.
- The major determinant of variable expenses is patient days. Since patient days are only .2 percent below budget, it is difficult to match expenses with revenues, which are determined by admissions.

Those themes have affected the results of operations for the first five months of Fiscal Year 2009. A more detailed discussion follows.

For the first five months of Fiscal Year 2009, the operating margin for the consolidated Medical Center was below budget. At the end of November, the operating margin was 3.7 percent while the goal was 4.5 percent. Total operating revenue was below budget by 3.5 percent while total operating expenses were below budget by 2.7 percent.

Inpatient admissions were 6.2 percent below budget. The average length of stay was 6.19 days, which is .39 days above the budget. As a result, the hospital has been full, creating a lack of bed capacity at peak times. Admissions of adult patients were 5.8 percent below budget and 3.9 percent below prior year. Cardiology admissions during the first five months decreased by 27.9 percent as compared to the first five months

of Fiscal Year 2008. Orthopedic admissions decreased by 9.5 percent as more cases are being handled on an outpatient basis. Pediatric admissions were 14.8 percent below budget and have declined by 9.4 percent from the prior year. Psychiatric admissions are 9.7 percent higher than expected, but 4.3 percent below last year's volumes. At the end of November 2008, the Medical Center had 591 staffed inpatient beds in operation, compared to 579 beds in operation at the same time last year.

Net patient service revenue for the first five months of Fiscal Year 2009 was 3.4 percent below budget, primarily because of the admissions shortfall. Partially offsetting the decrease in admissions was the higher than expected Medicare case mix index. The case mix index for Medicare acute inpatients was 1.9579, which was above the 1.9400 budget and the 1.9544 level in the prior year.

Total operating expenses through November were 2.7 percent below the \$408.3 million budget. With the exception of medical supplies, which were 0.9 percent above budget, all expense categories were below budget. Total labor expenses (including salaries and wages, fringe benefits and contract labor) were 0.9 percent below budget. Medical Center contracts, pharmaceuticals, other supplies, purchased services, depreciation, interest and bad debt expense were all below budget. On a volume adjusted basis, the cost per case mix index and outpatient adjusted discharge was 1.8 percent above budget, while the cost per case mix index and outpatient adjusted patient day was 4.2 percent below budget.

Full time equivalent employees were 28 below budget and 113 greater than the prior year. Contract labor FTEs were 26 above budget but 38 below the prior year. FTEs and salary, wage and benefit cost per FTE were:

	<u>FY 2008</u>	<u>FY 2009</u>	<u>2009 Budget</u>
FTEs	6,048	6,162	6,190
Salary, Wage and Benefit Cost per FTE	\$66,002	\$67,897	\$68,758
Contract Labor FTEs	284	246	220
Total FTEs	6,332	6,408	6,410

**UNIVERSITY OF VIRGINIA  
INTERNAL LOANS TO UNIVERSITY DEPARTMENTS AND ACTIVITIES  
As of September 30, 2008**

<b>PURPOSE</b>	<b>DATE OF LOAN</b>	<b>INTEREST RATE <sup>2</sup></b>	<b>ORIGINAL LOAN AMOUNT</b>	<b>PRINCIPAL PAYMENTS MADE TO DATE</b>	<b>OUTSTANDING PRINCIPAL</b>	<b>APPROXIMATE FINAL PAYMENT</b>
Astronomy Large Binocular Telescope	02/06/06	4.75%	\$ 400,000	\$ 331,787	\$ 68,213	January 2009
Cocke Hall	06/30/06	4.75%	1,941,787	820,004	1,121,783	June 2011
ITC ISIS Software	06/30/06	4.75%	1,575,000	900,854	674,146	July 2010
National Radio Astronomy Observatory Piping	09/01/06	6.25%	706,833	269,066	437,767	August 2011
Varsity Hall	06/30/07	4.75%	1,517,726	420,624	1,097,102	March 2012
Wilsdorf Hall	11/01/06	4.75%	3,311,328	531,863	2,779,465	November 2011
Wise Football Facility	10/01/07	4.75%	629,171	70,079	559,092	October 2022
<b>Total Internal Loans Subject to \$15M Limit Established by BOV <sup>1</sup></b>			<b>\$ 10,081,845</b>	<b>\$ 3,344,277</b>	<b>\$ 6,737,568</b>	

- NOTE: 1. Per January 1990 Board of Visitors resolution establishing the internal loan pool at \$10 million and per April 2003 Board of Visitors resolution approving the expansion of the internal loan pool from \$10 million to \$15 million. All internal loans are subject to the approval of the Executive Vice President and Chief Operating Officer.
2. The University's blended borrowing rate for tax exempt financing is 4.75 percent. A taxable rate of 6.25 percent was charged for the National Radio Astronomy Observatory Piping project.

**SOURCE: Financial Administration  
DATE: November 7, 2008**

University of Virginia  
Capital Campaign Summary  
As Of 11/30/08

All Units

	Expendable	Endowment	Total
Gifts and Pledge Payments	704,011,434	308,066,122	1,012,077,556
Outstanding Pledge Balances	196,037,140	118,898,678	314,935,818
Deferred Gifts	84,857,673	23,034,639	107,892,312
Private Grants	122,394,896	0	122,394,896
Gifts in Kind	64,060,257	935,722	64,995,979
<b>Gift and Pledge Total</b>	<b>1,171,361,400</b>	<b>450,935,161</b>	<b>1,622,296,561</b>
Future Support	145,866,453	42,883,203	188,749,656
<b>Campaign Total</b>	<b>1,317,227,853</b>	<b>493,818,364</b>	<b>1,811,046,217</b>
Additional Amounts To Be Raised (1)	200,588,600	1,177,114,839	1,377,703,439
<b>Total</b>	<b>1,371,950,000</b>	<b>1,628,050,000</b>	<b>3,000,000,000</b>

Rector & Visitors Gift Accounts Only

	Expendable	Endowment	Total
Gifts and Pledge Payments	260,461,792	174,516,320	434,978,112
Outstanding Pledge Balances	43,382,675	60,047,075	103,429,750
Deferred Gifts	54,734,603	8,736,167	63,470,770
Private Grants	0	0	0
Gifts in Kind	26,911,800	7,771	26,919,571
<b>Gift and Pledge Total</b>	<b>385,490,870</b>	<b>243,307,333</b>	<b>628,798,203</b>
Future Support	101,319,057	3,592,539	104,911,596
<b>Campaign Total</b>	<b>486,809,927</b>	<b>246,899,872</b>	<b>733,709,799</b>
Additional Amounts To Be Raised	TBD	TBD	TBD
<b>Total</b>	<b>486,809,927</b>	<b>246,899,872</b>	<b>733,709,799</b>

Rector & Visitors Unrestricted Giving

Gifts and Pledge Payments	3,291,948	0	3,291,948
Outstanding Pledge Balances	314,586	0	314,586
<b>Total</b>	<b>3,606,534</b>	<b>0</b>	<b>3,606,534</b>

(1) Excludes future or revocable support

Source: Office of Development and Public Affairs  
Date: December 18, 2008

UNIVERSITY OF VIRGINIA  
QUASI-ENDOWMENT ACTIONS

July 1, 2008 to September 30, 2008

The quasi-endowment actions listed below were approved by either (1) the Executive Vice President and Chief Operating Officer, under the following Board of Visitors' resolutions, or (2) the Vice President and Chief Financial Officer, under the delegation of authority from the Executive Vice President and Chief Operating Officer:

In October 1990 and June 1996 the Board of Visitors approved resolutions delegating to the Executive Vice President and Chief Operating Officer the authority to approve quasi-endowment actions, including establishments and divestments of less than \$2,000,000, with regular reports on such actions.

In February 2006, the Board of Visitors approved a resolution permitting approval of quasi-endowment transactions, regardless of dollar amount, in cases in which it is determined to be necessary as part of the assessment of the business plan for capital projects. Additionally, to the extent that the central loan program has balances, they may be invested in the long term investment pool managed by UVIMCO or in other investment vehicles as permitted by law.

**Additions from Gifts**

**Amount**

Flowerdew Hundred Quasi-Endowment*	\$ 100,000.00
McIntire School of Commerce Bequest Gifts Quasi-Endowment	4,467.22
McIntire School of Commerce Operations Fund	1,746,049.00
President's Fund for Excellence Unrestricted Quasi-Endowment	30,438.26
University Quasi-Endowment Fund (1)	56,414.78
Whitener, Ellen Quasi-Endowment Fund	<u>500.00</u>
Total Additions from Gifts to Quasi-Endowments	<u>\$ 1,937,869.26</u>

**Additions from Endowment Income (Capitalizations)**

Dean's Discretionary Research Fund for Infectious Disease	\$ 16,404.72
School of Medicine Fund for the Future Quasi-Endowment	<u>411,997.89</u>
Total Additions from Endowment Income to Quasi-Endowments	<u>\$ 428,402.61</u>

**Divestments**

McIntire School of Commerce Operations Fund	\$ <u>908,617.83</u>
Total Divestments from Quasi-Endowments	\$ <u>908,617.83</u>

**NOTES:**

\*Quasi-endowment newly established or originally funded since July 1, 2008.

- (1) Includes current unrestricted gifts to the University which, under a standing Board of Visitors resolution, are required to be added to the University's Unrestricted Endowment Fund.

SOURCE: Financial Administration  
DATE: November 7, 2008

## QUARTERLY BUDGET REPORT

As of September 30, 2008

This report compares the actual results for the sources and uses of funds to the Academic Division annual budget (excluding the Medical Center and the University of Virginia's College at Wise). At the fiscal year end of the first quarter of 2008-09, 40.3 percent of the budgeted sources were collected and 29.6 percent of the budgeted uses were expended.

The operating budget is developed using differing rules and conventions from the audited financial statements, which are developed in accordance with generally accepted accounting principles (GAAP). In some cases, similar descriptions are used in both reports even though the precise definitions and the specific amounts are not identical. However, both sets of figures are accurate for their particular purposes, and both are drawn from the University's financial applications. Outlined below are several of the differing conventions used in the operating budget and the actual results presented on the accompanying statement:

- The operating budget is prepared on a cash basis.
- The operating budget presents tuition and fees as gross income and the full amount of student aid as an expense.
- In the operating budget, depreciation is not funded and non-capital outlay purchases are recognized as expensed rather than spread over the useful life of the purchase. Debt service, major repair or renovation expenditures occur within the capital outlay accounts - and off the operating budget.
- The Federal Family Education Loan Program is excluded from the operating budget.
- Sources of funds are shown net of transfers to capital reserves/projects in the operating budget.
- Fringe benefit expenditures are included in the operating budget using pooled benefit rates.
- The operating budget recognizes recoveries of indirect costs only upon distribution of those revenues, and not when billed to granting agencies.

A definition of terms is included to explain the categories for the sources and uses of funds.

SOURCE: University Budget Office

DATE: January 12, 2009

**University of Virginia Academic Division**  
**2008-09 Operating Budget Report**  
**As of September 30, 2008**

(in thousands)

	2008-09 Original Budget	9/30/2008 Actual Results	Variance	9/30/2008 Results Percentage
<b>Sources of Available Funds, net of transfers to capital reserves</b>				
Tuition & Fees for Operating Plan	\$356,538	\$163,404	\$193,134	45.8%
State General Fund Appropriation for Operating Plan	167,056	154,104	12,952	92.2%
Sponsored Research for Operating Plan	294,300	83,902	210,398	28.5%
Endowment Distribution	131,959	1,502	130,457	1.1%
Net Gifts Available for Operating Plan	101,688	17,415	84,273	17.1%
Sales, Investment & Other	34,412	9,858	24,554	28.6%
Net Auxiliary Enterprises for Operating Plan	154,496	70,088	84,408	45.4%
<b>Total Sources of Available Funds</b>	<b>1,240,449</b>	<b>500,273</b>	<b>740,176</b>	<b>40.3%</b>
<b>Uses of Available Funds</b>				
Direct Instruction	\$315,633	\$64,729	\$250,904	20.5%
Research and Public Service	292,013	92,795	199,218	31.8%
Library, Information Tech., & Academic Administration	126,811	38,634	88,177	30.5%
Student Services	27,814	8,748	19,066	31.5%
General Administration	78,195	22,616	55,579	28.9%
Operation & Maintenance of Physical Plant	80,072	29,147	50,925	36.4%
Scholarships, Fellowships, & Other Graduate Support	125,213	52,627	72,586	42.0%
Athletics	43,205	13,127	30,078	30.4%
Bookstore	31,420	15,265	16,155	48.6%
Housing and Conference Services	20,949	6,115	14,834	29.2%
Other Auxiliary Operations	58,360	15,717	42,643	26.9%
<b>Total Operating Expenses</b>	<b>1,199,685</b>	<b>359,520</b>	<b>840,165</b>	<b>30.0%</b>
<b>Total Operating Reserves and Temporary Allocations</b>	<b>24,804</b>	<b>3,512</b>	<b>21,292</b>	<b>14.2%</b>
<b>Total Uses of Available Funds</b>	<b>1,224,489</b>	<b>363,032</b>	<b>861,457</b>	<b>29.6%</b>
<b>Net Sources and Uses of Operating Funds</b>	<b>\$15,960</b>	<b>\$137,241</b>	<b>(\$121,281)</b>	

## DEFINITION OF TERMS

*Sponsored Research* -- primarily research projects, but also includes activities restricted to institutional and service programs.

*Auxiliary Enterprises* -- those activities which are supported entirely through fees charged to users, such as housing, athletics, dining services, the telephone system and the bookstore.

*Instruction* -- expenditures for the primary mission of the University, which includes teaching faculty, support staff, instructional equipment, and related routine operating costs.

*Research* -- includes expenditures for activities such as support for research faculty and sponsored research. Activities include the Center for Public Service, the State Climatologist, and the Center for Liberal Arts.

*Public Service* -- includes activities such as the Miller Center of Public Affairs, the Virginia Foundation for the Humanities, and that portion of the medical school's clinical physicians' salaries and fringe benefits related to patient care.

*Library, Information Technology and Academic Administration* - - encompasses the libraries, the activities of the deans of the schools, and other related expenditures.

*Student Services* -- activities whose primary purpose is to contribute to the students' emotional and physical well-being and to their intellectual, cultural, and social development outside the classroom.

*General Administration* -- includes the financial, administrative, logistical, and development activities of the University.

*Operation and Maintenance of Physical Plant* -- includes expenditures for activities related to the operation and maintenance of the physical plant, net of amounts charged to auxiliary enterprises and the Medical Center.

**Endowment/Long Term Investments for UVA and Related Foundations**  
**September 30, 2008**  
**Unaudited**  
**(in thousands)**

	Rector and Visitors Funds	Related Foundation Funds Invested by UVIMCO	Alumni Associatio n Funds Invested by UVIMCO	related Foundation Funds Invested by Direction of Foundation	Total
The University of Virginia Medical School and related foundations	\$ 707,785	\$ 33,521	\$ 6,448	\$ 192	\$ 747,946
The College of Arts and Sciences and related foundations	302,890	35,161	9,961	1,539	349,551
Darden School and related foundation	106,025	214,051	-	5,391	325,467
The University of Virginia Law School and related foundation	41,721	177,646	-	84,624	303,991
The McIntire School of Commerce and related foundation	76,572	-	24,551	473	101,596
School of Engineering and related foundation	74,146	261	3,009	2,406	79,822
Graduate School of Arts and Sciences	44,824	-	-	-	44,824
University of Virginia's College at Wise and related foundation	37,947	3,254	1,919	6,137	49,257
School of Nursing	34,816	-	1,461	-	36,277
Curry School of Education and related foundation	12,081	8,106	-	10,817	31,004
School of Architecture and related foundation	15,713	-	380	520	16,613
School of Continuing and Professional Studies	70	-	46	-	116
University of Virginia Medical Center and related foundations	292,286	50,097	4,069	18,575 **	365,027
Centrally Managed University Scholarships	141,885	-	-	-	141,885
Provost	132,828	-	-	-	132,828
Athletics and related foundation	37,572	56,220	350	676	94,818
University of Virginia Foundation and related entities	-	62,119	-	150	62,269
Miller Center and related foundation	50,786	7,039	-	1,187	59,012
Alumni Association	-	-	45,612	10,698	56,310
Alumni Board of Trustees	-	47,910	-	7	47,917
University Libraries	45,027	-	43	-	45,070
University - Unrestricted but designated	294,230	-	-	-	294,230
University - Unrestricted Quasi and True Endowment	175,749	-	-	-	175,749
University - Unrestricted Other	143,415	-	-	-	143,415
All Other	181,109	8,498	224,390 *	-	413,997
	<u>\$ 2,949,477</u>	<u>\$ 703,883</u>	<u>\$ 322,239</u>	<u>\$ 143,392</u>	<u>\$ 4,118,991</u>

\*Includes funds on deposit for other areas/schools not individually listed.

\*\*Excludes approximately \$28.6 million of board designated pension funds.

## **APPENDICES**

APPENDIX A

UNIVERSITY OF VIRGINIA - ACADEMIC DIVISION  
 OCTOBER 2008 BUDGET REQUESTS TO THE GOVERNOR AND HIS ACTIONS  
 (in 000s)

	2008-2009				2009-2010			
	10/2008 Request		Governor's Budget		Request		Governor's Budget	
	GF	NGF	GF	NGF	GF	NGF	GF	NGF
<b>Operating</b>								
Health Insurance Premium Increases	\$ -	\$ -	\$ -	\$ -	\$ 1,132	\$ 1,756	\$ 1,132	\$ 1,756
Operations and Maintenance, New Facilities	-	-	-	-	3,615	8,917	-	-
E&G Budget Reduction	-	-	-	-	-	-	(12,462)	-
Undergraduate Financial Aid	-	-	-	-	-	-	-	-
Subtotal Operating	-	-	-	-	4,747	10,673	( 11,330)	1,756
<b>Capital</b>								
New Cabell Hall Renovation	76,120	-	-	-				
Ruffner Hall Renovation	23,750	-	-	-				
South Lawn Furniture	716	-	716	-				
Subtotal Capital	100,586	-	716	-				
<b>Total</b>	<b>\$100,586</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,747</b>	<b>\$ 10,673</b>	<b>(\$11,330)</b>	<b>\$ 1,756</b>

UNIVERSITY OF VIRGINIA'S COLLEGE AT WISE  
 OCTOBER 2008 BUDGET REQUESTS TO THE GOVERNOR AND HIS ACTIONS  
 (in 000s)

	2008-2009				2009-2010			
	10/2008 Request		Governor's Budget		10/2008 Request		Governor's Budget	
	GF	NGF	GF	NGF	GF	NGF	GF	NGF
<b>Operating</b>								
Operations and Maintenance, New Facilities	\$ -	\$ -	\$ -	\$ -	\$ 267	\$ 185	\$ -	\$ -
E&G Budget Reduction	-	-	-	-	-	-	(1,523)	-
Undergraduate Financial Aid	-	-	-	-	-	-	19	-
Subtotal Operating	-	-	-	-	267	185	(1,504)	-
<b>Capital</b>								
Drama Building Furniture	735	-	735	-				
Subtotal Capital	735	-	735	-				
<b>Total</b>	\$ 735	\$ -	\$ 735	\$ -	\$ 267	\$ 185	(\$1,504)	\$ -

APPENDIX B

UNIVERSITY OF VIRGINIA - ACADEMIC DIVISION  
 JANUARY 2009 AMENDMENTS TO THE GENERAL ASSEMBLY  
 (in 000s)

	2008-2009		2009-2010	
	<u>GF</u>	<u>NGF</u>	<u>GF</u>	<u>NGF</u>
<b>Operating</b>				
Operations and Maintenance, New Facilities	\$ 1,513	\$ -	\$ 3,615	\$8,917
Restoration of Eminent Scholars Match (to SCHEV)*	-	-	2,816	-
Undergraduate Financial Aid*	-	-	691	-
<b>Subtotal Operating</b>	<b>1,513</b>	<b>-</b>	<b>7,122</b>	<b>8,917</b>
<b>Capital</b>				
New Cabell Hall Renovation	76,120	-		
Ruffner Hall Renovation	1,600	-		
<b>Subtotal Capital</b>	<b>77,720</b>	<b>-</b>		
<b>Total</b>	<b>\$79,233</b>	<b>\$ -</b>	<b>\$ 7,122</b>	<b>\$ 8,917</b>

Patrons: Senator Quayle, Delegate Tata

\* Amendments not approved by the General Assembly in October 2008.

UNIVERSITY OF VIRGINIA'S COLLEGE AT WISE  
 JANUARY 2009 AMENDMENTS TO THE GENERAL ASSEMBLY  
 (in 000s)

	2008-2009		2009-2010	
	<u>GF</u>	<u>NGF</u>	<u>GF</u>	<u>NGF</u>
Operating				
Operations and Maintenance, New Facilities	\$ -	\$ -	\$ 452	\$ -
Subtotal Operating	-	-	452	-
Capital				
New Library, Planning	3,500	-	-	-
Subtotal Capital	3,500	-	-	-
<b>TOTAL</b>	<b>\$3,500</b>	<b>\$ -</b>	<b>\$ 452</b>	<b>\$ -</b>

Patrons: Senator Wampler, Delegate Kilgore, Delegate Phillips