MEMORANDUM

TO: The External Affairs Committee:

John L. Nau III, Chair
Frank B. Atkinson
A. Macdonald Caputo
Hunter E. Craig
Allison Cryor DiNardo
Marvin W. Gilliam Jr.
Victoria D. Harker
Bobbie G. Kilberg
Stephen P. Long, M.D.
Helen E. Dragas, Ex Officio
Robert S. Kemp, Consulting Member
Jeffrey C. Walker, Consulting Member

and

The Remaining Members of the Board:

The Hon. Alan A. Diamonstein Timothy B. Robertson
Randal J. Kirk Linwood H. Rose
Vincent J. Mastracco Jr. Hillary A. Hurd
George Keith Martin William H. Goodwin Jr.
Edward D. Miller, M.D. Leonard W. Sandridge Jr.

FROM: Susan G. Harris

RE: Minutes of the Meeting of the External Affairs Committee on Friday, October 19, 2012

The External Affairs Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 2:00 p.m., Friday, October 19, 2012, in the Board Room of the Rotunda; John L. Nau III, Chair, presided.

Present were Frank B. Atkinson, A. Macdonald Caputo (via teleconference), Hunter E. Craig, Ms. Allison Cryor DiNardo, Marvin W. Gilliam Jr., Ms. Victoria D. Harker, Ms. Bobbie G. Kilberg, and Ms. Helen E. Dragas, Rector.
Robert S. Kemp and Jeffrey C. Walker, consulting members, were present as well.

Present also were Linwood H. Rose, Leonard W. Sandridge Jr, and Ms. Hillary A. Hurd.

Also present were Ms. Teresa A. Sullivan, John D. Simon, Patrick D. Hogan, Ms. Susan G. Harris, Paul J. Forch, Ms. Susan A. Carkeek, Ms. Patricia M. Lampkin, Ms. Colette Sheehy, Robert D. Sweeney, Ms. Alison E. Traub, C. Thomas Faulders III, Ms. Nancy A. Rivers, McGregor McCance, and Ms. Debra D. Rinker.

John Campbell, Suraj Mishra, Ms. Christine Nardi, Ms. Virginia Moore, and Bo Swindell were in attendance as presenters.

The Chair opened the meeting by thanking everyone for attending. Mr. Nau said he will continue to try to have interim committee meetings in order to allow for in-depth discussions of issues between Board meetings. He said the next philanthropic steps the University should be taking include two critical areas of need: faculty support, and the restoration of Jefferson’s Academical Village.

Report on Jefferson’s Academical Village Restoration Project

Mr. Nau introduced David Neuman, Architect for the University, to present issues and opportunities for Jefferson’s Academical Village restoration. Mr. Neuman said phase one of the Rotunda restoration, which is on track to be finished this spring, includes resurfacing and repairing the roof and repairing the outside drum. Masonry work and repair to windows will take place early next year. Phases two through four will include work to the interior, infrastructure, and landscape.

Mr. Neuman used the condition of the bricks and mortar as an example of the work they do to maintain the historic buildings. Many buildings have suffered because of previous use of portland cement mortar. Portland cement is stronger than the brick, causing the brick to fracture as weather and temperatures change. The first step in repairing these structures is to apply poultices in order to extract salt from the existing mortar.

Other issues include the need for roof replacement, installation of appropriate infrastructure, and renovation to the interior and exterior of many buildings. For fire protection, firefighting lines, hydrants, and standpipes were installed in all alleys this summer to create ease of access to water connections.

Mr. Neuman said the colonnades are in poor condition. The colonnades are made of brick and have a hollow interior. Because of the paint on the brick, the columns trap moisture that comes in through the top of the column. This causes the brick to become damp and soft. The colonnades are 200 years old and a number of them may not survive much longer without extensive repair work. Mr. Neuman
Mr. Neuman said repairs have been made to the Lawn and Range room fireplaces, and renovations have been completed on Pavilion X. Restoration to the roof, railings, and chimneys between Pavilions VII and IX is complete. It was during this work that the deterioration of the Lawn fireplaces was found.

Mr. Neuman highlighted various improvements, including the new stone walls in place along McCormick Road for improved drainage around the West Range, and some of the pavilion alleys have been improved.

In response to a question, Mr. Neuman said the projected total cost of these projects is around $200 million. Some funds will be used to create an endowment. The work is estimated to take somewhere between five and seven years of carefully phased work.

Report on Faculty Recruitment, Development, and Compensation

Mr. Nau introduced Provost John Simon to report on faculty recruitment, development, and compensation. Mr. Simon’s statement is reproduced verbatim:

Thank you for the opportunity to update you on issues related to the faculty at the University. Yesterday at the meeting of the Council of Foundations, the President presented details of a faculty salary plan to address the fact compensation lags behind our peers and affects our ability to retain and recruit excellent faculty.

I would like to talk more generally about faculty needs and in doing so would like to stress that we have different types of needs, which one can think of as different financial buckets we will need to identify and use strategically. Some of our needs are immediate (one-time expenses, start-up expenses, faculty retention costs, accelerated hiring of faculty linked to a position that will be vacated by retirement in the next few years). Others, for example, changes in base salary, are on-going and need financial models that enable them to be sustainable. For these, endowment is the best long term solution, but it takes time to grow endowment, so having funds on hand to bridge from the present to the time new endowments achieve desired levels to enable sustainable support must be part of our fiscal planning and strategy.

I will focus in a few minutes on two of the short-term one-time issues, and give you some estimates of our needs in order to remain competitive in these specific critical areas. While I say one-time, these costs arise every year, have great variability, and so budgeting accurately for them is a challenge.
But first, I will talk about the demographics of our faculty and the large turnover we anticipate experiencing between now and 2020.

There are many different types of appointment in Medicine, and "tenure, tenure-track" has different meaning among basic and clinical scientists. So I would like to exclude Medicine from this brief report and come back with the Dean of Medicine at a later date if the committee would like to discuss faculty hiring and retention in medicine. If we exclude Medicine, there are about 1000 tenure and tenure track faculty at the University.

If we model the retirement age to be 68, and if there are no departures of current tenure and tenure track faculty for any other reasons, about 350 faculty would retire, or 35%. If we use a retirement age of 75, then this number reduces to about 160, or 16%. What these numbers tell me is that we will need to make a large number of faculty hires in the next 5-7 years. We need to do this with the recognition that many of our peer institutions face similar challenges. Remember, this does not take into account any other loss of faculty (departure for another job, lack of achieving tenure – which is currently about 10 lines per year in the College) and does not include the effects of enrollment growth on faculty expansion. As are growing the undergraduate population, we must simultaneously manage faculty growth and faculty turnover.

The challenges are not even across the schools. Batten is likely to have no retirements in this period, McIntire could be as low as 10%, the College, SEAS, Curry, and Nursing, which educate most of our undergraduates, could be close to 40%. This is a tremendous challenge, and opportunity. Over 7 years, we need to hire about 6% of the faculty per year in these schools just to stay even. If you consider enrollment growth and departures for personal and other reasons, the percentage is larger.

It is important to point out that our two highly ranked professional schools, Darden and Law, also face serious faculty turnover, and these schools operate in a competitive market, almost exclusively with private institutions, which have deeper pockets and more aggressive resourcing strategies. If we once again take the retirement age to be 68, Darden and Law will each replace about 34% of their faculty in this period.

This year I have authorized 57 searches in these schools. If all searches are successful, this would represent a 6% of the total. (In 2011-2012 our yield on offers was about 70%.) Over the next 7 years, who we hire will define this institution. We need to do it well and
attract the best, offer competitive compensation, assure we have outstanding facilities for teaching and research, provide opportunities for our faculty to grow in their careers, participate in the forefront of education and scholarship, and enable them to work globally.

My overview assumes no departures but faculty retention issues (faculty who receive offers to move to a peer institution) are increasing and I would like to give you some data related to our challenges.

Retention. Let’s focus on the College, which also routinely competes with private peers for faculty. Three academic years, 09-10, 10-11, 11-12. Sum over those years 56 cases (10% of the faculty), 28 retained out of 39 counter offers (72%), 17 left without retention (either not interested or we were not interested in retaining). Cost $800,000 in base pay; compensation adjustment per retention was about $28,000. The problem in growing. Trend of number of retention cases these three years, 10, 19, 27. Salary costs to the base in each year, $123,000, $239,000, $435,000. There are also one-time costs associated with retentions – postdocs, graduate students, discretionary research accounts etc., which runs about $300,000/year in the College.

Over the past two years, SEAS has retained 11/13 faculty who had external offers. Cost $100,000 in base salary adjustment, $370,000 in one time costs.

So in these two schools alone – retention is running a total cost of about $1 million/year. I want to underscore the rising trend of costs and the cumulative effect of base increases over time. A&S has added nearly $1 million in BASE faculty compensation over the past three years. After the current year, we will be at $1.5 million BASE. That’s roughly the equivalent of 15 new, added faculty lines. In addition, retention packages are an inefficient strategy for allocating salary adjustments. We likely end paying more for faculty than had we maintained a competitive salary review and raise cycle.

Let’s focus for a minute on STEM faculty, especially in the College and Engineering School. Having a vibrant and outstanding STEM faculty is important in order for the University to education the next generation and deliver on the objectives of Top Jobs 21. But to hire the “best”. We need to be able to provide them the support to equip their laboratory, which is commonly called “start-up” funding. This is an expensive one-time funding need, and can run upwards $1 million for a junior hire, and several million for a senior hire.
The College anticipates 85 searches in sciences (currently 178 FTEs). This will re-invent science at UVA. Estimated startup needs for this cohort $61 million. They have identified $45 million from their own resources, there is at least a gap of $16 million in one-time start-up costs, the magnitude of which depends on the timing of start-up expenses as well.

SEAS anticipates about 70 searches, with a total estimated start up costs of $47 million. Currently, SEAS has identified sources for $19 million of these start-up funds.

So in the College and Engineering, we estimate a need to identify about $44 million in one-time startup costs over the next 7 years.

We must offer start-up resources that are competitive with research packages being offered by our peers. The competitiveness of start-up packages is critically important among faculty candidates with multiple offers—it sends them a message about the level of commitment to research they can expect here.

So if I look over the next 7 academic years (through 2020), in this simple analysis, we will likely need to spend, on average, a minimum of $1 million in retention and $7 million in start-up costs per year in these two schools alone. I stress that this is an estimate of the average, the demographics suggests that some years could be significantly more expensive than others.

The University’s identity is driven by the quality of our faculty, and we must be able to attract and retain faculty of the highest caliber, creating an environment to assure their strongest contributions across the teaching, research and service dimensions. As I have presented here, the University of Virginia faces an amazing challenge and opportunity. Over the next decade, approximately half of the faculty will likely retire. The University of Virginia must seize this opportunity to hire the next generation of thought leaders who will bolster the University’s reputation as a premier institution – with a liberal arts college at its center and core, embedded in an array of outstanding professional schools. Recruitment and retention should be based on the unique vision and strategies developed by the academic leadership, and it should be coordinated across our schools in order to build communities of excellence that can surpass outcomes typically associated with individual units and departments.

I thank you for the opportunity to speak today.
In response to a question, Mr. Simon explained the needs for immediate funds and funds to create an endowment to offset this goal moving forward. There was also discussion about the importance of communicating scale and need in fundraising efforts.

In response to a question, Mr. Simon said strategic planning is important in mapping out the hiring of junior, mid-level, and senior faculty over the next decade.

The Class of 2013 Trustees

Mr. Nau introduced Suraj Mishra, Ms. Virginia Moore, and Bo Swindell to present on the Class of 2013 Trustees program.

Suraj Mishra, Vice President of the Class of 2013 Trustees, said the mission of Trustees is to foster a sense of loyalty and responsibility in students towards the University, the Alumni Association, and one another during their fourth year and beyond. This is done through recruiting a diverse student body of trustees, planning and implementing educational, social, and philanthropic class activities, providing career services, and planning final exercises. The Trustees have advisors at both the Alumni Association and the Office of the Dean of Students, which is indicative of how the organization helps to transition current students into active alumni. Mr. Mishra explained that to serve as a Trustee individuals make a five year commitment after graduation. Trustees are expected to help plan the first five young alumni reunions.

Virginia Moore and Bo Swindell explained that another aspect of Trustees is the Fourth-Year Class Giving Campaign. This is a campaign to motivate, inspire, and educate the fourth year class about the importance of giving back to the University as fourth years and in the future. It is a two-fold campaign with one part education and the other part engagement, as students are asked to give their first gift. Mr. Swindell explained Trustees work with development officers in all undergraduate schools, highlighting work in the Engineering School with a competition between majors. Ms. Moore emphasized the importance of peer to peer networking using the Trustee membership to reach a large percentage of the fourth year class. Last year, through the Class Giving Campaign, the fourth year class had a participation rate of 64 percent and raised over $500,000.

The Center for Nonprofit Excellence

Mr. Nau introduced Ms. Christine Nardi, Executive Director of the Center for Nonprofit Excellence (CNE). Ms. Nardi explained that CNE is dedicated to helping area nonprofits be more efficient, more effective, make the best use of their donor dollars, and have the greatest impact on the community. CNE strengthens nonprofits by sharing tools and resources, providing training and professional development, and encouraging collaboration to enable a healthy, vibrant community. It serves staff, volunteers, and boards of area
nonprofits and the community seeking to understand, invest in, and engage with the sector.

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On motion, the meeting was adjourned at 3:50 p.m.

SGH:lah
These minutes have been posted to the University of Virginia Board of Visitors website.
http://www.virginia.edu/bov/externalminutes.html