MEMORANDUM

TO: The Finance Committee:
   Victoria D. Harker, Chair
   John A. Griffin, Vice Chair
   Frank B. Atkinson
   Marvin W. Gilliam Jr.
   Stephen P. Long, M.D.
   Edward D. Miller, M.D.
   Timothy B. Robertson
   Linwood H. Rose
   George Keith Martin, Ex Officio
   Daniel M. Meyers, Consulting Member
   Martin N. Davidson, Faculty Consulting Member

   and

   The Remaining Members of the Board and Senior Advisor:
   Hunter E. Craig
   Allison Cryor DiNardo
   Helen E. Dragas
   Kevin J. Fay
   Frank E. Genovese
   William H. Goodwin Jr.
   Bobbie G. Kilberg
   John L. Nau III
   Blake E. Blaze
   Leonard W. Sandridge Jr.

FROM: Susan G. Harris

SUBJECT: Minutes of the Finance Committee Meeting on November 15, 2013

The Finance Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 8:02 a.m. on Friday, November 15, 2013, in the Board Room of the Rotunda; Victoria D. Harker, Chair, presided.

Also present were Daniel Maxwell Meyers, the Consulting Member from the Council of Foundations, and Martin N. Davidson, the Faculty Consulting Member.


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Consent Agenda: Acquisition of Department of Forestry Property Located at 480 George Dean Drive, Charlottesville, Virginia

Mr. Hogan said the State Department of Forestry has a 13.37-acre parcel of land contiguous to the Fontaine Research Park that it no longer needs and wishes to transfer to the University. He said we do not have an immediate need for the property, but based on its proximity to Fontaine Research Park and other University of Virginia Foundation properties and the potential for redevelopment, the land is of strategic value to the University.

On motion, the committee approved the following resolution:

APPROVAL TO ACQUIRE 480 GEORGE DEAN DRIVE, CHARLOTTESVILLE, VIRGINIA

WHEREAS, the Board of Visitors finds it to be in the best interest of the University of Virginia to acquire that parcel or tract of land transferred to Department of Forestry from the Department of Conservation and Historic Resources in Deed Book 1040, page 341, containing approximately 13.37 acres of land, more or less, together with all improvements situated thereon, located at 480 George Dean Drive, Charlottesville, Virginia (the "Property"), on terms and conditions as authorized by the Chair of the Finance Committee of the Board of Visitors and the Executive Vice President and Chief Operating Officer of the University of Virginia;

RESOLVED, the Board of Visitors approves the acquisition of the Property on terms and conditions as authorized by the Chair of the Finance Committee of the Board of Visitors and the Executive Vice President and Chief Operating Officer of the University of Virginia; and

RESOLVED FURTHER, the Executive Vice President and Chief Operating Officer is authorized, on behalf of the University, to approve and execute purchase agreements and related documents, to incur reasonable and customary expenses, and to take such other actions as deemed necessary and appropriate to consummate such property acquisition; and

RESOLVED FURTHER, all prior acts performed by the Executive Vice President and Chief Operating Officer, and other officers and agents
of the University, in connection with such property acquisition, are in all respects approved, ratified, and confirmed.

Consent Agenda: Amendment to the Qualified Governmental Excess Benefit Arrangement Plan

Mr. Hogan said this retirement plan is used to defer taxation on retirement contributions in excess of limitations otherwise imposed by the IRS on other retirement plans. He said we only have a few employees that this amendment affects. The proposed amendment offers additional forms of distribution (other than just lump sum) by providing annuity options.

On motion, the committee approved the following resolution:

APPROVAL OF AN AMENDMENT TO THE QUALIFIED GOVERNMENTAL EXCESS BENEFIT ARRANGEMENT PLAN FOR EMPLOYEES OF THE UNIVERSITY OF VIRGINIA

RESOLVED, the Board of Visitors approves amending the Qualified Governmental Excess Benefit Arrangement Plan of the University of Virginia such that a participant may elect to receive a distribution of his/her Excess Benefit Account as either a lump sum, life annuity, joint and survivor annuity, or in equal installments over a period of five (5), ten (10), fifteen (15), or twenty (20) years.

Consent Agenda: Project Approvals: Education Resource Center and Gross Anatomy Lab Renovation

Ms. Sheehy presented two capital project financial plans for the Education Resource Center and the Gross Anatomy Lab Renovation. These projects were also approved by the Buildings & Grounds Committee.

For the Education Resource Center, the revised project approval is a result of an addition to the scope of the project for one additional story, adding 10,500 gross square feet shelled space, planned for administrative office use, with an estimated cost of $4 million. The $4 million increase takes the total project to: 45,900 GSF at a cost of $29.86 million. The $29.86 million cost will be funded by debt $25.54 million (already approved) and Medical Center Operating Cash $4.32 million (includes the increased cost of $4 million).

The Gross Anatomy Lab renovation will update gross anatomy teaching space and aligns with the School of Medicine’s preparations to teach anatomy to undergraduates. The estimated project cost is $4 - $5 million, and it will be funded with School of Medicine gifts and other cash reserves.

Wilson Hall was removed from consideration at this meeting so that administration can take more time to better understand Arts and
On motion, the committee approved the following resolution:

**APPROVAL OF REVISION TO THE UNIVERSITY’S MAJOR CAPITAL PROJECTS PROGRAM – EDUCATION RESOURCE CENTER AND GROSS ANATOMY LAB RENOVATION**

WHEREAS, the University proposes an increase of 10,500 gross square feet at an estimated cost of $4 million to the Education Resource Center, and addition of the Gross Anatomy Renovation project, to the Major Capital Projects Program;

RESOLVED, the Board of Visitors approves revising the Major Capital Projects Program to expand the scope of the Education Resource Center, bringing the total budget to $29.86 million, and to add the Gross Anatomy Lab Renovation project at an estimated cost of $4.0 - $5.0 million.

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**Medical Center Dialysis Joint Venture:**

This item was a walk-on to the Finance Committee. At its meeting on November 14, the Medical Center Operating Board approved a joint venture and recommended its approval by the Board of Visitors. This is a proposal to operate a new dialysis center in Farmville, Virginia through a Joint Venture where the stakeholders and respective ownership are UVA Health System (51%) and Centra Health (49%).

Centra Health is a three-hospital system operated out of Lynchburg. The execution of this proposal is consistent with the Medical Center’s strategic plan.

On motion, the committee approved the following resolution:

**APPROVAL FOR MEDICAL CENTER PARTICIPATION IN AN OFF-CAMPUS DIALYSIS JOINT VENTURE**

WHEREAS, the Medical Center Operating Board and the Finance Committee find it to be in the best interests of the University of Virginia and its Medical Center for the Medical Center to establish and participate in a joint venture with Centra Health, Inc. or an affiliate for dialysis services to be provided in the Farmville and Lynchburg, Virginia service areas; and

WHEREAS, Section 23-77.3 of the Code of Virginia grants authority to the Medical Center to enter into joint ventures;

RESOLVED, the University, on behalf of the Medical Center, is authorized to enter into a joint venture with Centra Health, Inc. or an affiliate for dialysis services to be provided in the Farmville and
Lynchburg, Virginia service areas, with the Medical Center’s ownership interest expected to be 51%; and

RESOLVED FURTHER, the Executive Vice President and Chief Operating Officer of the University, in consultation with the Vice President and Chief Executive Officer of the Medical Center and the Executive Vice President for Health Affairs, and with the approval of the Co-Chairs of the Medical Center Operating Board and the Chair of the Finance Committee, is authorized to negotiate the terms of such joint venture, including the execution of an operating agreement, contracts, and all other documents necessary for the creation and effectuation of the joint venture, on such terms as the Executive Vice President and Chief Operating Officer deems appropriate, and to take such other action as the Executive Vice President and Chief Operating Officer deems necessary and appropriate to consummate the foregoing.

Organizational Excellence Report

At its August Retreat, the Board of Visitors heard an overview of the implementation plan to establish a formal program of Organizational Excellence. Ms. Sarah Collie, Assistant Vice President for Organizational Excellence, provided an update on the establishment of the formal Organizational Excellence program and its related activities and achievements in three main categories: process improvements, partnerships/collaborations, and cost savings/avoidance.

2014-2015 Academic Division Budget Planning and Preliminary Assumptions

Ms. Sheehy said as we work to develop the 2014-15 operating budget for consideration by the Board of Visitors at its June 2014 meeting, the administration establishes several preliminary revenue and expenditure assumptions to provide guidance. The assumptions are:

- **Tuition:** assuming 0% undergraduate for now as the comprehensive tuition/aid strategy is being developed; tuition rates for graduate and professional schools will reflect increases in the cost of instruction and financial aid, reallocation of funds where appropriate, and consideration of market sensitivity.
- **Research Funding:** 1% decrease due to declining federal investment in research and the impact of sequestration.
- **Auxiliary Fees:** 2-2.5% increase
- **Housing and Dining Rates:** 3-4.5% increase
- **Endowment:** 4.68% of market value per approved spending policy
- **State Appropriation**: funding to support enrollment growth and any state authorized salary and benefit increases (e.g. VRS)
- **Philanthropy**: based on school and University Advancement estimates
- **Efficiency and Cost Savings** of $8-9 million
- **Financial Aid**: Funding for AccessUVa to meet 100% of need, which will be determined as part of the comprehensive undergraduate tuition and financial aid strategy in development.
- **Compensation**:
  - **Teaching & Research Faculty**: fiscal year 2014-2015 will be the second year of a four-year strategy to raise T&R faculty salaries so that the University can attain a rank of #20 in the AAU [Association of American Universities] by 2016-17. In progressing toward this goal, the total salary base for T&R faculty is projected to increase by 4.75% in July 2014.
  - **Other Faculty and University Staff**: 3.0% merit increase for University staff and Administrative & Professional faculty in 2014-15.
  - **Classified Staff**: Information about a projected classified staff salary increase in 2014-15, if any, will become available in December in the Governor’s budget proposal.
  - **Fringe benefits**: Projected to be 29.9% (up from 24.9%) for faculty and 39.5% (up from 32.1%) for staff, largely due to increases in the VRS employer contribution rate and health care premiums.

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**Treasury Report**

Mr. James Matteo, the University Treasurer, provided his annual report describing the University’s overall positions on debt and liquidity and showing how we compare to like-rated peers. In fiscal year 2013, we maintained performance and enhanced key financial strengths. Our balance sheet growth is supported by strong investment performance and superior fundraising. Our positive operating results are fueled by strong performance of the health care enterprise and growth in net tuition revenue. And, we were able to maintain liquidity levels that provide a solid cushion for potentially stressful environments.

Mr. Matteo said we remain exposed to a rapidly changing and challenging healthcare marketplace, and an uncertain federal research funding outlook.

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Report on University Workforce

Ms. Susan Carkeek, the University’s Chief Human Resources Officer, provided a brief overview of the changes to our workforce, by category, over the past year. She said the headcount in the Academic Division is down in every category, but up in the Medical Center and the College at Wise. The total employee headcount between the three agencies is down 2.5%.

Executive Vice President and Chief Operating Officer Remarks:

Mr. Hogan reported on several items: the University’s quarterly financial report for the first quarter of fiscal year 2013-2014, the Auditor of Public Accounts’ unqualified annual audit of the University, and the impact of the recent federal shutdown.

The Chair adjourned the Finance Committee meeting at 9:30 a.m.

SGH:dr
These minutes have been posted to the University of Virginia’s Board of Visitors website. http://www.virginia.edu/bov/financeminutes.html