FINANCE SUBCOMMITTEE

Friday, July 25, 2014
9:00 a.m. – 1:30 p.m.
Cirrus C Meeting Room, Hyatt Dulles Airport

Committee Members:
John A. Griffin, Chair
Frank B. Atkinson
Kevin J. Fay
Victoria D. Harker
John G. Macfarlane III
George Keith Martin, Ex-officio

AGENDA

I. INTRODUCTION AND COMMENTS FROM CHAIR 1
   • Results of Outreach on Predictability

II. REPORTS
   A. Leveraging the University’s AAA Balance Sheet 2
      (Focus on Working Capital)
   B. Role of the Endowment and Options for 3
      Consideration
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      with the Cornerstone Plan
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III. DISCUSSION AND NEXT STEPS
BOARD MEETING: July 25, 2014

COMMITTEE: Finance Subcommittee

AGENDA ITEM: I. Introduction and Comments from the Chair

ACTION REQUIRED: None

BACKGROUND: The Chair, John A. Griffin, will share the results of the outreach calls to the members of the Board of Visitors on predictability in tuition setting and financial planning.
UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: July 25, 2014

COMMITTEE: Finance Subcommittee

AGENDA ITEM: II.A. Leveraging the University’s AAA Balance Sheet (Focus on Working Capital)

ACTION REQUIRED: None

BACKGROUND: At its June 27, 2014 meeting, the Finance Subcommittee discussed a need to evaluate ways in which the University can leverage its balance sheet and AAA bond ratings. Topics for discussion include the management of the University’s operating funds, the effective use of debt capacity, and the financial flexibility afforded by the University’s AAA ratings.

DISCUSSION: Finance Subcommittee members Victoria Harker and John Macfarlane, Executive Vice President and Chief Operating Officer Pat Hogan, and Associate Vice President for Treasury Management Jim Matteo will review Treasury Management activities and management of the University’s balance sheet. The discussion will focus on cash, liquidity, debt, and short-term investment management. Opportunities to leverage the balance sheet will also be reviewed; these will include options that have been previously considered and those that are currently under consideration.
BOARD MEETING: July 25, 2014

COMMITTEE: Finance Subcommittee

AGENDA ITEM: II.B. Role of the Endowment and Options for Consideration

ACTION REQUIRED: None

BACKGROUND: At its June 27th meeting, the Finance Subcommittee discussed evaluating creative ways the endowment might help the University reach its long-term goals.

DISCUSSION: Finance Subcommittee members Victoria Harker and John Macfarlane, Executive Vice President and Chief Operating Officer Pat Hogan, UVIMCO Chief Operating Officer Kristina Alimard, and Associate Vice President for Finance Melody Bianchetto will discuss the endowment, focusing specifically on the spending policy, sensitivity analysis, policy comparisons with peer institutions, and how the endowment can be leveraged to support the core mission and Cornerstone Plan.
UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: July 25, 2014

COMMITTEE: Finance Subcommittee

AGENDA ITEM: II.C. Funding AccessUVa for the Long-Term

ACTION REQUIRED: None

BACKGROUND: At its June 27th meeting, the Finance Subcommittee discussed the need to consider creative ways to fund AccessUVa over the long term.

DISCUSSION: The University’s current level of institutional investment in grants to students with financial need is approximately $45 million per year, and is projected to increase at least 5% each year on average. The University’s Finance team is working with investment bankers, University Advancement, and UVIMCO to find sustainable financial solutions that will allow AccessUVa to continue to fully meet the demonstrated financial need of all students while minimizing or capping the investment of unrestricted resources that could be deployed to support other strategic goals.

Finance Subcommittee member Kevin Fay and Associate Vice President and Treasurer Jim Matteo will discuss possible financing alternatives. Central to a sustainable financing strategy is building an AccessUVa endowment, funded through philanthropy and other University funds, the distribution of which would eventually provide institutional grant funding sufficient to cover student financial aid packages. Messrs. Fay and Matteo will also discuss near-term funding options that will be needed to bridge the time period until the endowment and its related distribution has reached the point where it can sustain the required level of institutional investment.
BOARD MEETING: July 25, 2014

COMMITTEE: Finance Subcommittee

AGENDA ITEM: II.D. University Financial Model

ACTION REQUIRED: None

BACKGROUND: At its June 27th meeting, the Finance Subcommittee expressed the need to learn more about the University financial model, which is being implemented in the current fiscal year.

DISCUSSION: Finance Subcommittee Chair John Griffin, Executive Vice President and Chief Operating Officer Pat Hogan and Associate Vice President for Finance Melody Bianchetto, will provide an overview of the University’s transition to the University Financial Model. This financial model is a budgeting tool designed to support the University’s strategic direction by distributing responsibility and accountability for revenues and expenses. The model provides positive incentives, reduces redundancies, encourages operating efficiencies, and provides data and analysis to support a cost-knowledgeable and planning culture throughout the organization.
BACKGROUND: Established in August 2013 and part of the University’s strategic plan, the Organizational Excellence program is an enabler of institutional goals and priorities through resource alignment and optimization. The Organizational Excellence Strategy is under Pillar 5 of the Cornerstone Strategic Plan: Steward the University’s Resources to Promote Academic Excellence and Affordable Access.

At its August 2013 Retreat, the Board of Visitors heard an overview of the implementation plan to create the Organizational Excellence program. In November 2013, a program update was provided with specific examples of work either completed or underway and at the June 2014 meeting, a brief overview of Organizational Excellence accomplishments and areas of focus for 2014-2015 were shared as related to the University’s annual budget.

At its June 27th meeting, the Finance Subcommittee expressed the need to learn more about the Organizational Excellence initiative across the University.

DISCUSSION: Executive Vice President and Chief Operating Officer Pat Hogan and Assistant Vice President for Organizational Excellence Sarah Collie will provide an update on the Organizational Excellence program, structure, areas of focus, and projected benefits.
BACKGROUND: At its June 27th, 2014 meeting, the Finance Subcommittee expressed the need to learn more about the Strategic Corporate Partner program, which works across the University to create, advance, and manage its relationships with our most strategic corporate partners, a select group designated as “UVa Strategic Corporate Partners.” These pan-University relationships are mutually beneficial, strategic, and formally managed. Companies commit to participating in a major, multi-year program and designate allocations for research, training, equipment, student support, etc.

Companies operate in a dynamic environment and must respond quickly to new challenges and opportunities. Corporate objectives change and personnel get reassigned, making it difficult to sustain long-term relationships that continue to be mutually beneficial over time. A clearly articulated alliance and a central relationship manager are essential for maintaining successful strategic corporate partnerships.

Strategic corporate partners have an interest in working with more than one school at the University and at multiple levels. There are many ways a company interacts with the University: research; technology transfer; licensing; student engagement and recruiting; innovation programs; classroom projects; education and training programs (credit and non-credit); faculty consulting; philanthropy; and physical presence at the UVa Research Park.

DISCUSSION: As a strategic corporate partner to the University, companies have access to a comprehensive university that can address problems in a multi-disciplinary manner. They benefit from their affiliation with a top-ranked institution with excellence in all areas: students, faculty, facilities, curriculum, and ideas. The partnership affords companies increased visibility with students, a personally guided, streamlined path to accessing University resources, and the opportunity to engage with faculty.
Through the Strategic Corporate Partner program, the University has the opportunity to introduce high quality companies to the breadth of the institution. The program positions the University at a more strategic level than is afforded by school-based partnerships, and provides entrée to the C-level suite where decisions are made. The program broadens the scope of a corporate relationship, establishing multiple points of connectivity which are important for sustainability. The program offers the opportunity for the University to establish a more global presence.

Finance Subcommittee member John Macfarlane, Executive Vice President and Chief Operating Officer Pat Hogan and Assistant Vice President for Strategic Initiatives Pace Lochte will provide an overview of the Strategic Corporate Partners program and its governance, with examples of existing strategic pan-University partnerships, and plans for potential growth in the program over the near term.