MEMORANDUM

TO: The Finance Committee:

Victoria D. Harker, Chair
Frank B. Atkinson
Helen E. Dragas
Kevin J. Fay
John A. Griffin
John G. Macfarlane III
Jeffrey C. Walker
William H. Goodwin Jr., Ex Officio
Daniel T. Judge, Student Member
Daniel M. Meyers, Consulting Member

and

The Remaining Members of the Board:

Mark T. Bowles      Frank E. Genovese
L.D. Britt, M.D.    Bobbie G. Kilberg
Whittington W. Clement Tammy S. Murphy
Frank M. Conner III James V. Reyes
Barbara J. Fried    Joe Garofalo, Faculty Member

FROM: Susan G. Harris

SUBJECT: Minutes of the Finance Committee Meeting on
September 17, 2015

The Finance Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 4:10 p.m. on Thursday, September 17, 2015, in the Auditorium of the Albert & Shirley Small Special Collections Library of the Harrison Institute. Victoria D. Harker, Chair, presided.
Present were William H. Goodwin Jr., Frank B. Atkinson, Helen E. Dragas, Kevin J. Fay, John A Griffin, Jeffrey C. Walker, Daniel T. Judge, and Daniel M. Meyers.

Mark T. Bowles, L.D. Britt, M.D., Frank M. Conner III, Barbara J. Fried, Frank E. Genovese, Bobbie G. Kilberg, James V. Reyes, and Joe Garofalo also attended.


Presenters were Lawrence E. Kochard and Melody S. Bianchetto.

Ms. Harker opened the meeting. After brief remarks, she gave the floor to Mr. Hogan.

Consent Agenda Item: 2016-2022 State Six-Year Plan, Academic Division

On motion, the committee approved the following resolution and recommended it for full Board approval. Ms. Dragas voted against the resolution. She stated that the University is missing an opportunity to address affordability, and she does not believe that taxing one group to support another is a sustainable model.

2016-2022 STATE SIX-YEAR INSTITUTIONAL PLAN, ACADEMIC DIVISION

WHEREAS, § 23-38.87:17 of the Code of Virginia requires the governing boards of all public institutions of higher education to develop and adopt biennially an institutional six-year plan and submit that plan to the State Council of Higher Education (SCHEV), the Governor, and the Chairs of the House Committee on Appropriations and the Senate Committee on Finance; and

WHEREAS, the University submitted its preliminary plan for the Academic Division as required on July 1, outlining general strategies to advance the objectives of the Statewide Strategic Plan and the Higher Education Opportunity Act and to enhance
teaching, research, and service consistent with the strategies of the Cornerstone Plan; and

WHEREAS, final institutional plans must be approved by the Board of Visitors and submitted to SCHEV, the Governor, and the Chairs of the House Committee on Appropriations and the Senate Committee on Finance no later than October 1;

RESOLVED, the Board of Visitors approves the 2016-2022 six-year institutional plan for the Academic Division; and

RESOLVED FURTHER, the President is authorized to transmit the six-year plan to SCHEV, the Governor, and the Chairs of the House Committee on Appropriations and the Senate Committee on Finance.

**Action Item: 2016-2018 Biennial Budget Operating Amendments and Revisions to the 2016-2018 Capital Program**

Mr. Hogan asked Ms. Sheehy and Ms. Henry to review the amendments. The University’s operating amendments align with the Cornerstone Plan. At the State’s request, they do not include salary increases for faculty and staff or undergraduate financial aid; these items will be addressed by the State. The primary funding requests are for past and future in-state enrollment growth, building research capacity, and information technology needs.

The revisions to the University’s capital program are in response to a review of the program by the State, which asked for projects that support economic development and diversification. The revisions include an expanded Thornton Hall clean room project, a Center for Human Therapeutics, and Medical Research Building #4 Phase 1 Renovations.

The amendments for the College at Wise include a nuclear magnetic resonance machine needed by the chemistry department for accreditation by the American Chemical Society; enrollment growth, retention and graduation initiatives; a STEM Early College Academy; and high need degrees, federal mandates, community outreach, and undergraduate research.

On motion, the committee approved the following resolution and recommended it for full Board approval:
STATE OPERATING BUDGET AMENDMENTS FOR THE 2016-2018 BIENNium FOR
THE ACADEMIC DIVISION AND THE UNIVERSITY OF VIRGINIA’S COLLEGE
AT WISE AND REVISIONS TO THE 2016-2018 CAPITAL PROGRAM FOR THE
ACADEMIC DIVISION

WHEREAS, the proposed biennial budget requests represent
the highest priority initiatives and are aligned with the six-
year plan submitted to the Commonwealth on July 1, 2015;

RESOLVED, the Board of Visitors of the University of
Virginia approves the 2016-2018 biennial budget general fund
requests and the revisions to the 2016-2018 Capital Program; and

RESOLVED FURTHER, the Board of Visitors understands that to
the extent these initiatives are not included in the Governor’s
2016-2018 biennial budget, the University may want to pursue
similar requests to the General Assembly; and

RESOLVED FURTHER, the President or her designee is
authorized to transmit to the General Assembly any request not
funded by the Governor as long as there are no material
differences from the items already endorsed by the Board of
Visitors.

University of Virginia Investment Management Company Report on
the Long-Term Pool – Market Value and Performance as of June 30,
2015

Mr. Kochard reported that the annualized return for FY 2015
was 7.7%. Performance information from the University’s
endowment peers will not be available until later in the year,
but the University expects to be in the top quartile.

AAU Salary for Full-Time Instructional Faculty

This was a follow-up to the June meeting discussion
regarding the Board’s target of moving faculty salaries to the
20th position among the University’s peers in the Association of
American Universities (AAU). Mr. Katsouleas reported that the
University had not reached the target. In FY 2015, average
salary increases for full professors, associate professors, and
assistant professors instituted by the University ranged between
4% and 5.5%. While the AAU ranking in each category improved,
the peer ranking declined because the University hired more
junior faculty than senior faculty. Mr. Katsouleas stated that
aggressive rate increases will be needed over the next several years to move faculty salaries to the target.

During the discussion session committee members raised a number of issues and questions including reconsideration of the Board’s AAU target, which is an arbitrary goal that was set some time ago. Mr. Katsouleas responded to the questions and comments and offered a number of observations. The University shouldn’t just chase the target, but should pursue a goal of having the finest faculty. During the last 10 years, the number of tenure track faculty in the College remained flat even though there was a 30% increase in undergraduate students. During this period, the College’s non-tenure track faculty almost tripled. As a result, the University has diverted from the usual balance at top research 1 universities. The University needs to hire scholar-teachers, because it does not have the resources to hire faculty who are just teachers or just researchers. Having a long term faculty raise pool is important. Productivity is a factor in the distribution of the rate pool; merit reviews are based on teaching, research, and public service.

On motion, the committee adjourned at 5:15 p.m.

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