

June 13, 1997

MEMORANDUM

TO: The Finance Committee:

William H. Goodwin, Jr., Chair
Franklin K. Birckhead
C. Wilson McNeely, III
Elizabeth A. Twohy
Henry L. Valentine, II
Walter F. Walker
James C. Wheat, III
Hovey S. Dabney, Ex Officio

and

The Remaining Members of the Board:

John P. Ackerly, III	T. Keister Greer
Charles M. Caravati, Jr., M.D.	Elsie Goodwyn Holland
Champ Clark	Kristine L. LaLonde
William G. Crutchfield, Jr.	Terence P. Ross
Albert H. Small	

FROM: Alexander G. Gilliam, Jr.

RE: Minutes of the Meeting of the Finance Committee
on June 13, 1997

The Finance Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 10:20 a.m., Friday, June 13, 1997, in the Rotunda; William H. Goodwin Jr., presided. Franklin K. Birckhead, C. Wilson McNeely, III, Ms. Elizabeth A. Twohy, Henry L. Valentine, II, and Hovey S. Dabney, Rector, were present. Also present were John P. Ackerly, III, Charles M. Caravati, Jr., Champ Clark, William G. Crutchfield, Jr., Mrs. Elsie Goodwyn Holland, Terence P. Ross, and Ms. Kristine LaLonde; as well as John T. Casteen, III, Alexander G. Gilliam, Jr., Leonard W. Sandridge, Jr., Paul J. Forch, Ms. Colette Capone, Robert W. Cantrell, Peter W. Low, Don E. Detmer, Ms. Polley Ann McClure, Ms. Alice Handy, Peter Munger, Michael Halseth, L. Jay Lemons, and Ms. Jeanne F. Bailes.

The Chair asked Mr. Sandridge, Executive Vice President and Chief Financial Officer, to present the Agenda.

Mr. Sandridge presented the Consent Agenda. This consisted first of three policy revisions: University of Virginia Proxy Voting Policy; Policy on Refund Tuition, Fees and Room and Board Charges; and Regulations Governing Payment of Tuition, Fees and Room Rent on a Deferred Payment Plan. The Ad-Hoc Committee on Policy Revision had recommended that these three policies be referred to the Finance Committee for study and revision.

The fourth Consent Agenda item Mr. Sandridge presented was a resolution approving the proposed 1997-98 allocations from the Pratt Fund.

Mr. Sandridge recommended first that the second and third policy revisions and the Pratt Fund budget be approved by three resolutions.

The Committee approved resolutions revising the Policy on Refund Tuition, Fees and Room and Board Charges; revising the Regulations Governing Payment of Tuition, Fees and Room Rent on a Deferred Payment Plan; and the 1997-98 Budget of monies allocated from the Pratt Fund. These three resolutions were recommended to the full Board for approval (see Minutes of the meeting of the Board of Visitors, dated June 14, 1997).

As for the University of Virginia Proxy Voting Policy, Mr. Sandridge asked that it be removed from the Consent Agenda and instead be placed on the regular Agenda for discussion. He explained that Mr. Ross had suggested changes in the language of the new Policy which would add the provision: "The Investment Subcommittee is authorized to direct the Executive Vice President and Chief Financial Officer to vote a specific proxy statement in a particular manner or as a general policy."

Mr. Ross explained his reasons for suggesting the change, reasons which were endorsed by the Chair along with the proposed provision.

On motion, the Committee approved the revised University of Virginia Proxy Voting Policy, with the changes suggested by Mr. Ross, and recommended the new Policy to the full Board for approval (see Minutes of the meeting of the Board of Visitors, dated June 14, 1997).

The Chair asked Ms. Handy, University Treasurer, to report on the Endowment.

Ms. Handy told the Committee that as of May 31, the Endowment stood at \$952m, having been at \$823m at the beginning of the current fiscal year. About \$30m of this gain, she said, has been in new gifts.

Mr. Sandridge then began a review of the University Budget, reminding the Committee that it had discussed the proposed Budget in great detail at its meeting on May 14th. He proposed, therefore, to discuss the Academic Division and Clinch Valley College budgets in summary only and treat the Medical Center budget in more detail. Many parts of the Budget, he observed, were approved by the Board in February and April.

The Budget is historic in that for the first time it exceeds \$1billion, which means that it is an increase of about 5% over the previous Budget. Salaries, Mr. Sandridge noted, remain a large component of the Budget and the 5% increase reflects salary rises authorized by the General Assembly.

Private giving as a result of the Capital Campaign has begun to appear as a significant item in the Budget. Patient revenues at the Hospital are the largest single component of revenues in the Budget - some 40%. State appropriations, student tuition and fees and sponsored programs each account for about 13% of revenues.

Summarizing some of the highlights of the Budget, Mr. Sandridge listed expenditures for salary increases, for the Year 2000 computer adjustments, for the possibility of Federal overhead rate cuts, and for the costs of the Capital Campaign. Although he said he would defer to Mr. Munger for a detailed description of the Medical Center budget, he noted that maintaining a hospital operating margin of 5.7% was a factor in the Budget.

Mr. Peter Munger, Associate Vice President for Health Sciences, began a discussion of the Medical Center budget.

The Medical Center budget, Mr. Munger said, takes into account a decline in Medicare reimbursements and other changes in Federal revenues. Overall, revenues are projected at \$440.5m - an increase of 4.5% over last year, and expenses at \$418.3m - an increase of 4.2%. In comparison with other academic medical centers, the Medical Center stands at about the median in costs of operation. Among other statistics cited, Mr. Munger said the number of outpatient visits is expected to increase by 5% and inpatient visits to decrease by about 4.5% - figures which reflect continuing trends.

The budget includes \$3m in revenues set aside to compensate for possible cuts in Federal revenues.

Indigent care costs continue to rise while state and Federal reimbursements for these costs remain static: the Medical Center budget assumes that only 67% of these expenditures will be reimbursed from Richmond and Washington.

As with the overall University Budget, the Medical Center portion includes major expenditures for salaries and benefits, although the number of FTE positions has declined from the high of 1993.

Mr. Munger summed up the proposed budget, using slides and material previously distributed to the Committee.

On motion, the Committee passed resolutions approving the 1997-98 Budget for the Academic Division, the 1997-98 Budget for Clinch Valley College, and the 1997-98 Budget for the Medical Center. These three resolutions were recommended to the full Board for approval (see Minutes of the meeting of the Board of Visitors, dated June 14, 1997).

The Chair reported briefly on the actions taken by the Finance Committee at its meetings of May 2, and May 14, 1997. (See Minutes of the meeting of the Finance Committee, dated May 2, 1997, and the Minutes of the meeting of the Finance Committee, dated May 14, 1997.)

Mr. Sandridge drew the attention of the Committee to a miscellany of reports, previously distributed to members.

Mr. Ross complimented the Health Sciences staff for their good work in explaining the Medical Center budget and addressing concerns voiced by members of the Board.

The Chair noted that this was Mr. Munger's last appearance before the full Board, and he thanked him for his service to the Medical Center and to the University.

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On motion, the meeting was adjourned at 11:15 a.m.

AGG:jb

Copies to: Mr. John T. Casteen, III
Mr. Paul J. Forch
Dr. Robert W. Cantrell
Mr. Peter W. Low
Mr. Leonard W. Sandridge
Mr. Robert D. Sweeney
Mr. Ernest H. Ern
Mr. William W. Harmon
Ms. Colette Capone
Ms. Polley Ann McClure
Mr. Terry Holland
Mr. L. Jay Lemons
Dr. Don E. Detmer
Ms. Louise Dudley