

October 9, 1998

MEMORANDUM

TO: The Finance Committee:

William H. Goodwin, Jr., Chair  
Timothy B. Robertson  
Elizabeth A. Twohy  
Henry L. Valentine, II  
Walter F. Walker  
James C. Wheat, III  
John P. Ackerly, III, Ex Officio

and

The Remaining Members of the Board:

J. Michael Allen	Elsie Goodwyn Holland
Charles M. Caravati Jr., M.D.	Terence P. Ross
Champ Clark	Albert H. Small
William G. Crutchfield, Jr.	Benjamin P.A. Warthen
T. Keister Greer	Joseph E. Wolfe

FROM: Alexander G. Gilliam, Jr.

SUBJECT: Minutes of the Meeting of the Finance Committee  
on October 9, 1998

The Finance Committee of the Board of Visitors met, in Open Session, at 10:00 a.m., Friday, October 9, 1998, in the East Oval Room of the Rotunda; William H. Goodwin, Jr., Chair, presided. Timothy B. Robertson, Ms. Elizabeth A. Twohy, Henry L. Valentine, II, Walter F. Walker, James C. Wheat, III, and John P. Ackerly, III, Rector, were present. Also present were Charles M. Caravati, Jr., Champ Clark, William G. Crutchfield, Jr., T. Keister Greer, Mrs. Elsie Goodwyn Holland, Terence P. Ross, Benjamin P.A. Warthen, Joseph E. Wolfe, and J. Michael Allen; as well as John T. Casteen, III, Alexander G. Gilliam, Jr., Paul J. Forch, Leonard W. Sandridge, Jr., Ms. Colette

Capone, William W. Harmon, Peter W. Low, Ms. Polley Ann McClure, Ms. Alice W. Handy, L. Jay Lemons, and Ms. Jeanne Flippo Bailes.

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

The first two items, both on Consent Agenda, were a resolution declaring the University's intent to issue bonds to cover expenses associated with building the Orange Medical Facility and a Student Residence Hall at Clinch Valley College. The second resolution delegated authority to the Executive Vice President and Chief Financial Officer to determine the exact amount of the interest subsidy the University will provide to Clinch Valley College to allow the College to keep its housing rates at or below the market rate.

The Committee approved both resolutions and recommended them to the full Board for approval. (See the Minutes of the meeting of the Board of Visitors, October 10, 1998.)

Continuing to the Regular Agenda, Mr. Sandridge reminded the Board that every year it authorizes him, as Executive Vice President and Chief Financial Officer, to make a distribution from the Pooled Endowment Fund. The distribution is used for academic support. He recommended a pay out on each of the two funds at a dollar value equal to 4.25% of the June 30, 1998, market value for Class A shares and 5.75% for Class B shares - which would be \$64.95 per share for Class A shares and \$87.87 per share for Class B shares.

The Committee adopted a resolution approving the distribution and recommended it to the full Board for approval (see Minutes of the meeting of the Board of Visitors, October 10, 1998).

Mr. Sandridge asked Ms. Handy, University Treasurer, to describe a proposed general revenue pledge bond issue. The bonds, which would be issued in early November after approval by the Executive Committee, would be used for the Scott Stadium Renovation (\$60m), the Medical Office Building at the Fontaine Research Park (\$8m), the East Precinct Parking Garage (\$2.6m), and the Student Residence Hall (\$6m). Part of the issue would be used to refinance the Series E Hospital bonds

issued in 1989 (\$59m). The total bond issue would not exceed \$145m.

Ms. Handy described the proposed issue in some detail.

The Committee adopted a resolution approving the proposed issue and recommended it to the full Board for approval. (See Minutes of the meeting of the Board of Visitors.)

Before asking Ms. Handy to report on the Endowment, the Chair made a few general remarks. He noted that the University's Endowment has not done well recently compared to the endowments of peer institutions. Over the last three or four years the investment policy for the Endowment has been conservative, and deliberately so.

Ms. Handy reported on the performance of the Endowment.

The Chair gave the Committee a synopsis of the deliberations of the UVIMCO (University Investment Management Corporation) board to date - the board had one meeting, on September 14<sup>th</sup>. The first meeting was devoted primarily to organizational questions, but UVIMCO plans a thorough review of the investment of Endowment funds.

Mr. Sandridge reviewed for the Committee the University's proposed legislative and Budget amendments for the 1999 Session of the General Assembly. The Chair asked if he needed a resolution stating the Committee's approval of the amendments. Mr. Sandridge replied that a note in the Minutes stating the Committee's concurrence would suffice. The Committee gave its concurrence.

Mr. Sandridge then gave a report on the status of the University's self-insured health care plan, a report the Committee has asked that he give regularly. There was a brief discussion, during which Members suggested a few minor changes in the format of future reports, after which the Committee expressed its satisfaction with the status of the health care plan.

Finally, Mr. Sandridge reminded the Committee that the Board customarily approves tuition and required fees at its March/April meeting. In response to wishes expressed by the Board that it is important to review the pricing policy for tuition setting before that meeting, he began a discussion of tuition. Committee members expressed concern about tuition in the professional schools; they agreed that tuition increases in those schools should be no more than the rate of inflation, plus a factor that would take into account the increase in the cost of educating students.

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On motion, the meeting was adjourned at 11:10 a.m.

AGG:lah

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