

January 30, 1999

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 January 30, 1999

The Finance Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 11:15 a.m., Saturday, January 30, 1999, in the East Oval Room of the Rotunda; William H. Goodwin, Jr., Chair, presided. Timothy B. Robertson, Ms. Elizabeth A. Twohy, and John P. Ackerly, III, Rector, were present. Also present were Charles M. Caravati, Jr., William G. Crutchfield, Jr., T. Keister Greer, Mrs. Elsie Goodwyn Holland, Terence P. Ross, Albert H. Small, Benjamin P.A. Warthen, Joseph E. Wolfe, and J. Michael Allen; as well

as John T. Casteen, III, Alexander G. Gilliam, Jr., Richard Kast, Leonard W. Sandridge, Jr., Robert W. Cantrell, Peter W. Low, Ms. Colette Capone, Robert D. Sweeney, William W. Harmon, Ms. Polley Ann McClure, Gene D. Block, Terry Holland, L. Jay Lemons, Ms. Alice W. Handy, and Ms. Jeanne F. Bailes.

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

The first two items, both Consent Agenda, Mr. Sandridge explained as technical matters: the first amended the Medical Center Retirement Plan and the second amended the Faculty Retirement Plan.

The third item, also Consent Agenda, was a proposed resolution approving a \$175 fee for the new summer orientation program for entering students, and the fees (\$27,000 for Virginians, \$31,500 for Non-Virginians) for the new Executive Master of Science degree in Management Information Systems at the McIntire School. The fourth item, Consent Agenda as well, was a resolution approving a bond issuance for the Clinch Valley College Student Residence Hall, which is to house 120 students when it is opened in the fall of 2000. The fifth and final Consent Agenda item was a resolution giving the Executive Vice President and Chief Financial Officer the authority to approve a contract for dining services with ARAMARK, Inc.

On motion, the five Consent Agenda resolutions were adopted and recommended to the full Board for approval. (See Minutes of the meeting of the Board of Visitors, January 30, 1999.)

Continuing to the regular Action Agenda, Mr. Sandridge presented a proposal setting student housing rates at the University and at Clinch Valley College for the 1999-2000 Session; the resolution also set the summer 1999 housing rates at the Mountain Lake Biological Station in Giles County. He reminded the Committee that the University's housing rates for the current Session are cheaper by \$639 than the next lowest rates among State institutions and that Clinch Valley College's are \$170 less than the lowest.

The resolution proposes 3% rises at both the University and at Clinch Valley College.

On motion, the Committee adopted the resolution and recommended it to the full Board for approval. (See Minutes of the meeting of the Board of Visitors, January 30, 1999.)

Mr. Sandridge and Ms. Capone, Vice President for Management and Budget, then gave a report on the State budget and the amendments to the Budget submitted by the University. Mr. Sandridge reminded the Committee that the University's amendments had to be submitted by January 21st. The Rector approved the amendments with the understanding that if Board members at the January 29-30 meeting objected to any of them, they would be withdrawn. The Chair noted that Mr. Sandridge had advised Members of these amendments in a mailing sent several weeks ago.

Using slides and material given previously to the Committee, Ms. Capone reviewed both the Governor's budget and amendments to it that have been introduced at the request of the University alone or at the request of the University acting in concert with other State institutions. The most important point of the Governor's budget affecting higher education in Virginia is the Governor's tuition rollback plan, described to the Board on January 29th by Mr. Flippen (see Minutes of the meeting of the Board of Visitors, January 29, 1999). The plan provides a 20% reduction for undergraduate students from Virginia and as applied to the University would reduce tuition and certain fees by \$786 per student. Ms. Capone explained that under the proposed legislative funding policy for higher education, undergraduate Virginians would pay no more than 27% of the cost of their education; the long-term goal of the plan is to reduce that to 25%.

A provision of the budget would meet about 7% more of demonstrated financial need through scholarships.

Ms. Capone then reviewed the rest of the budget pertaining to the University, as well as the amendments proposed by the University. There were no objections by Committee members to the amendments.

Mr. Robertson introduced a resolution commending and supporting the Governor's tuition rollback plan. The resolution, on motion, was adopted by unanimous vote and

recommended to the full Board for approval. (See Minutes of the meeting of the Board of Visitors, January 30, 1999.)

The Chair asked Ms. Handy, University Treasurer, to lead a discussion of the Endowment; he prefaced his request to Ms. Handy with an appeal to the Committee to listen carefully to her presentation and to offer comments and suggestions. The Endowment's investments have not performed well lately, which is clearly a matter of some concern.

Using materials previously distributed, as well as slides, Ms. Handy gave an overview of the Endowment and its performance. In the discussion that followed, several Members asked questions and made comments. Mr. Ross expressed strong dissatisfaction with the performance of several of the investment managers retained by the University. Mr. Wolfe requested that the formats of reports on the Endowment given to the Board be standardized. Mr. Small asked for more information, particularly a comparison of the performance of the University's Endowment with the endowments of institutions in the University's peer groups.

In reply to some of these comments and questions, the Chair described the work of the UVIMCO (University Investment Management Corporation) Board to date. He agreed that more information on investments and performance should be provided to the Committee, and he admitted the shortcomings of some of the investment managers and some of the steps contemplated by UVIMCO to remedy this situation.

Summing up the discussion, the Chair promised that future reports on the Endowment would be done in a uniform format and would provide the information suggested by Members. He promised that more time in Finance Committee meetings would be devoted to discussions of the Endowment, and he urged interested Members to attend meetings of the UVIMCO Board.

- - - - -

On motion, the Committee adjourned at 12:10 p.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