

May 13, 1999

MEMORANDUM

TO: The Finance Committee:

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

and

The Remaining Members of the Board:

Charles M. Caravati, Jr. M.D.	Terence P. Ross
Champ Clark	Robert G. Schoenvogel
William G. Crutchfield, Jr.	Albert H. Small
T. Keister Greer	Elizabeth A. Twohy
Elsie Goodwyn Holland	Benjamin P.A. Warthen

FROM: Alexander G. Gilliam, Jr.

SUBJECT: Minutes of the Meeting of the Finance Committee
on May 13, 1999

The Finance Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 2:05 p.m., Thursday, May 13, 1999, in the East Oval Room of the Rotunda; William H. Goodwin, Jr., Chair, presided. Timothy B. Robertson, Henry L. Valentine, II, James C. Wheat, III, Joseph E. Wolfe, and John P. Ackerly, III, Rector, were present. Also present were Charles M. Caravati, Jr, M.D., Champ Clark, William G. Crutchfield, Jr., T. Keister Greer, Benjamin P.A. Warthen, and Robert G. Schoenvogel; as well as Leonard W. Sandridge, Jr., Alexander G. Gilliam, Jr., Paul J. Forch, Ms. Colette Sheehy Capone, Robert W. Cantrell, M.D., Peter W. Low, Gene D. Block, William Carter, L. Jay Lemons, and Ms. Jeanne Flippo Bailes.

Explaining that the meeting was to be devoted entirely to a consideration of the University's 1999-2000 budget, the Chair asked Mr. Sandridge, Executive Vice President and Chief Financial Officer, to present the Agenda.

Mr. Sandridge gave an overview of the budget before asking Ms. Capone, Vice President for Management and Budget, to make a more detailed presentation.

The total proposed budget for the next fiscal year is \$1,186.2b, up 3% from last year. Of this total, \$719.3m is for the Academic Division, an increase of 6.5%, \$449.8m is for the Medical Center, a decrease of 2.1%, and \$17.1m for The University of Virginia's College at Wise, an increase of 4.4%.

Total revenues projected in the budget are \$1,205.5b. State Appropriations account for 14.1%, or \$170.3m, of this, patient revenues at the Medical Center amount to \$458.7m, or 38.2%, tuition and fees \$154.7m or 12.8%, sponsored programs 15.5% or \$187m, auxiliary enterprises 7.6% or \$91.8m and "other" (chiefly Endowment income and gifts) \$143m or 11.8%. Revenues from the state declined from 27.1% of the total in 1985-86, to 13.8% in 1997-98, but rose last year to 13.9% and to 14.1% for the forthcoming fiscal year.

Employment levels in all three divisions - Academic, Medical Center and Wise, Mr. Sandridge continued, have risen from 10,979 in 1996 to 11,791 projected for 2000.

Summing up his remarks, Mr. Sandridge told the Committee the three key issues for 1999-2000 are salary and fringe benefit cost increases, the cost of installing integrated computing systems, and the Medical Center's strategic expense reduction plan.

Ms. Capone, using slides and material distributed previously to the Committee, first gave a short presentation on General Fund appropriations per FTE student. The figure for the University is higher than the average for four year public institutions in the state; Ms. Capone said the explanation for this is that the University has large numbers of graduate students, in Arts and Sciences as well as in the professional schools, and graduate programs are more expensive. Next, Ms. Capone compared the General Fund appropriation per headcount student at the University with the appropriations at the Universities of North Carolina, Michigan and California-Berkeley. The appropriation for the University

was lower than all the others, and substantially lower than what is provided the University of North Carolina and Berkeley.

Non-General Fund appropriations per FTE student (tuition, fees and other sources) show a disparity between the University and the average at four year public institutions in the state similar to that in General Fund appropriations.

Ms. Capone then presented the Academic Division budget for 1999-2000. Total revenues are projected at \$719.9m; state appropriations account for 22.2% of this, tuition and fees 21.1%, sponsored programs 25.9%, and auxiliary enterprises 12.3%. Expenditures are budgeted at \$719.3m: instruction accounts for 28.7% of this, academic support 11.6%, sponsored programs 22%, auxiliary enterprises 12.2% and "other" 25.5%. In this last category, which comes to \$182.8m, is \$52.2m for student aid.

Ms. Capone discussed in some detail how revenues, particularly state appropriations, are designated. Moving to the budget for The University of Virginia's College at Wise, she said revenues are estimated at \$17.1m, of which 57.9% will come from state appropriations, 16.3% from tuition and fees and 21.1% from auxiliary enterprises. Expenditures also are budgeted at \$17.1m.

Dr. Cantrell, Vice President and Provost for Health Sciences, and Mr. Carter, Chief Operating Officer of the Health Sciences Center, presented the Medical Center budget.

Among the high points of the budget outlined by Mr. Carter were a 3% rate increase at the Hospital, a vigorous cost reduction activity aimed at lowering expenses by \$8.8m and the goal of achieving a 4% operating margin. Nonetheless, serious problems of escalating drug prices and the very high costs of certain procedures remain.

The Chair emphasized that the Medical Center is in a crisis situation. Dr. Caravati told the Committee that Mr. Carter and his associates would have more specific cuts identified by July.

The Chair was adamant that something must be done.

On motion, the Committee adopted resolutions approving the Fiscal Year 1999-2000 budgets for the Academic Division,

The University of Virginia's College at Wise, and the Health Sciences Center, and recommended them to the full Board for approval. (See Minutes of the meeting of the Board of Visitors, May 15, 1999.)

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On further motion, the meeting was adjourned at 3:50 p.m.

AGG:jfb

- Copies to: Mr. John T. Casteen, III
Mr. Paul J. Forch
Mr. Gene D. Block
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
Dr. Robert E. Reynolds
Mr. Terry Holland
Mr. L. Jay Lemons
Ms. Alice W. Handy
Ms. Louise Dudley