

May 14, 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 14, 1999

The Finance Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 9:10 a.m., Friday, May 14, 1999, in the East Oval Room of the Rotunda; William H. Goodwin, Jr., Chair, presided. Timothy B. Robertson, Henry L. Valentine, II, Walter F. Walker, James C. Wheat, III, Joseph E. Wolfe, and John P. Ackerly, III, Rector, were present. Charles M. Caravati, Jr., M.D., Champ Clark, William G. Crutchfield, Jr., T. Keister Greer, Mrs. Elsie Goodwyn Holland, Terence P. Ross, Albert H. Small, Ms. Elizabeth A. Twohy, Benjamin P.A. Warthen, and Robert G. Schoenvogel also were present; as were John T. Casteen, III, Leonard W. Sandridge, Jr., Paul J. Forch, Ms. Colette Sheehy Capone, Peter W. Low, Robert W. Cantrell, M.D., William W. Harmon, Gene D. Block, Robert D. Sweeney, Ernest H. Ern, Ms. Alice W. Handy, William Randolph, Terry Holland, Alexander G. Gilliam, Jr., L. Jay Lemons, and Ms. Jeanne Flipppo Bailes.

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

The first four Items on the Agenda were Consent Items. The first of these was the annual approval of the distribution of income from the Pratt Fund which, according to the terms of Mr. Pratt's will, is to be used to support the Departments of Biology, Chemistry, Mathematics and Physics, as well as the School of Medicine. \$1.3m is designated for the Arts & Sciences departments and \$1.3m for the Medical School. The second Item was the reappointment of Mr. Donald Laing, III of Charlottesville to the Board of UVIMCO, the University of Virginia Investment Management Company. The third called for approval of a change in trustee and reinvestment of assets of the University of Virginia Pooled Income Fund, and the fourth the inclusion of part-time faculty in the Virginia Retirement System.

The Committee adopted motions approving these resolutions and recommended them to the full Board for approval. (See Minutes of the meeting of the Board of Visitors, May 15, 1999.)

Explaining that the Committee had discussed the Budget in detail at its meeting the day before (see Minutes of the meeting of the Finance Committee, May 13, 1999), and indeed had passed resolutions approving the budgets of the Academic Division, the Medical Center, and The University of Virginia's College at Wise (see Minutes of the meeting of the Board of Visitors, May 15, 1999), Mr. Sandridge gave only what he called a brief overview of the Budget.

He replied to two questions raised at the previous day's meeting of the Committee, questions which he had promised to find answers for and report them to the Committee. The first had to do with the State's allocations to Eminent Scholars' funds - is the University treated the same way as other public institutions? Mr. Sandridge said the answer is yes, all State institutions are treated the same way. The University has over half of the Eminent Scholar positions to which the State contributes and always has.

The second question, raised at the May 13th meeting by Mr. Wheat, had to do with an apparent discrepancy in Law School

budget figures given to the Committee. Mr. Sandridge said he had checked and found that the totals are correct - part of the monies are shown in the Law School figures and the remainder are in a reserve account.

Mr. Sandridge continued to the next Item on the Action Agenda: the acquisition of what he referred to as an integrated healthcare management system, something that has been discussed in Board of Visitors meetings over the last several years. He outlined the planning that has gone into the proposal for the system, the estimated capital and implementation costs for which will be \$54m over seven years. The sources for this funding will be Medical Center reserves, funds from the Health Services Foundation and departmental funds for systems specific to those departments.

If the proposal is approved, Mr. Sandridge said, the contract for the system could be signed in June and implementation would begin shortly after the start of the new fiscal year on July 1st. The system, he said in reply to a question, should have a life expectancy of 12 to 15 years.

The proposed schedule of implementation of the system is broken down into four phases:

Phase 1: Enterprise Patient Scheduling and Registration (to be done in FY 2000-2001).

Phase 2: Outpatient Clinical (FY 2001-2003).

Phase 3: Inpatient Clinical (FY 2003-2005).

Phase 4: Enterprise Financial and Reporting (FY 2004-2006).

There was considerable discussion about the proposal, most of it centered on its implementation in the Medical Center and on its financial aspects.

The Committee agreed to the proposed resolution with the provision that language be added. The Committee's concerns subsequently were embodied in the following paragraph: "RESOLVED FURTHER that the Vice President and Provost for Health Sciences shall report on the progress of the system development and implementation to the Health Affairs Committee not less frequently than the end of each of the four phases. Such reporting shall compare progress in relation to the

planned timeline, resource requirements and objectives and desired outcome of the proposed system."

With this addition, the resolution proposed by Mr. Sandridge was adopted and recommended to the full Board for approval. (See Minutes of the meeting of the Board of Visitors, May 15, 1999.)

For the next Item, Mr. Sandridge proposed a resolution with the enrollment projections for the Academic Division.

In 1990, he explained, the Board of Visitors approved a phased enrollment growth plan for the next 15 years. In response to a request from the State Council of Higher Education in Virginia, the plan was revised in 1993 and again in 1997.

Since then, there has been a national trend - reflected at the University - of decreased graduate enrollments in Arts and Sciences and in Engineering and Education. The revised figures in the resolution proposed by Mr. Sandridge maintain the 1997 projection of an increase of 560 undergraduates between 1998 and 2006. It incorporates a decrease, over the same period, of 100 graduate students from the 1997 figures. There is also a reduction of 45 students in the first-professional total but an increase of 325 students in the on-Grounds Continuing Education category which reflects the new Bachelor of Interdisciplinary Studies program. The new total enrollment for 2006 is thus 19,307 students on the Grounds, which is about 120 more than the 1997 projection but below the 1990 plan.

This plan, Mr. Sandridge noted, has already been approved by the State Council.

On motion, the Committee adopted the proposed resolution and recommended it to the full Board for approval. (See Minutes of the meeting of the Board of Visitors, May 15, 1999.)

The final Action Item was the approval of a proposal to use the Virginia College Building Authority's Pooled Bond Program for two building projects, for which the Board approved intents to issue bonds in May and October, 1998. The principal amount is not to exceed \$32.6m for both projects

(the total cost for these projects is \$45.8m; the difference will come from various sources, none of it State money).

The two projects are a laboratory research building which will house Biomedical Engineering, Pathology, Cardiovascular Medicine and Vivarium space; the bond issue for this will not exceed \$28.1m. The second project is the Orange Medical Office Building, for which the bond issue will not exceed \$4.5m.

On motion, the Committee adopted the proposed resolution and recommended it to the full Board for approval. (See Minutes of the meeting of the Board of Visitors, May 15, 1999.)

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

Noting that the market is extremely favorable at the moment, Ms. Handy reported that the Endowment stands at \$1.163b, up significantly in the last year.

The Chair reported on the meeting of the Board of the University of Virginia Management Company held in New York on April 19th (see Minutes of the UVIMCO meeting of that date).

Mr. Sandridge and Mr. William Randolph reported briefly on the Integrated Systems project, which was discussed by the Board of Visitors at its March meeting (see Minutes of the meeting of the Finance Committee, March 26, 1999). Mr. Randolph said a proposal will be brought to the Board for approval in October. The project is now in a planning phase which includes negotiations with software firms, reviews of the functionality of the software, risk assessment, quality control, and the like. The proposal to be brought to the Board in the fall will include a business plan and calendar for each phase of the project.

Mr. Sandridge told the Committee the University plans to enter into a contract with a single vendor for Windows/Intel-type personal computers and Macintosh computers, and to identify specific models of desktop and laptop computers from those vendors to recommend for purchase by members of the University community. Standard computers would be acquired from the factory with UVa-specific software pre-loaded. The

University will recommend the same brand and models to students for personal purchase.

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On motion, the meeting was adjourned at 10:30 a.m.

AGG:lah

- Copies to:
- Mr. John T. Casteen, III
 - Mr. Gene D. Block
 - Dr. Robert W. Cantrell
 - Ms. Colette Sheehy 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
 - Dr. Robert E. Reynolds
 - Mr. Leonard W. Sandridge, Jr.
 - Mr. Robert D. Sweeney
 - Ms. Alice W. Handy