

October 16, 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 October 16, 1999

The Finance Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 9:10 a.m., Saturday, October 16, 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. Champ Clark, William G. Crutchfield, Jr., Mrs. Elsie Goodwyn Holland, Terence P. Ross, Ms. Elizabeth A. Twohy, Benjamin P.A. Warthen, and Robert G. Schoenvogel were present; as were John T. Casteen, III, Leonard W. Sandridge, Jr., Alexander G. Gilliam, Jr., Paul J. Forch, Peter W. Low, Robert W. Cantrell, M.D., Robert D. Sweeney, Ernest H. Ern,

William W. Harmon, Robert E. Reynolds, M.D., William J. Randolph, L. Jay Lemons, and Ms. Jeanne Flippo Bailes.

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

Mr. Sandridge dealt first with the four Consent Agenda items: the Commonwealth Matching Retirement Plan, distribution of Endowment income, delegation of authority to establish parking rates, and approval of a policy on tuition and fees for open enrollment students in contracted courses.

The Commonwealth Matching Retirement Plan is a new benefit for state employees, approved by the General Assembly in the last Session. The University is required to provide this benefit to all employees who make contributions to the 403(b) or 457(b) plans in amounts equal to the threshold amounts set by the Virginia Retirement System.

It is proposed that income from the Pooled Endowment Fund be distributed at \$68.76 per Class A share and at \$94.34 per Class B share.

The proposed delegation of authority to establish parking rates would authorize the Executive Vice President and Chief Financial Officer to establish parking rates at The University of Virginia's College at Wise.

The Division of Continuing Education has worked with the schools of the University to developed specialized graduate and professional degree programs for persons who have full time employment. The employer, by contract with the University, generally pays tuition and fees. The proposed policy would allow other students to enroll in these courses, if space is available, and pay the appropriate fees.

On motion, the Committee adopted resolutions approving each of these proposals, and recommended them to the full Board for approval (see Minutes of the meeting of the Board of Visitors, October 16, 1999).

Mr. Sandridge, assisted by Mr. Randolph, Director of the Integrated Systems Project, Dr. Reynolds, Acting Vice President for Information Technology, and consultants from KPMG, gave a lengthy and thorough presentation on the proposed acquisition of a University-wide computer system.

Mr. Sandridge began his presentation by saying the University at this point has three options on what to do about its computer systems:

1. Status quo - Make no changes for ten years
2. Upgrade and improve the present system
3. Spend \$58m over ten years to develop a superior system.

Mr. Sandridge said the third was the preferred option.

The Chair observed that the system will not really be a be a cost because it will effect savings.

There was considerable discussion of all the various elements of the proposed system. In response to question from Mr. Ross, Mr. Sandridge promised a report at the next meeting on classroom hookups as well as how students living off the Grounds will be connected to the new system.

Mrs. Holland complimented Mr. Sandridge and his staff on their presentation.

On motion, the Committee adopted a resolution approving the acquisition of the system and recommended it to the full Board for approval. (See minutes of the meeting of the Board of Visitors, October 16, 1999.)

Mr. Sandridge next presented a proposed new drug and alcohol testing for certain employees. It would apply, he said, only to high risk positions and would be both "pre-placement" and "for cause." The policy has been approved by the State Department of Personnel and Training following review by the Office of the Attorney General of the Commonwealth.

On motion, the Committee adopted a resolution approving the proposed policy, and recommended it to the full Board for approval. (See minutes of the meeting of the Board of Visitors, October 16, 1999.)

The Chair then asked Ms. Handy, Treasurer, to give her customary report on the Endowment, but first he praised the work of the Board of the University of Virginia Investment Management Company (UVIMCO), particularly the participation of the public members.

He reminded the Committee of the poor performance of the Endowment a year ago and said that the work of UVIMCO had turned this around. The market has done well, but there have been enormous fluctuations in performance - and in changes in the University's peer rankings in this regard.

Ms. Handy then gave her report. The Endowment, she said, hit its peak in June. Because of market fluctuations it has declined somewhat in the last several months. Having said that, she outlined the histories and performances of the various areas of the Endowment since the formation and involvement of UVIMCO.

Mr. Sandridge then reported to the Committee on several matters, referring to material previously distributed to Members.

The first of these was the University's proposed submission to Richmond for the 2000-2002 Biennial Budget of the Commonwealth. Mr. Sandridge reminded the Committee that he sent the Board in September a list of the University's Budget proposals, with the understanding that if there were no objections from the Board, the proposals would go forward to Richmond. Most of the proposals, he noted, would not be unfamiliar to the Board.

There were no objections.

Next, Mr. Sandridge reminded the Committee that he is directed to report to the Board regularly on the status of the University's self-insured health care plan. He said the plan is monitored by the University, with the help of consultants, and is in satisfactory condition.

Mr. Sandridge then predicted the pricing policy for 2000-2001 tuition and required fees, which would be approved by the Board in the spring. He said he foresees no increase in tuition for undergraduate Virginians. Graduate tuition, he predicted, will rise depending on what the General Assembly approves for salary increases. The Darden School tuition will rise based "on market," slightly above inflation with the eventual aim of achieving a differential of about \$5,000 between in-state and out-of-state tuition. The Medical School will want to continue the implementation of its surcharge in order to increase in-state tuition to a level comparable to other state-supported medical schools. Required fees and

charges for housing and dining will be set to meet state salary requirements, approved capital projects, and inflation.

Finally, Mr. Sandridge noted the faculty salary rankings of the University in relation to its peer institutions - a ranking that appeared in material previously distributed to the Committee. The aim, he said, is to at least restore the University to its 1989-90 ranking of 18<sup>th</sup> among its peers. Recent State policy has been very helpful in this effort.

The Chair and several Members suggested that there be an analysis of peer salary rankings relative to local cost of living indices - it is unrealistic, for example, to compare compensation at a Stanford, where the cost of living is very high, with that at the University without taking these matters into account. Mr. Robertson said that data of this kind can be helpful in efforts to attract Campaign gifts to raise faculty salaries.

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On motion, the meeting was adjourned at 10:50 a.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 Sheehy
- Dr. Robert E. Reynolds
- Mr. Terry Holland
- Mr. L. Jay Lemons
- Ms. Alice W. Handy
- Ms. Louise Dudley