MEMORANDUM

TO: The Finance Committee:

William H. Goodwin, Jr., Chair
Charles L. Glazer
Timothy B. Robertson
Joseph E. Wolfe
John P. Ackerly, III, Ex Officio

and

The Remaining Members of the Board:

Thomas J. Bliley, Jr.  Stephen S. Phelan, Jr.
Charles M. Caravati Jr., M.D.  Gordon F. Rainey, Jr.
William G. Crutchfield, Jr.  Terence P. Ross
Thomas F. Farrell, II  Thomas A. Saunders, III
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 April 6, 2001

April 6, 2001

The Finance Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 9:00 a.m., Friday, April 6, 2001, in the Board Room of the Rotunda; William H. Goodwin, Jr., Chair, presided. Charles L. Glazer, Timothy B. Robertson, Joseph E. Wolfe, and John P. Ackerly, III, Rector, were present.

Also present were Thomas J. Bliley, Jr., Charles M. Caravati, Jr., M.D., William G. Crutchfield, Jr., T. Keister Greer, Mrs. Elsie Goodwyn Holland, Gordon F. Rainey, Jr., Terence P. Ross, Ms. Elizabeth A. Twohy, Thomas A. Saunders, III, Benjamin P.A. Warthen, and Stephen S. Phelan, Jr.

Ms. Sasha L. Wilson, the Student Member-elect, also was present.

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

The first two items were Consent Agenda items. Mr. Sandridge reminded the Committee that at this meeting, the Board customarily sets the faculty and staff housing rates for the next academic year. Accordingly, he presented a resolution approving an average 4.8% rise in faculty and staff housing rates at the University and a 3.5% rise at The University of Virginia's College at Wise.

The resolution was adopted and recommended to the full Board for approval at its meeting on April 7, 2001 (see Minutes of the meeting of the Board of Visitors of that date).

The second Consent resolution proposed by Mr. Sandridge asked for approval of a qualified defined contribution retirement plan for Community Medicine, LLC physicians.

The resolution was adopted and recommended to the full Board for approval at its meeting on April 7, 2001 (see Minutes of the meeting of the Board of Visitors of that date).

Mr. Sandridge and Ms. Capone, Vice President for Management and Budget, then led a discussion of the proposed tuition and required fees for the next academic year and the 2002 Summer Session.

They reminded the Committee that the 2000 Appropriations Act continues the prohibition against increases in tuition and required educational and general fees for undergraduate students from Virginia. The same legislation limits increases in mandatory non-E&G fees, but fees required for debt service and auxiliary capital projects are exempt from these limitations. The Board of Visitors, however, may set graduate, professional and out-of-state undergraduate tuition and fees.

Ms. Capone outlined the procedure used in setting tuition and fees: consultation with a wide variety of University officers and discussion with the Student Council. She compared the University's charges with those levied at the other top 25
institutions in the country (as measured by *U.S. News & World Report*): the University's in-state charges are slightly below the average for public institutions but slightly above for out-of-state students; the figure is considerably below what is charged at the private institutions in this ranking. Among public institutions in Virginia, tuition for Virginians is slightly higher than tuition for Virginians at VMI, VPI and William and Mary; required fees, on the other hand are considerably lower than those levied at other institutions except VPI. Out-of-state tuition is higher than at any other institution in Virginia, but only VPI has lower required fees.

It is estimated that in the current academic year, the University has been able to meet 90% of its students' financial needs (about 25% of the students at the University have demonstrated financial need).

For the next academic year, there is, of course, no change in the tuition proposed for in-state undergraduates, but a 4.8% rise for non-Virginian undergraduates. There is a $76 - or 7.8% - proposed rise in required fees for both Virginians and non-Virginians.

The rise in tuition and fees for Virginians thus would be 1.8% and 4.9% for non-Virginians.

For graduate students, the proposed rise in tuition for Virginians is 2%, and for non-Virginians 4.8%. As with undergraduates, it is proposed that fees for Virginians and non-Virginians alike be raised by $76.

At the Darden School, Virginians entering in the fall of 2001 would have an 8.2% increase in tuition and fees and non-Virginians 6.5%. Ms. Capone pointed out that the new rates would still be below what is charged by the Darden School's competitors. At the Law School, tuition and fees would be raised by 6.9% for all students.

Ms. Capone noted that when required fees are combined with tuition and room and board increases, the cost of education for Virginians will rise by 3.2% in the next academic year and the cost for non-Virginians will increase by 4.8%.

While there is no increase in tuition proposed for Virginians at The University of Virginia's College at Wise, fees would increase by $140 or 10%. For out-of-state students, tuition would rise by 6.5% and fees by 10%. Dormitory rates would be raised by 2.8% and dining hall charges by 3%, for all students. The total cost of education (tuition, fees, room and
board) thus would increase by 3.4% for Virginians and 5.6% for students from outside the state.

Mr. Ross asked for a presentation on student financial aid at the June Board of Visitors meeting.

There was discussion of the special fee levied on Lawn residents for the several meals they eat in common each semester. The $60 fee they pay entitles them to three of these dinners.

On motion, the Committee adopted resolutions approving tuition and required fees for the academic division for 2001-2002 and the Summer Session of 2002, for tuition and required fees at The University of Virginia’s College at Wise, for the allocation of required fees for 2001-2002 in the academic division, for the approval of Summer and other Special Session fees, and for dining hall contract rates at the University and at The University of Virginia’s College at Wise. The Committee recommended all of these resolutions to the full Board for approval at its meeting on April 7th (see Minutes of the meeting of the Board of Visitors, April 7, 2001).

Mr. Rainey pointed out that the Board had embraced the principle that both the Darden School and the Law School should be pursuing a course toward financial self-sufficiency. He noted that the differential between in-state and out-of-state tuition at Darden was $5,000, yet at the Law School the differential was almost $8,000. As a matter of principle, he said he wondered whether over some period of time the tuition structures at these two professional schools should be more harmonized given the common objective each is pursuing to become financially self-sufficient. He acknowledged this was not the time to debate the point because the tuition at both schools had been approved for the coming year. But he asked Mr. Sandridge, in consultation with the Deans of the Law School and Darden School, to consider the matter and when Mr. Sandridge reviews the tuition outlook with the Board in October to possibly suggest some options for both schools to attain financial self-sufficiency. The Rector noted that the in-state out-of-state differential at the Medical School is $11,000, $13,000 in the undergraduate schools and $7,000 at Wise. He suggested that all of these be taken into account in the proposed discussion.

Mr. Sandridge next proposed a resolution authorizing a short term construction loan of $13 million to complete the Carl Smith Center/Scott Stadium expansion project. On motion, the Committee adopted the resolution and recommended it to the full Board for approval at the Board meeting on April 7th (see Minutes of the meeting of the Board of Visitors, April 7, 2001).
The next item on the Agenda was somewhat similar – matters dealing with a loan for the stadium at The University of Virginia’s College at Wise. Mr. Sandridge proposed a resolution extending the maturity to Fiscal Year 2009 of the $3 million internal loan granted to the College for the construction of its stadium. On motion, the Committee adopted the resolution and recommended it to the full Board for approval at the Board meeting on April 7th (see Minutes of the meeting of the Board of Visitors, April 7, 2001).

Mr. Sandridge then proposed a resolution approving the spending rate from Endowment income for the forthcoming fiscal year; the Board customarily sets this rate at its April meeting. On motion, the Committee adopted the resolution and recommended it to the full Board for approval at the Board meeting on April 7th (see Minutes of the meeting of the Board of Visitors, April 7, 2001).

The University is asked to submit enrollment projections to the State Council of Higher Education in Virginia. The Board of Visitors approved a fifteen year phased enrollment growth plan in 1990 and has revised that plan three times since then.

There was considerable discussion of the proposed resolution with enrollment projections. Members felt that the University was being asked to absorb more students without being given the resources to accommodate them. There were proposals to discuss this with the State Council and others in Richmond in an attempt to reach an equitable compromise. The Rector asked for a report at the next meeting on the inequities between the State Council’s enrollment requirements and the lack of capital appropriations for classrooms and dormitories.

In the end, it was decided to postpone action on the resolution until the next day.

The Chair asked Ms. Handy to give her customary report on the University’s Endowment.

As of February 28th, Ms. Handy said, the Endowment stands at $1 billion, 758 million. She discussed the portfolio and analyzed the performance of parts of it (summary tables of this, which Ms. Handy presented to the Committee, are appended as an Attachment). The Chair also gave an analysis.

The Chair and Ms. Handy reported on actions taken at meetings of committees of the Board of the University Investment Management Company (UVIMCO) since the last meeting of the Board
Ms. Capone gave a brief report on actions affecting the University that were taken by the General Assembly during the recent Session.

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On motion, the meeting was adjourned at 10:35 a.m.

The Committee met briefly at 10:00 a.m., Saturday, April 7th, to discuss and adopt a revised resolution on enrollment projections. The resolution was recommended to the full Board for approval at the Board meeting later that day. (See Minutes of the meeting of the Board of Visitors of April 7, 2001.)

AGG:lah
Copies to: Mr. John T. Casteen, III
Mr. Gene D. Block
Dr. Robert W. Cantrell
Mr. George E. Culbertson
Ms. Louise Dudley
Mr. Paul J. Forch
Mr. William W. Harmon
Mr. Terry Holland
Mr. Peter W. Low
Dr. Robert E. Reynolds
Mr. Leonard W. Sandridge
Ms. Colette Sheehy
Mr. Robert D. Sweeney
Ms. Alice W. Handy
Ms. Sasha L. Wilson
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†† As of February 28, 2001
PORTFOLIO COMPOSITION
As of February 28, 2001

**Actual**
- Domestic Equity: 53.5%
- Fixed Income: 13.7%
- Int’l Equity: 10.3%
- Opportunistic: 14%
- Real Assets: 8.5%

**Target**
- Domestic Equity: 53.5%
- Fixed Income: 13.7%
- Int’l Equity: 12.5%
- Opportunistic: 14%
- Real Assets: 8.5%
## ANALYSIS OF PERFORMANCE

FY Through 3/31/01

**ESTIMATED**

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# UVA POOLED FUND

As of March 31, 2001

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