

**UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS**

**Meeting of the  
Finance Committee**

**September 13, 2019**

## MEETING OF THE FINANCE COMMITTEE

Friday, September 13, 2019

8:00 – 9:15 a.m.

Board Room, The Rotunda

### Board Members:

Robert M. Blue, Chair	Robert D. Hardie
C. Evans Poston Jr., Vice Chair	Maurice A. Jones
Frank M. Conner III	James V. Reyes
Thomas A. DePasquale	James B. Murray Jr., Ex-officio
John A. Griffin	Peter C. Brunjes, Faculty Member
Louis S. Haddad	

### AGENDA

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**UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY**

**BOARD MEETING:** September 13, 2019

**COMMITTEE:** Finance

**AGENDA ITEM:** I.A. 2020-2026 State Six-Year Institutional Plan

**BACKGROUND:** Pursuant to the Virginia Higher Education Opportunity Act of 2011 (HEOA), in odd-numbered years each public institution of higher education must develop, adopt, and submit a six-year plan addressing the institution's academic, financial, and enrollment plans. In even-numbered years, institutions are required to affirm or amend the plan. In accordance with the HEOA and subsequent communications from State Council of Higher Education for Virginia (SCHEV), the University submitted the preliminary 2019 Six-Year Institutional Plans for the Academic Division and the College at Wise on June 28, 2019.

**DISCUSSION:** The plan for the Academic Division features strategies to advance the objectives of the *Virginia Plan for Higher Education* and the HEOA, incorporating key initiatives from the University's new strategic 10-year plan, *A Great and Good University*, built around the overarching goals of supporting students, faculty, and staff; preparing students to be servant-leaders; enabling discoveries that enrich and improve lives; and making UVA synonymous with service. The plan for the College at Wise addresses the *Virginia Plan for Higher Education*, the HEOA, and the College's strategic goals through interconnected initiatives aimed at strengthening recruitment and retention efforts, as well as launching new undergraduate and graduate programs that respond to regional and statewide workforce needs.

President Ryan and senior leaders met on August 12, 2019 with a review group of state officials (Executive Director of the State Council of Higher Education, Secretaries of Education and Finance, Director of the Department of Planning and Budget, and Staff Directors of the Senate Finance Committee and House Appropriations Committee) to discuss the University and College at Wise plans. The University will incorporate comments from the state on its preliminary plans for review with the Finance Committee at the September meeting. The HEOA requires the Board of Visitors to adopt institutional six-year plans prior to submission of the final plans by October 1, 2019.

**ACTION REQUIRED:** Approval by the Finance Committee and by the Board of Visitors

**2019 SIX-YEAR INSTITUTIONAL PLANS FOR THE ACADEMIC DIVISION AND THE COLLEGE AT WISE**

WHEREAS, the Virginia Higher Education Opportunity Act of 2011, § 23.1-306 of the Code of Virginia, requires the governing boards of all public institutions of higher education to develop and adopt biennially an institutional six-year plan and submit that plan to the State Council of Higher Education for Virginia (SCHEV); the General Assembly; the Governor; and the Chairs of the House Committee on Appropriations, House Committee on Education, Senate Committee on Education and Health, and Senate Committee on Finance; and

WHEREAS, the University submitted its preliminary six-year plans for the Academic Division and the College at Wise as required by July 1, 2019, outlining general strategies to advance the priorities of the Commonwealth in alignment with the respective strategic educational, research, and service goals of the University of Virginia and the College at Wise; and

WHEREAS, final institutional plans must be approved by the Board of Visitors and submitted to SCHEV, the General Assembly; the Governor; and the Chairs of the House Committee on Appropriations, House Committee on Education, Senate Committee on Education and Health, and Senate Committee on Finance no later than October 1, 2019;

RESOLVED, the Board of Visitors approves the 2019 six-year institutional plans for the Academic Division and the College at Wise; and

RESOLVED FURTHER, the President is authorized to transmit the six-year plans as required by § 23.1-306 of the Code of Virginia.

**UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY**

**BOARD MEETING:** September 13, 2019

**COMMITTEE:** Finance

**AGENDA ITEM:** I.B. 2020-2022 State Biennial Budget Requests

**BACKGROUND:** In odd-numbered years, the University submits biennial budget operating requests to the Department of Planning and Budget for consideration by the Governor for his budget proposal which is presented to the General Assembly in December.

**DISCUSSION:** Biennial budget requests for new funding in the 2020-22 budget are due to the Commonwealth of Virginia by September 20, 2019. We have developed the following list of amendments drawn from the University's six-year plan and other unavoidable cost increases. We anticipate that funding for cross-cutting issues, such as faculty and staff salary increases, base budget adequacy, and graduate and undergraduate financial aid will be addressed by the state for all institutions. We seek your authorization to submit the below budget amendments.

Depending on the outcome of the Governor's budget, the University may submit amendments to the General Assembly in January 2020. Any requests not included on this list that might be submitted to the General Assembly will be communicated to the Board of Visitors in advance of the due date.

**Academic Division:**

**Commonwealth Research Cost Share Pool:** The University proposes the establishment of a fund to enable the Virginia Economic Development Partnership to collaborate with institutions of higher education on large scale solicitations that integrate industry, university, and academia collaborations. FY2021: \$10,000,000; FY2022: \$10,000,000

**Operations & Maintenance (O&M) for New Facilities:** The University seeks incremental funding to cover the state's general fund share of O&M for reclassification of space to E&G (Student Health and West Complex). FY2021: \$96,963; FY2022: \$201,274

**UVA Health Plan – General Fund Share:** The University seeks incremental funding to cover the state's general fund share of the increases in employer premiums for employees participating in the UVA Health Plan. FY2021: \$976,798; FY2022: \$1,139,115

**Utilities:** The University seeks incremental funding to cover extraordinary increases in water service charges. FY2021: \$610,200; FY2022: \$1,170,974

**Virginia Humanities:** The University seeks incremental funding for the Virginia Humanities to create curriculum materials for K-12 schools, establish a network of

Humanities Ambassadors in public schools and libraries across the state, and support classroom visits by program staff to teach students how to use the resources. FY2021: \$1,000,000; FY2022: \$1,000,000

**College at Wise:**

**Increased Undergraduate Financial Aid:** The College seeks state support to support Virginian Pell students with no expected family contribution. FY2021 and FY2022: \$710,185

**Increased Graduate Financial Aid:** The College seeks state support for new students enrolled in the Master of Arts in Teaching program. FY2021: \$16,800; FY2022: \$25,200

**Base Support for the College at Wise:** The College requests that the Commonwealth continue funding provided in FY2019 and FY2020 that allows Wise to continue to provide high caliber affordable educational opportunities, bolster the educational foundation within the region’s K-12 schools, and enhance the economic development infrastructure within a declining regional demographic and economic environment. FY2021 and FY2022: \$2,000,000

**ACTION REQUIRED:** Approval by the Finance Committee and by the Board of Visitors

**OPERATING BUDGET REQUESTS FOR THE 2020-22 BIENNIUM FOR THE ACADEMIC DIVISION AND THE UNIVERSITY OF VIRGINIA’S COLLEGE AT WISE**

WHEREAS, the proposed biennial budget requests represent the University’s highest priority initiatives and are aligned with the University’s 2030 Plan and the Six-Year Institutional Plan submitted to the Commonwealth on July 1, 2019;

RESOLVED, the Board of Visitors of the University of Virginia approves the 2020-2022 biennial budget General Fund operating requests; and

RESOLVED FURTHER, the Board of Visitors understands that to the extent these requests are not included in the Governor’s 2020-2022 biennial budget, the University may want to pursue a similar request to the General Assembly; and

RESOLVED FURTHER, the President or his designee is authorized to transmit to the General Assembly any request not funded by the Governor as long as there are no material differences from the items endorsed by the Board of Visitors.

**UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY**

**BOARD MEETING:** September 13, 2019

**COMMITTEE:** Finance

**AGENDA ITEM:** I.C. Revised Financial Plans for the Athletics Complex Phase I and the John Paul Jones Arena Performance Center Renovation

**BACKGROUND:** When a capital project is recommended by the administration, there are two major considerations to be evaluated by the Board of Visitors. The Buildings and Grounds Committee determines whether the project should be added to the Multi-Year Major Capital Plan, and the Finance Committee evaluates whether there is a sound financing plan to pay for the estimated project cost and additional operating costs that are expected once the project is complete.

**DISCUSSION:** Financial plans for the first phase of the Athletics Complex and the renovation of the John Paul Jones (JPJ) Arena Performance Center, approved by the Board of Visitors in June 2019, called for the projects to be financed via private gifts of \$18.0 million and \$8.0 million, respectively. The Athletics Complex project financial plan also called for \$2.0 million in operating cash. The Athletics Department has received cash and pledges in an amount equal to the projected cost of each project. To cover cash flow of gift pledges and more effectively manage resources available for each project, both of which will be completed by late summer 2020, the administration plans to utilize debt to cover project expenses. Debt service will be the responsibility of the Athletics Department.

**ACTION REQUIRED:** Approval by the Finance Committee and by the Board of Visitors

**REVISED FINANCIAL PLANS FOR THE ATHLETICS COMPLEX PHASE I AND THE JOHN PAUL JONES ARENA PERFORMANCE CENTER RENOVATION**

WHEREAS, the revised financing plan for the Athletics Complex Phase I calls for the use of operating cash in the amount of \$2.0 million and debt in the amount of \$18.0 million; and

WHEREAS, the revised financing plan for the John Paul Jones Arena Performance Center Renovation calls for the use of debt in the amount of \$8.0 million;

RESOLVED, the Board of Visitors approves the revised financial plans for the Athletics Complex Phase I and the renovation of the John Paul Jones Arena Performance Center.

**UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY**

**BOARD MEETING:** September 13, 2019

**COMMITTEE:** Finance

**AGENDA ITEM:** I.D. Signatory Authority for Four Contracts

**BACKGROUND:** The Board of Visitors is required to approve the execution of any contract where the amount per year exceeds \$5 million. Expenditures for the four contracts listed below may exceed \$5 million per year, and thus exceed the signatory authority of the Executive Vice President and Chief Operating Officer.

**DISCUSSION:** The University seeks delegated authority from the Board to execute the following contracts, which may have annual expenditures in excess of \$5 million:

- Purchase blood factor for hemophilia patients from various manufacturers to support the services agreement with Red Chip Enterprises
- Purchase event management services for the Athletics and Police departments through RMC Events
- Exercise the final renewal option (five years) for the strategic sourcing contract with Dell, Inc.
- Extend the contract with the current consulting partner for the Finance Strategic Transformation to provide services during the implementation phase of the project

The expenses for goods and services purchased through these contracts are reflected in the University's operating budget.

**ACTION REQUIRED:** Approval by the Finance Committee and by the Board of Visitors

**SIGNATORY AUTHORITY FOR FOUR CONTRACTS EXCEEDING \$5 MILLION PER YEAR**

RESOLVED, the Board of Visitors authorizes the Executive Vice President and Chief Operating Officer to execute purchase orders with manufacturers for the remaining term of the Services Agreement with Red Chip Enterprises, RMC Events, Dell, Inc.; and

RESOLVED FURTHER, the Board of Visitors authorizes the Executive Vice President and Chief Operating Officer to execute a multi-year contract for Finance Strategic Transformation implementation.



**UNIVERSITY OF VIRGINIA  
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**BOARD MEETING:** September 13, 2019

**COMMITTEE:** Finance

**AGENDA ITEM:** II.A. University of Virginia Investment Management Company  
2018-2019 Annual Report

**ACTION REQUIRED:** None

**BACKGROUND:** The University of Virginia Investment Management Company (UVIMCO) provides investment management services to the Rector and Visitors of the University of Virginia and its related foundations. Assets deposited in UVIMCO are held in the custody and control of UVIMCO on behalf of the University and Foundations within a long-term, co-mingled investment pool.

UVIMCO's primary objective in managing the investment pool is to maximize long-term real return commensurate with the risk tolerance of the University. To achieve this objective, UVIMCO actively manages the investment pool in an attempt to achieve returns that consistently exceed the returns on a passively managed benchmark with similar asset allocation and risk. Recognizing that the University must attract outstanding students, faculty, and staff and provide them appropriate resources, UVIMCO attempts to manage pool assets to provide long-term real returns that compare favorably with the returns of endowments of other outstanding schools. UVIMCO does not set spending rates; UVIMCO communicates the investment pool's risk and return estimates to the University and foundations for their consideration in setting spending rates.

**DISCUSSION:** UVIMCO'S Chief Executive Officer, Mr. Robert Durden, will provide an overview of the current market environment and the asset allocation, performance, and liquidity position of the Long-Term Pool as of the year ending June 30, 2019, and address any questions from the committee.

**UNIVERSITY OF VIRGINIA  
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**BOARD MEETING:** September 13, 2019

**COMMITTEE:** Finance

**AGENDA ITEM:** II.B. Executive Vice President's Remarks

**ACTION REQUIRED:** None

**BACKGROUND:** The Executive Vice President and Chief Operating Officer will inform the Board of Visitors of other recent events that do not require formal action, but of which it should be made aware.

**UNIVERSITY OF VIRGINIA  
BOARD OF VISITORS AGENDA ITEM SUMMARY**

**BOARD MEETING:** September 13, 2019

**COMMITTEE:** Finance

**AGENDA ITEM:** II.C. Finance Transformation Project: Timeline for Modernizing Financial Management Framework, Processes, and Systems

**ACTION REQUIRED:** None

**BACKGROUND:** The University seeks to strategically evaluate and improve current finance processes, implement new technology, and improve the delivery of financial functions to the University community through the Finance Transformation project. The Planning and Assessment Phase, which included a current state review, future state vision, functional gap analysis, implementation roadmap, business case, and change management strategy was completed in May 2019.

**DISCUSSION:** The Vice President for Finance and Senior Associate Dean for Administration and Planning in the College of Arts & Sciences will share the timeline for the Readiness and Implementation phases of the project.

**UNIVERSITY OF VIRGINIA  
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<b><u>BOARD MEETING:</u></b>	September 13, 2019
<b><u>COMMITTEE:</u></b>	Finance
<b><u>AGENDA ITEM:</u></b>	II.D. Written Report on UVA Health Plan
<b><u>ACTION REQUIRED:</u></b>	None

**BACKGROUND:** The University of Virginia, as the administrator for the UVA employee health plans, has three main objectives: (1) provide a health benefit that is attractive to current and prospective faculty, staff, and health system team members; (2) support the wellbeing of participants; and (3) provide appropriate fiscal management and ensure lower administrative costs.

**DISCUSSION:** For the plan year beginning January 1, 2019, 92.8% of eligible employees enrolled in UVA's health plan, slightly lower than the prior year at 93.4%. For the breakdown of enrollment by plan type, please see the following tables (references are to table numbers below).

- **Enrollment.** 40% of enrolled employees are covered by the Value Health PPO plan, 39% are covered by the Choice Health PPO plan, and 21% are covered by the Basic Health High Deductible plan (see Table 3).
- **Value.** UVA leads in various aspects of health benefits, including lower annual costs per employee when compared to the Commonwealth of Virginia Health Plan (see Table 4).
- **Competitive.** UVA leads the market in the amount of employer contribution towards the cost of insurance, covering 86% across all plans for the employee plus spouse/children tier versus 77% for other large employers (see Table 5).

**Education and Awareness:** Each year UVA invests significant resources to educate participants about their benefit options prior to open enrollment and potential annual costs for each of the UVA Health Plans (see Table 6). During open enrollment in 2018, the education and awareness campaign contained these elements:

- Two across-Grounds Benefits & Wellness Expos with 2,190 attendees
- 14 Expo presentations, with an additional 1,023 viewers watching five livestreamed presentations
- Open Enrollment Presentations (designed to provide education to eligible employees) across eight locations, with 299 participants
- 37,240 Open Enrollment website page views

The results of these efforts were:

- 4.6 out of 5 average customer satisfaction score for HR Solution Center survey results during Open Enrollment
- Video page views on the HR website increased over 20%

**Health Plan Management and Administration:** UVA administers the UVA Health Plan according to its plan documents, is compliant with applicable regulations, and is audited on an annual basis by the Virginia Auditor of Public Accounts.

The overall increase in cost of the UVA Health Plan has been mitigated due to UVA's decision to partner with UVA Health to bring specialty pharmacy items in house, which resulted in a decrease in high-cost specialty pharmacy claims.

We also partner with Mercer to ensure our health plan design is benchmarked against academic medical centers, and actuarial analysis is completed on a regular basis.

**Opportunities:** While we have much to be proud of, as we look toward the future we will continue to focus on the following opportunities within the UVA Health Plan and wellness programs:

- Provide meaningful educational opportunities for eligible employees to make educated decisions regarding their health plan and wellbeing choices.
- Provide health plan design alternatives for eligible employees (see Table 2).
- Research and provide ways to help eligible employees and their families with behavioral health issues.

**TABLE 1: TOTAL REWARDS GOALS**

- Total Rewards goals are part of UVA's efforts to recruit and retain a diverse workforce and to create an inclusive and supportive environment, in alignment with the UVA Strategic Plan.
- Benefit choices were designed to align with employee/family needs as identified by employees in the 2018 benefits preferences survey results, which reflects a changing employee demographic. The most important employee benefits include:

**Retirement**



**Paid Time Off**



**Health and Wellness**



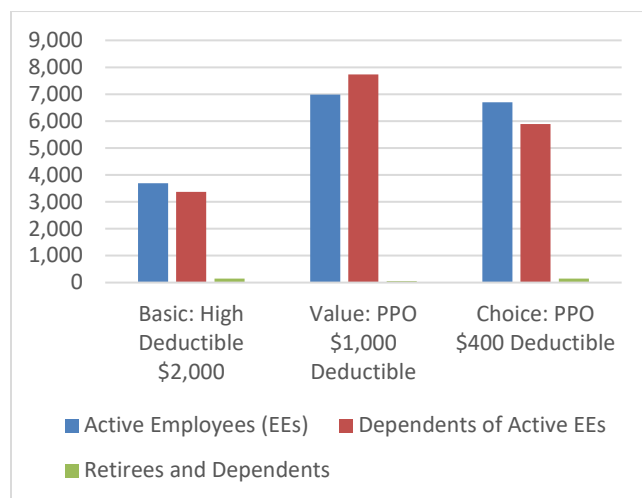
- A culture of wellness, focusing on the whole person (physical, emotional, and financial) in collaboration with UVA Health, continues to be the focus of UVA Total Rewards.

**TABLE 2: THREE-YEAR ROADMAP**

2020	2021	2022
Integrate feedback from employee benefit preferences to align benefits with the needs of the population	Consider new programs/vendors as a result of the medical and pharmacy Request for Proposal. Rename and rebrand health plans	Evaluate Health Saving Account match programs, to compare with other institution or comparators
Adjust health plan choices with the express goal of creating more distinct plans	Modify benefit plan designs and contributions as needed for alignment	Stabilize new programs and vendors
Address increasing cost and declining participation with the pre-65 retiree coverage	Introduce enhanced network solutions to improve participant health and keep plans affordable	Conduct a second employee benefit preferences survey with a goal of exceeding past satisfaction and participation rates
Provide tools to support employee health plan decision making that considers premiums, covered cost and personalized risk tolerance	Introduce improved integration of claims data with programs for better disease management and approaches to chronic conditions	Engage primary care providers to review and improve disease management results within the UVA and Health Plan Network

**TABLE 3: 2018 UVA HEALTH PLAN SUMMARY**

92.8% of eligible active employees are enrolled across UVA Health System and the Academic Division:



Specialty pharmacy costs came down significantly in 2018 due to the UVA Pharmacy partnership, resulting in a 28% decrease in high-cost claims.

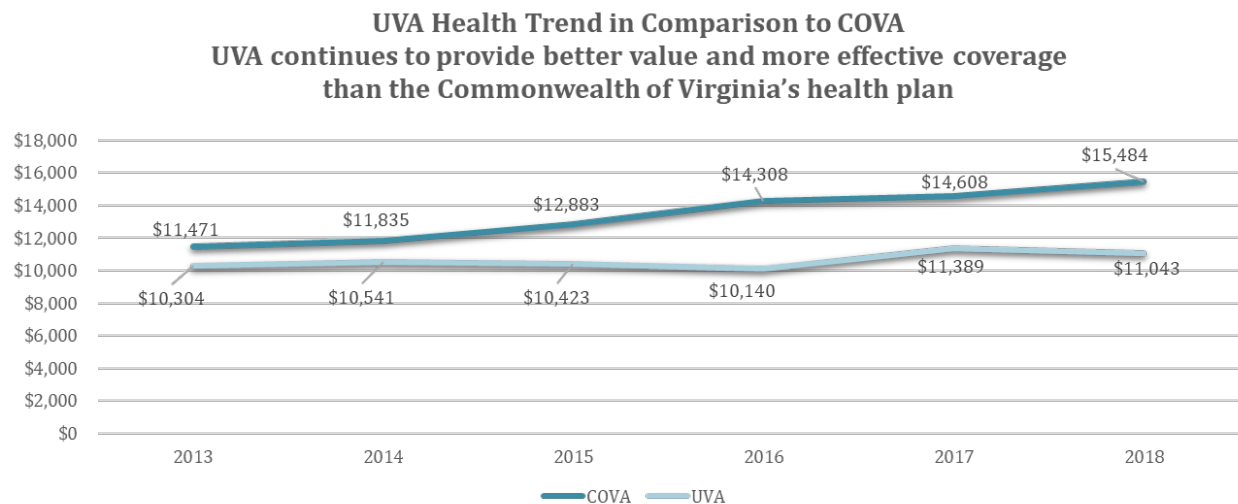


Health Plan costs rose 4.68% from 2016 to 2017, but decreased 1% from 2017 to 2018



Employees interacted with resources in the first Open Enrollment week in 2018

**TABLE 4: UVA HEALTH PLAN TREND COMPARISON**



UVA leads other large employers in all aspects of health benefits, including lower annual cost per employee.

**TABLE 5: UVA CONTRIBUTION TO HEALTH PLAN PREMIUMS**

UVA also leads the market in the amount of employer contribution toward the cost of insurance. The UVA contribution for employee plus spouse/children averages 80% across all plans, compared with a 77% contribution for other large employers.

The 2019 monthly premiums for each UVA plan are as follows:

	Active Employee Contribution			UVA Contribution			Total		
	Basic	Value	Choice	Basic	Value	Choice	Basic	Value	Choice
<b>Single</b>	\$19.00	\$76.00	\$152.50	\$464.25	\$470.00	\$493.25	\$483.25	\$546.00	\$645.75
<b>Employee + Child(ren)</b>	\$24.00	\$122.00	\$308.50	\$821.75	\$833.25	\$821.75	\$845.75	\$955.25	\$1,130.25
<b>Employee + Spouse</b>	\$31.75	\$153.25	\$397.50	\$1,055.50	\$1,075.00	\$1,055.50	\$1,087.25	\$1,228.25	\$1,453.00
<b>Family</b>	\$60.00	\$245.50	\$588.25	\$1,510.50	\$1,528.75	\$1,510.50	\$1,570.50	\$1,774.25	\$2,098.75

**TABLE 6: 2018 HEALTH PLAN COST COMPARISON**

(Example below shows premiums for “Employee only”)



\*Deductible contributes toward Out-of-Pocket Max, as do copays and coinsurance amounts



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<b><u>BOARD MEETING:</u></b>	September 13, 2019
<b><u>COMMITTEE:</u></b>	Finance
<b><u>AGENDA ITEM:</u></b>	II.E. Executive Vice President and Chief Operating Officer Area Annual Reports (Written Reports)
<b><u>ACTION REQUIRED:</u></b>	None

**Human Resources**

University of Virginia Human Resources has published its inaugural annual report for the fiscal year 2018-2019. The report provides an overview of UVA HR's mission and a summary of its accomplishments over the past year. The report references the work begun in 2015 to restructure HR's operations to include human resources work for the Academic Division, UVA Health, and the University Physicians Groups. It also provides statistics and data about the implementation of Workday in January 2019. The report concludes with an overview of how UVA HR will align its strategy and goals to support the University's recently adopted strategic plan. The UVA HR's [2018-2019 Annual Report](#) will be distributed at the September 13, 2019 Finance Committee meeting.

**Organizational Excellence**

Organizational Excellence (OE), the University's quality program, promotes a high-performance, service-oriented, and continuous improvement culture to support and advance core mission activities and institutional priorities. The four components of the program include: 1) major institutional projects and school- and unit-led efforts; 2) coordination of major projects through a portfolio approach; 3) consulting services to support institutional, school, and unit efforts; and 4) professional development in the areas of innovation, improvement, and change to build organizational capacity. The program's guiding principles are academic and administrative collaboration; data-informed and results-oriented; stewardship of resources; and strategic, long-term impact.

The Organizational Excellence initiative continues to yield measurable effectiveness and efficiency gains. In 2018-2019, UVA schools, units, and departments led more than 260 improvements, partnerships, and cost-saving/reallocation efforts, illustrating the University community's commitment to improvement. These collective efforts saved the University approximately \$17.4 million in time and money. Over the last five years, cumulative Organizational Excellence savings and reallocations exceed \$99 million.

Major institutional projects underway focus on enhancing core support services and systems. These projects streamline processes, increase automation, improve data access and analytics, and deliver high-value services to enable mission activities and priorities. Internal consulting expertise advances organizational effectiveness across the academic, research and administrative functions. These services (e.g. strategic planning, process improvement, organizational design, change management, facilitation) support institutional, school, and unit goals.

Organizational Excellence's [2018-2019 Annual Report](#) will be distributed at the September 13, 2019 Finance Committee meeting.