



Board of Visitors Finance Committee Meeting

September 16, 2022



Meeting Agenda

ACTION ITEMS:

- A. Amended 2022-2028 Six-Year Institutional Plan
- B. 2023 Operating Amendments to the 2022-2024 State Biennial Budget
- C. Major Capital Projects Financial Plan
- D. Quasi-Endowment for School of Medicine Stacy E. Mills Professorship of Pathology
- E. School of Medicine Quasi-Endowment for the Department of Obstetrics and Gynecology
- F. Reinvestment of Unspent Endowment Distribution for Greenslade
- G. Quasi-Endowment for The College and Graduate School of Arts & Sciences Unrestricted Fund
- H. Delegation of Signatory Authority for Medical Center Contract

REPORTS:

- A. Recommendations of the Finance Subcommittee on Tuition
- B. Executive Vice President's Remarks
- C. UVIMCO 2021-2022 Annual Report



Amended 2022-2028 Six-Year Institutional Plan



Amended State-Required Six-Year Plan

- Outlines institutional academic, financial, and enrollment plans and includes strategies to advance objectives of the statewide higher education strategic plan, *Pathways to Opportunity: The Virginia Plan for Higher Education*
- Amends 2021 Plan to conform financial plan to Commonwealth's 2022-24 biennial budget as approved by the General Assembly and UVA's 2023 budget as approved by the Board of Visitors
- Reviewed by and comments received from Op-Six*
- Final plans with responses to Op-Six comments due October 1

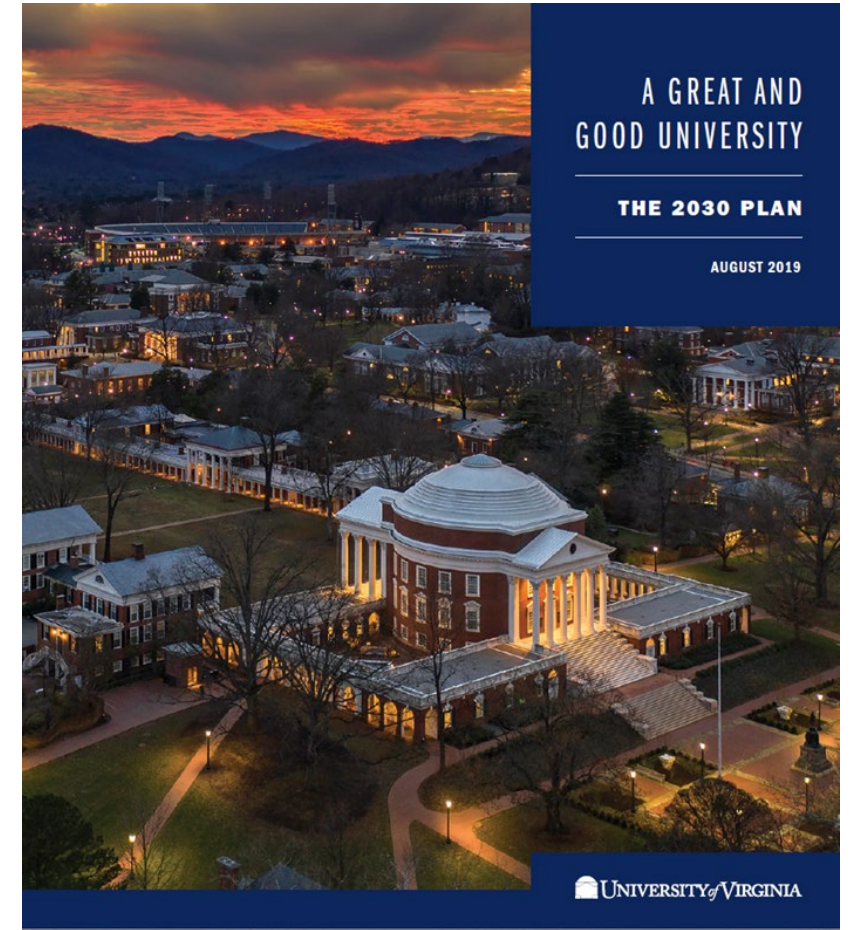
* Secretary of Finance, Secretary of Education, Director of Department of Planning and Budget, Executive Director of SCHEV, Staff Directors of House Appropriations Committee and Senate Finance Committee



Academic Division Six-Year Plan

2030 Plan Key Initiatives in UVA's Six-Year Plan

1. SuccessUVA
2. Third-Century Faculty Initiative
3. Pathways to Research Preeminence
4. Open Grounds at Emmet-Ivy
5. Broadening Our Horizons
6. Bachelor's Completion & Certificate Programs
7. Citizen-Leaders for the 21st Century





Operating Amendments to the 2022-2024 State Biennial Budget



General Fund Amendments to the 2022-2024 Biennial Budget – Academic Division

Operating Amendments	FY23 Request	FY24 Request
Operations & Maintenance for New Facilities	\$144,876	\$610,870
UVA Health Plan – State’s Share	\$840,000	\$2,270,000
FY21 COVID Direct Expense Recovery	up to \$21,127,974	
UVA Workforce Development Initiative	\$5,000,000	\$5,000,000
Utilities– State’s Share	\$307,825	\$704,289
Escrowed Interest Earnings	\$2,314,463	
UVA/NOVA Fairfax [Language only]		



General Fund Amendments to the 2022-2024 Biennial Budget - Wise

Operating Amendment	FY23 Request	FY24 Request
Center for Teaching Excellence	\$300,000	\$300,000
Equipment supporting the Department of Natural Sciences	\$175,000	\$20,000





Major Capital Projects Financial Plan



Major Capital Projects Financial Plan – UVA | NOVA Fairfax (tenant fit out)

- Tenant fit out of over 50,000 SF leased space at Inova Center for Personalized Health Campus in Fairfax, VA
- Support educational programming for UVA | NOVA
 - Classrooms, offices, conference rooms, reception space, open work areas
 - Structural and infrastructure enhancements
- Project budget: \$20.6M funded via Strategic Investment Fund



Major Capital Project Financial Plan – Shumway Hall

- Renovation and expansion of Cobb Hall provides just over 100,000 GSF space to advance McIntire’s long-term growth plan
- Mix of student, faculty, and staff spaces will support innovation, emerging technology, media production, data analytics, and visualization
- Project budget of \$139.7M
 - \$25M gifts
 - \$25M University funds
 - \$89.7M debt (bridge collection of cash payments on philanthropic gifts)





Quasi Endowment Actions



Establishment of Stacy E. Mills, M.D. Professorship in Pathology Quasi-Endowment

- Initial \$3 million investment of principal to establish a new quasi-endowment composed of accumulated clinical reserve funds to be transferred from UVA Physicians Group
- Intent is to leave funds invested in perpetuity and apply toward requirements for establishment of the Stacy E. Mills, M.D. Professorship of Pathology, in the Department of Pathology in the School of Medicine

Establishment of School of Medicine Quasi-Endowment for the Department of Obstetrics and Gynecology

- Initial \$3 million investment of principal to establish a new quasi-endowment composed of accumulated clinical reserve funds to be transferred from UVA Physicians Group
- Intent is for corpus to remain in perpetuity with distributions used in accordance with long-term plans of Department of Obstetrics and Gynecology, primarily around support for research
- Honors Dr. James E. Ferguson, II, who has served as Department Chair for 12 years as a distinguished faculty in Obstetrics and Gynecology

Reinvestment of Unspent Endowment Distribution for Greenslade

- College and Graduate School of Arts & Sciences seeks reinvestment of \$3.56 million in accumulated unspent distributions from the Greenslade Fund for International Studies in Arts and Sciences
- Future distributions that cannot be deployed due to appropriate stewardship will continue to be reinvested accordingly

Quasi-Endowment for College and Graduate School of Arts and Sciences Unrestricted Fund

- Initial \$20 million investment of accumulated unrestricted local funds to establish new quasi-endowment
- Income will be used to support current mission and any new initiatives established by Dean of the College and Graduate School of Arts and Sciences
- Intend to maintain in perpetuity



Delegation of Signatory Authority

Delegation of Signatory Authority for Medical Center Contract

- Board of Visitors considers delegation of authority to allow execution of any contract for goods and services exceeding \$5 million per year
- Medical Center contract with Owens & Minor Distribution, Inc. for medical-surgical product distribution is outside signatory authority of Executive Vice President for Health Affairs (who has been delegated authority by Executive Vice President and Chief Operating Officer to approve certain Health System documents)
- Request to delegate signatory authority to Executive Vice President and Chief Operating Officer to execute a contract with Owens & Minor Distribution, Inc.



Recommendations of the Finance Subcommittee on Tuition





Executive Vice President and Chief Operating Officer Remarks








Finance Strategic Transformation Overview

FST is transforming UVA's financial management capabilities. It has replaced Oracle EBS with Workday Financials and Workday Planning for the Academic Division and, in conjunction with Workday HCM, provides a fully integrated Workday platform.

CHANGE CATALYSTS

-  **Inadequate business analytics capabilities (planning done in Excel)**
-  **Lack of consistency in business processes**
-  **Financial reporting needs not met (statements consolidated outside of Oracle)**
-  **Too much time spent on manual processes and reconciliation**

CHANGE IMPACTS

-  **Faster and better financial information improve strategic decisions and stewardship**
-  **Optimized and streamlined processes**
-  **Enhanced reporting & analytics**
-  **Decommissioning 15 systems and many Excel-based shadow systems**
-  **Eliminated manual data entry, creating more time to derive meaningful insights from data**

Workday Financials went "live" on schedule in July 2022

Scope of Transformation

1 
Workday Financials
Cloud-based financial enterprise systems

2 
Adaptive Planning
Workday's budgeting and planning tool

3 
Enhanced Reporting & Analytics
Improved insight and informed decision-making

4 
Continuous Improvement
Tools, skills, and mindset to improve how we support the mission of the University

Transformation Continues After Go-Live

Transformation continues after go-live in three areas: Hypercare & Stabilization, Post-Go-Live Support, and Continuous Improvement.

1

Hypercare & Stabilization

- FST project team is working to troubleshoot and resolve issues that arise following go-live.
- Project team is conducting knowledge transfer with the operational support team.
- Project team and support team are preparing for the upcoming Workday release, which goes live Sept. 10.

2

Post-Go-Live Support

- Extra resources are available through December 2022 to resolve issues and help users navigate the new systems.
- FST team and leadership are transitioning the project governance structure to a cross-functional support and governance structure.


3

Continuous Improvement

UVAFinance will continuously measure and improve the effectiveness of its systems and processes.

Stakeholder Adoption

The FST team is measuring stakeholder adoption across multiple dimensions following the July go-live of Workday Financials. In addition to tracking completion of training and attendance at “office hours” sessions where users can get answers to their questions, the team is working with change leaders in the schools and units to complete a monthly adoption dashboard.

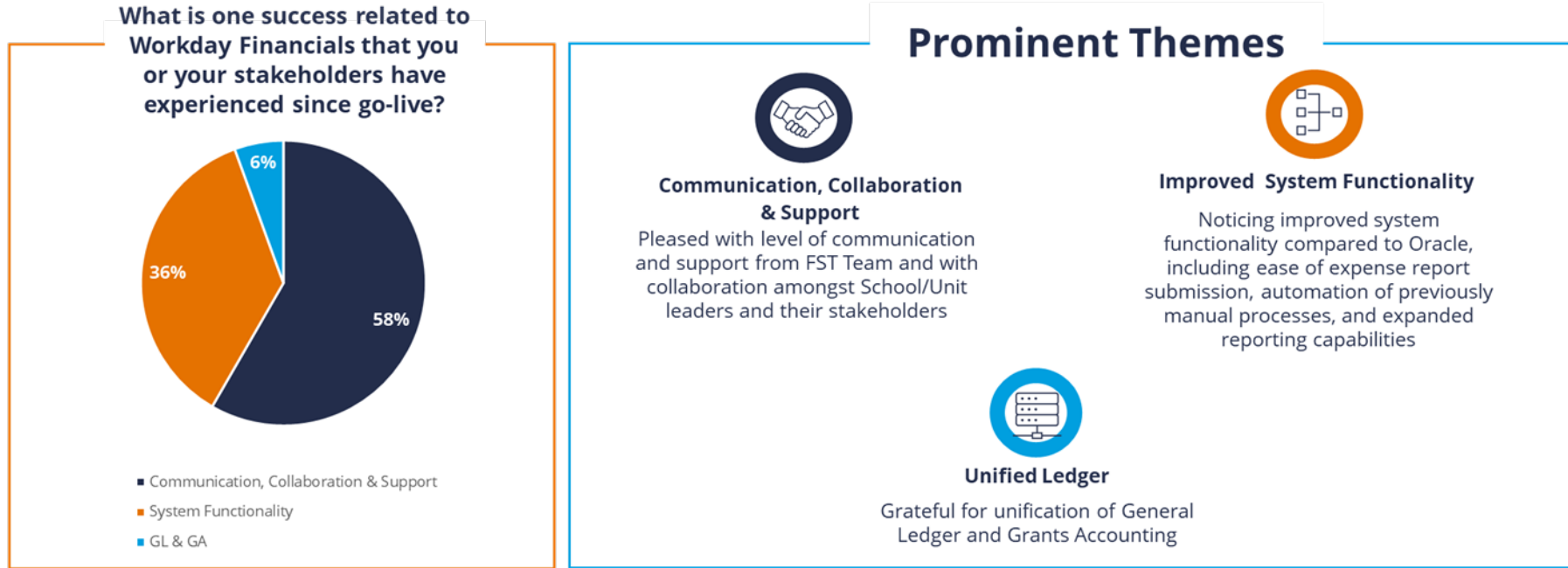
FST UNIT ADOPTION DASHBOARD			
			
8/28/22			
27/30 Units Reporting			
Adoption Indicator	Adoption Status Across Units		
	On Track	Making Progress	Off Track
Stakeholder Engagement	70%	30%	0%
Communication & Collaboration	66%	30%	4%
Sustainability	62%	38%	0%
Expectations & Roles	49%	51%	0%

KEY TAKEAWAYS FOR AUGUST

- School/Unit Leaders are overall quite confident that their areas are progressing towards successful learning and competence
- A few stakeholders are concerned about communication and collaboration being off track as they seek answers to a variety of questions (note: leaders are leaning into all resources available to get answers)
- Some units have expressed concern regarding expectations & roles – about understanding how approval processes are routing, and the limited number of roles that can be requested in the new access management system

Stakeholder Adoption

The FST change management team took a quick poll of the school & unit leadership in a governance meeting held on August 17. The following feedback comes from the 43 responses to that poll.



Items that were top-of-mind for school & unit leaders included:

- | | | |
|-----------------|------------------------|-------------------------|
| Reporting | Approvals/Workflow | Account Certification |
| General Cleanup | Procurement/Delegation | FDM (Chart of Accounts) |

Chief Operating Officer 2022-2023 Priorities

1. Financial stewardship and leadership (\$4.8B operating, \$2.8B capital plan and \$3.3B debt portfolio)
2. Lead and manage all aspects of the COO Portfolio: *Operations (Facilities Management, State Relations, Architect, Business Operations, Real Estate/Leasing), Human Resources, Information Technology, Finance, Safety & Security, Audit & Compliance, Economic Development, Organizational Excellence, Policy*
3. Support key initiatives in the UVA Great and Good Plan
4. Partner and collaborate on key initiatives with President, EVP Health Affairs and EVP-Provost
5. Deliver results while working hard and having fun



UVIMCO Annual Report



Outline

- Overview
- Market Update
- Performance
- Asset Allocation
- Risk Management

Board of Directors



Mitchell Cohen
UVIMCO BOARD CHAIR
Managing Director,
Trilogy Search Partners,
LLC



**Jennifer "J.J."
Wagner Davis**
Executive VP & COO,
University of Virginia



John Macfarlane III
Managing Partner,
Arrochar
Management LLC



James Murray Jr.
Managing Partner,
Court Square
Ventures; Founder,
Presidential
Precinct



Thomas Baltimore Jr.
Chairman, President,
and CEO, Park Hotels &
Resorts



John Harris Jr.
Retired Senior
Banker and
Executive,
Deutsche Bank



Henry McVey
Member and Head
of Global Macro &
Asset Allocation,
CIO of KKR
Balance Sheet



Timothy O' Hara
Head of Banking,
Wells Fargo &
Company Corporate
& Investment Bank



John Connaughton
Co-Managing Partner,
Bain Capital



Meredith Jenkins
Chief Investment
Officer,
Trinity Wall Street



Andrew Mulderry
Co-CIO, Willett
Advisors LLC



Meryl Witmer
General Partner,
Eagle Capital
Partners

UVIMCO Senior Staff



Robert Durden
Chief Executive
Officer/Chief
Investment Officer



Kristina Alimard
Chief Operating
Officer



Allison Gilliam
Chief Financial Officer



John Winn
General Counsel/
Chief Compliance
Officer



Eric Bundonis
Managing Director



Adrienne Clough
Managing Director



Lindsay Larsen
Managing Director

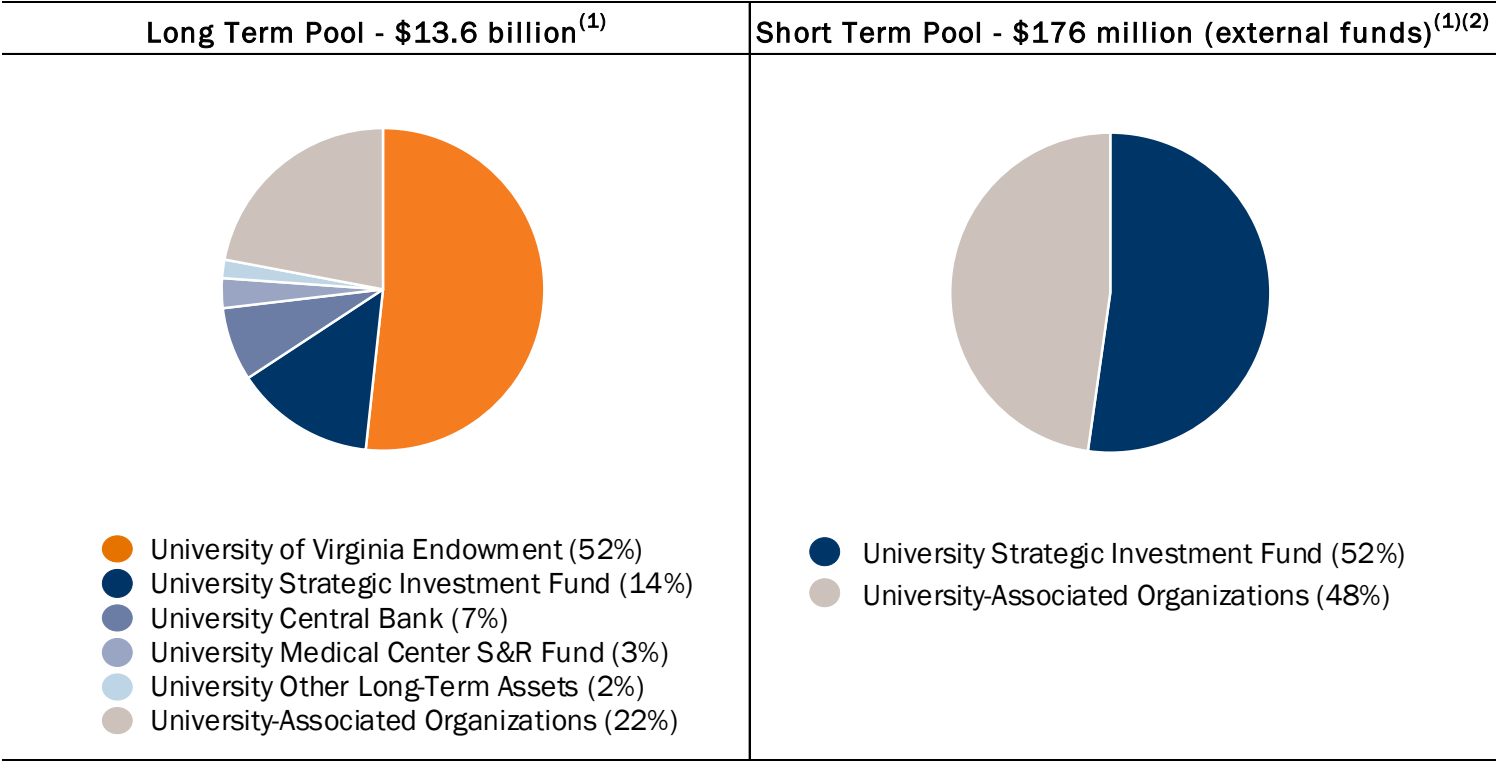


Jason Love
Managing Director



Sargent McGowan
Managing Director

Assets Under Management



(1) Data as of June 30, 2022.

(2) The Long Term Pool's cash portfolio invests in the Short Term Pool. The Short Term Pool market value reflected above excludes Long Term Pool assets.

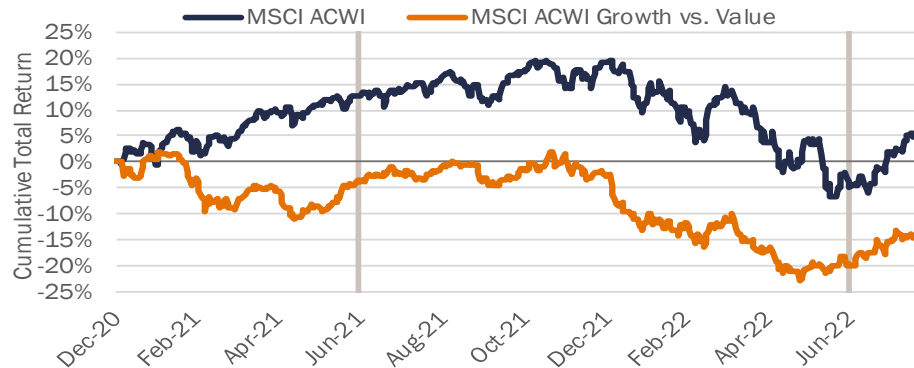
Investment Objectives

Primary objective: Maximize long-term real returns commensurate with the risk tolerance of the University

- Preserve the purchasing power of long-term investment assets by earning an annualized rate of return of at least spending + inflation + fees
- Evaluate Pool performance relative to that of the policy portfolio, which represents a passive and liquid expression of the University's long-term investment risk tolerance
- The policy portfolio is 75/25 equity and fixed income

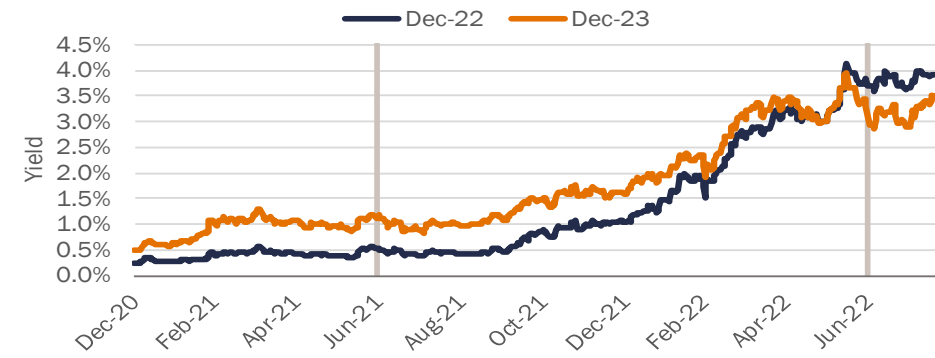
Market Update

Equities and Growth vs. Value



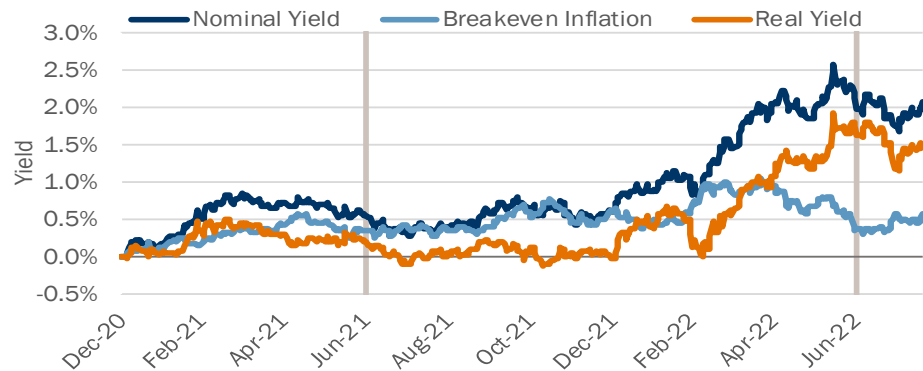
Data as of 8/19/2022. Performance indexed to 0% as of 12/31/2020.

Fed Funds Implied Rates



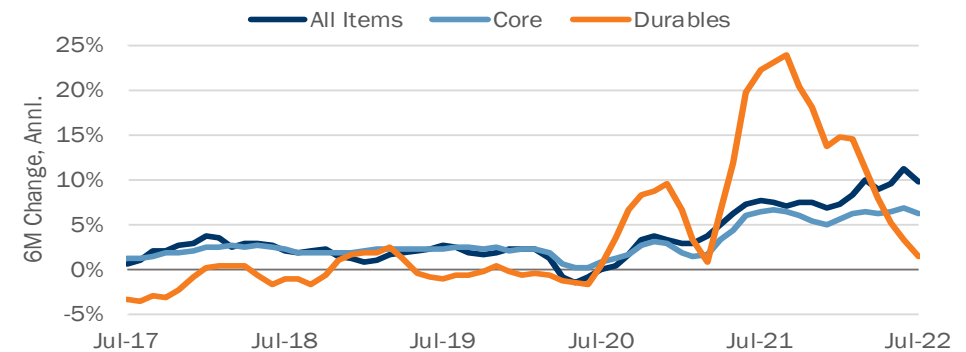
Data as of 8/19/2022. Implied yields calculated via eurodollar futures.

10-Year U.S. Treasury Yield Change Decomposition



Data as of 8/19/2022. Displays the cumulative yield change since 12/31/2020 in the 10Y UST yield and its components.

Inflation - CPI Indices



Data as of 7/31/2022. Underlying indices are CPI, seasonality-adjusted.

Performance

Long Term Pool and Policy Portfolio Performance Summary

<i>As of 6/30/2022</i>	1 YR	3 YR	5 YR	10 YR	20 YR
Long Term Pool	(4.7)	14.4	12.0	11.0	10.4
<i>Policy Portfolio</i>	(13.2)	5.1	6.1	7.3	7.0
<i>Relative</i>	8.5	9.3	5.9	3.7	3.4

- The LTP significantly outperformed the policy benchmark for fiscal year 2022
- Strong performance in Real Assets, Marketable Alternatives, and Buyout offset losses in Public Equity and Long/Short
- Exemplary long-term performance remains UVIMCO's objective and primary focus

Performance

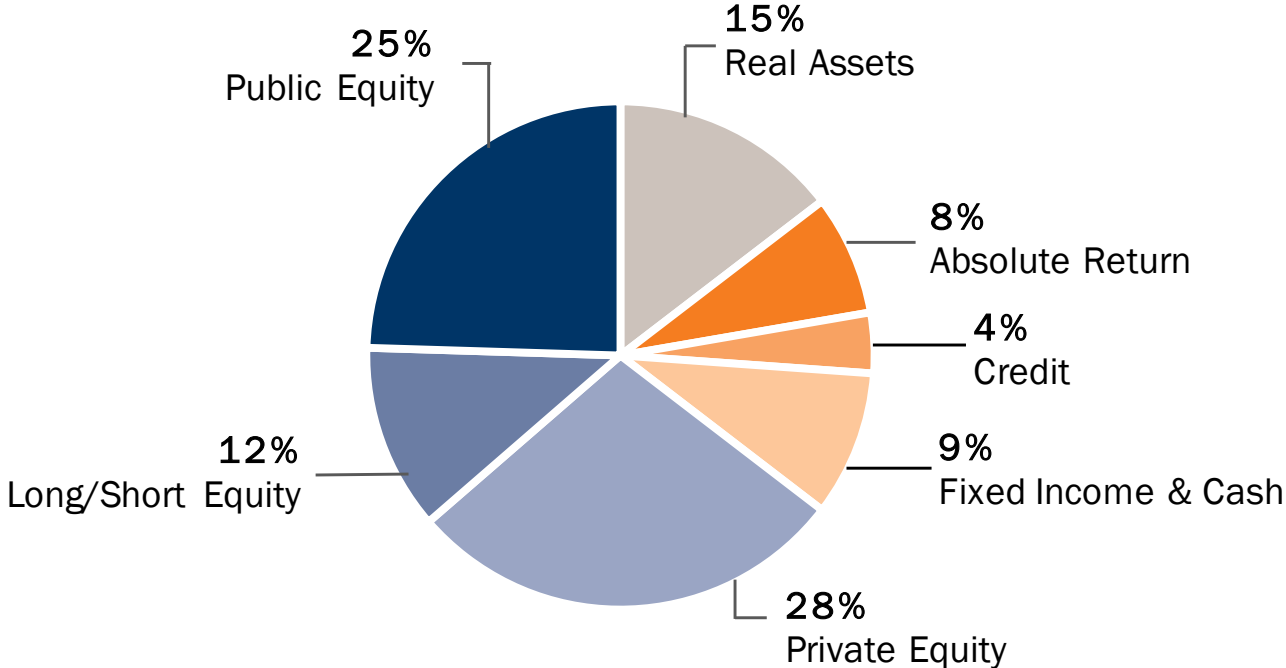
Long Term Pool and Policy Portfolio Performance Detail

<i>As of June 30, 2022</i>	Market Value		TWRR, Annualized				
	\$mms	% LTP	1 Year	3 Years	5 Years	10 Years	20 Years
Long Term Pool	13,609	100.0	(4.7)	14.4	12.0	11.0	10.4
<i>Policy Portfolio</i>		100.0	(13.2)	5.1	6.1	7.3	7.0
Equity							
Public	3,336	24.5	(22.6)	7.5	8.5	11.4	12.6
Long / Short	1,614	11.9	(22.9)	4.1	4.7	6.2	7.4
Buyout	575	4.2	46.5	28.2	19.6	14.4	14.4
Growth Equity	1,707	12.5	(7.4)	24.6	23.9	19.8	--
Venture Capital	1,558	11.4	5.3	49.1	44.5	33.7	16.7
Real Assets	1,986	14.6	39.2	19.7	12.3	12.0	12.2
Total Equity	10,776	79.2	(6.5)	16.2	13.8	12.9	11.8
<i>MSCI All Country World Equity</i>		75.0	(15.4)	6.7	7.5	9.3	7.8
Diversifiers							
Absolute Return	1,046	7.7	11.2	5.7	4.3	5.3	4.9
Credit	524	3.9	(4.2)	5.5	5.9	7.1	8.5
Fixed Income	824	6.1	(7.8)	2.6	2.9	1.7	4.0
Cash	247	1.8	0.1	0.5	1.0	0.6	16.5
Total Diversifiers	2,641	19.4	0.7	5.4	4.6	4.2	3.9
<i>Bloomberg U.S. Treasury Bond</i>		25.0	(7.0)	0.5	1.9	2.3	3.8
Portfolio Management and Overlays⁽¹⁾	192	1.4	0.4	(0.0)	(0.1)	(0.1)	--

(1) Represents the returns added/subtracted to the total LTP return by overlay, financing, and other portfolio management positions. Returns are displayed as a percentage of the LTP

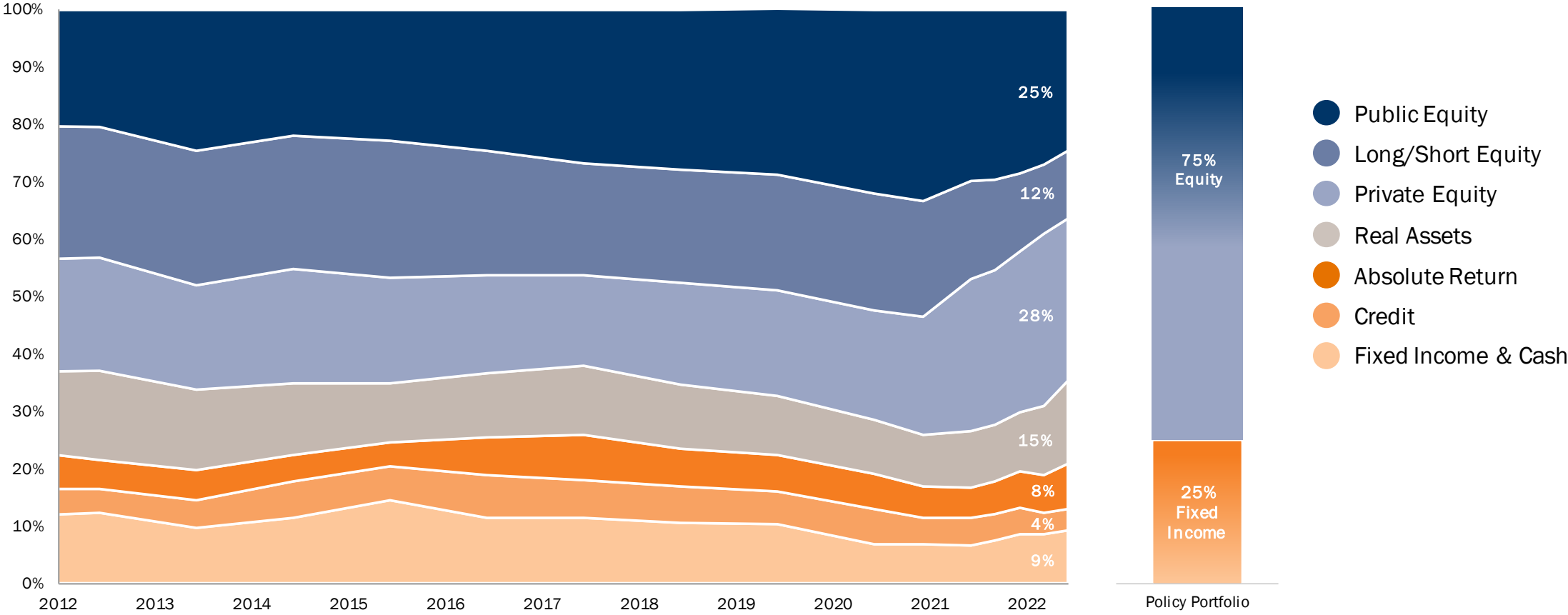
Asset Allocation

Long Term Pool Asset Allocation, as of June 30, 2022



Asset Allocation

UVIMCO Long Term Pool Historical Asset Allocation, as of June 30, 2022



Risk Management

Risk is the impact that a portfolio loss has on shareholders

- Short-term: Volatility or drawdown risk
- Long-term: Decline in the real value of the endowment

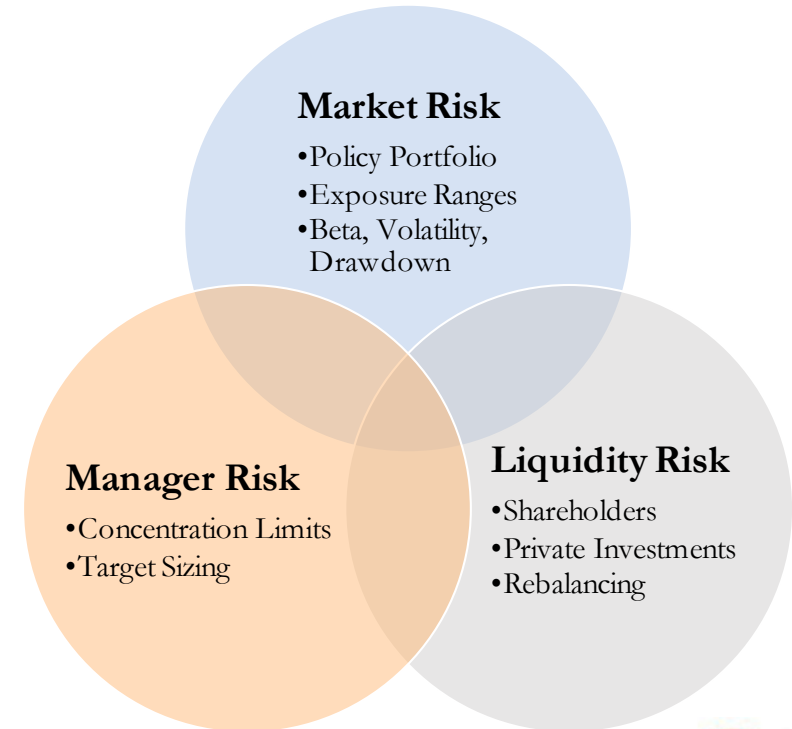


Trade-off between short-term and long-term risk

Measure and control for three primary risks:

- Market risk: consider short-term (drawdown or volatility in distribution/NAV) and long-term (purchasing power impairment) risks
- Liquidity risk: risk of insufficient liquidity to cover shareholder withdrawals, capital calls and rebalancing transactions
- Manager risk: risk that managers underperform expectations, as well as operational or business risks. Manage and mitigate through due diligence and diversification

Risk Management Framework



Risk Management

Type	Risk Metrics	Policy	Actual As of June 30, 2022
Market Risk	Global Equity Beta	75%	81%
	Drawdown Risk (1.0% Value at Risk)	-22%	-23%
Liquidity Risk	Minimum 3-Month Liquidity	20%	28%
	Minimum 12-Month Liquidity	35%	42%
	Target to Private Investments	40% ⁽¹⁾	47%
	Target Unfunded Commitments	20%	16%
Manager Risk	Maximum Concentration to a Single Manager	7.5%	4.5%

⁽¹⁾ Target to Private Investments was increased to 45% by the UVIMCO Board of Directors, effective July 1, 2022

