



Board of Visitors Finance Committee Meeting

March 4, 2022



Meeting Agenda

ACTION ITEMS:

1. Disposition of Real Property: Shirley McIvor Trust
2. Budget Amendments Transmitted to the General Assembly

REPORTS:

1. Report on Finance Strategic Transformation
2. 2022 General Assembly Update
3. UVIMCO Report
4. Executive Vice President's Remarks



**Disposition of Real Property:
Shirley McIvor Trust**

Disposition of Real Property: Shirley Mclvor Trust

- Property in Lynchburg, VA bequeathed by Shirley Mclvor to UVA
- 1.83-acre vacant commercial lot located at 3806-3810 Old Forest Road
- 2019 appraised value: \$755,000
- Resolution authorizes UVA to
 - Transfer property to UVAF which will manage, maintain, market, and lease or sell on behalf of UVA or
 - Accept title to and sell the property if transfer to UVAF is not feasible



**Budget Amendment Transmitted
to the General Assembly**



Budget Amendment Transmitted to the General Assembly

UVA Institute for Biotechnology

\$75 million

Incentive packages to attract high-performing researchers with a history of producing translational research



Report on Finance Strategic Transformation



Finance Strategic Transformation | Overview

EST will transform UVA's financial management capabilities. It will replace Oracle EBS with Workday Financials and Workday Planning for the Academic Division and, in conjunction with Workday HCM, provide 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



Better financial information and services to support
strategic management and stewardship of financial
resources



Improved processes, some through automation



Enhanced reporting & analytics capabilities



Decommissioning at least 15 systems, as well as
Excel-based shadow systems and processes



More time spent deriving meaningful insights
from financial data

Workday Financials will “go live” on July 1st, 2022

FST | A Highly Complex Effort

The project is on track despite a high degree of complexity.

Significant Level of Transformation

Enables Academic Division leadership and staff to focus on strategic analysis and scenario planning

Technical Impact

88 UVA systems require remediation, 15 systems will be decommissioned – along with other Excel-based shadow systems

2,000+ Stakeholders

2,130 UVA employees are FST stakeholders and have engaged in the project

Health System Impact

Medical Center and UPG financial systems require remediation, some transaction process changes required for both organizations

FST | Monitoring Readiness

Despite the complexity, FST Workday Financials is on track for the July 1 Go-Live. The project team is focused on three “readiness” areas: People, Platform, and Other Systems.

1

People

- Are system users prepared for the changes to their work?
- Will they have the support they need?

2

Platform

- Is the system configured, tested and ready to function properly for UVA?
- Are the business processes working effectively?
- Is the reporting and information accurate and accessible?

3

Other Systems

- Are all priority finance-affiliated systems that will interface with Workday tested and working as expected?

The FST project faces risk in the following areas. The project team and leadership are actively monitoring these risks and are prepared to mitigate them as needed.

Risk Areas	Mitigation Strategy
<p>People:</p> <ul style="list-style-type: none"> • Staff in central units don't know the new system or processes well enough to perform their jobs • Staff in schools and distributed units don't know where to get help in a timely manner 	<ul style="list-style-type: none"> • Offering a variety of training that covers systems, processes and competencies required to do their job. • Developing a robust support organization and will have links embedded in the system for staff to get help and offer feedback.
<p>Process:</p> <ul style="list-style-type: none"> • People don't have the right roles / access • Processes/transactions begin to backlog • Reports/information aren't easily available 	<ul style="list-style-type: none"> • Collaborating with schools/units to align people with roles. • Workday analytics enable the support organization to monitor processes and address issues through continuous improvement. • Conducting focus groups to ensure that users get information they need in a usable format.
<p>Technology:</p> <ul style="list-style-type: none"> • System performance is slow • Other critical systems don't work with Workday 	<ul style="list-style-type: none"> • FST team is doing performance testing • End-to-end testing with other system integrations

Stakeholder Engagement

Goal: INVOLVED

- Customer Confirmation Sessions
- Monthly Governance Meetings
- Working Sprints with Weekly Check-in Sessions
- Monthly Feedback Loop with Change Leaders

Communication

Goal: INFORMED

- Diverse Range of Channels
- Consistent Updates
- Customized Communications

Organizational Readiness

Goal: PREPARED

- Readiness Dashboard & Checklist to track readiness:
- FDM Mapping – Position to Role Mapping – System Remediation – Process Improvements - Budgets

Training

Goal: EQUIPPED

- Role-based Training
- Offered Just in Time
- Variety of Modalities:
 - Self-paced – Instructor Led – Experiential – Collaborative

FST | Transformation Continues After Go-Live

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

1

Stabilization

- Final data conversions will be completed.
- Fund balances will be made available shortly after go-live and will be realigned in the weeks and months after go-live.

2

Post-Go-Live Support

- Extra resources will be available in the months following go-live to resolve issues and help users to navigate the new systems.
- FST team and leadership are implementing a cross-functional support and governance structure.

3

Continuous Improvement

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



2022 General Assembly Update

2022 Session Timeline

Wednesday, January 12	2022 Session convened
Tuesday, February 15	Crossover
Sunday, February 20	Money committees reported out respective budgets
Thursday, February 24	House and Senate acted on respective budgets
Wednesday, March 2	Budget conferees appointed
Saturday, March 12	2022 Session adjourns <i>sine die</i>
Monday, April 11	Deadline for Governor's action on enacted legislation
Wednesday, April 27	Reconvened Session
Friday, July 1	Effective date of most legislation

Budget Proposals – UVA Incremental Funding over FY2022

Operating Funds (<i>\$ in thousands</i>)	Governor Northam		House Proposal		Senate Proposal	
	FY2023	FY2024	FY2023	FY2024	FY2023	FY2024
Affordable access	\$7,003	\$7,003	\$9,503	\$9,503	\$7,003	\$7,003
UG financial aid	\$451	\$2,930	\$451	\$676	\$451	\$2,930
Graduate financial aid	\$480	\$719	\$--	\$--	\$480	\$719
Minimum wage	\$61	\$61	\$--	\$--	\$61	61
UVA Health Plan	\$837	\$2,265	\$837	\$2,265	\$--	\$--
O&M for new facilities	\$173	\$173	\$173	\$173	\$173	\$173
Total incremental operating funds over FY22	\$9,005	\$13,151	\$10,964	\$12,617	\$8,168	\$10,887

- \$2.5M of the affordable access funding in the House budget is designated to support in-state undergraduate students, providing the ability to limit tuition increase for in-state undergraduate students to no more than 3% in 2022-23 over 2021-22
- House budget also includes \$21.1M in one-time funds for unreimbursed COVID expenses.



Budget Proposals – UVA Incremental Funding over FY2022

Research/Other Funds (<i>\$ in thousands</i>)	Governor Northam		House Proposal		Senate Proposal	
	FY2023	FY2024	FY2023	FY2024	FY2023	FY2024
Virginia Humanities (expand programming on Virginia Indian history & culture)	\$--	\$--	\$150	\$150	\$250	\$250
Weldon Cooper Center (increase demography projection capacity)	\$--	\$--	\$--	\$--	\$300	\$300
Cancer research ¹	\$13,337	\$13,337	\$13,337	\$13,337	\$13,337	\$13,337
Focused ultrasound	\$2,000	\$2,000	\$1,000	\$1,000	\$2,000	\$2,000
Total incremental research/ other funds over FY22	\$15,337	\$15,337	\$14,487	\$14,487	\$15,887	\$15,887

¹ Senate designates \$2.5M of the total \$20M allocation to cancer research to pediatric cancer research

2022-24 Budget Proposals – Institute for Biotechnology

Governor Northam	House Proposal	Senate Proposal
<ul style="list-style-type: none">• Not included	<ul style="list-style-type: none">• Provides \$18M in general funds and \$7.5M from the Equipment Trust Fund in each year for faculty start-up packages and equipment purchases• Directs UVA, in consultation with Secretary of Education, Secretary of Finance, Department of Planning and Budget, Virginia Economic Development Partnership, and money committee staff, to develop MOU to establish criteria for continued allocations	<ul style="list-style-type: none">• \$25M allocated through the Virginia Innovation Partnership Authority (VIPA)<ul style="list-style-type: none">• \$5M for start-up packages and attraction of biotech start-up companies that lack necessary infrastructure• \$20M to support planning, design, and construction 350,000 SF facility• Contingent on commitment of at least \$250M from other non-state sources

2022-24 Budget Proposals – Capital

UVA	Governor Northam	House Proposal	Senate Proposal
Alderman Library	<ul style="list-style-type: none"> Not included 	<ul style="list-style-type: none"> \$9.6M to address cost overruns 	<ul style="list-style-type: none"> \$11.3M to address cost overruns
Center for the Arts	<ul style="list-style-type: none"> Authorizes detailed planning 	<ul style="list-style-type: none"> Authorizes detailed planning 	<ul style="list-style-type: none"> Authorized detailed planning
Instructional space in NOVA	<ul style="list-style-type: none"> Not included 	<ul style="list-style-type: none"> Reallocates \$20M in funding originally intended for GGBRI to renovate instructional space at INOVA 	<ul style="list-style-type: none"> Deauthorizes unspent funding originally intended for GGBRI

Budget Proposals – UVA’s College at Wise

Operating funds (<i>\$ in thousands</i>)	Governor Northam		House Proposal		Senate Proposal	
	FY2023	FY2024	FY2023	FY2024	FY2023	FY2024
Affordable access	\$633	\$633	\$1,633	\$1,633	\$633	\$633
Program expansion	\$6,559	\$4,954	\$6,559	\$4,954	\$967	\$967
UG financial aid	\$240	\$1,562	\$240	\$360	\$240	\$1,562
Graduate financial aid	\$200	\$200	\$--	\$--	\$200	\$200
Minimum wage	\$132	\$132	\$--	\$--	\$132	\$132
Total over FY22	\$7,764	\$7,481	\$8,432	\$6,948	\$2,172	\$3,493

- \$1M of the funding included in the House affordable access funding is designated to support in-state undergraduate students, providing the ability to limit tuition increase for in-state undergraduate students to no more than 3% in 2022-23 over 2021-22
- House budget includes language authorizing the College at Wise to offer master’s level degree programs



Compensation Proposals

- House provides 4% salary increase effective June 10 in each year PLUS 1% bonus on December 1 each year
- Senate provides 5% salary increase effective June 10 in each year PLUS \$1,000 bonus on June 1, 2022
- Applies to all state employees including classified staff, University staff, faculty, adjunct faculty, and graduate assistants
- Base salary increases and bonuses proposed by the House may be merit-based for all employees except classified staff



UVIMCO 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 and COO
University of Virginia



John Macfarlane III
Managing Partner,
Arrochar
Management LLC



Timothy O' Hara
Global Co-Head of
Credit, Blackrock
Alternative
Investors



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



Meryl Witmer
General Partner,
Eagle Capital
Partners



John Connaughton
Co-Managing Partner,
Bain Capital



Meredith Jenkins
Chief Investment
Officer,
Trinity Wall Street



Andrew Mulderry
Co-CIO, Willett
Advisors LLC

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



Lindsay Larsen
Managing Director

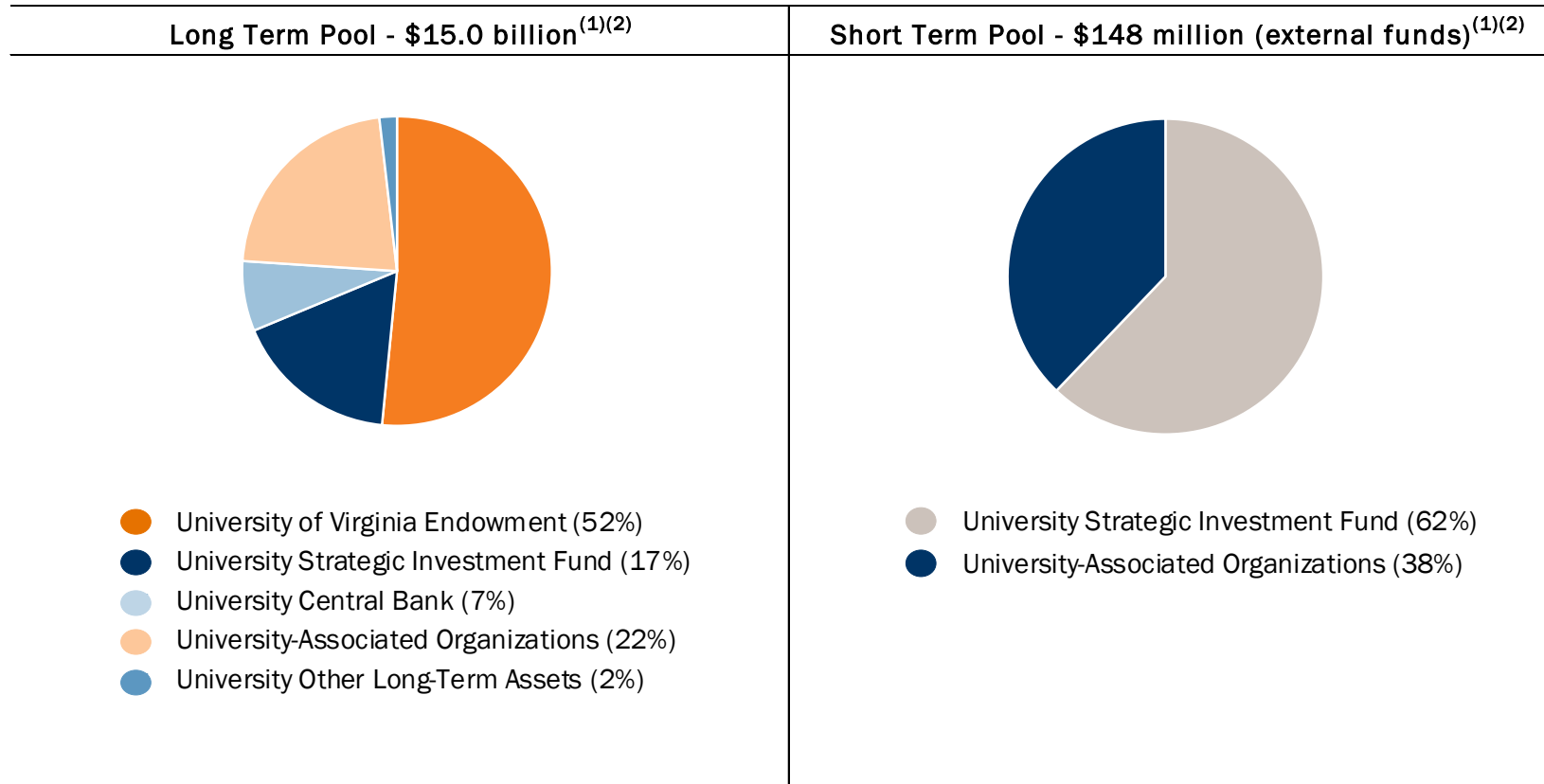


Jason Love
Managing Director



Sargent McGowan
Managing Director

Assets Under Management



(1) 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.

(2) As of December 31, 2021.

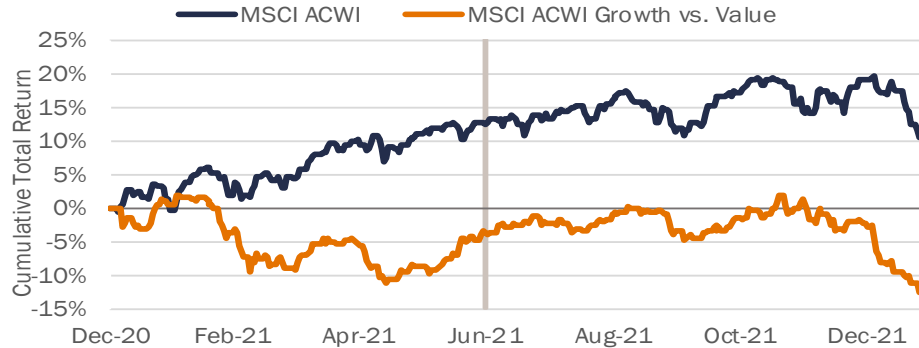
Investment Objectives

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 in FY 2022

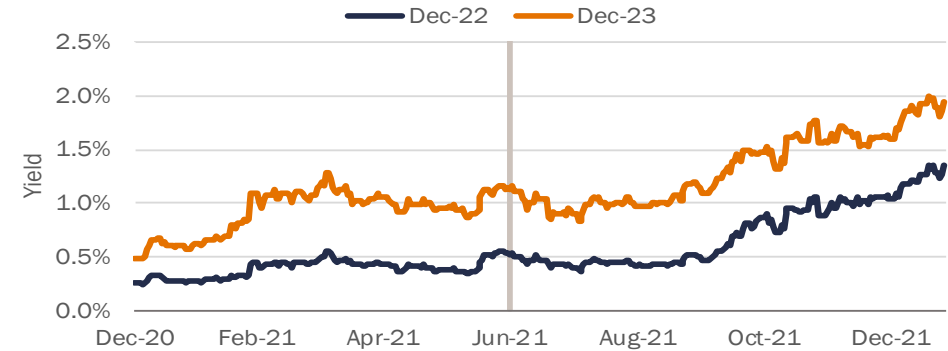
Market Update

Equities and Growth vs. Value



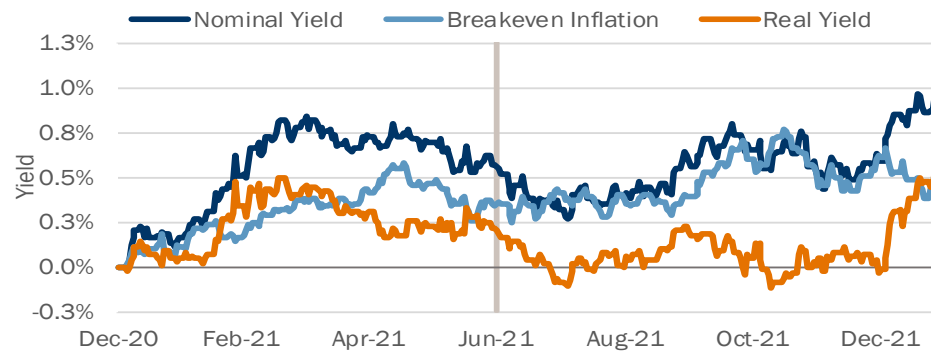
Data as of 1/26/2022. Performance indexed to 0% as of 12/31/2020.

Fed Funds Implied Rates



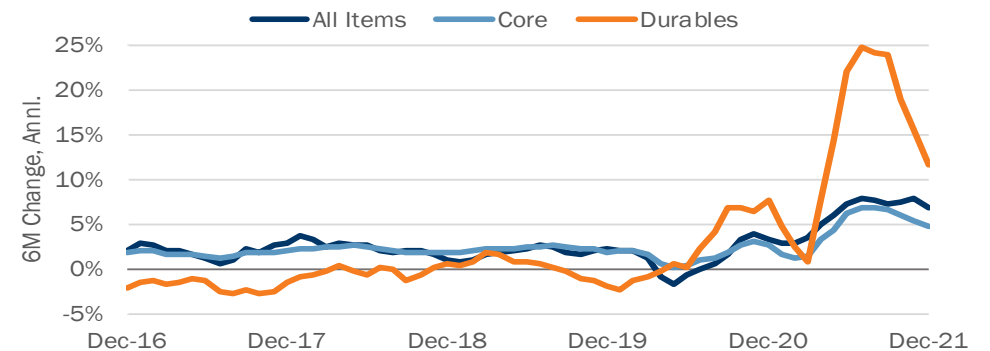
Data as of 1/26/2022. Implied yields calculated via eurodollar futures.

10-Year U.S. Treasury Yield Change Decomposition



Data as of 1/26/2022. Displays the cumulative yield change since 12/31/2020 in the 10Y UST yield and its components.

Inflation - CPI Indices



Data as of 12/31/2021. Underlying indices are CPI, seasonality-adjusted.

Performance

Long Term Pool and Policy Portfolio Performance Summary

As of 12/31/2021	1 YR	3 YR	5 YR	10 YR	20 YR
Long Term Pool	28.2	21.7	15.5	12.9	10.8
<i>Policy Portfolio</i>	14.6	16.8	12.0	10.0	7.9
<i>Relative</i>	13.6	4.9	3.5	2.9	3.0

- The LTP significantly outperformed the policy benchmark. Markets rewarded our investment strategy hallmarks: active management, equity-orientation, growth, innovation, and a long time horizon
- Private equity-oriented strategies recorded strong absolute and relative performance, with public equities' exposure to China pulling down returns later in the year
- We recognize CY 2021 is highly unusual and partially reflects pulled forward future returns, particularly in the first half of the year

Performance

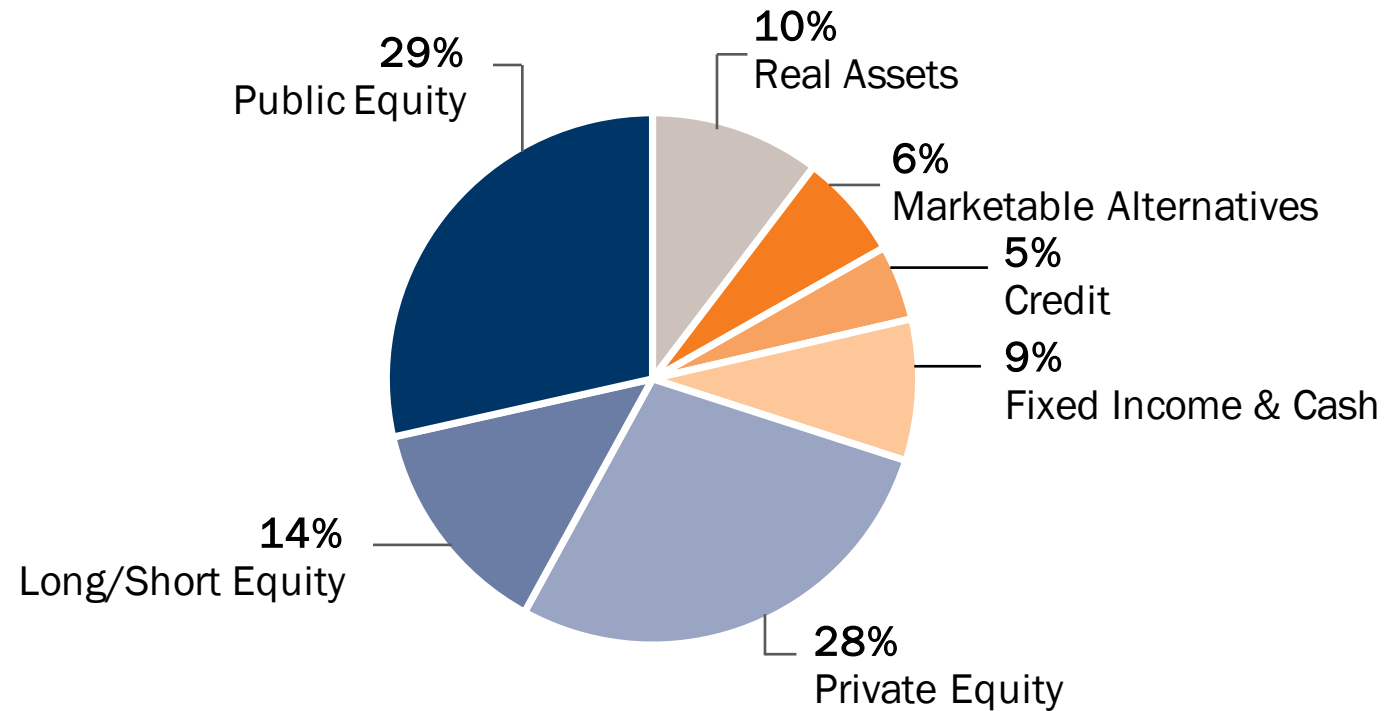
Long Term Pool and Policy Portfolio Performance Detail

<i>As of December 31, 2021</i>	Market Value		TWRR, Annualized					TWRR
	\$mms	% LTP	1 Year	3 Years	5 Years	10 Years	20 Year	FYTD
Long Term Pool	15,042	100.0	28.2	21.7	15.5	12.9	10.8	4.3
<i>Policy Portfolio</i>		100.0	14.6	16.8	12.0	10.0	7.9	4.9
Equity								
Public	4,289	28.5	16.1	22.8	17.6	15.5	13.7	(0.5)
Long / Short	2,032	13.5	6.3	17.8	10.6	9.8	8.9	(0.7)
Buyout	581	3.9	63.4	22.4	16.3	14.0	13.4	24.9
Growth Equity	1,959	13.0	55.9	34.8	29.1	21.4	--	5.2
Venture Capital	1,674	11.1	123.5	65.6	46.8	37.3	16.0	16.6
Real Assets	1,556	10.3	47.1	11.1	9.7	10.4	10.3	8.8
Total Equity	12,090	80.4	33.4	25.4	18.4	15.3	12.3	4.6
<i>MSCI All Country World Equity</i>		75.0	19.0	21.0	15.0	12.4	8.5	5.8
Fixed Income, Cash & MAC								
Marketable Alternatives	970	6.4	10.2	5.0	3.7	5.1	4.7	7.7
Credit	690	4.6	14.0	11.8	8.0	8.3	8.9	1.8
Fixed Income	752	5.0	1.2	8.7	5.6	3.0	4.9	4.7
Cash	569	3.8	0.0	0.8	1.0	0.5	--	0.0
Total Fixed Income, Cash & MAC	2,981	19.8	8.1	8.4	5.6	4.7	4.3	4.2
<i>Bloomberg U.S. Treasury Bond</i>		25.0	1.7	5.7	4.3	3.6	4.5	2.2
Portfolio Management and Overlays⁽¹⁾	(29)	(0.2)	(0.3)	(0.4)	(0.2)	(0.1)	--	(0.3)

⁽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.

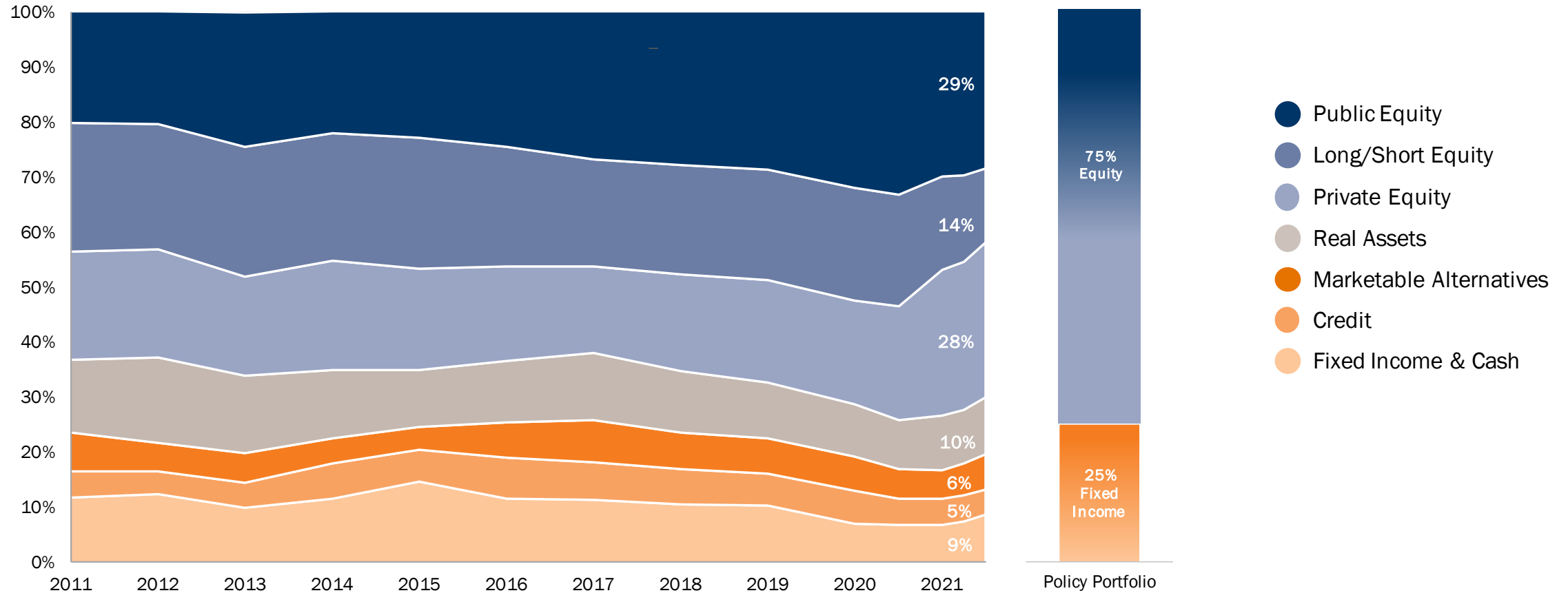
Asset Allocation

Long Term Pool Asset Allocation, as of December 31, 2021



Asset Allocation

UVIMCO Long Term Pool Historical Asset Allocation, as of December 31, 2021



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

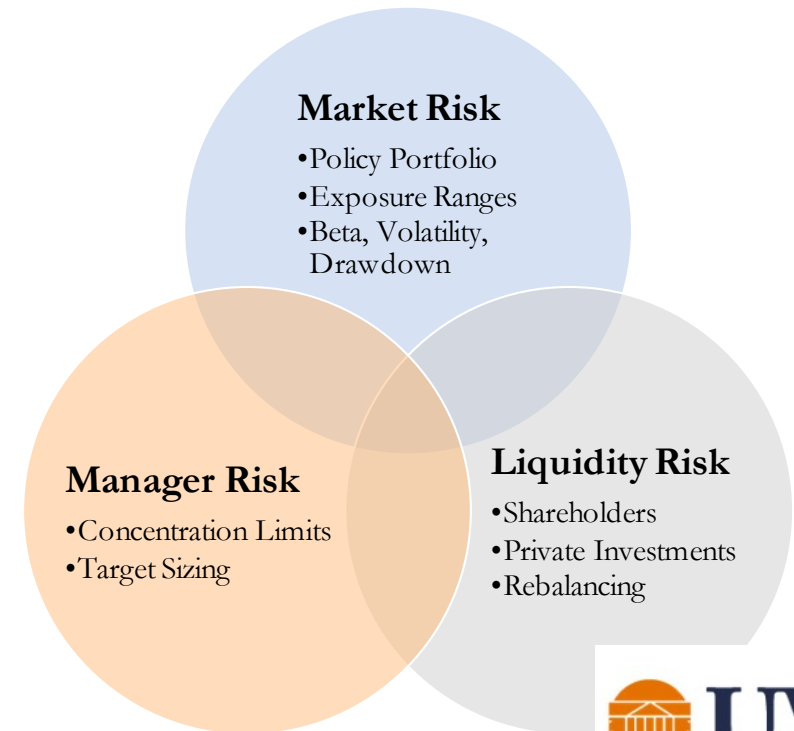


Trade-off between short-term and long-term risk

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 December 31, 2021
Market Risk	Global Equity Beta	75%	80%
	Drawdown Risk (1.0% Value at Risk)	-21%	-22%
Liquidity Risk	Minimum 3-Month Liquidity	20%	31%
	Minimum 12-Month Liquidity	35%	45%
	Target to Private Investments	40%	43%
	Target Unfunded Commitments	20%	14%
Manager Risk	Maximum Concentration to a Single Manager	7.5%	5.0%



Executive Vice President's Remarks



Executive Vice President's Remarks

- Introduction of Chief Human Resources Officer
- COVID Financial Impact
- Macroeconomic Update

Vice President & Chief Human Resources Officer



2022 Priorities

1. Maintain UVA as a leader/best place to work in higher education and embrace the post-pandemic future of work
2. Closely partner with UVA Health leadership to address short- and long-term needs related to staffing and retention
3. Continue to build and refine HR programs for career advancement within UVA

Academic Division COVID Impact Update

	Federal Relief	State GF/ Special Payments and Awards	Philanthropy and Private Reserves	Total Institutional Funds ¹	Total
FY20 and FY21 Financial Impact					
COVID RESPONSE (PPE, Testing, Q/I, technology)	\$ 21,859,618	\$ 176,000	\$ -	\$ 21,725,701	\$ 43,761,319
LOST REVENUE (Auxiliary, J-Term/Summer, Fees)	6,358,845	3,000,000	-	34,900,862	\$ 44,259,707
ATHLETICS COVID RESPONSE AND LOST REVENUE ²	16,269,485	964,680	-	3,950,004	\$ 21,184,169
STUDENT, EMPLOYEE, CONTRACTOR AND COMMUNITY NEEDS	11,906,910	-	6,633,200	-	\$ 18,540,110
FY20 and FY21 TOTALS	\$ 56,394,858	\$ 4,140,680	\$ 6,633,200	\$ 60,576,567	\$ 127,745,305
Projected FY22 Financial Impact					
COVID RESPONSE (PPE, Testing, Q/I, technology)	\$ 6,269,713	\$ 1,109,320	\$ -	\$ 300,000	\$ 7,679,033
LOST REVENUE (Auxiliary, J-Term/Summer, Fees)	-	\$ -	\$ -	\$ 9,172,404	\$ 9,172,404
ATHLETICS COVID RESPONSE AND LOST REVENUE ²	2,600,000	\$ -	\$ -	\$ -	\$ 2,600,000
STUDENT, EMPLOYEE, CONTRACTOR AND COMMUNITY NEEDS	15,688,948	\$ -	\$ -	\$ -	\$ 15,688,948
Projected FY22 TOTALS	\$ 24,558,661	\$ 1,109,320	\$ -	\$ 9,472,404	\$ 35,140,385
¹ Excludes deferred payroll tax payments which provided temporary cashflow relief. Includes internal debt deferral, budget cut reserves, auxiliary and other reserves, financial mitigation strategies and one-time savings. ² Net of Athletics financial mitigation efforts, including salary reductions, contract renegotiations, and other program savings Note: Requests for reimbursement of FY21 COVID RESPONSE expenses are pending with both the Commonwealth of Virginia and FEMA.					

Wise COVID Impact Update

	Federal Relief	State GF/ Special Payments and Awards	Philanthropy and Private Reserves	Total Institutional Funds ¹	To Be Identified	Total
FY20 and FY21 Financial Impact						
COVID RESPONSE (PPE, Testing, Q/I, technology)	\$ 1,022,865	\$ 895,000	\$ 119,270	\$ -	\$ -	\$ 2,037,135
LOST REVENUE (Patient, Auxiliary, JTerm/Summer)	1,384,062	-	714,230	-	-	\$ 2,098,292
ATHLETICS COVID RESPONSE AND LOST REVENUE	-	-	-	-	-	\$ -
STUDENT, EMPLOYEE, CONTRACTOR AND COMMUNITY NEEDS	1,020,365	-	-	-	-	\$ 1,020,365
FY20 and FY21 TOTALS	\$ 3,427,292	\$ 895,000	\$ 833,500	\$ -	\$ -	\$ 5,155,792
Total Sources Remaining at 6/30/2021	\$ 2,797,319	\$ 519,374	\$ -	\$ -	\$ -	\$ 3,316,693
Projected FY22 Financial Impact						
COVID RESPONSE (PPE, Testing, Q/I, technology)	\$ 572,656	\$ 185,026	\$ -	\$ 100,000	\$ -	\$ 857,682
LOST REVENUE (Patient, Auxiliary, JTerm/Summer)	572,657	-	-	166,500	-	\$ 739,157
ATHLETICS COVID RESPONSE AND LOST REVENUE	-	-	-	98,894	-	\$ 98,894
STUDENT, EMPLOYEE, CONTRACTOR AND COMMUNITY NEEDS	1,652,006	334,348	-	-	-	\$ 1,986,354
Projected FY22 TOTALS	\$ 2,797,319	\$ 519,374	\$ -	\$ 365,394	\$ -	\$ 3,682,087
¹ Excludes deferred payroll tax payments which provided temporary cashflow relief. Includes internal debt deferral, budget cut reserves, auxiliary and other reserves, financial mitigation strategies and one-time savings.						

Economic Update

- Great Resignation
- Inflationary Pressures
- Supply Chain Issues
- Global Uncertainty
- Impact of Commonwealth Budget (short-term and long-term)

Gratitude for an Outstanding UVA Team



"None of us, including me, ever do great things. But we can all do small things, with great love, and together we can do something wonderful." - *Mother Teresa*



