

BOARD OF VISITORS

FINANCE COMMITTEE

DECEMBER 9, 2022





FINANCE COMMITTEE AGENDA

Graduate Tuition and Miscellaneous Fees, 2023-2024

2023-2024 Housing and Dining Rates

Major Capital Project Financing Plans

Quasi-Endowment Policy

Operating Amendment to 2022-2024 State Biennial Budget

Expansion of Commercial Paper Program

Signatory Authority for Contracts Exceeding \$5M

Recognition of Vice President for Finance Melody
Bianchetto

Strategic Investment Fund Overview



**GRADUATE TUITION AND
MISCELLANEOUS FEES,
2023-2024**

TUITION & FEES APPROVAL

- The December 2022 enabling resolution for the Academic Division covers 2023-2024 Graduate Tuition and Miscellaneous Fee proposals.
- Wise will not be bringing forward tuition and fee rate proposals for 2023-24

UNIVERSITY OF VIRGINIA GRADUATE STUDENT FACTS AND FIGURES

8,727

Graduate &
Professional Students

FALL 2021

2,969

Graduate & Professional
Degrees Awarded
2020-2021

2,440

Doctoral-Level Students
FALL 2021

70%

Graduate & Professional
Students Receiving at Least
Partial Financial Aid

2021-2022

GRADUATE TUITION PHILOSOPHY

Prioritize affordability, accessibility, and maintaining high quality

- Metrics – graduation rates, job placement, return on investment
- Most doctoral students receive full funding from their departments

Tuition increases are the last resort. Schools look to other revenues and savings first.

#1

Best Public Law School
2023

U.S. NEWS & WORLD REPORT

#1

Best Public MBA Program
2022

FORTUNE

#3

Best Public Graduate Business School
2023

U.S. NEWS & WORLD REPORT

#9

Best Public Graduate Education School
2023

U.S. NEWS & WORLD REPORT

#6

Best Public Master of Science in Nursing Program
2023

U.S. NEWS & WORLD REPORT

#4

Best Public Online Civil Engineering Program
2023

U.S. NEWS & WORLD REPORT

#8

Best Public Online Master of Education Program
2023

U.S. NEWS & WORLD REPORT

2023-2024 OPERATING CHALLENGES AND OPPORTUNITIES

- Inflation
 - Higher Education Price Index (HEPI): 5.2% as of August 2022
 - Consumer Price Index (CPI): 7.7% as of October 2022
- 5% merit increase for all Faculty/Staff in FY2022, FY2023, and FY2024
- Technology Improvements
- Serving the needs of the students: mental health, career services, etc.
- Minimum wage increases and increased pay for front-line workers
- Utilities
- Library Collections

2023-2024 TUITION AND REQUIRED FEES PROPOSAL SUMMARY

- Graduate tuition and required fees generally increasing about 3%-5% to meet rising costs
- Smaller tuition increases reflect schools' peer and market analyses, where UVA would otherwise charge uncompetitive prices
- Large percentage changes, both positive and negative, reflect program price realignments including alignments to other existing rates, changes to program structures, and adjustments to ensure in-state students are charged the same or lower than out-of-state students
- Net \$0 increase in mandatory fees:
 - Student Activity Fee: +\$6 per year
 - Offset by reduction of Comprehensive Fee: -\$6 per year

2023-2024 TUITION AND REQUIRED FEES PROPOSAL SCPS AND GRADUATE/PROFESSIONAL PROGRAMS

- Architecture: Ranging from 3.4% to 3.7%
- Arts & Sciences: 3.7% to 4.0%
- Batten School of Leadership & Public Policy: 3.9%
- Continuing & Professional Studies: 0.0% to 4.0%
- Darden School of Business: 3.1% to 12.4%
- Data Science: -32.8% to 5.1%
- Education and Human Development: 0.0% to 4.2%
- Engineering & Applied Sciences: 1.2% to 4.9%
- Law: -6.3% to 4.2%
- McIntire: 2.3% to 4.1%
- Medicine: 0.1% to 4.0%
- Nursing: 3.5% to 4.1%



2023-2024 HOUSING AND DINING RATES



Housing Rates, 2023-2024

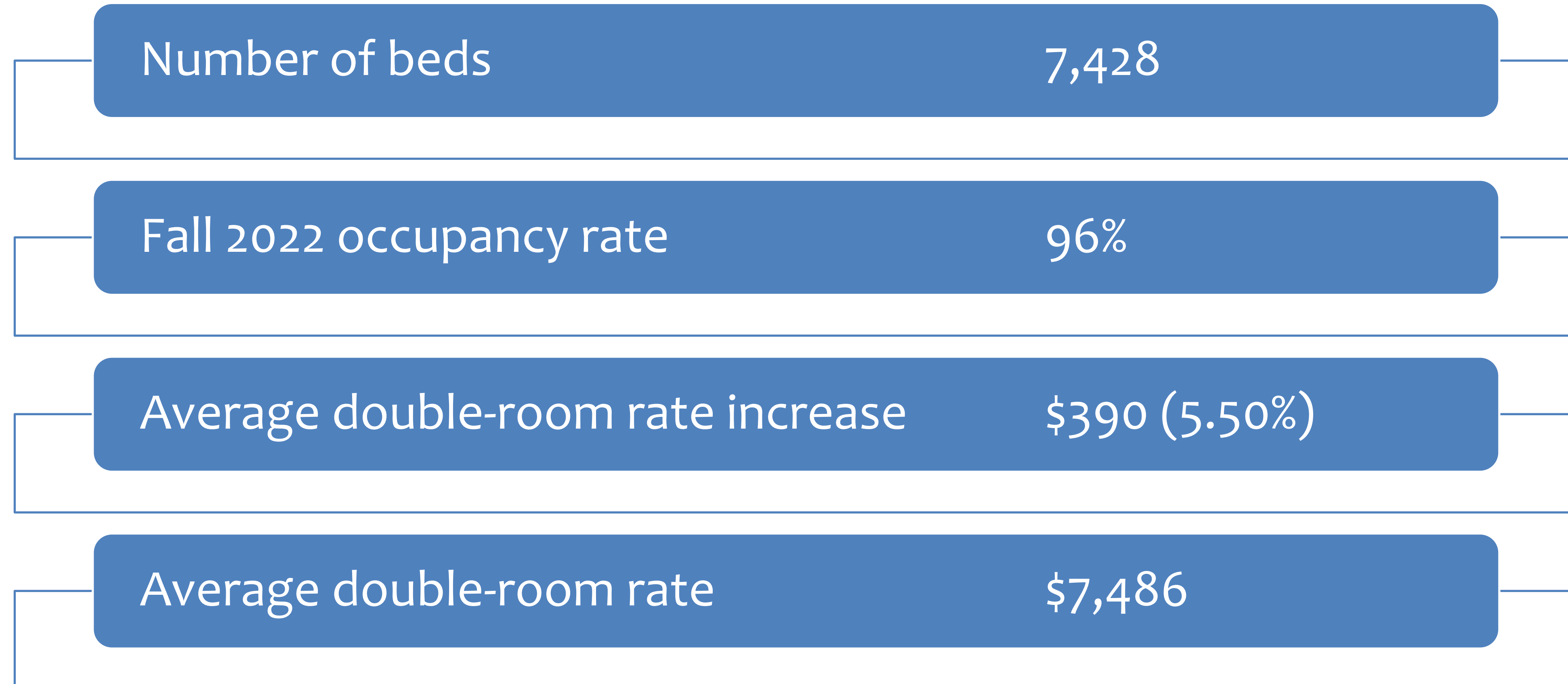
UVA FACULTY AND STAFF PROPERTY RENTS

Rents reflect market rates

80 units

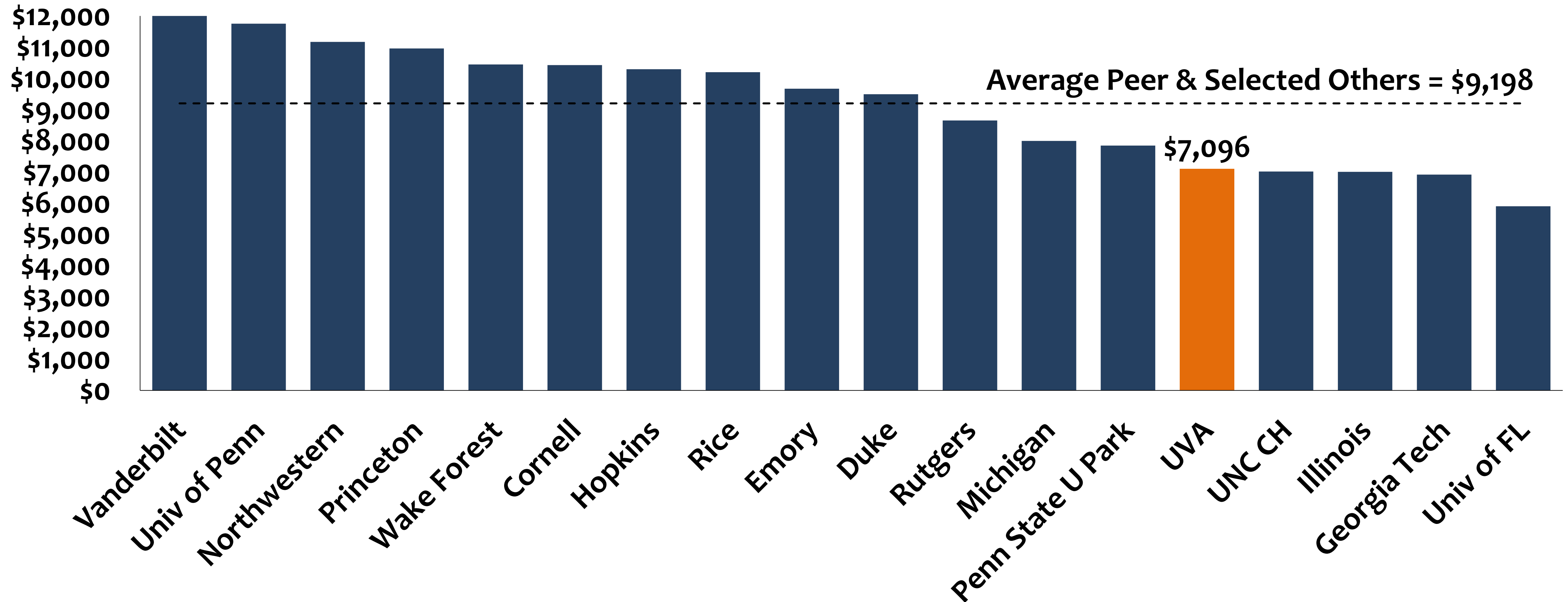
5.9% Average Increase

2023-2024 STUDENT HOUSING RATES – ACADEMIC DIVISION

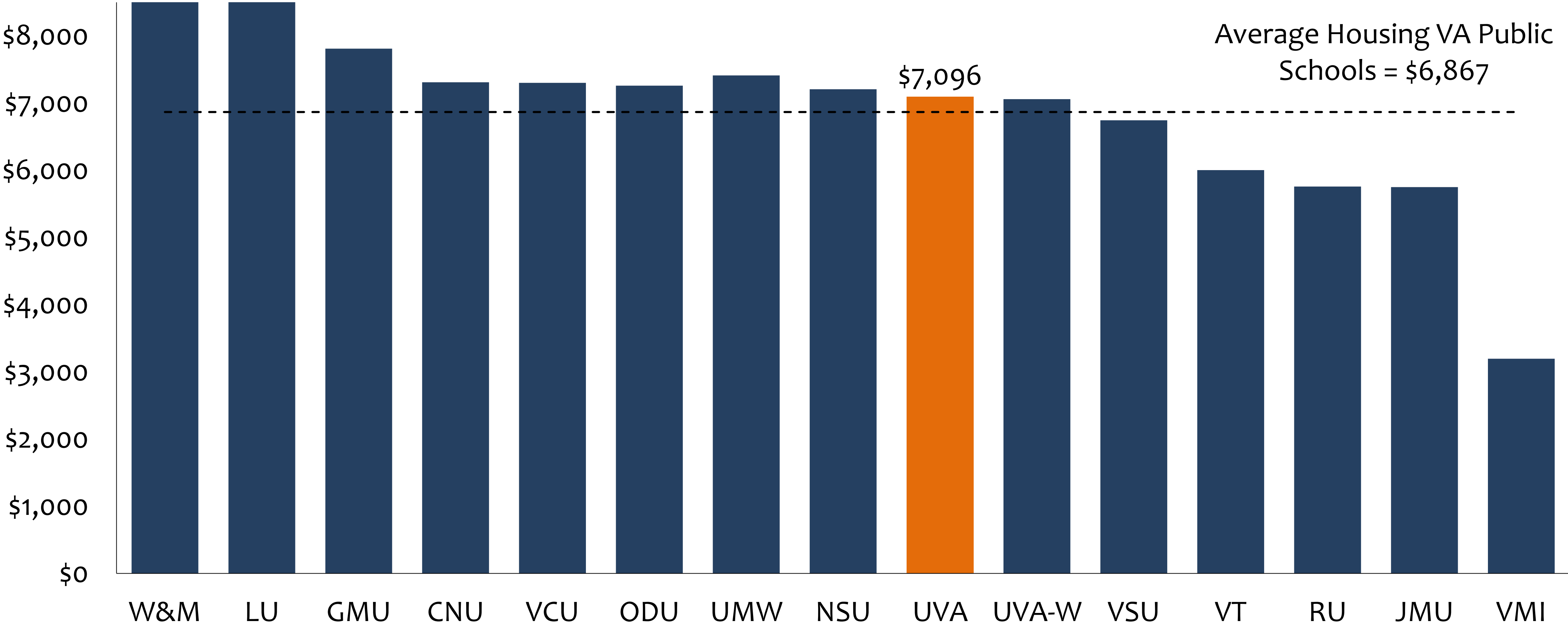


Sources: SCHEV 2022-23 Public Institutions survey & Business Operations web-based survey

2022-2023 UVA STUDENT HOUSING RATES PEER & SELECTED OTHER INSTITUTIONS DOUBLE ROOM RATE



2022-2023 UVA STUDENT HOUSING RATES VA PUBLIC INSTITUTIONS DOUBLE ROOM RATE

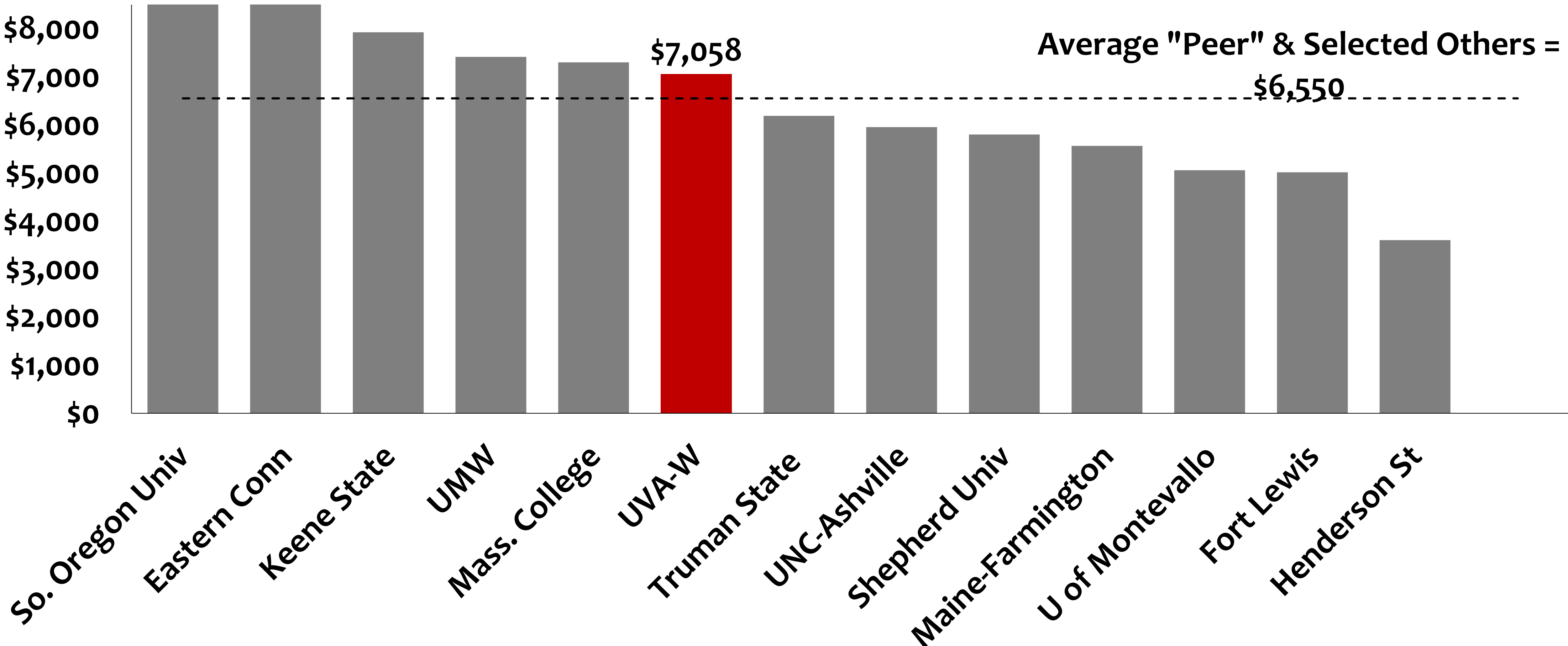


Sources: SCHEV 2022-23 Public Institutions survey & Business Operations web-based survey

2023-2024 STUDENT HOUSING RATES COLLEGE AT WISE

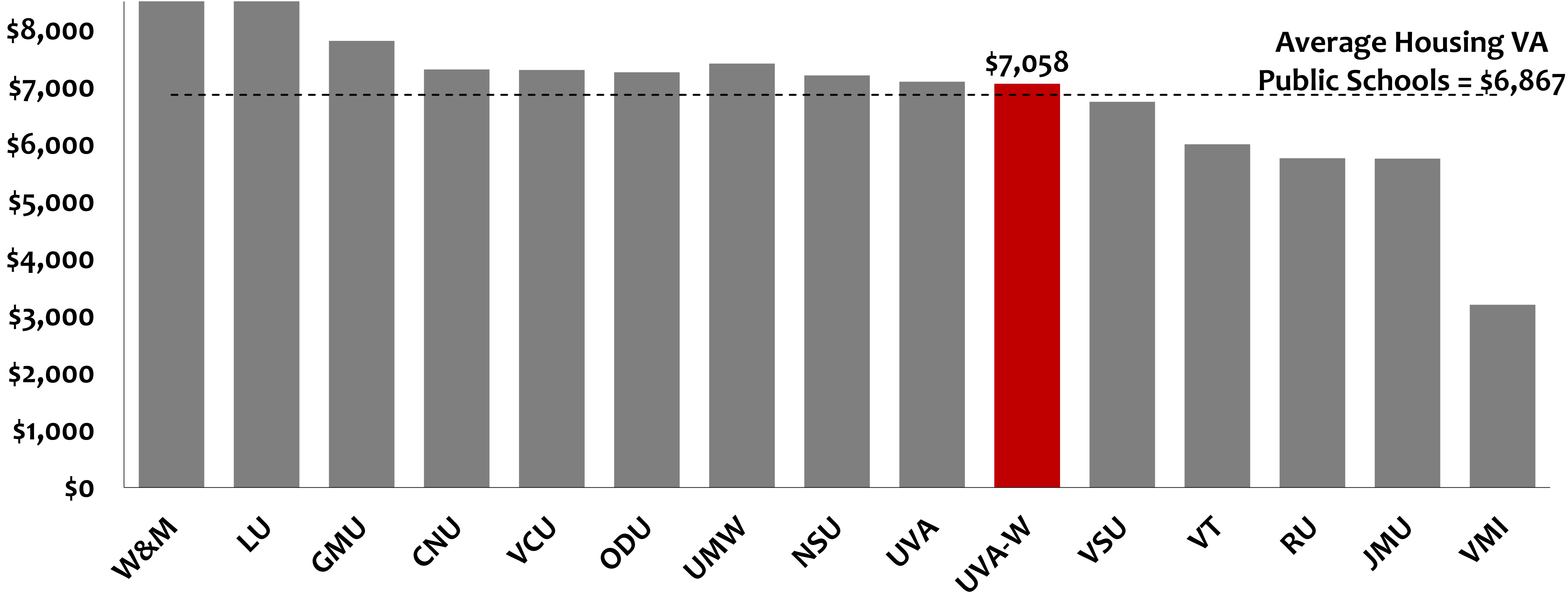
Number of beds	544
Fall 2022 occupancy rate	86%
Average increase	\$0 (0.0%)
Average double-room rate	\$7,058

2022-2023 UVA-WISE STUDENT HOUSING RATES PEER & SELECTED OTHER INSTITUTIONS DOUBLE ROOM RATE



Sources: SCHEV 2022-23 Public Institutions survey & Business Operations web-based survey

2022-2023 UVA-WISE STUDENT HOUSING RATES VA PUBLIC INSTITUTIONS DOUBLE ROOM RATE



Sources: SCHEV 2022-23 Public Institutions survey & Business Operations web-based survey



Dining Services Rates, 2023-2024



2023-2024 CONTRACT MEAL PLAN RATES

ACADEMIC DIVISION

Proposed 2023-24 meal plan rates

\$1,800 - \$6,670

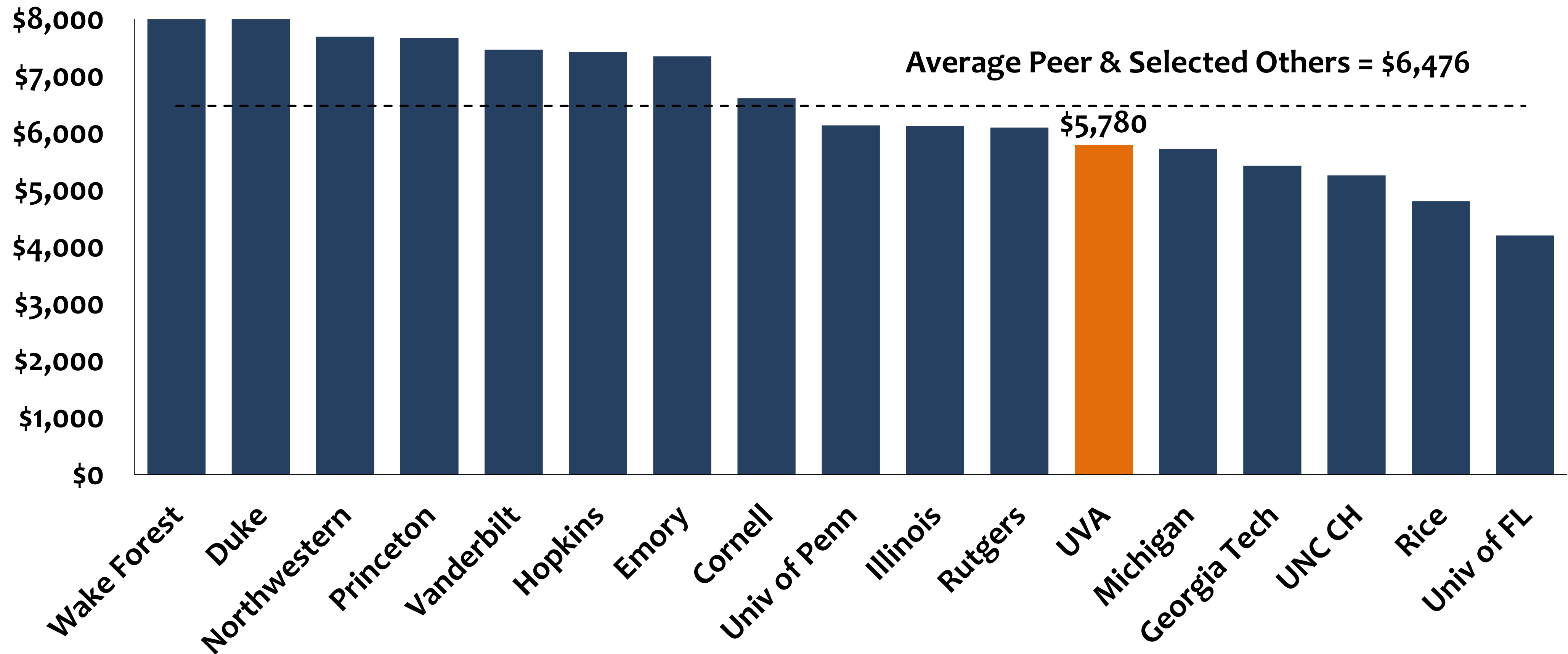
Proposed increases in meal plan rates (over 2022-23)

\$100 - \$410

Proposed 2023-24 meal plan rates average increase

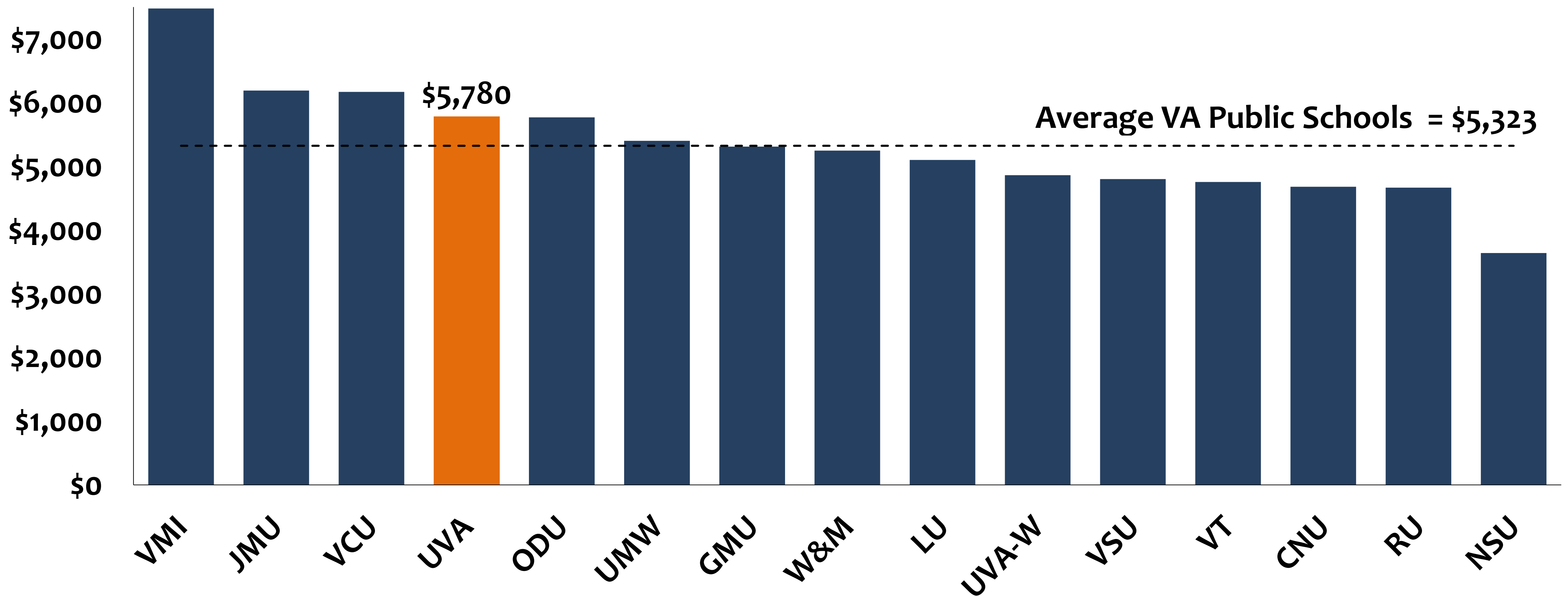
6.4% (\$235)

2022-2023 UVA CONTRACT MEAL PLAN RATES PEER & SELECTED OTHER INSTITUTIONS FULL MEAL PLAN RATE



Sources: SCHEV 2022-23 Public Institutions survey & Business Operations web-based survey

2022-2023 UVA CONTRACT MEAL PLAN RATES VIRGINIA PUBLIC INSTITUTIONS FULL MEAL PLAN RATE



Sources: SCHEV 2022-23 Public Institutions survey & Business Operations web-based survey

2023-2024 CONTRACT MEAL PLAN RATES

COLLEGE AT WISE

Proposed 2023-24 meal plan rates

\$213 - \$5,299

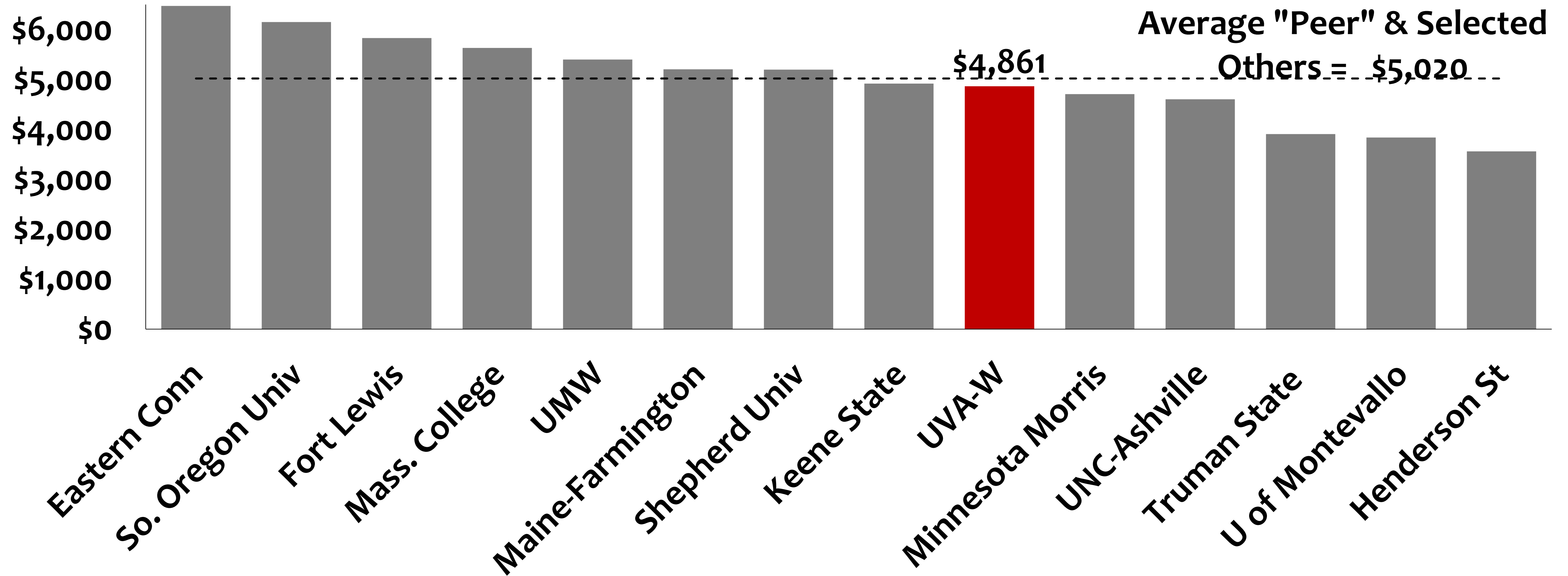
Proposed increases in meal plan rates (over 2022-23)

\$18 - \$438

Proposed 2023-24 meal plan rates average increase

9.0%

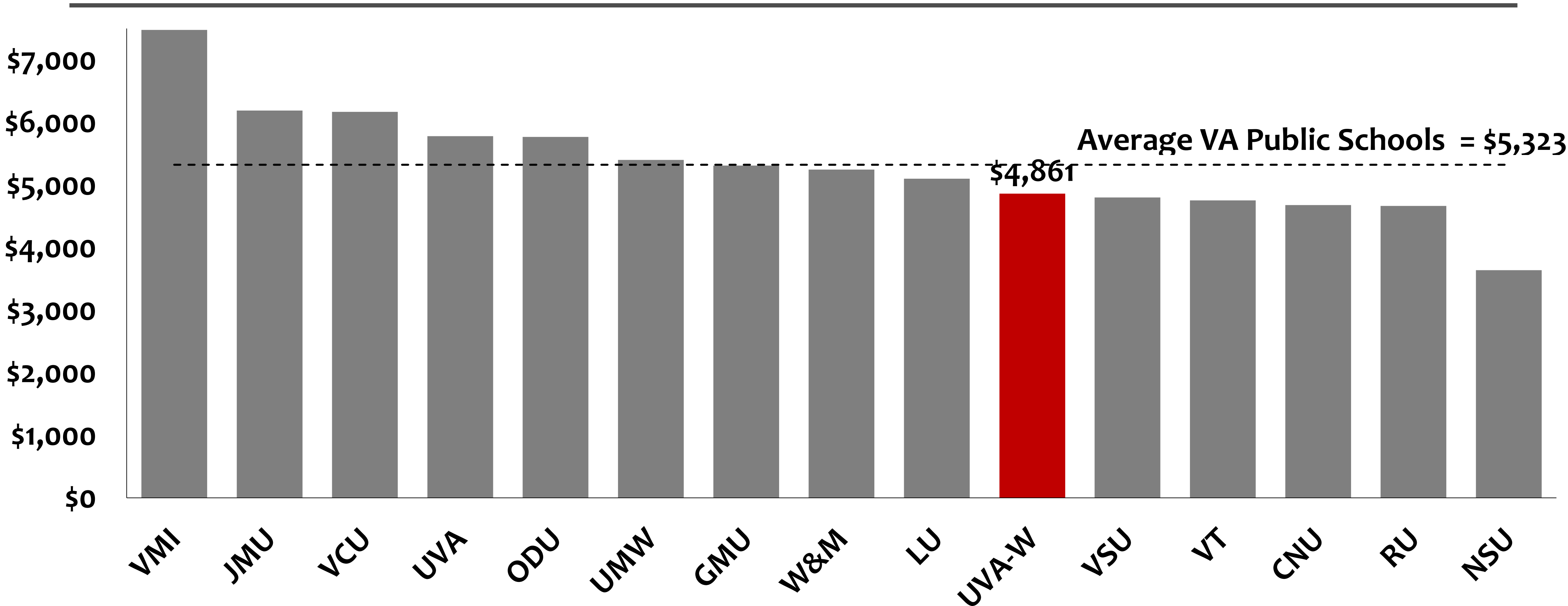
2022-2023 UVA-WISE DINING MEAL PLAN RATES PEER & SELECTED OTHER INSTITUTIONS FULL MEAL PLAN RATE



Sources: SCHEV 2022-23 Public Institutions survey & Business Operations web-based survey

2022-2023 UVA-WISE DINING MEAL PLAN RATES

VIRGINIA PUBLIC INSTITUTIONS FULL MEAL PLAN RATE



Sources: SCHEV 2022-23 Public Institutions survey & Business Operations web-based survey



MAJOR CAPITAL PROJECT FINANCING PLANS

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OLYMPIC SPORTS CENTER

- Renovate McCue Center and construct addition to create ~100,000 SF Olympic Sports Center that will include:
 - Training and academic spaces
 - Locker rooms for lacrosse, soccer, track & field, rowing, and field hockey programs
 - Dedicated space for the Center for Citizen Leaders and Sports Ethics
- Estimated total project budget of \$75M funded by debt (repaid from private gifts and University funds)



MAJOR CAPITAL PROJECT FINANCING PLAN

UVA ENCOMPASS REHABILITATION HOSPITAL

- Renovate and expand UVA Encompass Rehabilitation Hospital at Fontaine Research Park:
 - Upgrade ~50,000 SF existing space
 - Construct 22,600 SF addition
 - Increase capacity from 50 beds in semi-private rooms to 60 beds in private rooms
- Estimated total project budget of \$45M funded by UVA-Encompass joint venture
 - UVA portion, \$22.5M, funded with operating cash

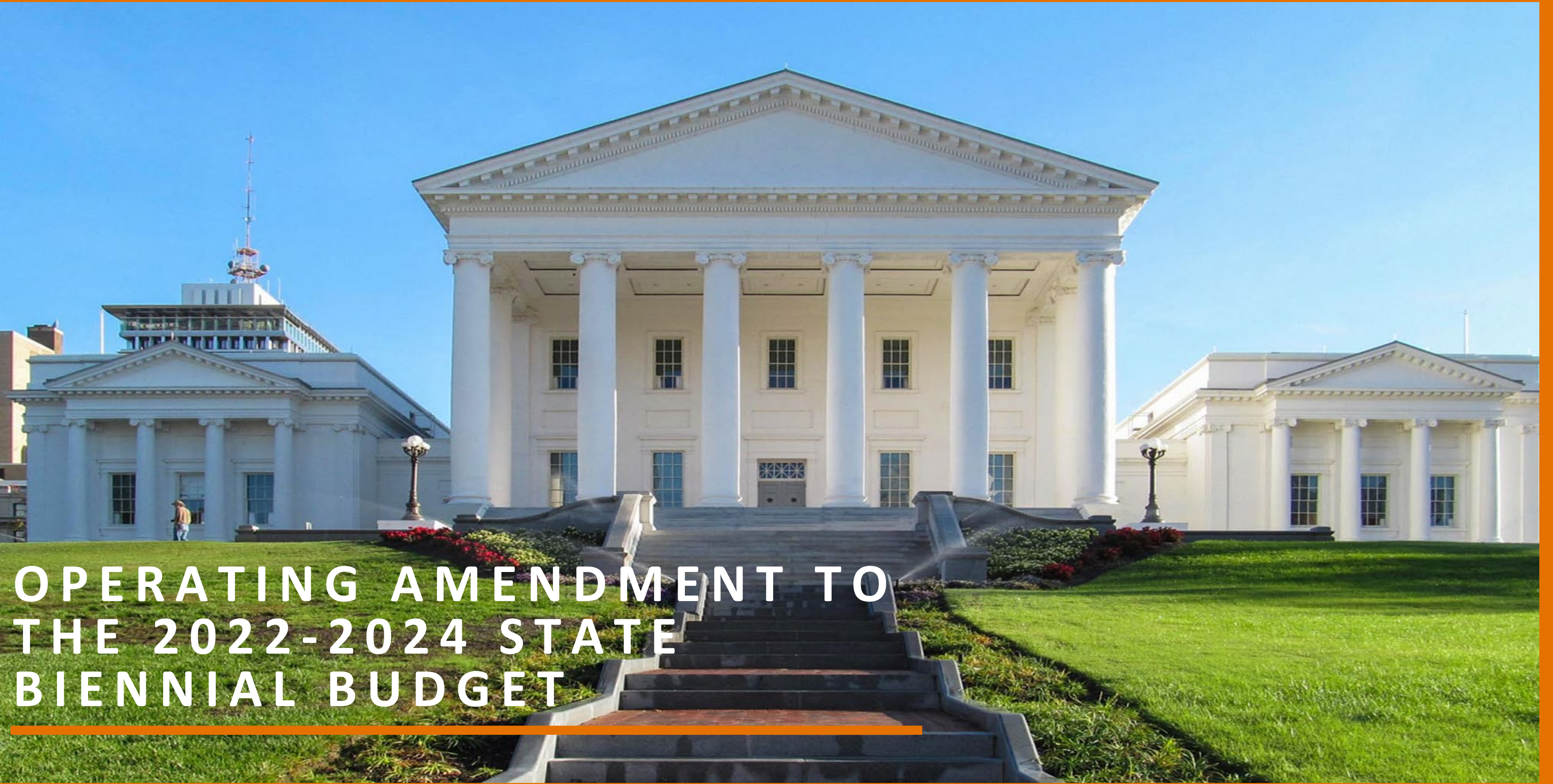




QUASI-ENDOWMENT POLICY

QUASI-ENDOWMENT POLICY

- In June of 1996, the Board of Visitors authorized the Executive Vice President and Chief Operating Officer (EVP-COO) to approve individual quasi-endowment transactions less than \$2M
- Individual quasi-endowment transactions of \$2M or more require the approval of the Board of Visitors
- Transactions approved by the EVP-COO are reported to the Board of Visitors as part of the Quarterly Financial Report
- Given the significant (747%) increase in the endowment value over the past 26 years, the University recommends an increase in the transactional approval level to \$5M



**OPERATING AMENDMENT TO
THE 2022-2024 STATE
BIENNIAL BUDGET**

GENERAL FUND AMENDMENT TO THE 2022-2024 BIENNIAL BUDGET – ACADEMIC DIVISION

<u>Operating Amendment</u>	<u>FY23 Request</u>	<u>FY24 Request</u>
Student Mental Health Facility Improvements	\$2,900,000	



EXTENSION OF COMMERCIAL
PAPER PROGRAM

DEBT CAPITAL MARKETS

- Interest Rates have increased materially through 2022
- Since July, the US Treasury yield curve has seen the 2-year and 10-year inverted
- Generic credit spreads have widened for all credits
- Volatile market conditions and rising interest rates have resulted in less-than-optimal conditions for issuing long-term debt
- Increased market activity in variable-rate demand bonds

EXTENSION OF COMMERCIAL PAPER PROGRAM

- The University has \$3.3 billion of debt outstanding with a weighted-average cost of capital of 3.37%
- All outstanding debt is fixed rate, with an average life of 39 years
- Increase CP Program (inclusive of Tax-Exempt and Taxable):
 - From \$500 million
 - To \$800 million
- No additional programmatic changes

EXTENSION OF COMMERCIAL PAPER PROGRAM

- Benefits
 - Greater capacity for interim financing until market conditions stabilize
 - Increase in institutional access to external liquidity
 - Commercial Paper allows for quick market access and the ability to fund projects incrementally, as needed
- Other Considerations
 - UVA's existing qualifying liquidity is sufficient for the increase in program size: \$1.6B needed; \$2.4B available
 - Minimal rating agency considerations



**SIGNATORY AUTHORITY FOR
BLOOD FACTOR PURCHASES**

SIGNATORY AUTHORITY FOR BLOOD FACTOR PURCHASES FOR THE MEDICAL CENTER HEMOPHILIA TREATMENT CENTER

- The Board approves the execution of any agreement or amendment where the amount per year is in excess of \$5M
- The service agreement with Red Chip Enterprises for the purchase of blood factor at a level that exceeds \$5M annually was approved in 2019 and has recently expired
- Ask that the Board delegate authority to the EVP-COO to continue to strategically source blood factor from manufacturers in support of the Medical Center Hemophilia Treatment Center



**SIGNATORY AUTHORITY FOR
INTERNATIONAL STAFFING
AND WORKFORCE PLANNING**

SIGNATORY AUTHORITY FOR INTERNATIONAL STAFFING AND WORKFORCE PLANNING

- The Board approves the execution of any agreement or amendment where the amount per year is in excess of \$5M
- The Medical Center's contract with Health Carousel, LLC (Passport USA) for international staffing and workforce planning will exceed \$5M annually
- Request the Board delegate authority to the EVP-COO to execute this contract



**RECOGNITION OF VICE
PRESIDENT FOR FINANCE
MELODY BIANCHETTO**

RECOGNITION OF VICE PRESIDENT FOR FINANCE MELODY BIANCHETTO



- **B.S. Commerce, 1988**
- **26 years of UVA service**
- **Retiring February 2023**



STRATEGIC INVESTMENT FUND OVERVIEW

STRATEGIC INVESTMENT FUND BACKGROUND

April 2002-2006	General Assembly amended Code of Virginia to allow investments in the long-term investment pool
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June 2014	BOV Finance Subcommittee formed to improve affordability and fund the Cornerstone Plan by leveraging strong balance sheet
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Nov 2015	BOV approved new liquidity policy, allowing UVA to maximize investments and minimize cash on hand
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Jan 2016	Lines of credit established, to provide back-up liquidity if needed. These have never been drawn upon.
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Feb 2016	BOV established SIF
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April 2016	Initial SIF Guidelines finalized
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Aug 2019	SIF Guidelines revised to support the 2030 Strategic Plan
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STRATEGIC INVESTMENT FUND SOURCES

- Comprised of cash and investment balances, accumulated for specific purposes over an extended period of time
- Balances include: medical center reserves, health plan reserves, operating liquidity requirements (for bond rating), capital renewal/replacement reserves, philanthropy, and others
- ***The SIF does not include tuition revenue or state appropriations***
- Core SIF balances will remain in place, continuing to serve as reserves for their intended purposes
- Investment earnings will be used to fund SIF grants
- Core balances subject to market fluctuations; there can be no assurance as to future investment earnings and the resultant impact on monies available for strategic investment

STRATEGIC INVESTMENT FUND BACKGROUND

- **2016 APA Findings Related to SIF:**
 - Investment program is in compliance with Code of Virginia
 - Balances are recorded in accordance with accounting standards and have been reviewed in annual audits
 - Board of Visitors did appropriately authorize actions
 - Lines of credit have not been utilized and are reserved for back up liquidity only
 - No tuition and fees or general funds are included in balances
 - All gift or contract agreement restrictions have been honored

2019 STRATEGIC INVESTMENT FUND GUIDELINES

- Provides funding to support key initiatives of UVA's 2030 Plan.
- The 2030 strategic plan is built around four goals:
 1. **Strengthen the foundation** of the University by both attracting talented and diverse students, faculty and staff, and supporting them.
 2. **Cultivate a vibrant community** and build connections with our neighbors, alumni and more.
 3. **Enable discoveries** “that enrich and improve lives” by becoming an international leader, supporting interdisciplinary work, and “approaching all learning as an opportunity for discovery.
 4. **“Make UVA synonymous with service”** by offering a great value to our students, providing affordable health care to our community and leading economic development.

2019 STRATEGIC INVESTMENT FUND

GUIDING PRINCIPLES

- Over the long term, investments should be balanced among the four areas of the Plan according to the proportions approved by the BOV:
 - I: Strengthen our Foundation (30%)
 - II: Cultivate the Most Vibrant Community (20%)
 - III: Enable Discoveries that Enrich and Improve lives (30%)
 - IV: Make UVA Synonymous with Service (20%)

2019 STRATEGIC INVESTMENT FUND

GUIDING PRINCIPLES

1. SIF allocations are not intended to replace the normal budget process or traditional methods for financing regular operating expenses. Capital project funding may be allocated to cover the initial three years of debt service while other sources of capital are being secured.
2. SIF allocations for larger scale projects should, where possible, consider a phased or incremental approach to minimize risks.
3. SIF allocations should leverage external funds (philanthropy, federal funding and grants, etc.).
4. SIF initiatives are expected to have a three-year or less incubation or startup phase, after which each should become self-sustaining.
5. SIF allocations that benefit the Health System or The College at Wise should align with their respective strategic plans.

2019 STRATEGIC INVESTMENT FUND OVERVIEW

- Provides funding to support key initiatives of UVA's 2030 Plan.
- Originally developed in 2016, the SIF currently supports 66 distinct awards totaling nearly \$1 billion dollars since inception. Projects are selected for funding by University Executive Leadership.
- A resoundingly successful component of the SIF program involves matching awards, including the Bicentennial Scholars and Bicentennial Professors Funds.
- The projects that are funded by the SIF undergo periodic post award assessment to ensure programmatic due diligence and adherence to the highest standards of stewardship and fiduciary responsibility.

2019 STRATEGIC INVESTMENT FUND DUE DILIGENCE

- Projects are selected for funding by University Executive Leadership. Allocations support key initiatives of UVA's 2030 Plan.
- SIF Oversight Committee, chaired by EVP and Provost
- Post-Award Assessment Committee (PAC), chaired by VP for Research (Chair)
- Post-Award Administrative Team
- Program Manager

STRATEGIC INVESTMENT FUND

FINANCIAL OVERVIEW

FY 2020 – FY 2025



~\$100M/year in allocations

\$495M over 6 years

4 Strategic Categories

FOUNDATION

DISCOVERIES

SERVICE

COMMUNITY

ALIGNMENT OF SIF INVESTMENTS WITH THE 2030 PLAN

- \$409.2M in SIF Awards made since Spring 2020, with spending projected to extend over the next 3-10 years

- Distribution by 2030 Plan Strategic Category:

Foundation	\$126.7M	(31%)
Community	\$82M	(20%)
Discovery	\$125.7M	(31%)
Service	\$74.8M	(18%)

EXAMPLES OF HIGH-IMPACT SIF INVESTMENTS

- Scholarship Support (Bicentennial Scholarships, Blue Ridge Scholars, and University Achievement Awards):
 - SIF: \$246M & New Commitments: \$345M
 - Total Impact: \$590M and 531 new scholarship endowments
- Bicentennial Professorships:
 - SIF: \$193M & New Commitments: \$280M
 - Total Impact: \$473M and 134 new faculty positions
- Endowing the Carter G. Woodson Institute: \$16M

GRAND CHALLENGES

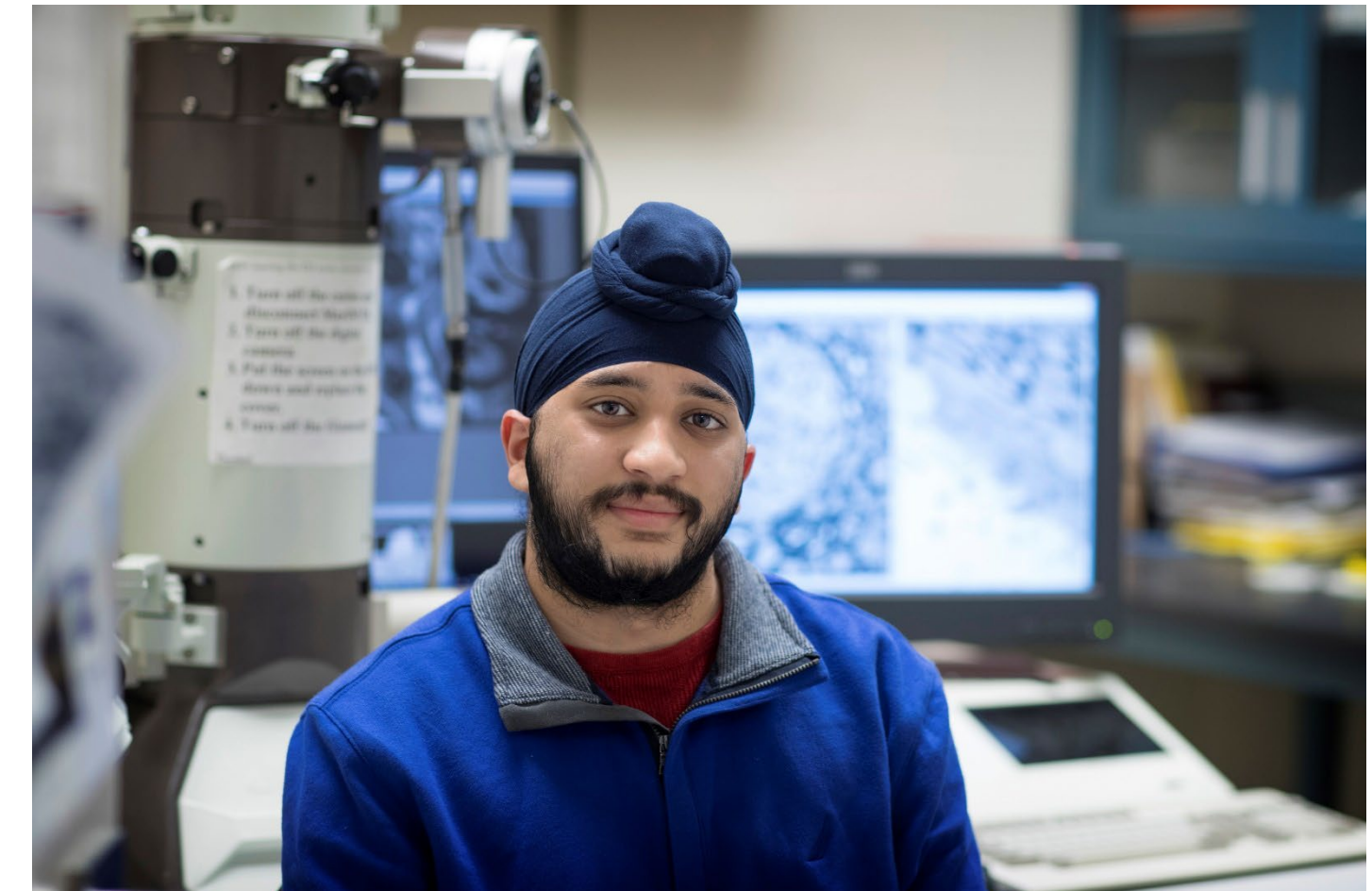
- Plan to allocate up to \$200M over four years in four strategic research areas
- 2022-2023 investments:
 - \$50M The Brain and Neuroscience
 - \$50M Environmental Resilience and Sustainability
- 2023-2024 investments under consideration:
 - Digital Technology & Society
 - Precision Medicine / Precision Health

THE BRAIN & NEUROSCIENCE

Vision: Develop a comprehensive approach to the brain, across the lifespan

Outcomes: Mapping the brain's development; advancing our understanding of autism; new discovery in Alzheimer's causes and care; focused ultrasound/immunological therapies

Team: Faculty from across schools and disciplines (including 15-20 new hires); working with the UVA Brain Institute; 10 Next Generation Scholars



Resources for Collaboration: \$10M in equipment and instrumentation; Data Analytics Center and research computing; Clinical Trials unit and research cores

ENVIRONMENTAL RESILIENCE & SUSTAINABILITY

Vision: Research global impacts of climate change on local communities

Outcomes: Test solutions to climate-related issues; increase local capacity for sustainable action; develop scalable best practices

Team: Faculty from across schools and disciplines (including ~10 new hires); working with the UVA Environment Institute; 10 Next Generation Scholars; local decision-makers in 4-6 communities; visiting scholars and practitioners



Resources for Collaboration: Seed funding; Data Analytics Center and research computing; funding for community engagement

ENVIRONMENTAL RESILIENCE & SUSTAINABILITY

Vision: Advance scalable clean energy solutions

Outcomes: Advance catalytic energy production processes; develop clean energy technology with commercial applications; expand entrepreneurial ecosystem

Team: Faculty from across schools and disciplines (including ~6 new hires); Next Generation Scholars



Resources for Collaboration: Equipment and cores; Clean Energy seed fund; Environmental Entrepreneurship Initiative

GRAND CHALLENGES INVESTMENTS UNDER CONSIDERATION FOR 2023

- Digital Technology and Society
 - Technology and Democracy
 - Smart Communities/Smart Spaces
 - Technology and Youth Development

- Precision Medicine/Health
 - Biotechnology
 - Precision Health for Populations



EXECUTIVE VICE
PRESIDENT'S REMARKS



CAVA
LIEB
VALLI
ERCA
ALLIE
SCAVA
LIEB

THANK YOU

