



Board of Visitors Finance Committee Meeting

June 2, 2022



Meeting Agenda

ACTION ITEMS:

- A. 2022-2023 Operating Budget
- B. Major Capital Plan Project Financial Plans
- C. Transfer of Real Property to the University of Virginia Foundation

REPORTS:

- A. Executive Vice President's Remarks



2022 General Assembly Update

Conference Committee Timeline

- **June 1:** General Assembly met to vote on the two budgets, as well as the remaining bills from the 2022 Session
- Once the Governor receives the final bills, he will have **seven days** to approve, offer amendments, or veto them
- If he offers amendments to or vetoes any bill, the **General Assembly will reconvene** to consider his actions

2022-24 State Budget – Highlights

UVA

UVA’s College at Wise

Incremental Operating Funds over FY2022 (\$ in millions)	UVA		UVA’s College at Wise	
	FY2023	FY2024	FY2023	FY2024
Cancer research ¹	\$13.3	\$13.3	\$--	\$--
Compensation increases (estimated) ²	\$9.2	TBD	\$0.9	TBD
Affordable access ³	\$9.5	\$9.5	\$1.6	\$1.6
Undergraduate and graduate financial aid ⁴	\$0.9	\$3.7	\$0.4	\$1.8
Focused Ultrasound	\$1.0	\$1.0	\$--	\$--
Program expansion	\$--	\$--	\$6.6	\$5.0

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

2 Estimated annually based on employee salaries and funding sources

3 \$2.5M for UVA and \$1M for UVA’s College at Wise to support in-state undergraduate students; \$7.0M of the \$9.5M was one-time in the FY22 UVA budget made permanent in the FY23 budget

4 Also includes \$49,000 for UVA and \$23,000 for the College at Wise in each year for need-based aid for DACA students



2022-24 State Budget – UVA Institute for Biotechnology

- Provides \$18M in General Funds (GF) and \$7.5M from the Equipment Trust Fund (ETF) in each year for faculty recruitment/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 beyond FY2024
- GF appropriation contingent on commitment of matching funds from other non-state sources



2022-2023 Operating Budget



Building Blocks, Challenges and Opportunities

BUILDING BLOCKS

- Debt portfolio is optimized and offers a low cost of capital
- Key financial commitments are articulated with identified funding sources
- SIF is a critical initiative to support our 2030 plan
- Mitigated the financial impact of COVID

COMING CHALLENGES

- **Macroeconomics**
 - Inflation, Supply Chain, Cost of Construction, Endowment Performance
- **Student Financial Need**
- **Health Industry**
 - Future Margins, Regulatory Environment, Competition
- **Future of Work**
 - Compensation, Retention, Recruitment, Remote Work and Workplace Culture

OPPORTUNITIES

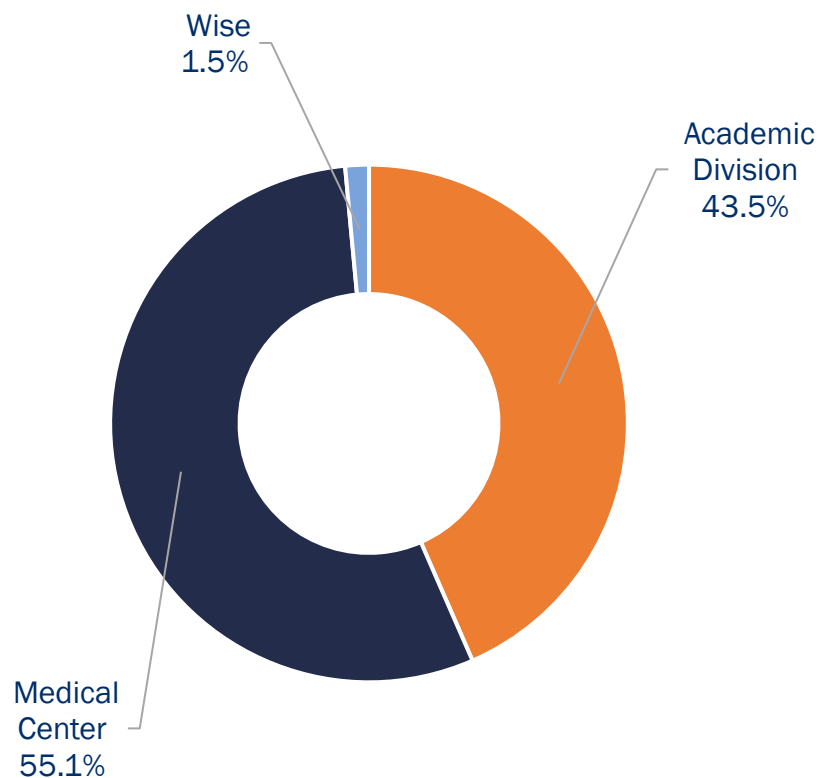
- 2030 Great and Good Plan
- Health Strategic Plan
- Continued strong demand for UVA's academic programs
- Comprehensive Cancer Center designation
- Workforce Talent

FY2022-23 Budget Development Process

- **September 2021:** Determined Key Planning Assumptions
- **October 2021:** Initiated Operating Budget Development
- **December 2021:** Tuition and Fees Approved by BOV
- **April 2022:** Completed Schools and Auxiliaries, Service Units, Medical Center Operating Budget Proposals
- **May 2022:** Expected State-Authorized Merit Pool
- **June 2022:** FY23 Budget Proposal Submitted to the BOV

University of Virginia

Proposed FY2022-23 Operating Budget (in Millions)



	2021-22 <i>Approved</i>	2022-23 <i>Proposed</i>	Change (FY22 to FY23)
Academic Division	\$ 1,988.5	\$ 2,095.4	\$ 106.9
Medical Center*	2,394.8	2,655.8	261.0
UVA-Wise**	56.3	71.3	15.0
Total	\$ 4,439.6	\$ 4,822.5	\$ 382.9

*FY22 includes full ownership of UVA Community Health. Full ownership acquired after FY22 budget approval.

**FY23 includes federal financial aid not budgeted in previous years.



2022-2023 Operating Budget Academic Division



Commonwealth Appropriations – UVA Academic Division

FY22 Appropriations: \$198.1M

- Includes \$19.9M for compensation, affordable access and other updates enacted after the FY22 budget was approved by BOV

FY23 Budgeted Appropriations: \$231.0M *(pending approval by Governor Youngkin)*

- \$2.5M in additional operating funds for affordable access above FY22 level
- \$13.3M additional support for the Cancer Center
- \$9.6M projected for 5% merit
- \$1M additional support for Focused Ultrasound
- \$931K financial aid (undergraduate and graduate)

University of Virginia – Academic Division

FY2022-23 Operating Budget (in Millions)

<i>Sources/Uses</i>	2021-22 Approved	2022-23 Proposed	FY22 \$
<u>Sources</u>			
Net Tuition and Fees	\$ 716.4	\$ 758.9	\$ 42.4
State Appropriations	\$ 178.1	\$ 231.0	\$ 52.9
Externally Sponsored Research	\$ 434.2	\$ 473.1	\$ 38.9
Endowment Distribution/Admin Fee	\$ 249.3	\$ 270.2	\$ 20.9
Expendable Gifts	\$ 173.3	\$ 187.1	\$ 13.9
Sales, Services, Interest	\$ 173.7	\$ 211.1	\$ 37.4
Other	\$ 91.1	\$ 0.0	\$ (91.1)
Total Operating Sources	\$ 2,016.1	\$ 2,131.4	\$ 115.3
<u>Uses</u>			
Faculty and Staff Salaries	\$ 1,289.4	\$ 1,422.2	\$ 132.8
Internal Recoveries	\$ (812.5)	\$ (454.0)	\$ 358.5
Non-personnel Services Expenses	\$ 1,282.5	\$ 824.2	\$ (458.3)
Financial Aid	\$ 207.1	\$ 231.9	\$ 24.8
Internal Debt Service, Transfers, and Other	\$ 22.0	\$ 71.0	\$ 49.0
Total Operating Uses	\$ 1,988.5	\$ 2,095.4	\$ 106.9
Net Sources and Uses	\$ 27.6	\$ 36.0	\$ 8.4

Note: Other sources in FY22 included internal movement of funds as well as prior-year funds; internal movement is now fully captured in internal recoveries and transfers and prior-year funds are no longer budgeted as current-year revenue.



Strategic Investment Fund



Strategic Investment Fund by Category

FOUNDATION

Awarded/Committed

\$120.3M

Remaining

\$28.2M

DISCOVERIES

Awarded/Committed

\$118.0M

Remaining

\$30.5M

COMMUNITY

Awarded/Committed

\$77.7M

Remaining

\$21.3M

SERVICE

Awarded/Committed

\$68.1M

Remaining

\$30.9M

FY2022 Strategic Investment Fund Grant Highlights

- NoVA Academic & Research Opportunities
- Expand Bicentennial Scholars
- UVA Online
- UVA Licensing & Ventures Seed Fund
- Grand Challenges: Environmental Resilience, Brain & Neuroscience, Precision Medicine, and Digital Technology & Society
- Biocomplexity, Phase 2

For details on all SIF funded projects visit: sif.virginia.edu/funded-projects
<https://research.virginia.edu/Grand-challenges>



Strategic Investment Fund Financial Overview

SIF Budget FY2020-FY2025	\$495.0M
Awards FY2020	(\$ 23.6M)
Awards FY2021	(\$ 73.8M)
Awards FY2022	(\$ 70.1M)
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Awards to Date	(\$167.5M)
Additional Commitments	(\$216.7M)
Remaining SIF Funding Available for FY2020-25	\$110.8M

Additional Investment in the Strategic Investment Fund

- Delegation of approval to direct up to \$100M of the unrestricted endowment gains in the Strategic Investment Fund
- Allocations would be consistent with current SIF guidelines, which requires that allocations support the priorities of the UVA 2030 Strategic Plan:
 - 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%)



2022-2023 Operating Budget Medical Center



UVA Health – Medical Center

FY2022-23 Operating Budget (in Millions)

	2021-22 <i>Approved*</i>	2022-23 <i>Proposed</i>	Change (FY22 to FY23)
Revenue			
Net Patient Service Revenue	\$ 2,378.8	\$ 2,600.5	\$ 221.6
Other Revenue	71.3	80.7	9.4
Annual Operating Revenue	2,450.2	2,681.2	231.0
Expense			
Labor	1,046.4	1,163.3	117.0
Supplies, Utilities, and Other	1,151.6	1,244.9	93.3
Depreciation	161.0	166.4	5.4
Interest	35.9	41.2	5.3
Annual Operating Expense	2,394.8	2,615.8	221.0
Annual Operating Income/(Loss) before Transfers	55.3	65.4	10.0
Health System Transfers	(40.9)	(43.6)	(2.7)
Annual Operating Income/(Loss) after Transfers	\$ 14.4	\$ 21.7	\$ 7.3
<i>One-Time Community Health Integration</i>	-	40.0	40.0
FY23 Operating Expense, including one-time	2,394.8	2,655.8	261.0

*Includes full ownership of UVA Community Health. Full ownership acquired after FY22 budget approval.





2022-2023 Operating Budget

College at Wise

Commonwealth Appropriations – UVA Wise

FY23 Budgeted Appropriations: \$34.4M *(pending approval by Governor Youngkin)*

- \$1.0M in additional operating funds
- \$6.6M to expand programs and enhance economic development
- \$934K projected for 5% merit
- \$240K undergraduate financial aid
- \$200K graduate financial aid

College at Wise

FY2022-23* Operating Budget (in Millions)

<i>Sources/Uses</i>	2021-22 Approved	2022-23 Proposed	FY22 Approved vs FY23 Proposed \$
<u>Sources</u>			
Net Tuition and Fees	\$ 10.1	\$ 10.5	\$ 0.4
State Appropriations	\$ 25.2	\$ 34.4	\$ 9.2
Externally Sponsored Research	\$ 8.2	\$ 13.7	\$ 5.5
Endowment Distribution/Admin Fee	\$ 4.4	\$ 5.6	\$ 1.2
Expendable Gifts	\$ 0.4	\$ 0.5	\$ 0.0
Sales, Services, Interest	\$ 7.8	\$ 7.7	\$ (0.2)
Other	\$ 0.2	\$ -	\$ (0.2)
Total Operating Sources	\$ 56.3	\$ 72.3	\$ 16.0
<u>Uses</u>			
Faculty and Staff Salaries	\$ 28.7	\$ 30.3	\$ 1.7
Internal Recoveries	\$ (0.4)	\$ (0.3)	\$ 0.1
Non-personnel Services Expenses	\$ 20.8	\$ 24.5	\$ 3.7
Financial Aid	\$ 7.2	\$ 16.3	\$ 9.1
Internal Debt Service, Transfers, and Other	\$ 0.0	\$ 0.5	\$ 0.5
Total Operating Uses	\$ 56.3	\$ 71.3	\$ 15.0
Net Sources and Uses	\$ 0.0	\$ 1.0	\$ 1.0

*FY23 includes federal financial aid not budgeted in previous years.

FY23 Potential Headwinds – Forecasting Forward



The Future is Bright for the University of Virginia

- Demand for our core academic offerings remains high and our reputation for value and quality stands out
- The University has a strong track record of financial management and fiscal stability
- To date we have navigated the pandemic, including financial and operational challenges
- Our debt portfolio is optimized offering a low cost of capital
- Together, the SIF and philanthropy enable us to strengthen the academic core and support the University's Strategic Plan





Major Capital Plan Project Financial Plans



Major Capital Plan Project Financial Plans

Project (<i>\$ in millions</i>)	Budget	State GF	Gifts	Debt	Cash	Notes
Football Operations Center	\$80.0		\$24.7	\$31.0	\$24.3	Debt serviced by private gifts
Institute for Biotechnology	\$350.0	\$175.0	\$100.0	\$75.0		
Ivy Corridor Landscape & Infrastructure Phase IIA	\$11.8				\$11.8	
Mem Gym Infrastructure & Accessibility Renewal	\$20.5			\$20.5		Debt serviced by maintenance funds
Monroe Hall HVAC Renewal	\$9.0			\$4.5	\$4.5	Debt serviced by maintenance funds
Physics Building Classrooms	\$7.0				\$7.0	
Pinn Hall Integrated Spatial Biology Core Consortium	\$8.5		\$8.0		\$0.5	Contingent on receipt of grant
UVA Hotel & Conference Center	\$167.9		\$3.0	\$144.9	\$20.0	Debt serviced by hotel operations
Focused Ultrasound Expansion	\$16.5				\$16.5	

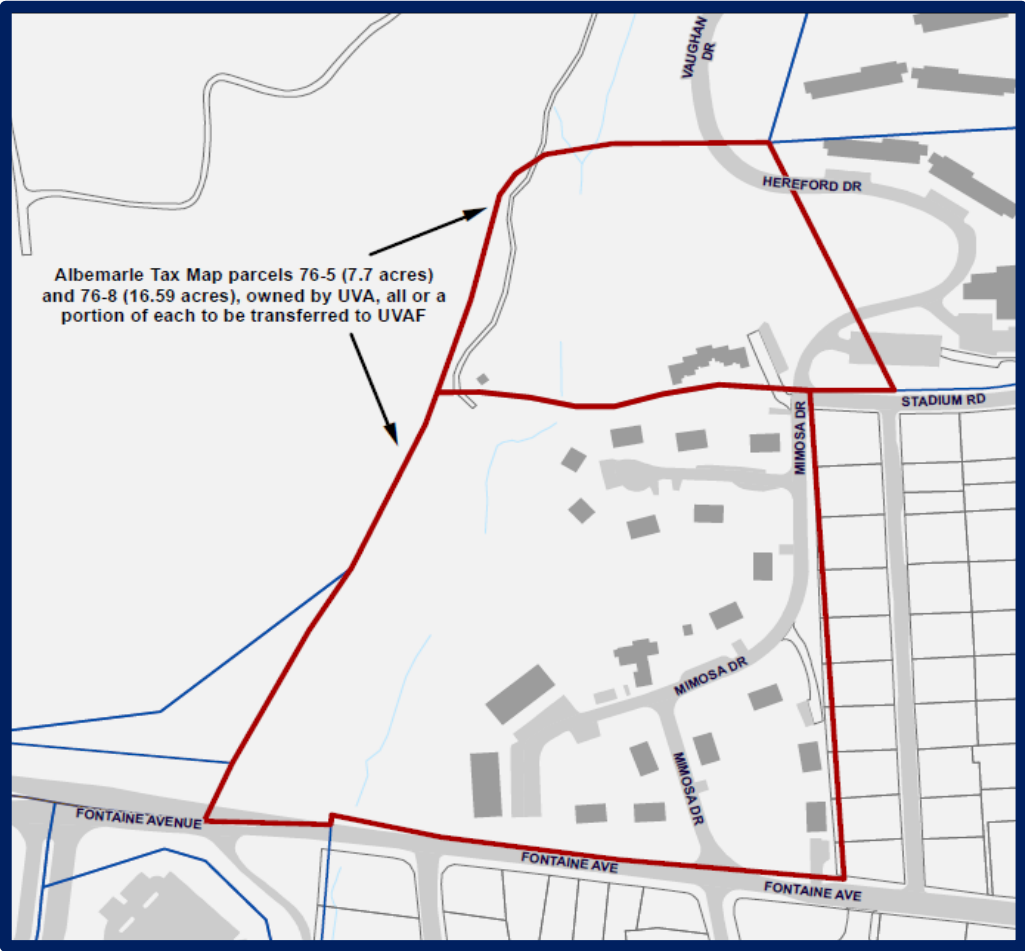


INKROVETZ PHOTOGRAPHY

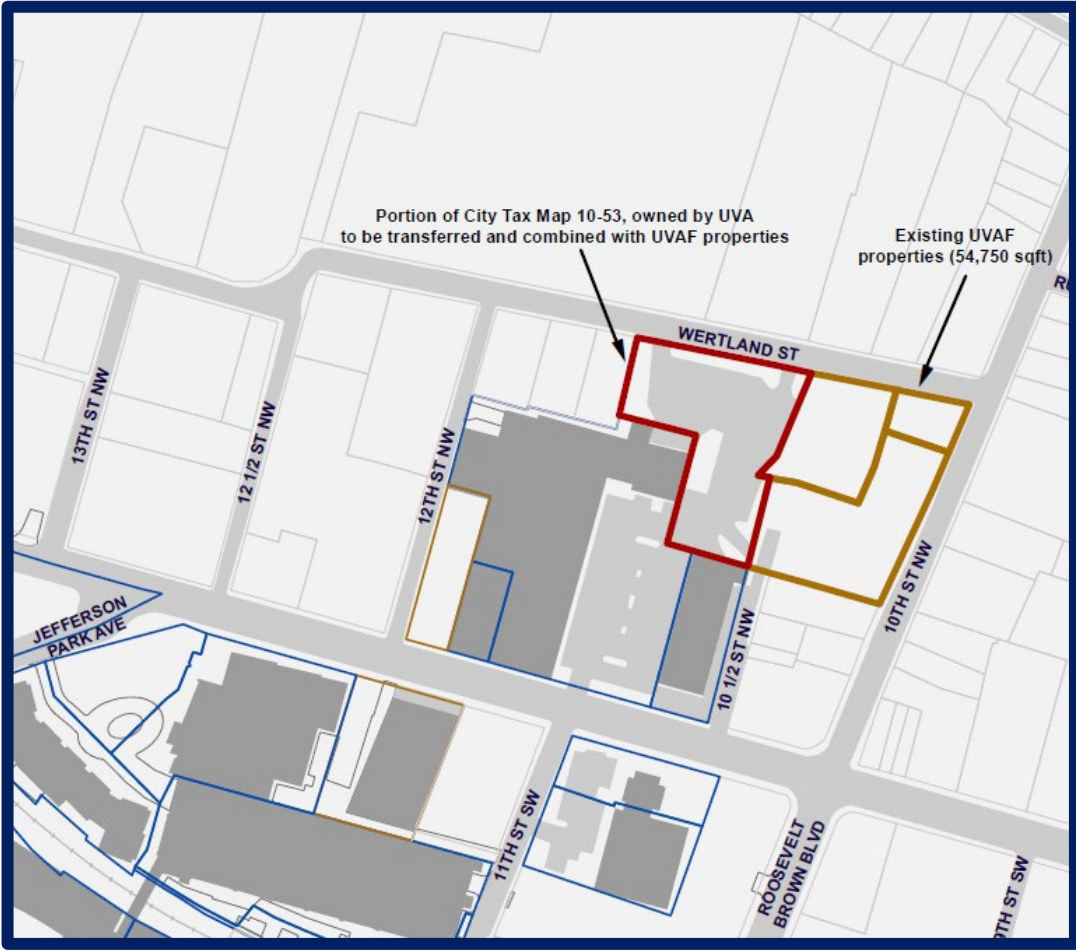
Transfer of Real Property to the University of Virginia Foundation



Transfer of Real Property to the University of Virginia Foundation



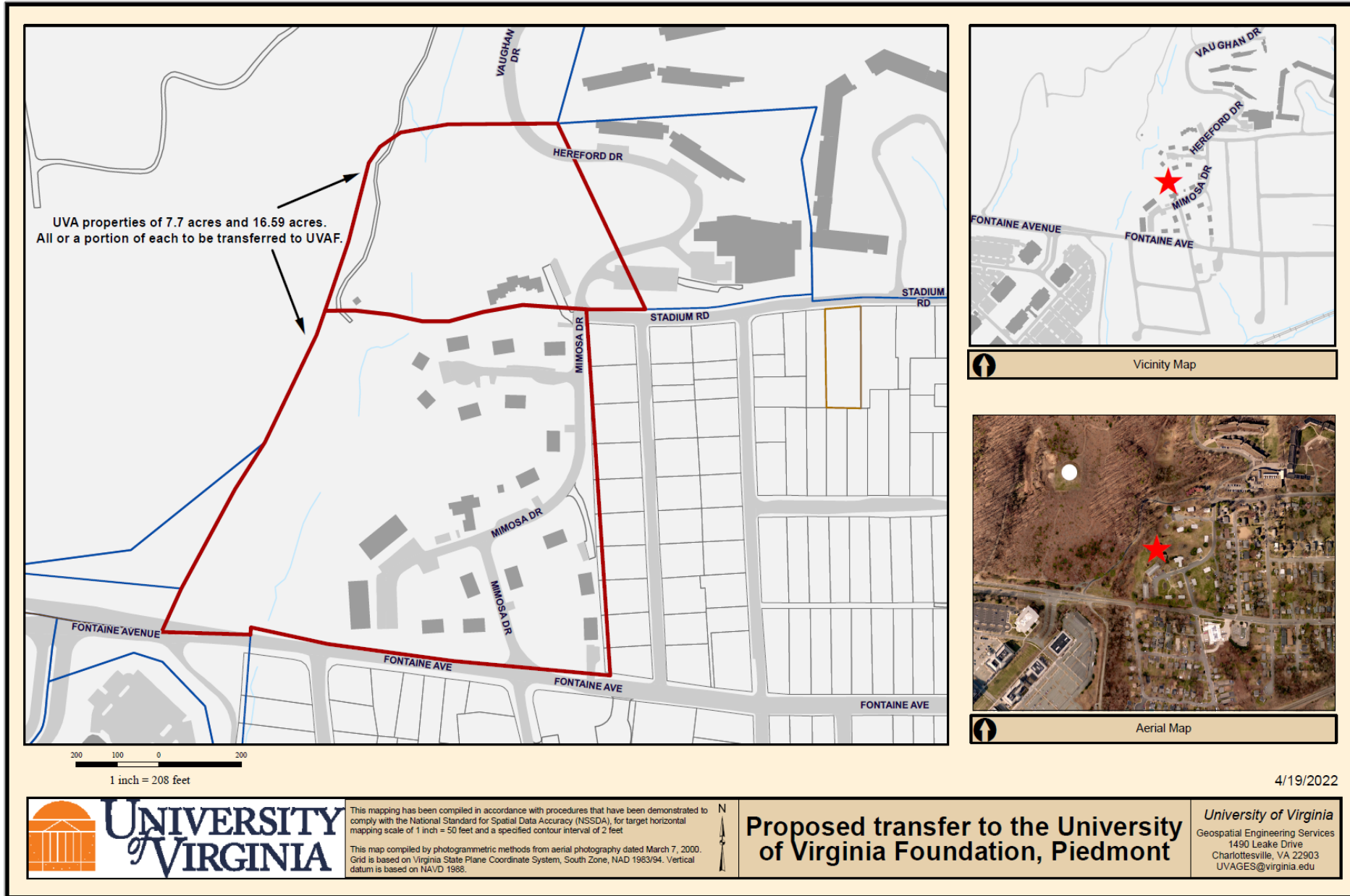
Piedmont Housing (Fontaine Avenue)



Wertland and 10th Streets



Transfer of Real Property to the University of Virginia Foundation - Piedmont



Vicinity Map



Aerial Map

4/19/2022



This mapping has been compiled in accordance with procedures that have been demonstrated to comply with the National Standard for Spatial Data Accuracy (NSSDA), for target horizontal mapping scale of 1 inch = 50 feet and a specified contour interval of 2 feet.

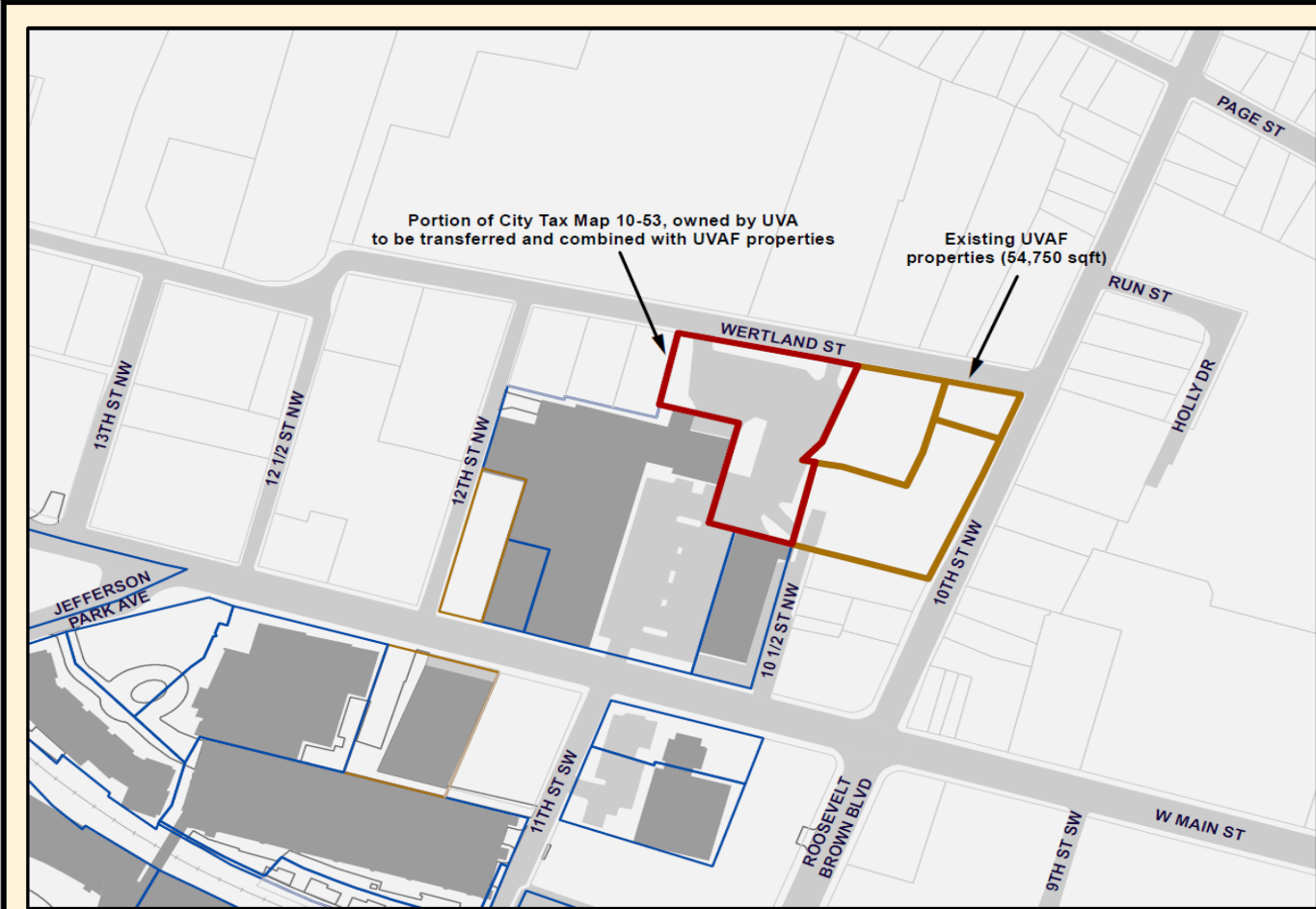
This map compiled by photogrammetric methods from aerial photography dated March 7, 2000. Grid is based on Virginia State Plane Coordinate System, South Zone, NAD 1983/94. Vertical datum is based on NAVD 1988.

Proposed transfer to the University of Virginia Foundation, Piedmont

University of Virginia
Geospatial Engineering Services
1490 Leake Drive
Charlottesville, VA 22903
UVAGES@virginia.edu



Transfer of Real Property to the University of Virginia Foundation – Wertland & 10th Streets

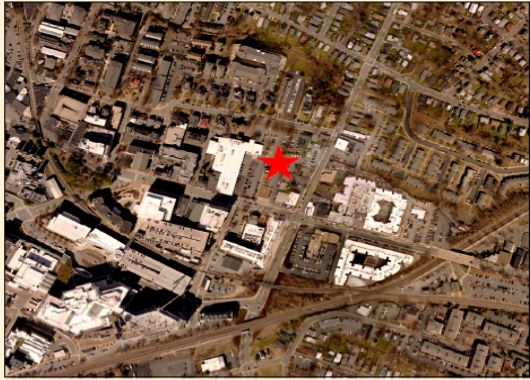


150 75 0 150

1 inch = 151 feet



Vicinity Map



Aerial Map

4/28/2022



UNIVERSITY of VIRGINIA

This mapping has been compiled in accordance with procedures that have been demonstrated to comply with the National Standard for Spatial Data Accuracy (NSSDA), for target horizontal mapping scale of 1 inch = 50 feet and a specified contour interval of 2 feet.

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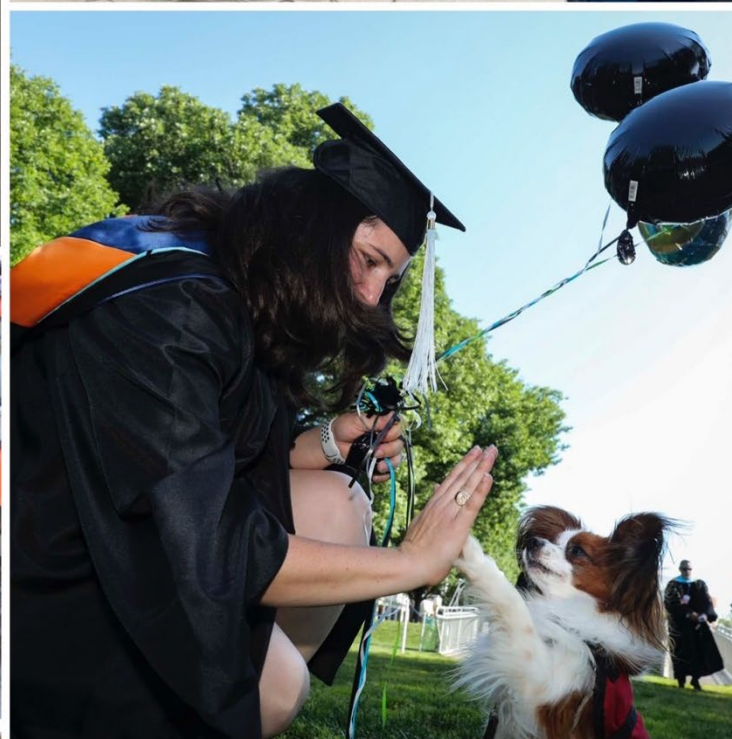


Proposed transfer to the University of Virginia Foundation, Wertland & 10th Streets

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UVA



Executive Vice President and Chief Operating Officer Remarks



