

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS**

**Meeting of the
Finance Committee**

March 5, 2021

FINANCE COMMITTEE

Friday, March 5, 2021

10:15 – 11:30 a.m.

Electronic Meeting

Committee Members:

Robert M. Blue, Chair

C. Evans Poston Jr., Vice Chair

Frank M. Conner III

Thomas A. DePasquale

John A. Griffin

Louis S. Haddad

Robert D. Hardie

Maurice A. Jones

James V. Reyes

James B. Murray Jr., Ex-officio

Ellen M. Bassett, Faculty Member

AGENDA

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

BOARD MEETING: March 5, 2021

COMMITTEE: Finance

AGENDA ITEM: I.A. Capital Project Financial Plans

BACKGROUND: When the administration recommends a capital project, there are two major considerations to be evaluated by the Board of Visitors. The Buildings and Grounds Committee determines whether to add the project 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 expected once the project is complete.

DISCUSSION:

(1) UVA Hotel and Conference Center: As recommended by the 2017 Hospitality Task Force and the Emmet Ivy Task Force, and approved by the Board of Visitors in March 2019, the UVA Hotel and Conference Center will replace the Cavalier Inn that was demolished in fall 2018. Sited adjacent to the Emmet Ivy Parking Garage along the Ivy Road Corridor, the new 223,000 SF UVA Hotel and Conference Center will include 215 guest rooms and 26,000 SF conference space. Since the financial plan was approved by the Board of Visitors in December 2019, additional planning efforts have resulted in a revised estimated project budget of \$130.5M that will be funded via \$110.5M in debt and a \$20.0M cash investment. Debt service, capital reserves, and annual operating costs will be covered by revenues from hotel operations.

(2) Lambeth Field Apartments HVAC Improvements: Lambeth Field Apartments, an upper-class housing facility, was built in the 1970s with package thermal air conditioning (PTAC) through-wall heating and cooling units as part of the original construction design. Over the years, the PTAC system has resulted in negative building pressure, causing significant and repeated humidity issues inside the units. The Lambeth Field Apartments HVAC Improvements project will address the negative pressure and humidity issues by installing a dedicated outside air system (DOAS) and replacing the outdated PTAC units with more energy-efficient units. To minimize disruption to students, the project will be phased over the summer of 2021 and summer 2022 and will begin in May 2021 as soon as residents move out at the conclusion of the spring semester. The estimated project budget is \$14.5M and will be funded via debt that will be repaid by endowment earnings.

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

FINANCING PLANS FOR THE UVA HOTEL AND CONFERENCE CENTER AND THE LAMBETH FIELD APARTMENTS HVAC IMPROVEMENTS

WHEREAS, the revised financing plan for the UVA Hotel and Conference Center calls for the use of debt in the amount of \$110.5M and a cash investment of \$20.0M; and

WHEREAS, the financing plan for the Lambeth Field Apartments HVAC Improvements calls for the use of debt in the amount of \$14.5M;

RESOLVED, the Board of Visitors approves the financing plans for the UVA Hotel and Conference Center and the Lambeth Field Apartments HVAC Improvements.

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BOARD MEETING: March 5, 2021

COMMITTEE: Finance

AGENDA ITEM: I.B. Acquisition of Monticello Community Surgery Center by the University of Virginia Medical Center

BACKGROUND: The UVA Medical Center has an ongoing shortage of operating rooms. Monticello Community Surgery Center is an independent ambulatory surgery center where community physicians, including some UVA physicians, currently perform ambulatory surgical services. The acquisition of Monticello Community Surgery Center by UVA Medical Center will provide four additional operating rooms and one procedure room. This increased capacity will improve patient care and allow providers to reduce waiting times for surgical procedures, thereby increasing case volume and associated revenue.

DISCUSSION: The Health System Board is asked to consider a proposal to acquire the Monticello Community Surgery Center by the UVA Medical Center. The Finance Committee will evaluate the financing plan for the estimated costs of acquisition and initial operating costs.

ACTION REQUIRED: Approval by the Health System Board, by the Finance Committee, and by the Board of Visitors

ACQUISITION OF MONTICELLO COMMUNITY SURGERY CENTER BY THE UNIVERSITY OF VIRGINIA MEDICAL CENTER

WHEREAS, the University has considered the value of acquiring 100% of all membership units of Monticello Community Surgery Center, LLC to support the mission of the Medical Center; and

WHEREAS, Monticello Community Surgery Center is an independent private limited liability company formed for the creation and operation of an ambulatory surgery center located in the County of Albemarle, Virginia; and

WHEREAS, the Commonwealth of Virginia legislation pertaining to the operations of the Medical Center (Section 23.1-2212 of The Code of Virginia) grants authority to create, own in whole or in part, or otherwise control corporations or other entities whose activities promote the operations of the Medical Center and its mission;

RESOLVED, the Board of Visitors authorizes the Executive Vice President for Health Affairs and the Executive Vice President and Chief Operating Officer to perform all

necessary due diligence, including satisfying all regulatory requirements, for the purchase of the Monticello Community Surgery Center; and

RESOLVED FURTHER, pending completion of due diligence and satisfaction of all regulatory requirements, the Executive Vice President and Chief Operating Officer, with the concurrence of the Chair of the Health System Board and the Chair of the Finance Committee and in consultation with the President, the Executive Vice President for Health Affairs, and the University Counsel, is authorized to execute contracts and other legal documents related to the acquisition.

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BOARD MEETING: March 5, 2021

COMMITTEE: Finance

AGENDA ITEM: I.C. Establishment of Unrestricted Quasi-Endowment Funds for the Carter G. Woodson Institute for African American and African Studies

BACKGROUND: On December 16, 2020, the University announced its intention to invest an additional \$10M from the University's Strategic Investment Fund to support the Carter G. Woodson Institute. Founded in 1981, the Institute is the home of the African American and African Studies interdisciplinary major in the College and works to enhance the research and teaching of African American and African studies at the University.

The funding will be used to create two unrestricted quasi-endowment funds – the Post-Doctoral Program Unrestricted Quasi-Endowment Fund and the Armstead L. Robinson Professorship in African and African American Studies Unrestricted Quasi-Endowment Fund.

Post-Doctoral Program Unrestricted Quasi-Endowment Fund: \$7M will be used to endow the Institute's post-doctoral fellowship program, a two-year residential fellowship for students whose work focuses on Africa and/or the African diaspora. If distributions exceed the amount necessary for post-doctoral support, any remaining funds can be directed to the highest and best use as determined by the Director of the Institute.

Armstead L. Robinson Professorship in African and African American Studies Unrestricted Quasi-Endowment Fund: \$3M will be used to create a new endowed professorship at the Institute. The funds may be used to support the incumbent's base salary and fringe, as well as for non-salary support costs related to their scholarly pursuits.

In June of 1996, the Board of Visitors authorized the Executive Vice President and Chief Operating Officer to approve individual quasi-endowment transactions, including establishments and divestments that are less than \$2M. Individual quasi-endowment transactions of \$2M or more require the approval of the Board of Visitors.

DISCUSSION: The University, with the support of the College and Graduate School of Arts and Sciences, wishes to deploy \$10M from the University's Strategic Investment Fund to establish two new unrestricted quasi-endowment funds for the Carter G. Woodson Institute for African American and African Studies, \$7M for a Post-Doctoral Program Unrestricted Quasi-Endowment Fund and \$3M for the Armstead L. Robinson Professorship in African and African American Studies Unrestricted Quasi-Endowment.

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

ESTABLISHMENT OF UNRESTRICTED QUASI-ENDOWMENT FUNDS FOR THE CARTER G. WOODSON INSTITUTE

WHEREAS, the University, with the support of the College and Graduate School of Arts and Sciences, wishes to deploy \$10M from the University's Strategic Investment Fund to establish two new unrestricted quasi-endowment funds for the Carter G. Woodson Institute for African American and African Studies;

RESOLVED, the Board of Visitors authorizes the establishment of the Post-Doctoral Program Unrestricted Quasi-Endowment Fund in the amount of \$7M and the Armstead L. Robinson Professorship in African and African American Studies Unrestricted Quasi-Endowment Fund in the amount of \$3M.

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AGENDA ITEM: II.A. 2021 General Assembly Session Report

ACTION REQUIRED: None

DISCUSSION: The 2021 Session of the Virginia General Assembly convened on Wednesday, January 13, 2021, and is scheduled to complete action on all legislation, including the 2020-2022 biennial budget, on Saturday, February 27, 2021. This report will provide the status of key legislation, including items of interest to UVA, UVA Health, and the College at Wise included in the 2020–2022 biennial budget.

**UNIVERSITY OF VIRGINIA
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BOARD MEETING: March 5, 2021

COMMITTEE: Finance

AGENDA ITEM: II.B. Endowment Report: Market Value and Performance as of December 31, 2020

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 associated organizations. UVIMCO holds custody and control of assets deposited into it on behalf of the University and University-Associated Organizations within a long-term, co-mingled investment pool.

UVIMCO's primary objective in managing the investment pool is to maximize long-term inflation-adjusted returns commensurate with the risk tolerance of the University while providing for spending distributions. 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 endowment returns of other outstanding schools. UVIMCO does not set spending rates; UVIMCO communicates the investment pool's risk and return estimates to the University and associated organizations for their consideration in setting spending rates.

DISCUSSION: Mr. Robert Durden, the Chief Executive Officer/Chief Investment Officer of UVIMCO, 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 calendar year ending December 31, 2020, and will address any questions from the Committee.

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AGENDA ITEM: II.C. Institutional Metrics Reporting

ACTION REQUIRED: None

BACKGROUND: The Board is interested in developing a dashboard of performance measures to enable board members to assess how the University is performing against plans, against peers, and over time.

DISCUSSION: At the March Finance Committee meeting, the Rector will lead a discussion of the Board's interest in financial (Academic Division and Health System); students and admission; faculty and staff; technology; infrastructure; and, media, communications, and reputation metrics. The objective of the discussion will be to determine the metrics that will be included in a dashboard format provided quarterly to the Board.

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AGENDA ITEM: II.D. Executive Vice President's Remarks

ACTION REQUIRED: None

BACKGROUND: The Executive Vice President and Chief Operating Officer will inform the committee members of recent events that do not require formal action, but of which they should made be aware.

Citizens Broadband Radio Service Cellular Radio Frequency Spectrum

A written report on the Citizens Broadband Radio Service Cellular Radio Frequency Spectrum follows for the Board's information.

Background: The Citizens Broadband Radio Service (CBRS) is a block of cellular radio frequency spectrum that was recently made available for use by the Federal Communications Commission (FCC) and was designed to support a wide variety of potential applications. The CBRS radio channels are located in the coveted mid-frequency band and possess desirable characteristics of long transmission ranges and reasonable data carrying capacity. CBRS systems can be deployed to support the same range and data speeds as current high-speed LTE cellular. Licenses, in the form of priority access (Priority Access Licenses, or PALs) to the radio spectrum, were auctioned by the FCC during the summer of 2020.

UVA Possible Uses: The most interesting possible uses of CBRS for UVA include enhanced indoor cellular coverage and the ability to provide moderate speed wireless data networking over large outdoor geographic areas. This type of outdoor data network coverage could enable more cost-effective solutions for Internet of Things devices such as security cameras or other remote sensors, provide redundant connectivity for critical services, augment or replace other radio systems, and potentially be interconnected with traditional cellular services. CBRS use for enhanced indoor cellular coverage would rely on deploying small radios, similar in size to Wi-Fi access points, within University buildings and obtaining agreements from cellular carriers for interconnection and funding.

FCC Auction Results: ITS engaged the University Foundation to help UVA participate in the FCC Auction and attempt to acquire PAL licenses for UVA's use. We were extremely pleased with the auction results. The FCC collected \$4.5B, a level of investment that guarantees widespread radio equipment availability and CBRS support by large numbers of mobile devices. Due to our auction strategy (and some luck), UVA obtained four of the seven PAL licenses in Albemarle County and two of the seven PAL licenses within the City of Charlottesville at a very modest total cost of a little under \$120,000, or \$12,000 per year, for

just the initial ten-year term of the license. The other PAL licenses available in our area were procured by Verizon and Dish.

Only a handful of universities nationally chose to participate in the PAL auction, due to the anticipated price for licenses in their region. For example, the auction price in Los Angeles ended at over \$52M per PAL, well beyond what any school might find palatable in a business case. Even in Durham, NC, PAL licenses cost over \$900,000 each. Virginia Tech and Texas A&M were the two other schools that managed to acquire PAL licenses in the auction, some at a significantly higher price than UVA paid.

Future/Next Steps: We do not anticipate any significant investments in the near future for equipment to build CBRS coverage across Grounds. Radio equipment needs to mature first and more devices need to support the CBRS frequencies prior to any significant investment. Instead, we will proceed with smaller pilot projects, both internal to UVA and in collaboration with Internet2 and other universities, to verify the technology with our use cases and also to help influence decisions that the cellular carriers will make on the use of CBRS for enhanced indoor cellular coverage.

The decision to invest in the CBRS auction was a classic case of having to decide based on intuition before sufficient information was available to concretely predict success. We are unlikely to know the real value of a PAL license, both monetarily and from a service value perspective, for several years, until carriers and other enterprises have made deployment and policy decisions and after CBRS radio equipment has matured. If, as expected, the use cases we anticipate for university hold true, we will make use of the PAL licenses. If not, we will request that the Foundation lease or sell the PAL licenses to cell carriers or others. In this way, the CBRS licenses are being treated as they would if this had been a real estate investment. Spectrum licenses historically have proven to be valuable, so we believe UVA's investment in them is a prudent one.