

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS**

**Meeting of the
Finance Committee**

March 1, 2019

FINANCE COMMITTEE

Friday, March 1, 2019

8:00 – 9:30 a.m.

Board Room, The Rotunda

Committee Members:

James B. Murray Jr., Chair
Robert M. Blue, Vice Chair
Thomas A. DePasquale
John A. Griffin

Robert D. Hardie
Maurice A. Jones
Jeffrey C. Walker
Frank M. Conner III, Ex-officio

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**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS CONSENT AGENDA**

I.A. Dissolution of the Meadow Creek Corporation: Approves and consents to the dissolution and termination of the Meadow Creek Corporation, and authorizes the University’s Executive Vice President & Chief Operating Officer to execute documents and perform acts necessary to effect the dissolution and termination.

In furtherance of its plans to redevelop the Ivy/Emmet corridor, the University recently acquired 100% of the shares of Meadow Creek Corporation, a for-profit, stock corporation (“Meadow Creek”). The sole assets of Meadow Creek are the Cavalier Inn parcel (TM#8, Parcel 8), The Villa Restaurant parcel (TM#8, Parcel 10), and the parking parcel (TM# 8, Parcel 11.1) (together known as the “Property”). Ownership of a portion of the Ivy Corridor site by a for-profit corporation creates an impediment to the development of this area pursuant to the University’s comprehensive plans.

After considering 1) the difficulties posed by the development of this important and highly visible intersection under its current ownership; 2) the certificate of dissolution related primarily to a tax liability estimated at \$1.1 million; and 3) ongoing operation costs of managing the corporation estimated at \$100,000 per year, Meadow Creek’s board of directors recommends the conveyance of its interest in the Property to the University and the dissolution and termination of the Meadow Creek Corporation.

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

DISSOLUTION AND TERMINATION OF THE MEADOW CREEK CORPORATION

WHEREAS, the University is the sole shareholder of the Meadow Creek Corporation;
and

WHEREAS, to facilitate the University’s plans to redevelop the Ivy/Emmet corridor, the University wishes to acquire ownership of the Property, which constitutes Meadow Creek’s sole asset; and

WHEREAS, the University, as sole shareholder of the Meadow Creek Corporation, has been requested by the corporation’s board of directors to approve and consent to its recommendation that the corporation be dissolved and terminated;

RESOLVED, the Board of Visitors hereby approves and consents to the dissolution and termination of the Meadow Creek Corporation; and

RESOLVED FURTHER, the Board of Visitors authorizes the University’s Executive Vice President & Chief Operating Officer (EVP/COO), and such persons as may be delegated

authority by the EVP/COO, to execute and deliver all documents and do all such acts on the part of the University as may be necessary to effect the dissolution and termination of the Meadow Creek Corporation; and

RESOLVED FURTHER, all acts of all officers of the University that are in conformity with the purposes and intent of this Resolution and in carrying out the plans presented to this meeting are ratified, approved, and affirmed.

I.B. Delegation of Signatory Authority for Medical Center Contracts: Authorizes the Executive Vice President for Health Affairs to execute contracts on behalf of the Medical Center with Morrison, Crothall, Cardinal, and Zoll.

The Board of Visitors is required to approve the execution of any contract where the amount per year is in excess of \$5 million.

In accordance with Medical Center procurement policy and its group purchasing organization affiliation with Premier Healthcare Alliance, LP, the four contracts listed below exceed \$5 million in spend per year, and thus exceed the signatory authority of the Executive Vice President for Health Affairs.

- Morrison Management Specialists, Inc. for food & nutrition services
- Crothall Healthcare, Inc. for environmental services
- Cardinal Health 110, LLC, Cardinal Health 112, LLC, and affiliates (collectively “Cardinal Health”) for pharmacy distribution services
- Zoll Medical Corporation for AEDs & defibrillators

The expense for goods and services purchased through these contracts is reflected in the Medical Center’s Operating and Capital Budgets.

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

SIGNATORY AUTHORITY FOR FOUR MEDICAL CENTER CONTRACTS EXCEEDING \$5 MILLION PER YEAR

RESOLVED, the Board of Visitors authorizes the Executive Vice President for Health Affairs to execute contracts on behalf of the Medical Center with Morrison Management Specialists, Inc., Crothall Healthcare, Inc., Cardinal Health, and Zoll Medical Corporation.

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

BOARD MEETING: March 1, 2019

COMMITTEE: Finance

AGENDA ITEM: II.A. Upper Division Tuition for the College and Graduate School of Arts & Sciences

BACKGROUND: The Board of Visitors sets tuition and fees for the University of Virginia. The enabling resolution covers a proposed upper division undergraduate tuition rate for the College and Graduate School of Arts & Sciences (College), to be implemented Fall 2021.

DISCUSSION: The Board of Visitors will consider a proposal to implement an upper division tuition rate for in-state and out-of-state students in the College in Fall 2021 to address the higher cost of instruction due to smaller class sizes; hiring and retaining experienced, tenured faculty; and increased emphasis on research and experiential learning. If approved, in Fall 2021, third-year students would be assessed an upper division tuition rate that is \$2,700 higher than the tuition paid by first-, second-, and fourth-year students that year. In Fall 2022 and thereafter, this upper division tuition rate, to be approved by the Board annually, will extend to third- and fourth-year students. The incremental revenue generated will be directed to add new courses, strengthen the faculty:student ratio, and enhance interactive learning opportunities and research environments.

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

2021-2022 IMPLEMENTATION OF COLLEGE AND GRADUATE SCHOOL OF ARTS & SCIENCES UPPER DIVISION TUITION RATE

WHEREAS, the Board seeks to address the higher cost of instructing third- and fourth-year students in the College and Graduate School of Arts & Sciences and to generate additional revenue to add new courses, strengthen the faculty:student ratio, and ensure intimate, interactive learning and research environments; and

WHEREAS, AccessUVA will continue to meet full demonstrated financial need and limit indebtedness for undergraduates;

RESOLVED, in Fall 2021, third-year students will be assessed an upper division tuition rate that is \$2,700 higher than the tuition paid by first-, second-, and fourth-year students that year; and

RESOLVED FURTHER, in Fall 2022 and thereafter, the upper division tuition rate, established by the Board of Visitors annually, will extend to third- and fourth-year students.

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

BOARD MEETING: March 1, 2019

COMMITTEE: Finance

AGENDA ITEM: II.B. Disposition of Real Property: UVA Northern Virginia Graduate Center

BACKGROUND: The Northern Virginia Graduate Center, located at 7054 Haycock Road in Fairfax County, is jointly owned by UVA and Virginia Tech with UVA owning 40% interest and Virginia Tech owning 60%. The Center consists of a 101,000 square foot facility with office and classroom space. It supports the educational efforts of both institutions in Northern Virginia located on two parcels of land: a 2.2-acre lot owned by UVA and Virginia Tech, and a 5.33-acre parcel owned by the City of Falls Church and ground leased to both UVA and Virginia Tech. The building was financed and constructed by UVA and Virginia Tech on the City's parcel, subject to certain proffered conditions.

DISCUSSION: Over the years, the University, primarily through the School of Continuing and Professional Studies and the Curry School of Education and Human Development, has offered certificate programs, continuing education, and a variety of other coursework at the Northern Virginia Graduate Center. The delivery method of these courses is changing, and data collection and careful monitoring shows a decline in the utilization of the building and classrooms. Virginia Tech has expressed an interest in purchasing UVA's 40% ownership of the jointly-owned parcel. Each university obtained third-party professional appraisals for the fee and leasehold interests, and has agreed on a value of \$20,075,000 for both properties. The University's interest is valued at \$8,230,000 based on the allocation of UVA's 40% interest in the Center. This proposed action delegates authority to the Executive Vice President and Chief Operating officer to sell the University's interest in the Northern Virginia Graduate Center to Virginia Tech at a cost no less than \$8,230,000.

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

DISPOSITION OF THE NORTHERN VIRGINIA GRADUATE CENTER

WHEREAS, the Board of Visitors finds it to be in the best interest of the University of Virginia to sell the University's interests in the Northern Virginia Graduate Center to Virginia Tech; and

WHEREAS, the University's interest includes a 40% fee interest in the 2.187 acre parcel (Fairfax County Tax Map #403 01 0092), a 40% leasehold interest in the 5.33 acre parcel owned by the City of Falls Church (Fairfax County Tax Map #403 01 0092A), and a

40% ownership interest in the 101,000 square foot building located on the aforesaid 5.33 acre parcel (together known as the "Property"); and

WHEREAS, the University and Virginia Tech have agreed that the total value of the foregoing Property is \$20,075,000, and subject to adjustments, the University's share will be approximately \$8,230,000;

RESOLVED, the Board of Visitors approves the sale of UVA's ownership interest and assignment of the leasehold interest in the Property; and

RESOLVED FURTHER, the Executive Vice President and Chief Operating Officer is authorized, on behalf of the University, to approve and execute sale and assignment agreements, releases and all other documents needed to effect the foregoing transactions, to incur reasonable and customary expenses, and to take such other actions as deemed necessary and appropriate to consummate such disposition of the Property; and

RESOLVED FURTHER, all prior acts performed by the Executive Vice President and Chief Operating Officer, and other officers and agents of the University, in connection with such property disposition, are in all respects approved, ratified, and confirmed.

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

BOARD MEETING: March 1, 2019

COMMITTEE: Finance

AGENDA ITEM: II.C. Capital Project Financial Plans

BACKGROUND: When a capital project is recommended by the administration, there are two major considerations to be evaluated by the Board of Visitors. The Buildings and Grounds Committee determines whether the project should be added to the Major Capital Projects Program, and the Finance Committee evaluates whether there is a sound financing plan to pay for the estimated project cost and additional operating costs that are expected once the project is complete.

DISCUSSION: The current multi-year capital plan was approved by the Board in June 2018 and included the Old Ivy Road Office Building at an estimated cost of \$33 million. Planning efforts since last June have confirmed additional occupants of the building including central human resources functions, the Office of Safety and Security, a small café to service occupants of this and nearby facilities, and generic fit-out of the remaining unassigned office space (approximately 7,000 sf). The new plans have resulted in a revised total project budget of \$41.0 million to be funded via debt. Debt service and annual operating costs will be covered through lease payments estimated at approximately \$40 per square foot. Occupants at Fontaine Research Park pay between \$25 and \$33 per square foot. Incremental lease costs will be built into the fiscal year 2020 operating budget.

Since approval of the 2018 Capital Plan, the Health System recently identified an opportunity to establish a multi-specialty ambulatory clinic in Augusta County. The planned 28,000 gross square foot multi-specialty clinic will house primary and specialty care clinics with associated procedural, pharmacy, and diagnostic services and will offer a wide range of clinical services from scheduled primary care and walk-in visits to a diverse list of specialty practice offerings. There is a pending lease for space in Augusta County that must be executed prior to the June Board meeting. The tenant fit out of the space is estimated to cost between \$8.0 million and \$12 million, which the Health System will pay with operating cash. Approval of the financing plan will allow the University to commit to the lease and begin the fit out.

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

CAPITAL PROJECT FINANCIAL PLANS: OLD IVY ROAD OFFICE BUILDING AND AUGUSTA COUNTY MULTI-SPECIALTY AMBULATORY CLINIC

WHEREAS, the revised financing plan for the Old Ivy Road Office Building calls for the use of debt in the amount of \$41.0 million; and

WHEREAS, the financing plan for the Augusta County Multi-Specialty Ambulatory Clinic calls for the use of operating cash, an amount up to \$12.0 million; and

WHEREAS, the Executive Vice President and Chief Operating Officer will confirm that appropriate funding is in place before any project commences construction;

RESOLVED, the Board of Visitors approves the financial plans for the Old Ivy Road Office Building and the Augusta County Multi-Specialty Ambulatory Clinic.

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

BOARD MEETING: March 1, 2019

COMMITTEE: Finance

AGENDA ITEM: III.A. Endowment Report: Market Value and Performance as of December 31, 2018

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 related foundations. Assets deposited in UVIMCO are held in the custody and control of UVIMCO on behalf of the University and Foundations within a long-term, co-mingled investment pool.

UVIMCO's primary objective in managing the investment pool is to maximize long-term real return commensurate with the risk tolerance of the University. 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 with appropriate resources, UVIMCO attempts to manage pool assets to provide long-term real returns that compare favorably with the returns of endowments of other outstanding schools. UVIMCO does not set spending rates; UVIMCO communicates the investment pool's risk and return estimates to the University and foundations 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, 2018, and address any questions from the committee. A report is included in the quarterly financial report, delivered electronically on February 18, 2019.

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

BOARD MEETING: March 1, 2019

COMMITTEE: Finance

AGENDA ITEM: III.B. Hospitality Report: Hotel and Conference Center and the Inn at Darden

ACTION REQUIRED: None

BACKGROUND: In January 2018, the recommendations of the Hospitality Task Force were discussed with the Buildings and Grounds Committee including those related to the new University hotel and conference center to replace the Cavalier Inn and the Inn at Darden. Specifically, the Task Force recommended a hotel on the Ivy/Emmet Corridor of up to 300 rooms and up to 35,000 square feet of conference/meeting space; the recommendation for the Inn at Darden was a replacement facility with up to 225 rooms and up to 12,000 square feet of conference/meeting space. Ensuing conversations since January have resulted in a refinement of the programs for each hotel.

DISCUSSION: The Executive Vice President and Chief Operating Officer will report on the status of planning for the replacement of the Cavalier Inn and the new Inn at Darden, and will discuss the next steps for each project.

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

BOARD MEETING: March 1, 2019

COMMITTEE: Finance

AGENDA ITEM: III.C. UVA Foundation Town Center 4 Building Project

ACTION REQUIRED: None

DISCUSSION: The Executive Vice President and Chief Operating Officer will provide a progress report to the Finance Committee on the design and construction of the UVA Foundation's Town Center 4 building project at the UVA Research Park.

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

BOARD MEETING: March 1, 2019

COMMITTEE: Finance

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

ACTION REQUIRED: None

DISCUSSION: The Executive Vice President and Chief Operating Officer will inform the Finance Committee of other recent events that do not require formal action, but of which it should be made aware.

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

BOARD MEETING: March 1, 2019

COMMITTEE: Finance

AGENDA ITEM: III.E. Human Resource System Transformation and System Go-Live (Written Report)

ACTION REQUIRED: None

BACKGROUND: The strategic redesign of Human Resources (HR), under the auspices of the Ufirst Project, has brought together HR operations from across Grounds to deliver better value and broader HR service. The primary objectives of the transformation are to: 1) strengthen UVA's ability to recruit and retain top talent in an increasingly competitive market; and 2) help deliver a better employment experience for faculty, staff, and team members.

Initiated in 2015, the HR redesign culminated with the launch of the new technology in January 2019. This large and complex project has gone extremely well. The UVA community has adopted use of Workday more quickly than expected, and payroll accuracy has been high. Supported by the technology, UVA HR has been able to deliver on its commitments for the Ufirst project. HR worked alongside colleagues from Finance and IT – as well as many others across the University – to ensure a successful launch. The following slides outline key information about the project launch and demonstrate HR's strong position to future workforce challenges and support the University's hiring strategy.

The Ufirst HR Transformation

The Business Case for Change



Ufirst is the most complex and ambitious human resources transformation undertaken by any higher education institution



Three HR entities with three different HR systems integrated into one HR organization with one HR system to deliver more efficient and effective service across Grounds

A highly complex UVA policy, process, and systems landscape

- ✓ Highly decentralized, customized and complex environment
- ✓ 70+ legacy systems
- ✓ 284 business processes redesigned
- ✓ 160 systems integrations
- ✓ 163 benefits plans
- ✓ 300+ pay codes
- ✓ 88 different retirement calculations
- ✓ 5 separate payroll runs

Successful Launch Indicators

Adoption

- 22,000+ unique users accessed Workday in first 3 weeks; higher than expected
- 8000+ average sessions per day
- 2,100+ business processes completed in first 3 weeks

Training

- 241 job aids available to all users
- 50+ instructional videos created
- 145+ training classes and open labs

Service

- 94% of customer cases closed
- 4.4 out of 5 average customer rating

A challenging five year HR and payroll transformation journey

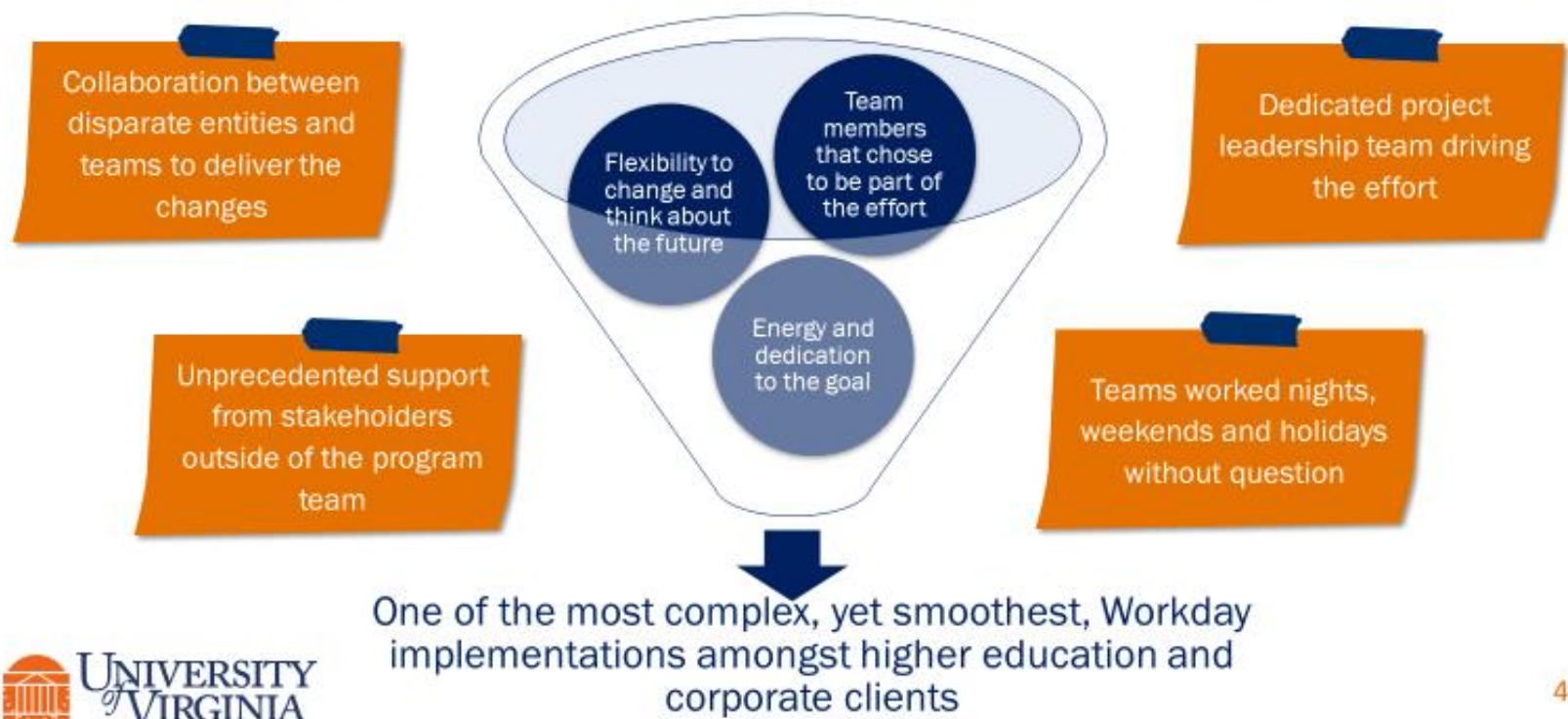


Delivering on our Commitment

<p>Exceptional employment experience</p>  <p>Employee focused HR delivery model on one UVA wide HR technology platform</p>	<p>Recruiting, hiring, and onboarding experience consistent with the reputation of the University</p>  <p>One place (instead of three) to apply for jobs; streamlined the onboarding process so workers are ready on day one</p>	<p>Real-time reporting, analytics and people insights to inform decisions</p>  <p>650+ real-time reports available on demand to users</p>
<p>User friendly systems and the ability to use your smart devices</p>  <p>Intuitive experience across mobile, tablet, and desktop; 284 processes streamlined and simplified</p>	<p>Mitigate HR operational and compliance risks</p>  <p>100% I-9 compliance; 74% decrease in manual paychecks in initial payroll cycles; full process transparency</p>	<p>Drive 15-25% reduction in annual UVA HR related costs through a more efficient operating model</p>  <p>Initial 15% cost savings delivered and new model provides foundation for future savings</p>

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Our People Led us to Program Success



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What People are Saying....

from outside the University



CUPA recognized UVA Human Resources with the **National HR Excellence Award** in recognition of the transformative HR work that resulted in significant and ongoing organizational change at UVA.

"Bringing three large groups onto one platform – the University, the Hospital and the Physicians group – each from its own platform and with its own sometimes very different needs, made UVA's Workday initiative one of the most complex projects we have ever reviewed"



John Thompson-Haas
Senior Director - Gartner

The uFirst project brought together a team of people incredibly dedicated to achieving the objectives of the uFirst technology implementation. The levels of commitment and collaboration demonstrated by the team serve as a great example to other customers. The team worked tirelessly for the good of the University. It also blended seamlessly and created a perfect environment for success on one of the most complex projects we have seen. Workday congratulates UVA on its outstanding achievement!



Charles Calkins

Vice President, Education & Government Delivery Services - Workday



from inside the University

"I am new to Workday, but I find it to be extremely user friendly, especially for when I log my time"

"I was very appreciative of the interactive search bar that allows for easy navigation of the system"

"The training modules made Workday navigation so easy, and it's great that I can access it from my phone"

"Super-intuitive"

"I love it. It's such an upgrade for Self-Service"

What's Next



Using the new foundation, continue to **measure and mature the delivery of HR services to consumers**



Leverage new insights and data to address current talent challenges and prepare for the challenges of the future



Monitor transformation adoption and **provide additional training, job aids and other interventions where appropriate**



Evaluate use of leading practice tools and technologies (i.e., intelligent automation) to increase operational efficiency



Document lessons learned to share with other UVA transformation projects and with other higher education institutions