

REVISED
June 5, 2017

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS

Meeting of the Finance Committee
with the Full Board

June 9, 2017

**MEETING OF THE FINANCE COMMITTEE
WITH THE FULL BOARD**

**Friday, June 9, 2017
10:10 – 11:30 a.m.
Board Room, The Rotunda**

Board Members:

William H. Goodwin Jr., Rector	Frank E. Genovese
Frank M. Conner III, Vice Rector	John A. Griffin
James B. Murray Jr.	Babur B. Lateef, M.D.
Mark T. Bowles	John G. Macfarlane III
L. D. Britt, M.D.	Tammy S. Murphy
Whittington W. Clement	James V. Reyes
Elizabeth M. Cranwell	Jeffrey C. Walker
Thomas A. DePasquale	Nina J. Solenski, M.D., Faculty Member
Kevin J. Fay	Bryanna F. Miller, Student Member
Barbara J. Fried	Daniel Maxwell Meyers, Consulting Member

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

BOARD MEETING: June 9, 2017

COMMITTEE: Finance and Full Board

AGENDA ITEM: I.A. 2017-2018 Operating Budget

BACKGROUND: During this fiscal year, the Board of Visitors has received reports on the General Assembly session and the related impact on the University's state general fund appropriations, as well as budget assumptions for the 2017-2018 operating budget. At its March and April meetings, the Board of Visitors approved tuition, mandatory fees, housing, and dining rates for 2017-2018.

At its June meeting, the Board of Visitors considers the proposed operating budgets and the non-base budget investment for the Academic Division, The University of Virginia's College at Wise, and the Medical Center, inclusive of the Transitional Care Hospital.

DISCUSSION: For 2017-2018, the University of Virginia proposes a \$3.4 billion operating budget for all three divisions.

Academic Division

The 2017-2018 budget reflects state appropriation reductions, Board-approved tuition increases, and salary increases (3% for staff and 3-3.75% for faculty). The 2017-2018 operating budget also reflects increases in sponsored research and philanthropy. Incorporating savings from Organizational Excellence, the 2017-2018 Academic Division operating expenditure budget is proposed at \$1.7 billion, a 2.7% increase over prior year.

In addition to the base 2017-2018 operating budget, the University proposes to invest \$62.3 million to continue to meet critical one-time infrastructure, compliance, and strategic investments previously approved by the Board. These investments involve implementing new technologies and improved operating processes, transforming human resources practices, incorporating best practice security measures to protect and safeguard our information systems and data, meeting compliance needs, and critical strategic areas such as global affairs, student advising, pan-University research centers, and faculty hiring.

Pratt Fund

In April 1976, the University received funds, designated in the will of John Lee Pratt, to be used to supplement the Academic Division budget to support 1) faculty salaries and equipment in the Departments of Biology, Chemistry, Mathematics and Physics and 2) research and scholarships in the School of Medicine. The Pratt Fund is proposed to be allocated as detailed in the Appendix.

Medical Center and the Translational Care Hospital

The Medical Center Operating Board will meet June 8th to consider the Medical Center 2017-2018 operating budget, inclusive of the Transitional Care Hospital, and will recommend approval of the \$1.7 billion operating budget proposal.

The University of Virginia's College at Wise

The Committee on the University of Virginia's College at Wise considered the College's proposed operating budget at its May 5, 2017 meeting and recommends approval of the \$42 million operating budget proposal.

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

2017-2018 OPERATING BUDGET FOR THE ACADEMIC DIVISION

RESOLVED, the 2017-2018 \$1.7 billion operating budget for the Academic Division is approved as recommended by the President and the Chief Operating Officer.

2017-2018 PRATT FUND DISTRIBUTION

RESOLVED, the budget for the expenditure of funds from the Estate of John Lee Pratt is approved to supplement appropriations made by the Commonwealth of Virginia for the School of Medicine and the Departments of Biology, Chemistry, Mathematics, and Physics in the College of Arts and Sciences. Departmental allocations, not to exceed \$9,935,064 for 2017-2018, are suggested by the department chairs and recommended by the dean of each school. The disbursement of each allotment will be authorized by the Executive Vice President and Provost. To the extent the annual income from the endowment is not adequate to meet the recommended distribution, the principal of the endowment will be disinvested to provide funds for the approved budgets.

2017-2018 OPERATING BUDGET FOR THE UNIVERSITY OF VIRGINIA MEDICAL CENTER

RESOLVED, the 2017-2018 operating budget for the University of Virginia Medical Center, inclusive of the Transitional Care Hospital, is approved as recommended by the President, the Chief Operating Officer, and the Medical Center Operating Board.

2017-2018 OPERATING BUDGET FOR THE UNIVERSITY OF VIRGINIA'S COLLEGE AT WISE

RESOLVED, the 2017-2018 operating budget for The University of Virginia's College at Wise is approved as recommended by the President and the Chief Operating Officer.

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

BOARD MEETING: June 9, 2017

COMMITTEE: Finance and Full Board

AGENDA ITEM: I.B. Strategic Investment Fund Grant Allocations

BACKGROUND: The Strategic Investment Fund Advisory Committee reviewed 14 proposals during the spring Strategic Investment Fund review cycle.

DISCUSSION: After studying the material provided, the Advisory Committee’s recommendation includes five projects totaling \$36.4 million. These projects will be reviewed with the Full Board at its meeting on June 9th.

ACTION REQUIRED: Approval by the Board of Visitors

STRATEGIC INVESTMENT FUND GRANT ALLOCATIONS—JUNE 2017

WHEREAS, the Board of Visitors created the Strategic Investment Fund on February 19, 2016 to fund investments that support the vision and aspirations of the highest levels of excellence in the University’s academic, research, and healthcare missions; and

WHEREAS, the Faculty Evaluation Committee reviewed and assessed proposals and provided their analysis to the Advisory Committee; and

WHEREAS, the Advisory Committee reviewed and conducted further assessment of these proposals; and

WHEREAS, the Advisory Committee recommends funding for the following proposals that will materially enhance research, research infrastructure, and the academic experience:

Project	Funding Recommended
Bold Research Advancement in Neuroscience	\$15,710,000
A&S Democracy Initiative	10,000,000
Engineering in Medicine	5,000,000
UVA-Wise Innovation Ecosystem	3,485,460
<u>SON Transforming Clinical Scholarships</u>	<u>2,244,546</u>
Total	\$36,440,006

RESOLVED, the Board of Visitors authorizes the Executive Vice President and Chief Operating Officer to use earnings on the Strategic Investment Fund to support the aforementioned projects recommended by the Advisory Committee.

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

BOARD MEETING: June 9, 2017

COMMITTEE: Finance and Full Board

AGENDA ITEM: I.C. Authorization of 2017 Shelf Capital Project Financing Program

BACKGROUND: For over three decades, the University has issued long-term bonds to provide external financing for capital projects. In 2002, the University developed a debt portfolio management program to manage debt by optimizing debt structure and providing stability to internal borrowing units. As a feature of this new program, in 2003, the University launched a commercial paper program to provide interim financing and flexibility in the timing of long-term debt issuance.

DISCUSSION: As a further enhancement to the debt portfolio management program, the University is planning to put in place a “shelf” capital financing program. The “shelf” program reduces the time to market of a new debt issue, allowing the University the flexibility to move more nimbly when attractive market opportunities arise.

Under the “shelf” registration program, the University will issue a base offering document that outlines the mechanics and security features applicable to all debt issued under the program. In conjunction with this base offering document, the University will issue subsequent supplemental documents for each specific debt issue made under the “shelf.” The supplemental document will address the specific features of each debt issue made under the “shelf” program. In the past, the University has issued unique offering documents for each series of long-term debt.

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

AUTHORIZATION OF 2017 SHELF CAPITAL PROJECT FINANCING PROGRAM

WHEREAS, Chapter 9, Title 23 of the Code of Virginia of 1950, as amended (the "Virginia Code") establishes a public corporation under the name and style of The Rector and Visitors of the University of Virginia (the "University") which is governed by a Board of Visitors (the "Board");

WHEREAS, Title 23 of the Virginia Code classifies the University as an educational institution of the Commonwealth of Virginia;

WHEREAS, by Chapter 4.10, Title 23 of the Virginia Code (the "Act"), the University entered into a management agreement with the Commonwealth of Virginia which was enacted as Chapter 3 of Chapter 933 of the 2006 Virginia Acts of Assembly, pursuant to which the University is empowered with the authority to undertake and implement the

acquisition of any interest in land, including improvements on the acquired land at the time of acquisition, new construction, improvements or renovations and to borrow money and make, issue and sell bonds of the University for such purposes, including the refinancing of any such facilities;

WHEREAS, in order for the University to more efficiently access the capital markets, the Board desires to authorize a shelf capital project financing program in an amount of up to \$500,000,000 (the "Shelf Program") that may be used by the University from time to time to finance or refinance capital projects that have previously been approved by the Board, including capitalized interest, financing costs and working capital related thereto, consistent with the Board's debt policy (collectively, the "Projects"), subject to the limitations and parameters to be set forth in a subsequent resolution of the Board; and

WHEREAS, the Board anticipates that the Shelf Program will be secured by a general revenue pledge of the University and not be in any way a debt of the Commonwealth of Virginia (the "Commonwealth") and shall not create or constitute any indebtedness or obligation of the Commonwealth, either legal, moral, or otherwise;

RESOLVED, the Board hereby authorizes the Shelf Program for the purpose of financing or refinancing any or all of the costs associated with the Projects, including the refinancing of any prior indebtedness incurred in connection therewith, and providing for the terms thereof by entering into a multi-modal indenture or resolution pursuant to which the Shelf Program will be implemented; and

RESOLVED FURTHER, the President of the University or the Executive Vice President and Chief Operating Officer of the University, in consultation with the Chair of the Board's Finance Committee, is authorized to approve the final terms of the Shelf Program, provided that any such terms must be within the limitations and parameters to be set forth in a subsequent resolution of the Board; and

RESOLVED FURTHER, the President of the University or the Executive Vice President and Chief Operating Officer of the University are each hereby authorized to negotiate, execute and deliver all documents related to the Shelf Program; and

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

RESOLVED FURTHER, upon approval, this action shall take effect immediately.

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

BOARD MEETING: June 9, 2017

COMMITTEE: Finance and Full Board

AGENDA ITEM: II.D. Academic Affiliation with Inova Health System Foundation

BACKGROUND: The University of Virginia through its School of Medicine desires to collaborate and affiliate with Inova Health System Foundation (“Inova”) with respect to a number of academic endeavors. UVA desires to create a regional campus of its School of Medicine on the Inova Fairfax Campus in order to provide Clerkship and Post-Clerkship opportunities for UVA medical students. In addition, UVA desires to partner with Inova and other Virginia institutions of higher education as described below for the Global Genomics and Bioinformatics Research Institute on the campus of the former ExxonMobil headquarters in Falls Church, Virginia where Inova has established the Inova Center for Personalized Health. Inova and UVA intend to enter into a Master Academic Affiliation Agreement (the “Master Agreement”), as well as related agreements, to document their collaboration and affiliation.

DISCUSSION:

UVA Regional Campus

The UVA School of Medicine proposes to create a regional campus to be known as the “UVA School of Medicine – Inova Campus” (the “Regional Campus”), as such program is described by the Liaison Committee on Medical Education (“LCME”), which will be located on the Inova Fairfax campus and will include clinical rotations by medical students under the direction and supervision of Regional Campus faculty. UVA expects to send the first group of students to the Regional Campus in March 2021.

Specifically, UVA School of Medicine students can elect to complete their Clerkship and Post-Clerkship rotations at the Regional Campus rather than in Charlottesville or some other location. The “Clerkship” refers to that period of time that commences for a second year UVA medical student on or about March 1 and terminates on or about March 1 of such student’s third year of medical school and includes learning experiences required by the UVA School of Medicine Curriculum Committee for all medical students. The “Post-Clerkship” refers to that period of time that commences for a UVA medical student on or about March 1 of the third year of medical school and terminates upon graduation. The Post-Clerkship phase includes both required and elective learning experiences.

All UVA medical students will complete the first eighteen-months (the “Pre-Clerkship” phase) of their medical education on grounds in Charlottesville at the School of Medicine. Each year up to approximately 36 medical students can elect through the application and acceptance process to go to the Regional Campus for their Clerkship and Post-Clerkship experiences. Ultimately, UVA would have a cohort of approximately 72

medical students located at the Regional Campus (36 in their Clerkship rotation and 36 in their Post-Clerkship rotation).

The Regional Campus will provide the medical students who choose to go there with the opportunity to learn in an environment with a denser population. Additionally, the School of Medicine and the UVA Medical Center do not have sufficient clinical or facilities capacity to accommodate all of the Clerkship and Post-Clerkship rotations for all of the UVA medical students, which currently requires medical students to rotate at a number of other health care facilities.

UVA will retain primacy of authority at all times over all academic affairs for the Regional Campus, including (i) the recruitment and selection of students, (ii) the design, content, teaching methods, and evaluation of the curriculum, (iii) appointment of teaching faculty, and (iv) the requirements for promotion and graduation of students. The Regional Campus will be operated in compliance with applicable LCME and the Southern Association for Colleges and Schools (“SACS”) accreditation standards, as well as any applicable requirements from the State Council of Higher Education for Virginia (“SCHEV”). UVA expects to submit its application to the LCME in or about August 2017.

Regional Campus Faculty will be clinicians employed or contracted by Inova or an Inova affiliate and will be granted non-salaried, non-tenure eligible instructional faculty track appointments in the School of Medicine. Inova will provide educational facilities, offices and support services that comply with LCME requirements.

The initial estimated annual operating expenses for the Regional Campus are \$3.8 million. The School of Medicine will re-allocate approximately \$1.2 million annually from its budget to pay for the Regional Campus faculty expense and will assume approximately \$700,000 in additional Clerkship faculty direct expenses. UVA and Inova will split the additional approximately \$1.9 million of incremental administrative and support expenses for the first five years, and will revisit the budget for the Regional Campus thereafter.

Global Genomics and Bioinformatics Research Institute

UVA, Inova, and George Mason University (“GMU”) are the founding members of the Global Genomics and Bioinformatics Research Institute (the “Institute”), which will be housed on the campus of the Inova Center for Personalized Health (“ICPH”). The overarching mission of the Institute is to improve the quality of the human condition and its environment. The Institute will focus on five principle areas of research: genetics and genomics; systems biology of disease; developmental biology; computational biology; and bio-engineering.

The Institute has been formed as a Virginia nonstock corporation and plans to seek 501(c)(3) tax exempt status. The Institute has two classes of members: Class A and Class B. Initially UVA, Inova, and GMU are the Class A members, and UVA, Inova, and GMU are also the Class B members. The Class A members have the right, among other things, to approve the retrofit of the Institute’s Facilities. All decisions made by the Class A members

require the affirmative vote of both UVA and Inova. The Class B members have the right, among other things, to approve the plan to recruit the Institute's researchers, and all matters that require a vote of the Class B members require that both UVA and Inova agree. Other state institutions of higher education (specifically Virginia Tech ("Tech"), Virginia Commonwealth University ("VCU"), Old Dominion University ("ODU"), and the College of William & Mary ("William & Mary")), or private sector entities with genomics or bioinformatics expertise, may join the Institute as members on terms agreed to by the Class A members. The governance structure is more specifically set forth in Articles of Incorporation and Bylaws for the Institute.

Initially the Institute has a five person Board of Directors, with UVA appointing two directors, Inova appointing two directors, and GMU appointing one director. Going forward, UVA and Inova can each appoint up to two more board members as necessary and appropriate for the governance of the Institute. The Institute has a President/CEO, whose duties include the day-to-day oversight of the Institute and serves as the primary management liaison with the Institute Board. John Niederhuber, M.D. from Inova is the founding President/CEO.

In addition, the Institute has a five person Scientific Advisory Committee (the "SAC") comprised initially of five scientists appointed by UVA, Inova, and GMU. The SAC serves as a peer review body to vet and recommend to the Institute Board the prioritization of Institute research, the necessary space needs for the Institute, and the criteria for the recruitment of research talent. Further the Institute Board is expected to appoint an External Advisory Committee of nationally and internationally recognized scientists from outside the Commonwealth, with appropriate content expertise, to periodically evaluate the Institute's research enterprise and resources and to provide strategic direction and advice to the Board for the continued growth of the Institute.

Inova and UVA will renovate "Building C" on the ICPH campus, an existing commercial office building of approximately 220,000 net square feet (approximately 202,000 rentable square feet), for Institute research laboratory space and related enhancements, together with other space in or adjacent to Building C for a vivarium and biorepository (collectively the "Institute Facilities"). UVA and Inova will equally bear the cost of the renovations of the Institute Facilities, less a one million dollar contribution from GMU. The current estimated cost of the renovations for the Institute Facilities is approximately \$111 million. UVA and Inova will each lease from the Institute approximately half of the Institute Facilities, with GMU and other future partners subleasing space as needed, on such terms as the participating parties agree regarding facility usage and investment.

In addition, UVA, Inova, GMU, and any future research participants will partner to recruit high caliber and high performing research talent to engage in Institute research on-site at the Institute Facilities. It is the parties' expectation that all researchers will have M.D., Ph.D., or M.D./Ph.D. degrees and an established independent research laboratory, with a history of exceptional publications and extramural funding, in one or more of the

Institute research focus areas. It is also the expectation that they will bring a team of scientists, as well as significant external funding, with them to the Institute.

The Virginia General Assembly has made available certain funding to support the Institute. Budget Item 478.20, H.B. 1500 (Chapter 836), of the 2016 Appropriation Act (the “Budget Item”) provides up to \$20 million for “lab renovations and enhancements and/or research equipment” for the Institute and up to \$8 million for incentive packages for the researcher recruitments for the Institute provided that the parties meet certain requirements as determined by the Virginia Research Investment Committee (“VRIC”), as set forth in the Budget Item. The funds in the Budget Item were appropriated for Fiscal Year 2017. The Budget Item recognizes UVA, GMU, Tech, VCU, ODU and William & Mary as potential eligible higher education participants and also permits private sector partners. At this time Inova, UVA, and GMU are pursuing this funding. On May 24 VRIC approved the \$20 million for the renovations to the Institute Facilities, and approved the five focus areas for research recruitments.

Based on the estimate of \$111 million for the renovation costs, UVA and Inova will commit to funding of approximately \$45 million each to retrofitting the Institute Facilities, the Commonwealth will fund \$20 million, and GMU will fund \$1 million. In the future the Commonwealth may provide up to \$8 million for the researcher recruitments, predicated on the participation of one or more of the other four institutions of higher education named in the Budget Item (Tech, VCU, ODU, and William & Mary).

The Institute and its members will develop a comprehensive business plan and budget for the Institute, which will be reviewed and updated periodically.

In addition, UVA and Inova are exploring other research opportunities beyond the Institute.

ACTION REQUIRED: Approval by the Medical Center Operating Board, by the Finance Committee and by the Board of Visitors.

APPROVAL OF ACADEMIC AFFILIATION WITH INOVA HEALTH SYSTEM FOUNDATION

WHEREAS, UVA, through its School of Medicine, desires to collaborate and affiliate with Inova Health System Foundation (“Inova”) on a number of academic initiatives to further the educational and research missions of the UVA School of Medicine; and

WHEREAS, the UVA School of Medicine desires to create an LCME-accredited campus on the Inova Fairfax Campus for the Clerkship and Post-Clerkship medical education of UVA medical students starting in March 2021; and

WHEREAS, the UVA School of Medicine desires to partner with Inova, and other institutions as appropriate, to create the Global Genomics and Bioinformatics Research Institute (the “Institute”) on the Inova Campus; and

WHEREAS, the Virginia General Assembly has recognized the importance to the Commonwealth of collaborative efforts toward research with respect to genomics and bioinformatics and accordingly has appropriated funds for such purpose for use by the Institute (Budget Item 478.20) to be administered by the Virginia Research Investment Committee (“VRIC”), and UVA and Inova desire to pursue this funding; and

WHEREAS, the Medical Center Operating Board and the Finance Committee find it to be in the best interests of UVA for the School of Medicine to explore these opportunities with Inova and to enter into one or more affiliations or collaborative relationships as generally described herein;

RESOLVED, the Board of Visitors finds it to be in the best interest of and consistent with the mission and purpose of UVA and its School of Medicine for UVA, through its School of Medicine, to collaborate and affiliate with Inova as authorized hereby, and the Executive Vice President for Health Affairs of the University, in consultation with the Rector of the University, the Chair of the Medical Center Operating Board, and the Chair of the Finance Committee, is authorized to negotiate and agree upon the terms of UVA’s overall academic collaborative relationship with Inova, including those terms to be included in the Master Agreement, on such terms at the Executive Vice President for Health Affairs deems appropriate; and

RESOLVED FURTHER, UVA, on behalf of the School of Medicine, is authorized to create the Regional Campus to be located on the Inova Fairfax, Virginia campus and to be known as the “UVA School of Medicine - Inova Campus” and to expend necessary UVA funds for such purpose, and the Executive Vice President for Health Affairs of the University, in consultation with the Rector of the University, the Chair of the Medical Center Operating Board, and the Chair of the Finance Committee, is authorized to negotiate and agree upon the terms of the Regional Campus agreement with Inova, and all other documents needed for the creation or operation of the Regional Campus, on such terms as the Executive Vice President for Health Affairs deems appropriate; and

RESOLVED FURTHER, UVA, on behalf of its School of Medicine, is authorized to enter into a collaborative relationship with Inova, and such other parties as may be determined to be necessary including GMU, for genomics and bioinformatics research, including the formation of the Global Genomics and Bioinformatics Research Institute entity (the “Institute”), and UVA is authorized to be a member in such Institute, lease and sublease space as required for UVA’s needs, and to expend necessary UVA funds for such purpose; and

RESOLVED FURTHER, the Executive Vice President for Health Affairs of the University, in consultation with the Rector of the University, the Chair of the Medical Center Operating Board, and the Chair of the Finance Committee, is authorized to negotiate and agree upon the terms of all research initiatives between UVA, Inova and such other parties as may be determined to be necessary including GMU; the terms to create and operate the

Institute, including terms related to UVA's membership interest in the Institute; renovation and use of facilities for the Institute; recruitment of research talent for the Institute, state funding for the Institute, and other related matters, all on such terms as the Executive Vice President for Health Affairs deems appropriate; and

RESOLVED FURTHER, the Executive Vice President for Health Affairs of the University, in consultation with the Rector of the University, the Chair of the Medical Center Operating Board, and the Chair of the Finance Committee, is authorized to execute contracts and all other documents necessary to achieve the purposes described herein for the creation of an academic affiliation with Inova, including (i) creation and operation of the Regional Campus and (ii) the formation of the Institute and UVA's participation in the Institute as a member, *inter alia*, the Master Agreement, an agreement for the Regional Campus, Articles of Incorporation and Bylaws for the Institute, and further to execute such other documents as may be required by VRIC in order to pursue and receive state funding for the Institute, all on such terms as the Executive Vice President for Health Affairs deems appropriate, and to take all other actions and execute all other documents necessary and appropriate to consummate all of the foregoing matters; and

RESOLVED FURTHER, the Board of Visitors ratifies and approves all action taken prior to the date hereof on behalf of UVA to effectuate the foregoing, including action taken on behalf of UVA to obtain state funding for the Institute.

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

BOARD MEETING: June 9, 2017

COMMITTEE: Finance and Full Board

AGENDA ITEM: I.E. Quasi-Endowment Actions

BACKGROUND: In June 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 \$2.0 million. Individual quasi-endowment transactions of \$2.0 million or more require approval of the Board of Visitors.

DISCUSSION: There are four quasi-endowment actions the School of Medicine would like to propose for the Board of Visitor's consideration: the establishment of three new quasi-endowments and an investment into an existing quasi-endowment account, the Fund for the Future quasi-endowment. The three proposed establishments include the Distinguished Professorship in Anesthesiology Quasi-Endowment, the Ivy Foundation Biomedical Innovation Fund Quasi-Endowment, and the Ivy Foundation Translational Research Quasi-Endowment.

Distinguished Professorship in Anesthesiology Quasi-Endowment

The Department of Anesthesiology wishes to establish a quasi-endowment entitled the Distinguished Professorship in Anesthesiology Quasi-Endowment with \$2.0 million of department clinical revenue to be transferred from the UVa Physicians Group for the named endowed professorship. It is the intent of the Department of Anesthesiology to leave these funds invested in perpetuity. The income generated from these funds will be used to support the salary and fringe benefits of the chair holder, and with Dean's permission, may be used to support scholarly activity expenses of the chair holder.

Ivy Foundation Biomedical Innovation Fund Quasi-Endowment

In August 2006, the School of Medicine received a gift of \$45.0 million from the Ivy Foundation to be used for three construction projects: \$25.0 million for the Translational Research Building, \$15.0 million for the Children's Hospital Outpatient building, and \$5.0 million for the Clinical Cancer building. Remaining funds after the completion of these projects are to be used at the direction of the Dean of the School of Medicine. Given extremely favorable market conditions and strong performance of UVIMCO's Long-Term Pool during the period the gift was invested therein, the Ivy Foundation gift account balances exceeded construction costs by approximately \$43.6 million.

The School of Medicine wishes to use \$5.0 million of the remaining gift account balance to create a new quasi-endowment entitled the Ivy Foundation Biomedical Innovation Fund Quasi-Endowment. This new fund will be considered a divestible quasi-

endowment and any income generated will be used to support the Ivy Foundation Biomedical Innovation Program.

Ivy Foundation Translational Research Quasi-Endowment

Also from the Ivy Foundation gift account balance, the School of Medicine wishes to use the remaining amount of approximately \$38.6 million to create a new quasi-endowment entitled the Ivy Foundation Translational Research Quasi-Endowment. This new fund will be considered a divestible quasi-endowment and any distribution will be used in support of translational research activities.

Fund for the Future Quasi-Endowment

The School of Medicine received \$19.0 million in December of 2016 as its share of the fiscal year 2015-16 gainsharing from the UVA Medical Center in support of its academic mission. These funds were added to its Funds for the Future project. The School of Medicine wishes to transfer \$18.0 million of this contribution into its Fund for the Future quasi-endowment. Divestments of quasi-endowment principal may be requested as needed to meet future School of Medicine obligations, but the long term goal is to leave the funds invested on behalf of the School.

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

ESTABLISHMENT OF DISTINGUISHED PROFESSORSHIP IN ANESTHESIOLOGY QUASI-ENDOWMENT

WHEREAS, the Department of Anesthesiology has \$2.0 million of departmental clinical revenue to be transferred from the UVA Physicians Group and wishes to create a Quasi-Endowment entitled the Distinguished Professorship in Anesthesiology Quasi-Endowment; and

WHEREAS, the Department of Anesthesiology shall invest these funds in perpetuity, and, thereafter, will use, as needed, the income generated from these funds to support the salary and fringe benefits of the chair holder, and with the Dean's permission may be used to support scholarly activity expenses of the chair holders appointed to the Distinguished Professorship of Anesthesiology chairs;

RESOLVED, the Board of Visitors authorizes the creation by the Department of Anesthesiology the Distinguished Professorship in Anesthesiology Quasi-Endowment.

ESTABLISHMENT OF IVY FOUNDATION BIOMEDICAL INNOVATION FUND

WHEREAS, the School of Medicine wishes to create a \$5.0 million quasi-endowment entitled the Ivy Foundation Biomedical Innovation Fund; and

WHEREAS, the School of Medicine shall invest these funds for a minimum of five years, and will use the income generated to support the Ivy Foundation Biomedical Innovation Program;

RESOLVED, the Board of Visitors authorizes the creation by the School of Medicine of the Ivy Foundation Biomedical Innovation Fund Quasi-Endowment.

ESTABLISHMENT OF THE IVY FOUNDATION TRANSLATIONAL RESEARCH QUASI-ENDOWMENT

WHEREAS, the School of Medicine wishes to create a \$38.6 million quasi-endowment entitled the Ivy Foundation Translational Research Quasi-Endowment; and

WHEREAS, the School of Medicine shall invest these funds, and, thereafter, will use the income generated in support of translational research activities;

RESOLVED, the Board of Visitors authorizes the creation by the School of Medicine of the Ivy Foundation Translational Research Quasi-Endowment.

INVESTMENT IN THE FUND FOR THE FUTURE QUASI-ENDOWMENT

WHEREAS, the School of Medicine has \$18.0 million from the FY2015-16 gainsharing amount from the UVa Medical Center and wishes to invest these funds in the Fund for the Future Quasi-Endowment; and

WHEREAS, the School of Medicine shall invest these funds until needed to meet future School of Medicine obligations;

RESOLVED, the Board of Visitors authorizes the investment by the School of Medicine of \$18.0 million into its Fund for the Future Quasi-Endowment.

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

BOARD MEETING: June 9, 2017

COMMITTEE: Finance and Full Board

AGENDA ITEM: II. Defined Contribution Retirement Plan: Report of the Retirement Administrative Committee (Written Report)

ACTION REQUIRED: None

BACKGROUND: The University is the plan sponsor of a number of defined contribution retirement plans, including the Optional Retirement Plan for Employees of the University of Virginia and the Optional Retirement Plan for Employees of the University of Virginia Medical Center.

Under Board of Visitors-approved policy, the Finance Committee provides oversight of the retirement plans and reports annually to the Board. The policy requires the Chair of the Finance Committee and an additional Finance Committee member to meet with the Retirement Administrative Committee at least annually.

DISCUSSION: On May 26, 2017, Mr. James Murray, Finance Committee Chair, and Mr. John Macfarlane met with the Executive Vice President and Chief Operating Officer and representatives of the Retirement Administrative Committee to review the Plans' annual performance and to discuss the administration of the program. Minutes of that meeting will be provided at the June 9th Board of Visitors meeting.

APPENDIX

2017-2018 Pratt Fund Allocation

	<u>Equipment</u>	<u>Faculty Salaries</u>	<u>Fellowships</u>	<u>Research</u>	<u>Total 2017-18 Allocation</u>	<u>Anticipated Carryforward of Uncommitted 2016-17 Funds</u>	<u>Total Funds Available for 2017-18</u>
Biology	\$ 5,288	\$ 74,712	\$ 170,000		\$ 250,000	\$ 105,030	\$ 355,030
Chemistry	-	9,400	240,600	-	\$ 250,000	210,397	\$ 460,397
Mathematics	5,000	30,000	115,000	-	\$ 150,000	24,637	\$ 174,637
Physics			250,000	-	\$ 250,000	80,000	\$ 330,000
New Faculty Start-up Fund and Other Significant Initiatives	528,333	2,113,334	528,333	-	\$ 3,170,000		\$ 3,170,000
Arts & Sciences Subtotal	\$ 538,621	\$ 2,227,446	\$ 1,303,933	\$ -	\$ 4,070,000	\$ 420,064	\$ 4,490,064
School of Medicine	\$ -	\$ -	\$ 1,310,000	\$ 4,135,000	\$ 5,445,000	-	\$ 5,445,000
TOTAL	\$ 538,621	\$ 2,227,446	\$ 2,613,933	\$ 4,135,000	\$ 9,515,000	\$ 420,064	\$ 9,935,064

ARTS & SCIENCES - \$4,070,000 allocation for 2017-2018, plus \$420,064 anticipated carryforward of remaining 2016-2017 funds

The December 31, 2016 market value of the Pratt Bequest for the College of Arts & Sciences is \$81.5 million. The \$4,070,000 request from Arts & Sciences detailed below represents the regular endowment distribution on this amount.

Biology – The 2017-2018 Pratt fund allocation for Biology is \$250,000. The department proposes to allocate \$170,000 of new funds plus a carryforward balance of \$97,068 for graduate fellowships; \$5,288 of new funds plus a carryforward balance of \$5,991 to be used for faculty and graduate student equipment; and \$74,712 of its 2017-2018 allocation and \$1,970 from previous years’ balance to support the salaries of the Director and Associate Director of the Mountain Lake Biological Station.

Proposed expenditures in 2017-2018 total \$355,030 of which \$250,000 will be funded from the 2017-2018 allocation with the balance of \$105,030 to be drawn from the projected 2016-2017 year-end balance.

Chemistry – The 2017-2018 Pratt fund allocation for Chemistry is \$250,000. The department proposes to allocate \$240,600 of the 2017-2018 allocation for support of outstanding graduate students. In addition, \$173,254 of the anticipated 2016-2017 year-end balance will also be applied to graduate support in 2017-2018. Pratt funds are critical in providing competitive support to a highly recruited group of first year graduate students. Furthermore, the department’s ability to recruit and retain new faculty depends in large part upon its ability to ensure these new faculty a pool of supported graduate students to join their research programs. The department is committed to deploying built

up balances in its Pratt accounts in support of a multi-year effort to include funded graduate students in the start-up packages of new hires.

The department proposes to spend a total of \$46,543, including \$9,400 of new funds plus a carryforward balance of \$37,143, to provide summer wages to faculty holding key departmental administrative positions (DUP, DDI, DGS).

Proposed expenditures in 2017-2018 total \$460,397, of which \$250,000 will be funded from the 2017-2018 allocation with the balance of \$210,397 to be drawn from the projected 2016-2017 year-end balance.

Mathematics – The 2017-2018 Pratt fund allocation for the Math Department is \$150,000. The Department of Mathematics proposes to allocate \$109,637 of new funds in 2017-2018 in partial support of the salaries of Whyburn Postdoctoral Fellows. Internationally recognized for its excellence, the Whyburn postdoctoral program brings new Ph.D. recipients in mathematics to UVA as faculty instructors for three years of teaching and research. Pratt funds will support 40% of the academic year compensation of four Whyburn fellows in 2017-2018.

The department proposes to allocate \$30,000 in faculty summer wages for faculty members who serve as mentors for undergraduate students participating in the department's summer research program and for the associate chair.

The department proposes to spend a total of \$20,000, including \$5,363 of new funds plus \$14,637 carryforward balance, to provide fellowship support for students engaged in Ph.D. research. This funding allows the department to be competitive with peer institutions in attracting graduate students.

The department also proposes to spend a total of \$15,000, including \$5,000 of new funds plus \$10,000 carryforward balance, in support of computer upgrades and related costs to facilitate the continuation of faculty research programs.

Proposed expenditures in 2017-2018 total \$174,637, of which \$150,000 will be funded from the 2017-2018 allocation with the balance of \$24,637 to be drawn from the projected 2016-2017 year-end balance.

Physics – The 2017-2018 Pratt fund allocation for Physics is \$250,000. The department proposes to allocate \$294,555, including \$250,000 of new funds plus \$44,555 carryforward balance, in 2017-2018 for fellowship packages. Pratt funds are a critical component of competitive fellowship packages used to attract and retain highly qualified PhD candidates to the graduate program in Physics. The fellowship packages help to provide a level of support that enables first-year graduate students to participate in research groups prior to selecting a research advisor. This support is simultaneously beneficial to new faculty in developing their research programs.

The department proposes to spend \$35,445 of carryforward balance on summer wages for two new faculty members and for a month of summer wages for the associate chair.

The department will continue to draw down uncommitted reserves in the Pratt Equipment account to fund critical equipment needs, both for instruction and research, as components of start-up packages for new faculty, as cost-share on sponsored grants, and through other forms of research support to the department. The projected June 30, 2017 year-end balance of \$313,063 is committed to current faculty and to the expectation of the hire of a new experimentalist in 2017-2018.

Proposed expenditures in 2017-2018 total \$330,000, of which \$250,000 will be funded from the 2017-2018 allocation with the balance of \$80,000 to be drawn from the projected 2016-2017 year-end balance.

New Faculty Start-up Fund – A total of \$3,170,000 is requested by the College to use as components of start-up packages associated with new hires. In 2017-2018 the funds transferred to the Arts and Sciences Pratt Faculty Support account will supplement the salaries of 40 faculty members in Biology, Chemistry, Mathematics and Physics who have been hired since 2009-2010, including five new hires who have accepted our offer to start in 2017-2018 in the departments of Biology, Chemistry, Math, and Physics. Two of the new hires are joint appointments between Biology and Psychology. These funds will also be used for cost share on grants and other opportunities that may arise in the coming year, and for other strategic needs in building the programs in these four departments.

SCHOOL OF MEDICINE — \$5,445,000 allocation for 2017-2018

The December 31, 2016 market value of the Pratt Bequest for the School of Medicine is \$49.7 million. The \$5,445,000 request from the School of Medicine detailed below represents the regular allocation of \$1,300,000 and a special distribution of \$4,145,000 to support graduate programs and central research efforts.

Support and Training of Student Researchers - \$1,310,000 - Graduate students and postdoctoral fellows are central to a successful biomedical research program. A modest institutional share from the Pratt bequest supplements funds from federal government training programs and charitable foundations to attract exceptional students. For 2017-2018, the School of Medicine proposes to use \$210,000 of its Pratt funds allocation to support graduate research assistants. These individuals are critical in enhancing the quality of research in the PhD and MD/PhD programs at the University, and the success of these programs has a direct impact on the quality of faculty research at the School of Medicine.

Additionally, the School of Medicine would like to utilize \$1.1 million to support its MD/PhD students enrolled in medical school. The MD/PhD program at UVA is nationally known and extremely selective with less than ten students enrolled annually. For each student enrolled, all tuition and fees during the medical student years and research years

are funded institutionally or through grants. By leveraging the Pratt's bequest for medical student scholarships the School is able to continue funding this high profile program.

Core Facility Support - \$2,055,000 – Research core facilities – including, but not limited to: the Advanced Microscopy Facility, Biomolecular Analysis Facility, Genetically Engineered Murine Model Core, Flow Cytometry Core, Biorepository, Biomolecular Magnetic Resonance facility, Molecular Imaging Core, and the new Antibody Engineering and Technology Core – provide access to large, expensive equipment and techniques that otherwise would not be available or cost-effective to individual investigators. These facilities operate on a fee-for-service basis; and, after development costs and other expenses, the core facilities average a cost recovery of 69%, with differential funded by Pratt allocations.

For 2017-2018, the School of Medicine proposes to use \$2,055,000 of its Pratt funds allocation to support its research cores. These resources provide a competitive advantage to acquiring emerging technologies, and are critical to the School of Medicine's success in recruitment and retention of faculty and its ability to continue to grow its externally funded research program.

Center for Comparative Medicine (CCM) - \$180,000 - The Center for Comparative Medicine has the mission of supporting biomedical research and teaching that utilizes laboratory animals, following policies set by the University's Institutional Animal Care and Use Committee to ensure that federal regulations and guidelines are followed on the humane care and use of laboratory animals. As the primary user of laboratory animals at UVA, the School of Medicine relies heavily on the husbandry and veterinary services from the CCM to ensure research and teaching involving animals are performed in an appropriate manner. For 2017-2018, the School of Medicine proposes to use \$180,000 of its Pratt funds allocation to support its share of administrative costs for the Center for Comparative Medicine.

Institutional Review Board-Health Sciences Research (IRB-HSR) - \$1,900,000- The IRB-HSR is responsible for reviewing all health sciences research at UVA that involves human subjects, ensuring compliance with federal regulations. The primary role of the IRB is to protect the safety and welfare of human subjects. For Clinical Trials and other research studies, the School of Medicine is the primary customer of services by the IRB-HSR to ensure compliance. For 2017-2018, the School of Medicine proposes to use \$1,900,000 of its Pratt funds allocation to support its share of operational costs for the Institutional Review Board-Health Sciences Research.