



Board of Visitors Finance Committee Meeting

March 5, 2021





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1. Major Capital Project Financial Plans
2. Acquisition of Monticello Surgery Center
3. Establishment of Unrestricted Quasi-Endowment Funds

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MAJOR CAPITAL PROJECT FINANCIAL PLANS

Financial Plan: UVA Hotel and Conference Center

- Recommendation of 2017 Hospitality Task Force and Emmet Ivy Task Force
- 223,000 SF hotel with 215 guest rooms and 26,000 SF of conference space
- Estimated project budget of \$130.5M
 - \$110.5M debt (repaid by hotel operation revenues)
 - \$20.0M cash



Financial Plan: Lambeth Field Apartments HVAC Improvements

- Project will address humidity infiltration issues by:
 - Replacing outdated PTAC units with more energy-efficient units
 - Installing a dedicated outside air system (DOAS)
- Estimated project budget of \$14.5M funded via debt (repaid by endowment earnings)





ACQUISITION OF MONTICELLO SURGERY CENTER

Acquisition of Monticello Surgery Center

- Improve patient care and allow providers to reduce waiting times for surgical procedures, thereby increasing case volume and associated revenue
- EVP for Health Affairs and EVP and COO would be authorized to perform all necessary due diligence
- Transaction would then be executed with concurrence of Chairs of Health System Board and Finance Committee and in consultation with President, EVP for Health Affairs, and University Counsel



ESTABLISHMENT OF UNRESTRICTED QUASI-ENDOWMENT

Unrestricted Quasi-Endowment Funds for the Carter G. Woodson Institute for African American and African Studies

- Proposed creation of two unrestricted quasi-endowment funds using \$10 million from the University's Strategic Investment Fund
 - \$7 million – Post-Doctoral Program Unrestricted Quasi-Endowment
 - \$3 million – Armstead L. Robinson Professorship in African and African American Studies Unrestricted Quasi-Endowment



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2021 GENERAL ASSEMBLY SESSION UPDATE

2021 General Assembly Session

Key Budget Items

Higher education unified amendment

- \$73.5M funding to maintain affordable access
 - \$3M for UVA
 - \$1M for the College at Wise
- \$40M for unavoidable cost increases and required spending (one-time funding)
 - \$3.5M for UVA
 - \$316,700 for the College at Wise
- \$22M for undergraduate need-based financial aid (one-time federal funding)
- \$34.5M for COVID testing in FY21 from federal funds
 - \$2.25M for UVA
 - \$180,000 for the College at Wise

2021 General Assembly Session

Key Budget Items

Additional new funding

- \$2.5M for cancer research
- \$810,912 to expand the College at Wise's Nursing program to include a Family Nurse Practitioner program in partnership with UVA's School of Nursing

2021 General Assembly Session

Key Budget Items

Faculty and staff compensation

- Significant differences between the Governor's proposed budget, the House and Senate budget and the final conference report passed by the General Assembly
- Current conference report is 5% base salary increase for classified staff, and institutional discretion to determine a 0-5% base salary increase for other faculty and staff, effective July 1, 2021
- These increases apply to the Academic Division and the College at Wise, but not the Medical Center
- This is a complicated financial issue and we are working through the potential scenarios

2021 General Assembly Session

Key Budget Items

Commonwealth Center for Advanced Manufacturing (CCAM)

- \$12.1M for Commonwealth to acquire CCAM facility
- \$6.9M to establish Commonwealth Center for Cloud Computing (C4)
(partnership among VCU, UVA, Virginia Tech, ODU, VSU, Longwood)
- \$400,000 in FY21 and \$1.0M in FY22 to attract federal research grants



**ENDOWMENT REPORT: MARKET
VALUE AND PERFORMANCE
AS OF DECEMBER 31, 2020**

Outline

- Overview
- Market Update
- Performance
- Asset Allocation
- Risk Management
- Preservation of Purchasing Power
- Investor Responsibility
- Diversity & Inclusion

Board of Directors



Mitchell Cohen
UVIMCO BOARD
CHAIR
Managing Director,
Trilogy Search
Partners, LLC



**Jennifer "J.J."
Wagner Davis**
Executive VP & COO,
University of Virginia



John Macfarlane III
Managing Partner,
Arrochar
Management LLC



Timothy O' Hara
Global Co-Head of
Credit, Blackrock
Alternative
Investors



Thomas Baltimore, Jr.
Chairman, President,
and CEO, Park Hotels &
Resorts



John Harris, Jr.
Retired Senior
Banker and
Executive,
Deutsche Bank



Henry McVey
Member and Head
of Global Macro &
Asset Allocation,
CIO of KKR
Balance Sheet



Meryl Witmer
General Partner,
Eagle Capital
Partners



John Connaughton
Co-Managing Partner,
Bain Capital

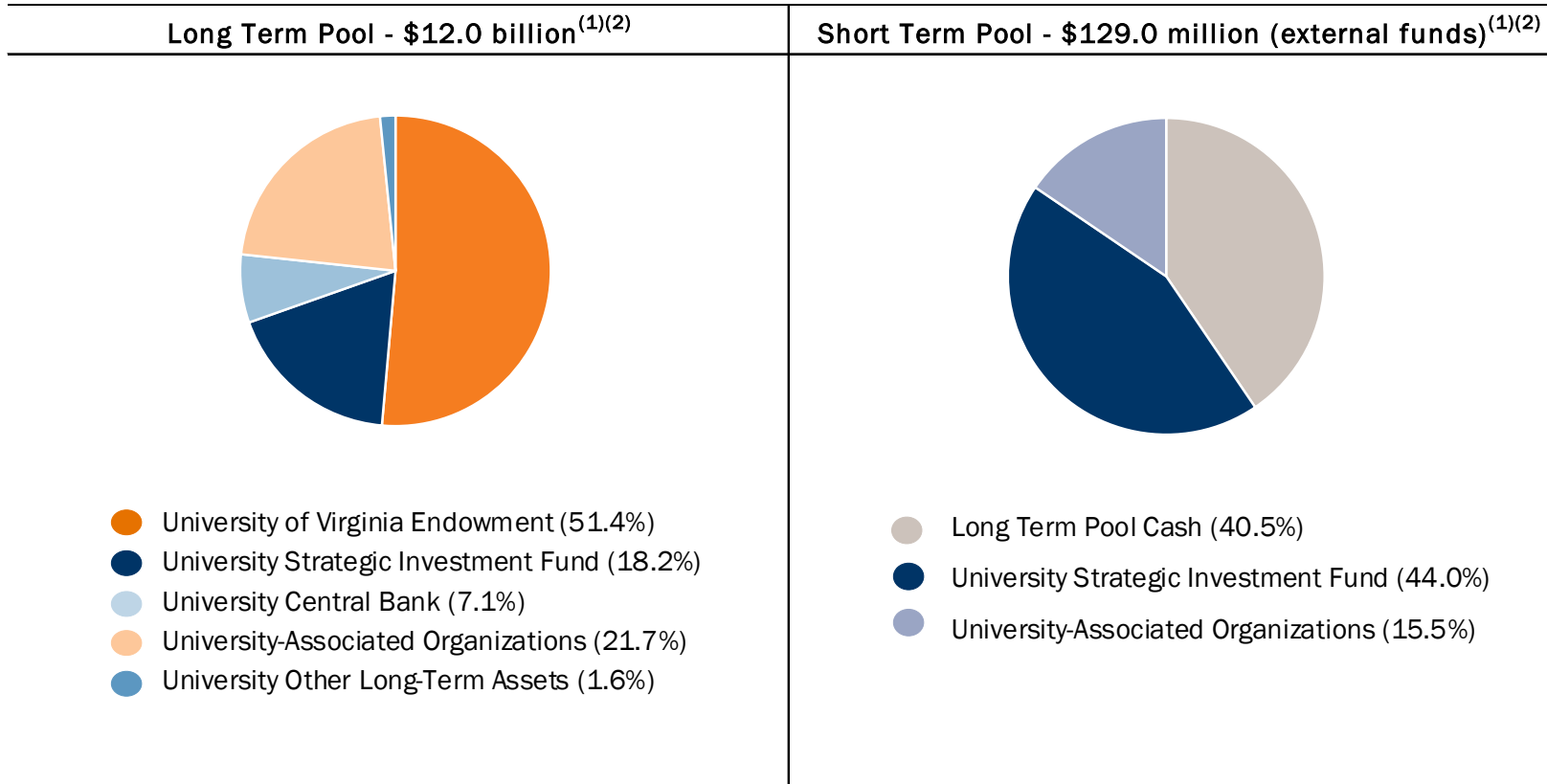


Meredith Jenkins
Chief Investment
Officer,
Trinity Wall Street



Andrew Mulderry
Co-CIO, Willett
Advisors LLC

Assets Under Management



(1) The Long Term Pool's cash portfolio invests in the Short Term Pool. The Short Term Pool market value reflected above excludes Long Term Pool assets.

(2) As of December 31, 2020.

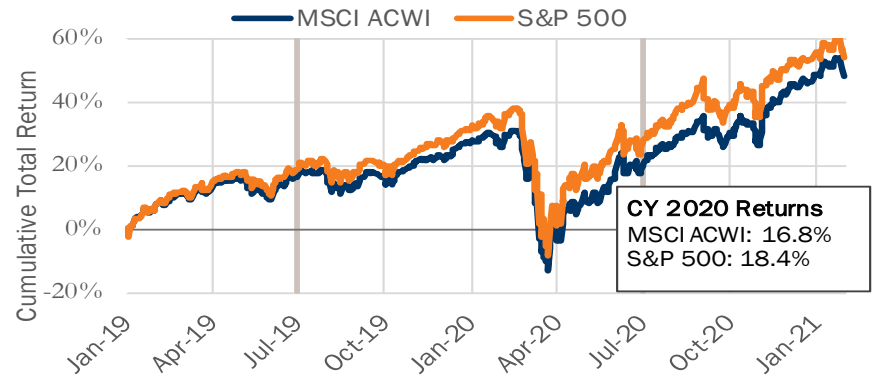
Strategy – Investment Objectives

Primary objective: Maximize long-term real returns commensurate with the risk tolerance of the University

- Preserve the purchasing power of long-term investment assets by earning an annualized rate of return of at least spending + inflation + fees
- Evaluate Pool performance relative to that of the Policy Portfolio, which represents a passive and liquid expression of the University's long-term investment risk tolerance
- Policy Portfolio is 75/25 equity and fixed income in FY21

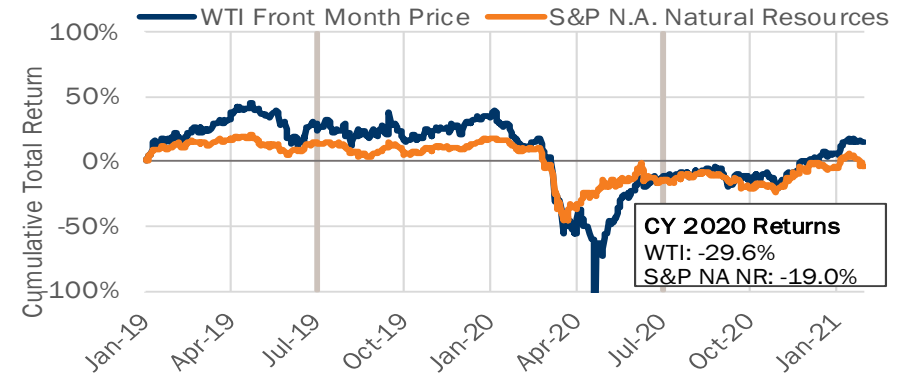
Market Update

Equities



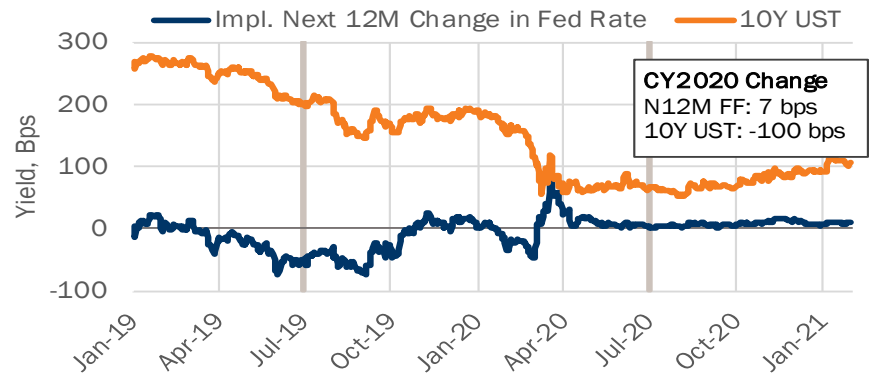
Data as of 1/31/2021. Performance indexed to 0% as of 1/1/2019.

Commodities



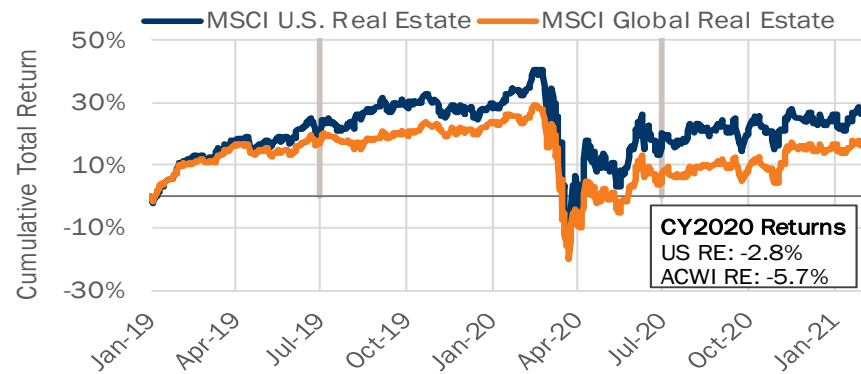
Data as of 1/31/2021. Performance indexed to 0% as of 1/1/2019. WTI return is of collateral and roll. WTI performance concatenated at -100%.

Interest Rates



Data as of 1/31/2021. Implied Next 12M Change in Fed Rate calculated by stripping the UST curve.

Real Estate



Data as of 1/31/2021. Performance indexed to 0% as of 1/1/2019.

Performance

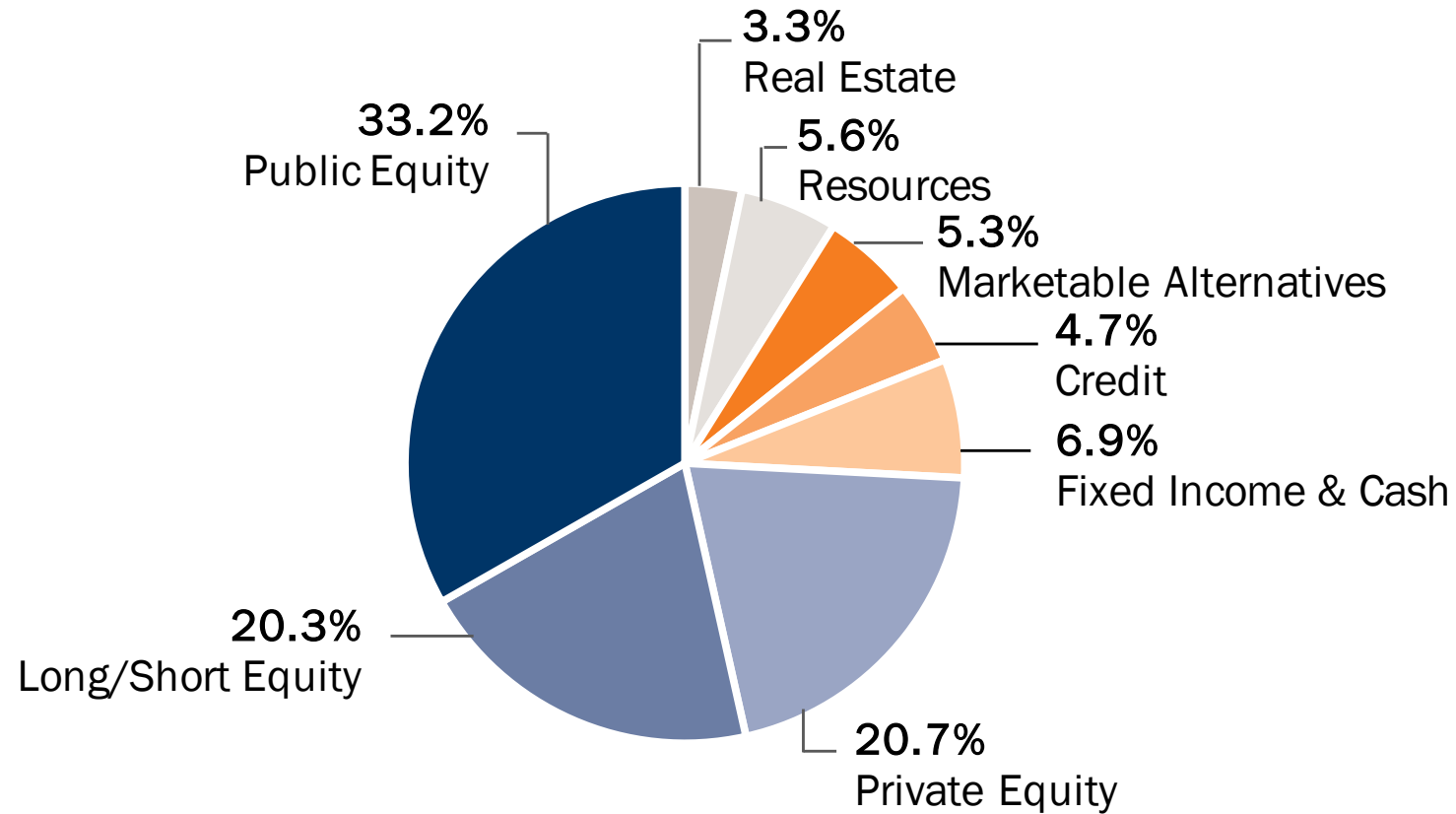
Long Term Pool and Policy Portfolio Performance Detail

<i>As of December 31, 2020</i>	Market Value		TWRR, Annualized					TWRR
	\$mms	% LTP	1 Year	3 Years	5 Years	10 Years	20 Year	FYTD
Long Term Pool	11,984	100.0	23.0	12.6	10.9	10.9	9.4	21.3
<i>Policy Portfolio</i>		100.0	14.2	9.6	10.4	8.3	6.7	18.5
Equity								
Public	3,984	33.2	28.4	14.4	15.7	14.0	12.5	29.7
Long / Short	2,428	20.3	27.0	13.3	9.2	9.5	9.0	24.5
Buyout	371	3.1	7.6	7.8	6.8	9.5	9.8	8.9
Growth Equity	1,220	10.2	38.3	27.3	14.1	21.2	--	17.9
Venture Capital	885	7.4	59.7	39.0	25.6	29.9	8.6	41.6
Real Assets	1,069	8.9	(8.3)	(2.1)	4.7	7.7	8.7	10.2
Total Equity	9,956	83.1	25.3	14.5	12.7	12.9	10.5	24.7
<i>MSCI All Country World Equity</i>		75.0	16.8	10.6	12.9	9.7	6.7	24.3
Fixed Income, Cash & MAC								
Marketable Alternatives	640	5.3	6.0	2.6	2.9	4.5	4.4	2.5
Credit	564	4.7	9.3	6.0	7.7	7.5	8.8	16.0
Fixed Income	464	3.9	18.8	8.9	5.5	2.9	5.2	4.9
Cash	520	4.3	0.5	1.4	1.1	0.5	--	0.0
Total Fixed Income, Cash & MAC	2,188	18.3	11.8	5.8	5.1	4.2	4.3	7.2
<i>Bloomberg Barclays U.S. Treasury Bond</i>		25.0	7.1	5.4	4.6	4.1	4.8	2.0
Portfolio Management and Overlays⁽¹⁾	(160)	(1.3)	(0.4)	(0.2)	(0.2)	--	--	(0.2)

⁽¹⁾ Represents the returns added/subtracted to the total LTP return by overlay, financing, and other portfolio management positions. Returns are displayed as a percentage of the LTP.

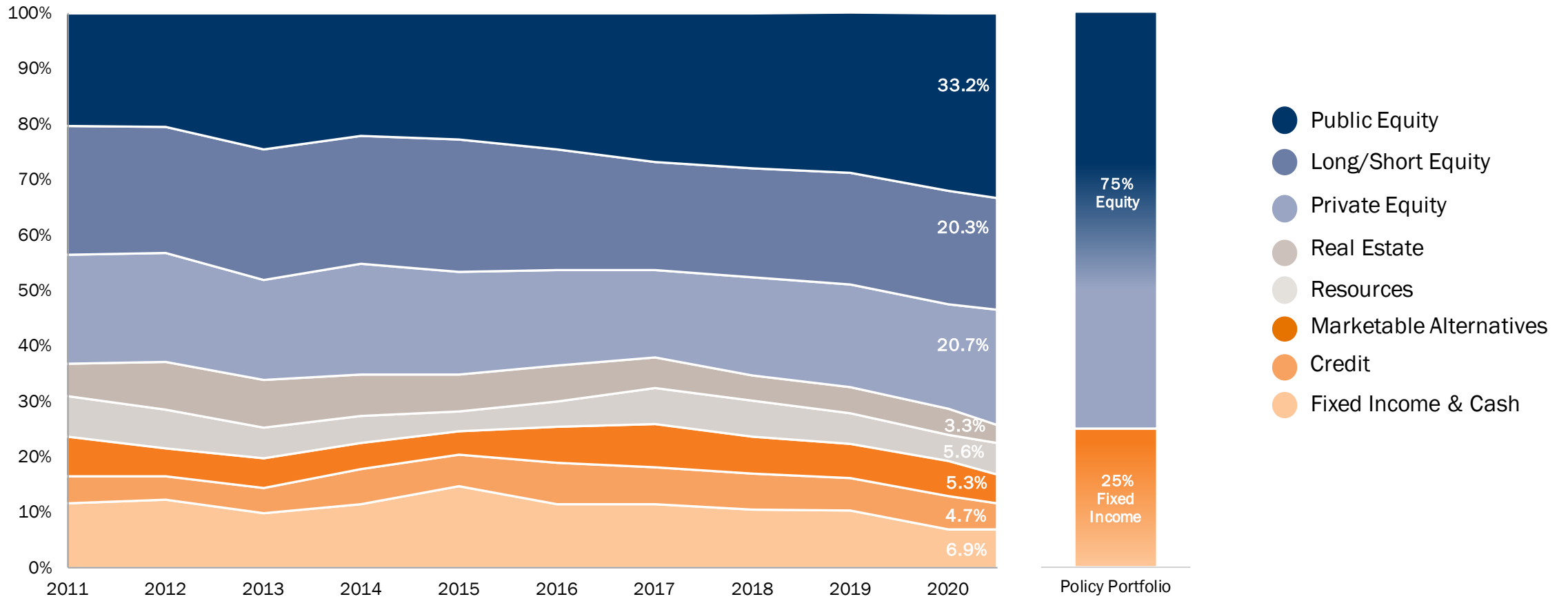
Asset Allocation

Long Term Pool Asset Allocation, as of December 31, 2020



Asset Allocation

UVIMCO Long Term Pool Historical Asset Allocation, as of December 31, 2020



Risk Management

Risk is the impact that a portfolio loss has on shareholders

- Short-term: Volatility or drawdown risk
- Long-term: Declined in the real value of the endowment

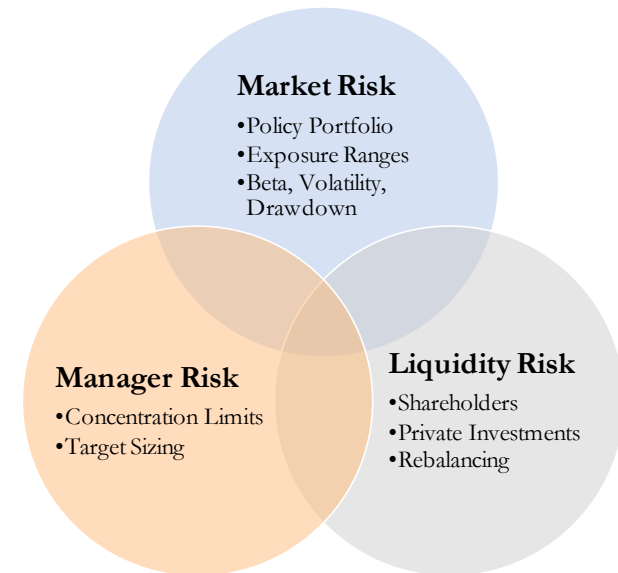


Trade-off between short-term and long-term risk

Measure and control for three primary risks:

- Market risk: consider short-term (drawdown or volatility in distribution/NAV) and long-term (purchasing power impairment) risks
- Liquidity risk: risk of insufficient liquidity to cover shareholder withdrawals, capital calls and rebalancing transactions
- Manager risk: risk that managers underperform expectations, as well as operational or business risks. Manage and mitigate through due diligence and diversification

Risk Management Framework

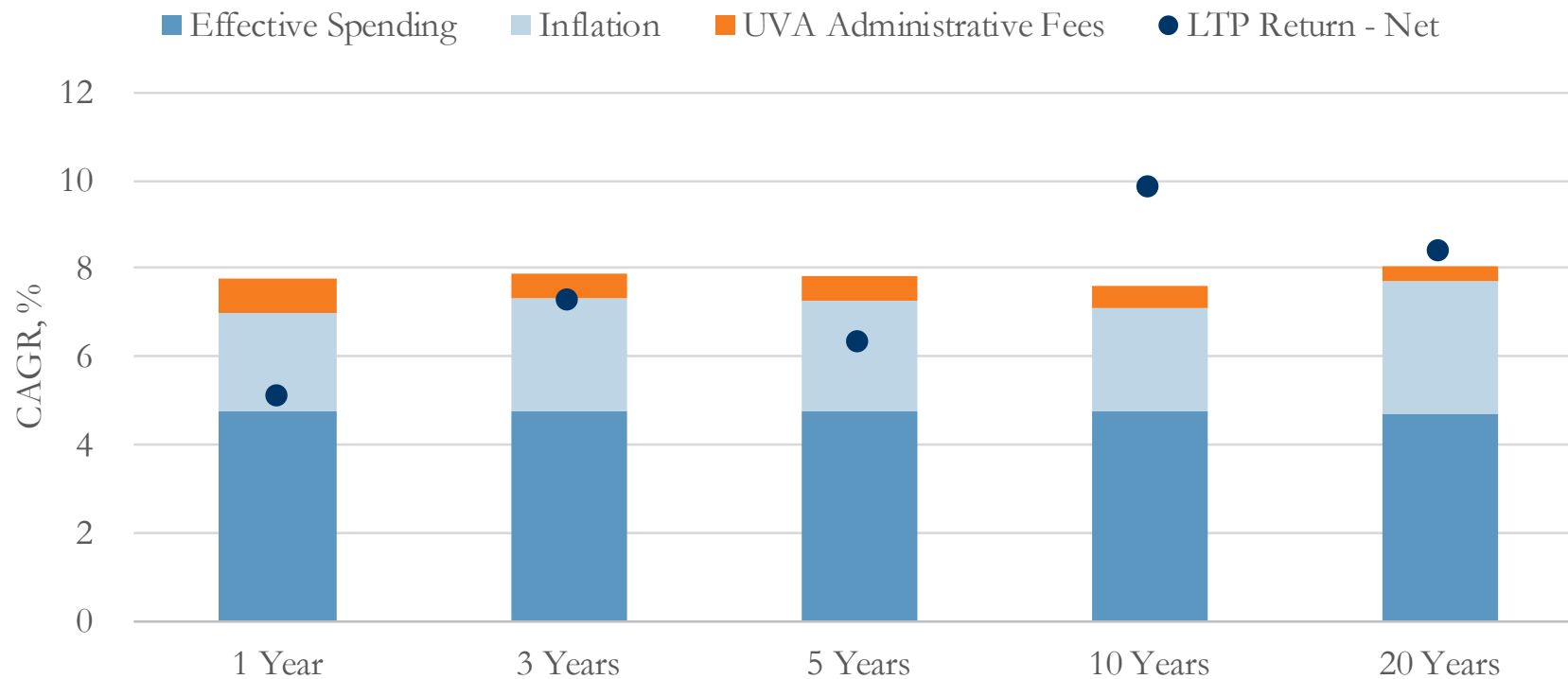


Risk Management

Type	Risk Metrics	Policy	Actual As of December 31, 2020
Market Risk	Global Equity Beta	75%	77%
	Drawdown Risk (1.0% Value at Risk)	-21%	-22%
Liquidity Risk	Minimum 3-Month Liquidity	20%	33%
	Minimum 12-Month Liquidity	35%	51%
	Target to Private Investments	40%	35%
	Target Unfunded Commitments	20%	13%
Manager Risk	Maximum Concentration to a Single Manager	7.5%	6.7%

Preservation of Purchasing Power

LTP Return vs. Return Required to Preserve Purchasing Power⁽¹⁾

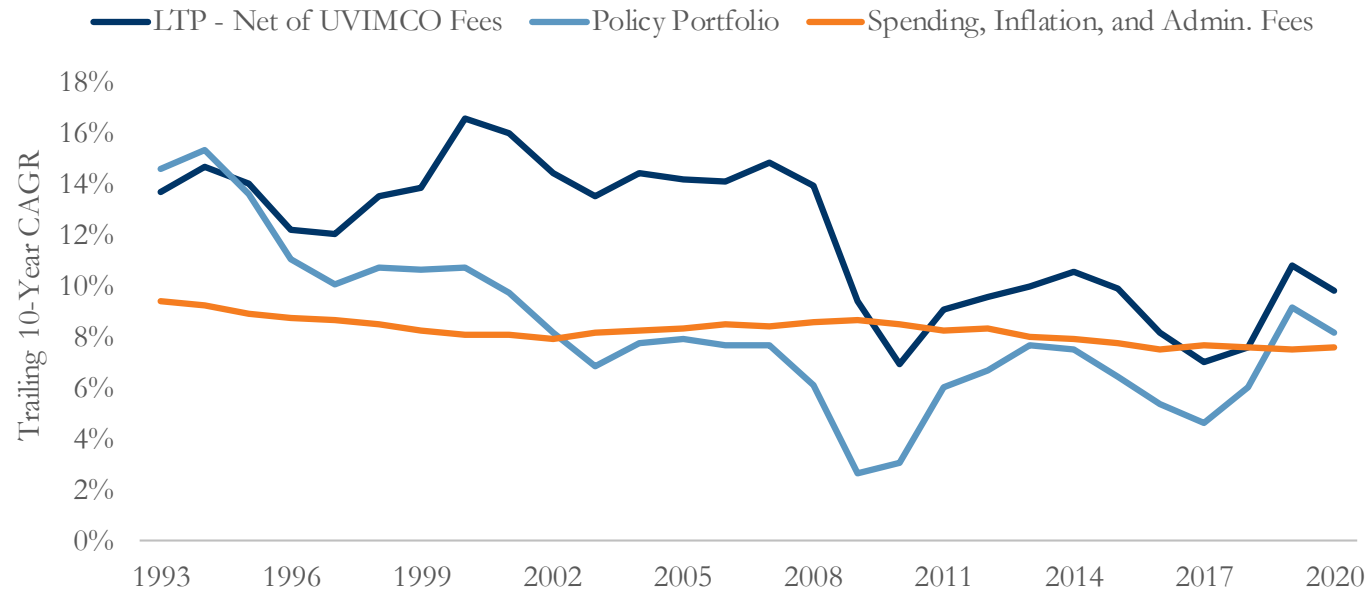


(1) As of June 30, 2020. Please see endnotes for details on data and methodologies.

Preservation of Purchasing Power

- Policy returns have been insufficient to preserve purchasing power for most of the last two decades
- Rolling 10-year LTP returns have been, at times, below our requirements

Required Return, LTP, and Policy Portfolio Rolling 10-Year CAGRs⁽¹⁾



(1) As of June 30, 2020. The effective spending rate prior to 1998 calculated as the midpoint of the stated band. Please see endnotes for details on data and methodologies.

Investor Responsibility

- UVIMCO will establish an advisory committee on investor responsibility (IR) to provide a channel to address student, faculty, and alumni concerns and to advise UVA/UVIMCO leadership on appropriate action
- We will engage our external managers on their IR policies, seeking improved reporting and initiating dialogue with any who inadequately address IR-related risks in their investment process
- Recognizing the associated complications, push forward on initiatives to measure the LTP on IR-related risk factors
- Continue to develop our competencies in IR-related investment practices

Diversity & Inclusion

- UVIMCO will better publicize what we look for in prospective managers, including communicating our interest in firms with diverse backgrounds and encouraging inquiries from women- and minority-owned businesses
- Analyze whether our current manager selection process is sufficient to cultivate diversity in the portfolio. Seek ways to enhance our sourcing process to capture the full breadth of the asset management space
 - Specifically identify and evaluate women- and minority-owned firms
 - Begin tracking diversity and inclusion metrics for firms evaluated in our manager selection process
- Continue to improve our calculation and tracking methods for LTP assets held with women- and minority-owned firms
- Adopt general recommendations of UVA's Racial Equity Task Force
 - Ensure racial equity in hiring, wages, promotion and retention
 - Empower all staff with knowledge and skills to foster a culture of inclusion
 - Ensure leadership promotes inclusive asset management and employment practices



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INSTITUTIONAL METRICS REPORTING

Dashboard Prototype

- Long-Term Investments
 - Asset Allocation
 - Roll Forward
 - Liquidity
- Development-Q, YTD and Goal
 - New Commitments, \$mil
 - Cash in, \$mil
 - Annual Gifts, \$ mil
 - USNWR UG Participation
 - Financial aid program, \$mil
 - Athletics, \$ mil
- Communications—FY 20, 21YTD and Goal
 - Media Mentions
 - Social Media-followers and engagement
 - Royalty Revenue
 - Online U news
 - U News: Top 5 Media Mentions
- Finance
 - Financial Health Indicators:
 - Op. results
 - Total wealth
 - Op. reserve
 - Liquidity
 - Turns of leverage
 - Treasury-Op accts, assets, working cap.
 - Debt—trend over a year
- Sponsored Programs-'21 YTD, '20
 - Proposals
 - Awards
 - Direct Expenditures
 - Indirects (F&A)
 - Effective Rate
 - Dir expenditures / sf
- Students & Schools—ea. School, 2 yr comp.
 - Student Census
 - Undergrad, grad, prof
 - All Schools
 - Undergraduate Admissions 10 years
 - Retention and Graduation 10 years
 - US News Ranking—4 years
- Technology Transfer '20, '21
 - Revenue
 - Operations and Services
 - Intellectual Property
- Recruiting
 - Staff Recruiting
 - Faculty Searches
- Faculty & Staff
 - Headcount
 - Employee Profile-age, M,F
 - Faculty Census—TT , non-TT, Total
 - Diversity-staff + faculty=total by cat.
 - Employee Benefits '20, '21 actual +budget
- Information Technology
 - Project portfolio by work type
 - Security Threats Mitigated
 - Zoom Participants
 - Zoom Meetings
 - Zoom Participants by meeting
 - Virtual Private Network (VPN)
 - Telephone Transitions

Institutional Metrics Reporting

- Financial data (Academic Division and UVA Health)
- Students and admission
- Faculty and staff
- Technology
- Infrastructure
- Media, communication, and reputation

Institutional Metrics: Financial (Academic Division)

- Sources of Operating Funds (Academic and Wise)
- Uses of Operating Funds (Academic and Wise)
- Investments (endowment, SIF, etc.)
- Investment performance
- Debt summary
- Projected debt capacity
- Cash summary
- Research awards by sponsor and school

Institutional Metrics: Financial (UVA Health)

- Balance sheet (5-year comp)
- Income statement (5-year comp)
- Operating margin (5-year average – no year to year comp)
- Operating cash flow margin (5-year average – no year to year comp)
- Medical Center metrics (patient counts – discharges, acuity, billed encounters, surgical)

Institutional Metrics: Other Financial

- State General Fund support
- Liquidity (days of cash, days of cash + liquid investments)
- Administrative overhead for Academic and UVA Health (as % of total revenue, breakout operations vs academic administration)
- Administrative headcount for Academic and UVA Health (operations vs academic administration, % of total employees)
- Tuition and student fees
- Technology transfer/commercialization (revenue and related expenses, patents issued)
- Development results (new gifts, cash vs pledges, restricted vs unrestricted) (include Wise)
- Research proposals vs awards
- Athletics – NCAA audited financials
- Measures of UVA contribution to the local economy

Institutional Metrics: Students and Admission

- Student census (undergrad, grad, medical – by school, by residency) (include Wise)
- Applications (by school, by residency – rank vs peers) (include Wise)
- Admissions selectivity and yield
- Financial aid (% Pell grant eligible, % scholarship, % loans, net cost by income group) (include Wise)
- Admitted students – average test scores, GPA, class rank
- Student debt (average amount, average amount by income group, default rate)
- Revenue / student vs cost / student (in-state and out-of-state) (include Wise)
- Student breakdown by race, ethnicity, gender, age (include Wise)
- Visits to student health – gross number, average/student
- Five-year graduation rate
- Admitted students – demographic profile (in-state vs. out-of-state)

Institutional Metrics: Faculty and Staff

- Headcount (faculty, staff, turnover) (include Wise)
- Faculty by type (tenured, tenure track, adjunct – turnover rate, average age) (include Wise)
- Number of faculty current teaching at least one class
- Average number of credit hours per faculty member
- Average faculty salary (by faculty category) (include Wise)
- Average classified worker wage, benefits
- Faculty to student ratio
- Faculty breakdown by race, ethnicity, gender, age
- Number/percentage endowed chairs

Institutional Metrics: Technology

- On- line and hybrid curriculum classes (% of whole, by school) (include Wise)
- Extra-curricular on-line course offerings (# undergrad skills oriented, # adult career ed)
(include Wise)
- Technology cost (%of employees, % of revenue)
- IT dedicated full-time and consulting resources by school

Institutional Metrics: Infrastructure

- Number of buildings
- Annual maintenance cost per sq ft
- Square feet under construction, projected average cost/ sq ft (med vs. academic vs infrastructure), and \$ or % covered by state appropriations
- Affordable housing – progress report (# units planned, zoned, under construction, completed) and average rent vs. market

Institutional Metrics: Media, communication, and reputation

- Rankings – US News, etc. by school
- Rankings – Health System – hospital generally, by specialty, for safety metrics, for economic performance
- Rankings, research
- Publications per year, per faculty member

Dashboard Suggestions

- **Financial**
 - Research awards (public and private peers)
 - Student fees compared to peers
 - Cost of student services compared to public peers
 - Median tenure track faculty salaries compared to public peers.
 - Administrative headcount by school
 - Administrative cost non headcount by school
 - Combine sources and uses of operating funds
 - Add [composite financial index for higher education](#): primary reserve ratio, viability ratio, return on net assets, net operating revenues ratio
- **Faculty & Staff**
 - Headcount should use 3-year trend analysis
 - Hiring processes
 - Vacancy rate, turnover rate, and exit survey macro information
 - Faculty/student ratios compared to peers
- **Students & Admissions**
 - Student census – transfer students
 - Student health trends
- **Infrastructure**
 - Capital projects completed on schedule and within 10% of BOV approved budget
 - Revenue generating capital projects – periodic review of ROI
 - Deferred maintenance costs
 - Library Holdings?
- **Media**
 - Number of inquiries and nature of inquiries



EXECUTIVE VICE PRESIDENT & CHIEF OPERATING OFFICER'S REMARKS

Academic Division COVID Financial Response FY20-22

(Includes School of Medicine and School of Nursing)

	Federal Relief	State GF/ Special Payments and Awards	Philanthropy	Total Institutional Funds ²	To Be Identified	Total
Total Sources Available ¹	\$ 50,084,423	\$ 3,000,000	\$ 2,598,200	\$ 42,662,948	\$ -	\$ 98,345,571
FY20 and FY21 Financial Impact						
COVID RESPONSE (PPE, Testing, Q/I, technology)	\$ 31,349,462	\$ -	\$ -	\$ -	\$ 24,123,128	\$ 55,472,590
LOST REVENUE (Patient, Auxiliary, JTerm/Summer)	5,858,355	3,000,000	-	25,040,540	-	\$ 33,898,895
ATHLETICS COVID RESPONSE AND LOST REVENUE ³	969,696	-	-	3,950,004	30,000,000	\$ 34,919,700
STUDENT, EMPLOYEE, CONTRACTOR AND COMMUNITY NEEDS	11,906,910	-	2,598,200	4,035,000	-	\$ 18,540,110
FY20 and FY21 Grand Totals	\$ 50,084,423	\$ 3,000,000	\$ 2,598,200	\$ 33,025,544	\$ 54,123,128	\$ 142,831,295
Total Sources Remaining at 6/30/2021	\$ -	\$ -	\$ -	\$ 9,637,404	\$ (54,123,128)	\$ (44,485,724)
FY22 Estimate, if Summer and Fall 2021 Continue to Require COVID Mitigation Efforts						
TOTAL FY22 ESTIMATE						\$50M - \$75M

¹ Excludes deferred payroll tax payments which provided temporary cashflow relief

² Includes private reserves (SIF and President's discretionary), internal debt deferral, budget cut reserves, financial aid reserves, auxiliary and other reserves, financial mitigation strategies, and one-time savings

³ Net of Athletics financial mitigation efforts, including salary reductions, contract renegotiations, and other program savings

Medical Center COVID Financial Response FY20-22

(does not include School of Medicine, School of Nursing or University Physicians Group)

	Federal Relief	Special Payments and Awards	Philanthropy	Total Institutional Funds ²	To Be Identified	Total
Total Sources Available¹	\$ 82,129,444	\$ 4,174,162	\$ -	\$ 31,000,000	\$ -	\$ 117,303,606
FY20 and FY21 Financial Impact						
COVID RESPONSE (PPE, Testing, Q/I, technology)	\$ 25,401,242	\$ 2,349,530	\$ -	\$ -	\$ -	\$ 27,750,772
LOST REVENUE (Patient, Auxiliary, JTerm/Summer)	56,454,897	1,824,632	-	31,000,000	-	\$ 89,279,529
STUDENT, EMPLOYEE, CONTRACTOR AND COMMUNITY NEEDS	273,305	-	-	-	-	\$ 273,305
FY20 and FY21 Grand Totals	\$ 82,129,444	\$ 4,174,162	\$ -	\$ 31,000,000	\$ -	\$ 117,303,606
Total Sources Remaining at 6/30/2021	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FY22 Estimate, if Summer and Fall 2021 Continue to Require COVID Mitigation Efforts						
TOTAL FY22 ESTIMATE						TBD

¹ Excludes federal loans (\$193M) and deferred payroll tax payments which provided temporary cashflow relief
² Includes financial mitigation strategies

College at Wise COVID Financial Response FY20-22

	Federal Relief	State GF/ Special Payments and Awards	Philanthropy	Total Institutional Funds ²	To Be Identified	Total
Total Sources Available¹	\$ 3,904,112	\$ 1,000,000	\$ 833,500	\$ 365,394	\$ -	\$ 6,103,006
FY20 and FY21 Financial Impact						
COVID RESPONSE (PPE, Testing, Q/I, technology)	\$ 1,574,226	\$ 589,669	\$ -	\$ 100,000	\$ -	\$ 2,263,895
LOST REVENUE (Patient, Auxiliary, JTerm/Summer)	1,309,920	105,000	833,500	166,500	-	\$ 2,414,920
ATHLETICS COVID RESPONSE AND LOST REVENUE	-	-	-	98,894	-	\$ 98,894
STUDENT, EMPLOYEE, CONTRACTOR AND COMMUNITY NEEDS	1,019,966	-	-	-	-	\$ 1,019,966
FY20 and FY21 Grand Totals	\$ 3,904,112	\$ 694,669	\$ 833,500	\$ 365,394	\$ -	\$ 5,797,675
Total Sources Remaining at 6/30/2021	\$ -	\$ 305,331	\$ -	\$ -	\$ -	\$ 305,331
FY22 Estimate, if Summer and Fall 2021 Continue to Require COVID Mitigation Efforts						
TOTAL FY22 ESTIMATE						\$1.5M - \$4.0M
¹ Excludes deferred payroll tax payments which provided temporary cashflow relief						
² Includes auxiliary reserves and one-time savings						

Honors and Promotions



***UPD promoted five officers:
Jamal Heard,
Tim Northern,
Audrell Ragland,
Edward Thompson,
and TC Williams***



***Alice Raucher, University Architect, elected to
American Institute of Architects' College of
Fellows***

Outstanding Work



***Facilities Management
Grounds crew members
work to keep the
University operational
despite snow and ice***



***Dining staff feeds students in COVID
quarantine and isolation***