



THE RECTOR AND VISITORS OF THE
UNIVERSITY OF VIRGINIA

August 21-22, 2022

Sunday, August 21

Members of the Board of Visitors of the University of Virginia met in retreat on August 21, 2022, from 12:00 p.m. to 4:00 p.m. in Pavilion 2 and 3 at the Boar's Head Resort. Rector Whittington W. Clement presided. Present were Robert D. Hardie, Robert M. Blue, Mark T. Bowles, Carlos M. Brown, Elizabeth M. Cranwell, Thomas A. DePasquale, U. Bertram Ellis Jr., Louis S. Haddad, Babur B. Lateef, M.D., Stephen P. Long, M.D., James B. Murray Jr., L.F. Payne, Amanda L. Pillion, Douglas D. Wetmore, Susan E. Kirk, M.D., and Lily A. Roberts.

Angela Hucles Mangano and James V. Reyes were absent.

Also participating in some or all sessions were James E. Ryan, Ian B. Baucom, Jennifer Wagner Davis, K. Craig Kent, M.D., Melody S. Bianchetto, Penny Cabaniss, Alexis Ehrhardt, Susan G. Harris, Donna P. Henry, Clifton M. Iler, John C. Jeffries Jr., Megan K. Lowe, Mark Luellen, David W. Martel, Stephen D. Mull, Clark L. Murray, Margaret Grundy Noland, Bo Odom, Debra D. Rinker, and Jennifer Siciliano.

Presenters included Peter Blake, The Honorable Kirk Cox, The Honorable Todd Gilbert, Robert Tyler, Janet Spittler, Laurent Dubois, and Rachel Wahl.

Lunch and Introductory Comments from the Rector and the President

President Ryan greeted the Visitors and gave brief comments. Rector Clement introduced new members of the Board, outlined the agenda, and asked the Visitors to read and abide by the *Statement of Visitor Responsibilities* in the Board Basics book. He gave the following remarks which are reprinted verbatim:

As we kick off our work together this year, I hope we begin with a common understanding of a few important points.

First, we all love the University of Virginia and we are all dedicated to its success. Every member of this board brings a perspective and a set of experiences that they can use to make this University better for students, faculty, staff, and our Commonwealth. Our perspectives will often differ, sometimes dramatically – but we are here to work together with civility and respect for the good of UVA and the community this institution serves.

Second, we are *visitors* here, as our name would suggest. The Governor has entrusted each of us with the responsibility to help oversee this institution and put it on the firmest possible footing for the future. Former Rector Gordon Rainey once made this point at a State Council for Higher Education training session for incoming members at all public higher education institutions in Virginia and he put it quite well when he said that “effective boards stay focused primarily on the future,” while less effective boards put too much of their emphasis on managing day-to-day matters that are the province of the university presidents and the teams they lead.

Which brings me to my third important point. The University of Virginia is in a great position today and for the future, thanks in no small part to the leadership and effort of President Ryan and his team. As we will hear during this meeting and in meetings to come, the University is thriving by virtually every observable metric. Fundraising, admissions, rankings, research, patient care, access and affordability, and many others are in strong and strengthening positions, even as we cope with an uncertain economy and emerge from a costly and disruptive pandemic.

This leadership team has guided the University during some of the most challenging periods of our history. UVA, and Virginia, are fortunate to have them at the helm of this great institution.

Finally, we should all begin our work together with a recognition that, despite the tendency in our political discourse to focus on difference and division, members of this board and University leaders actually agree on many, if not most, of the most important issues facing UVA today.

We are all committed to honor, student self-governance, free expression, honoring our history and the contributions of our founder, and to making sure every member of this community knows they belong here.

We may differ on some of the finer points about our approach to those important issues – just as we will likely navigate disagreements when it comes to core responsibilities like approving a budget, setting tuition, and evaluating plans for capital projects around Grounds. But our important work together will be best achieved if we recognize that we are here to find common ground, to support the leadership of this university, and to solve more problems than we create.

Recall the *Statement on Free Expression and Free Inquiry*, endorsed by the Board of Visitors in 2021, a copy of which is in your bags. This is a set of principles that is intended to guide our work, and the work of the university community including faculty, administration, and students. I call this the “Virginia Principles”. This statement was developed by a committee of faculty, staff, students, alumni, and a member of the Board of Visitors, John Griffin. We must continue to set an example to the whole University community, from students to us, that we practice and live by those principles.

Quoting the Statement: *“Academic commitment to free inquiry reflects the view that every idea must be heard so that it may be subjected to the rigorous scrutiny necessary to advance knowledge. This process requires deep critical engagement, as well as humility in the recognition that many commonly accepted views have proved mistaken, while many ostracized views have illuminated the path toward truth.”*

That Statement includes these familiar words from Thomas Jefferson: *“here we are not afraid to follow truth wherever it may lead, nor to tolerate any error so long as reason is left free to combat it.”*

Please read this important policy in the Board Basics book.

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Focus on Relationship with Commonwealth

State Council of Higher Education for Virginia (SCHEV) Director Peter Blake offered some statistics about higher education in Virginia, and he said UVA has about 5% of the public university students, 6% of graduates, and 8% of those earning bachelor’s degrees. SCHEV was created in 1956 and he spoke about SCHEV’s mission, which includes board development. He said they periodically create a statewide strategic plan for higher education in the state. SCHEV also reviews mission changes, does program approvals, reviews transfer policies and assesses of institutional performance. They review and approve enrollment projections, and make capital, operating, and financial aid recommendations to the Governor and the General Assembly. They are not a governing board, rather, they have a coordinating function.

He spoke about changes in the Virginia population, including that there are fewer high school age students. He said higher education is more important than ever, institutions need to continue to be affordable, and the institutions should strive to close the educational and attainment gaps.

The institutions’ six-year plans are reviewed and discussed with the director of SCHEV as well as the General Assembly and Governor.

Mr. Blake said there is a great deal of politically motivated criticism of higher education nationally, and he thought it was important for members of the Board to be careful about discerning what actually applies to Virginia and to UVA in particular.

Speaker of the House of Delegates Todd Gilbert spoke about his background and his view from the perspective of the House of Delegates. He spoke about many of his initiatives, including his support of internship legislation and his work with the University to bring biotechnology research to Virginia. He said the General Assembly is concerned about tuition costs, opportunities for young people, and viewpoint discrimination. He said we need to get away from protecting people from hearing views for which they disagree.

Former Speaker Kirk Cox, who is serving as Director of the Virginia Business Higher Education Council, made brief remarks about the impact of an internship on his career and how others have benefited from internships and mentoring. He praised the General Assembly for their focus on hiring interns and funding internship programs.

Legal Issues Relevant to Board Service

University Counsel Cliff Iler introduced Associate Counsel Rob Tyler, who gave an overview of legal issues relevant to Board service, focusing primarily on the Virginia Conflict of Interests Act and the Virginia Freedom of Information Act. Visitors received a memo that outlines these issues.

New College Curriculum and Civic Education

Provost Baucom introduced the topics and speakers. He spoke about the purpose of a liberal arts education: for citizenship, for vocation, for individual flourishing, and for the flourishing of the Commonwealth. Students will face “wicked” difficult problems—examples are the pandemic and individual liberty, climate change, and data driven decisions versus ethical decisions. Faculty try to teach not the answers to these questions, but how to ask the important questions and how to build reasoned arguments.

Mr. Baucom asked Professor Janet Spittler to speak about the New College Curriculum in the College of Arts & Sciences. The New College Curriculum includes Engagements, Literacies, and Disciplines. She focused on the four Engagements courses that students take through their first year: Engaging Aesthetics, Empirical and Scientific Engagement, Engaging Differences, and Ethical Engagement. The focus is on gaining practice with raising questions and the courses are taught by College Fellows who teach these courses exclusively for two years. Professor Spittler spoke at length about how these courses are developed and taught. She gave examples of the courses, which are designed by the individual faculty who teach them.

Professor Spittler said there are 1950 students taking the curriculum this year and the program will get to full scale next year at 2800 students. Students are assigned randomly to either the “traditional” curriculum or this new curriculum. College Fellows are 48 this year, with a running total of 148. The faculty rotate back into their departments after their time as Fellows and bring what they learned to their departmental teaching. Many faculty come back again to teach in the program. Recently, they hired two general faculty members to teach exclusively in Engagements.

Professors Laurent DuBois and Rachel Wahl spoke about a cross-Grounds faculty working group organized by the Karsh Institute of Democracy and the School of Education and Human Development on teaching democracy and civic engagement. Professor Wahl spoke about research sponsored by the President and Provost’s fund on the relationship between individual flourishing and civic engagement. The question: “Is the good life political? Civic engagement, ethics, and student well-being.”

Professor Wahl spoke about her own research on political dialogue in a variety of settings. She asked why this moment in time makes political dialogue so contentious, and what happens when politically opposed students try to have these conversations? She found that students rarely change their political views, but they do change their views of those on the opposite side. They change from believing that those with opposing views are acting in bad faith to believing that those in opposition are ethical, moral, people.

In a study bringing together University of Pennsylvania students and students from Cairn, a small evangelical Christian college, Professor Wahl found that evangelical students believed that if they showed up with an individually ethical stance, necessary change would come about through God. On the other hand, secular students felt uncomfortable about befriending students with

different political views because in doing so and without changing the opposing students' views, they had failed to fulfill their public responsibility to change the world for the better. She said that although conservative students worried about acceptance, they found more acceptance than they had anticipated. Students who were threatened by specific policy proposals suffered the most because of their personal identification with the specific policies/laws.

Board members asked a number of questions about the presentations. The meetings concluded for the day at 4:00 p.m.

Tour of the UVA Orthopaedics Center

At 4:15 p.m., the Board and senior leadership traveled to the Ivy Orthopaedics Center for a tour of the building and facilities with Director Bobby Chhabra, M.D., and staff.

Reception and Dinner

At 6:00 p.m., the Board of Visitors held a reception and dinner in the Hearth and Patio Room of the Boar's Head Resort.

Monday, August 22

At 9:00 a.m., the Retreat resumed in Pavilion Conference Room 2 and 3 at the Boar's Head Resort; all members of the Board were present except Angela Hucles Mangano and James V. Reyes. Rector Whittington W. Clement presided.

Also present were James E. Ryan, Ian B. Baucom, Jennifer Wagner Davis, K. Craig Kent, M.D., Melody S. Bianchetto, Penny Cabaniss, Susan G. Harris, Donna P. Henry, Clifton M. Iler, John C. Jeffries Jr., Megan K. Lowe, Mark Luellen, David W. Martel, Stephen D. Mull, Clark L. Murray, Margaret Grundy Noland, and Debra D. Rinker.

Presenters included Carla G. Williams and James J. Phillips.

Athletics Program Report Including Name, Image, and Likeness (NIL) and "Collectives"

Athletics Director Carla Williams introduced ACC Commissioner Jim Phillips. He showed a video about the ACC schools and spoke about the history and future of the ACC Network, which now has a contract with Comcast so there is full distribution in the region. He said football drives 80% of finances, so we have to pay attention to football. Mr. Phillips said diversity and inclusion are major priorities of the ACC. He said it was part of their responsibility in the conference office.

Mr. Phillips talked about the name, image, and likeness regulations. He said there is chaos in the system because there are different rules in different places. There is no gatekeeper. The student athletes are receiving benefits, but part of the idea was that there would be no inducements to attend a particular school. The ACC and NCAA need help from lawmakers and decision makers to develop a national standard to hold everyone accountable for playing within the rules. A new president of the NCAA will be named soon to take office in 2023 and the effort will be stepped up.

Mr. Phillips said the NCAA is undergoing a transformation in several ways that he gave as examples. The ACC supports an expanded college playoff as an example. The ACC needs Virginia football to be good, and he is excited about the commitment of UVA and Coach Elliott.

He talked about the possibility of the ACC moving their headquarters out of Greensboro.

Athletics Director Carla Williams showed a video of student athlete success in academic year 2022 and summarized the year, including two national championships in women's swimming and diving and men's tennis. She spoke about swimmer Kate Douglass' many accomplishments including a gold medal in the Olympics and individual titles and American records in the NCAAs in three events. She is also an Academic All-American, ACC scholar athlete of the year, and Honda award recipient. There are many other exceptional athletes including ACC coaches of the year and ACC team titles. The graduation rate for student athletes was 95%, and three athletes were ACC athletes of the year.

Ms. Williams continued the discussion of name, image, and likeness (NIL). Tik-Tok videos and wearing, branding, and posting advertisements are very popular. Most of the activity is with men's sports if football is included. Without football, women athletes outnumber men. Women are experiencing what NIL was intended to accomplish—branding with companies-- whereas much of the support of men is through donor-supported activities, also known as "Collectives". Collectives are third party entities established in part to engage student athletes in NIL activities. Most of the Power 5 schools have Collectives. Cavalier Futures works with UVA student athletes which is an NIL marketplace with other substantive efforts to help student athletes. One other Collective associated with UVA is the nonprofit 1186 Legacy Foundation for baseball. The highest earners at UVA are women.

Macro Financial Overview

Chief Operating Officer Jennifer Wagner Davis gave a high-level overview of the University's finances. The major points are the following:

- UVA's organizational structure is complex. The Rector and Visitors of the University of Virginia is the corporate name of the University. The Board of Visitors, appointed by the Governor and confirmed by the General Assembly, is the governing body of the University.
- UVA is comprised of three state agencies: the Academic Division, the Medical Center, and the University of Virginia's College at Wise (full official name).
- UVA Health is not a legal entity. It is an affiliation comprised of the Medical Center (including the wholly owned community hospitals), the University Physician's Group (a separate nonprofit corporation), the Health Sciences Library, the School of Medicine, and the School of Nursing.
- UVA's Audited Financial Statements include the three state agencies within the UVA umbrella. The most significant (nine) University Associated Organizations (UAOs) are included in the statements, but as non-consolidated component units. The University is audited by the Auditor of Public Accounts (APA).

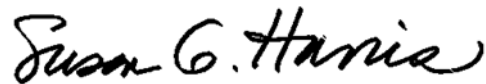
- In addition, the Medical Center contracts with the APA for separately audited financial statements. The consolidated UVA entities are included in the Commonwealth's Comprehensive Annual Financial Report as a nonmajor component unit; UAOs are not included. UVA is a single tax entity.
- Rating agencies and external lenders evaluate UVA's financial metrics, including days cash on hand, reserves, and liquidity in assigning credit ratings as a single entity.
- UAOs are "look through" entities in consideration of debt capacity.
- Academic Medical Centers (AMCs) are among the most complex components of higher education institutions, and require expertise to manage the clinical care continuum, a diverse research portfolio, and education and training.
- To accomplish shared objectives, a university and an academic medical center need role clarity, clear communication and collaboration, and a deliberate governance structure.
- The UVA 2030 Great and Good Strategic Plan: President Ryan set an ambitions and bold agenda with the University's strategic plan.
- The themes of the plan include Strengthening our Foundation, Cultivating the Most Vibrant Community in Higher Education, Enabling Discoveries that Enrich and Improve Lives, and Making UVA Synonymous with Service.
- A key source of strength for UVA, and one of the foundations of our strategic plan, is the outstanding value proposition that UVA represents: UVA attracts immensely talented students and faculty and offers a world-class education that's recognized globally for its strength and breadth.
- An important component is graduation rate: UVA has one of the top graduation rates in the country; graduates have high job placement rates and are very competitive for admission to the best graduate and professional schools.
- UVA is also one of the very few public universities that meet 100% of need – this is a core value and will remain so as part of the ongoing commitment to access and affordability.
- Scholar/civil servant development: UVA is a top producer of Fulbright Scholars in last four years and #1 public in 2020 (10th overall), eight Marshall scholars since 2017, and four Rhodes scholars since 2017. UVA is annually one of the top producers of Peace Corps volunteers in the country.
- UVA strives to be excellent and the rankings follow. Rankings are an important measure of how the external world views us but not the end-all, be-all.
- The Medical Center has a similar culture of excellence in patient care.

- Thanks to a very strong team, and the fiscal prudence of people who came before who had a strong long-term financial vision, the University enjoys a strong macrofinancial position.
- UVA has a AAA bond rating from all three 3 rating agencies—one of only four in the country. This is due in large part to diversity of revenues: healthcare, tuition, grants and contracts, appropriation, philanthropy; an excellent net assets position; historically strong endowment performance; low debt-to-total assets ratio; a stable enrollment and exceptional student demand successful fundraising; recent state re-investment, although still lagging 1990s levels; and UVA Health is in growth mode, with the acquisition of Community Health and the Medical Center bed expansion.
- With the issuance of 100-year debt and obtaining very low cost of capital, the Finance team has been able to extend the average life of the University’s debt and decrease overall debt weighted-average cost of capital from 3.9% to 3.4% between FY19 and FY22. This yielded \$165M over the life of the bonds.
- Risks looking forward:
 - In addition to the inflationary and workforce risks highlighted by the rating agencies, UVA is facing risks related to lower than planned market returns and higher than usual cost of capital.
 - The Medical Center continues to face risks in the areas of competition, reimbursement rates, and the regulatory environment.
 - If there is a recession, many aspects of the financial picture may be impacted: state appropriations, increased financial need, federal research investments, and reduced philanthropy.
- The FY2023 operating budget approved by the Board for the Academic Division, the Medical Center, and UVA-Wise together have increased over the FY2022 budget (including the addition of UVA Community Health) by \$383M, or an 8.6% increase year over year. The baseline budget expenditure proposal for all divisions of the University combined totals \$4.83B.
- Financial levers for revenue include tuition, research, endowment and annual giving, state support, and auxiliaries.
- Tuition, which comprises 38% of the operating budget, is an important revenue source, but looked at as a last resort. The standard set by the Board for tuition increases is the Higher Education Price Index (HEPI) plus 1%, but actual increases have been half of that.
- Research is a major revenue generator and a crucial part of the University’s mission and the 2030 Strategic Plan, but it is also costly. Start-up costs for new faculty in the STEM fields are often more than \$1M. The goal for research is to attract \$500M a year in new awards.
- Over the last decade, in-state undergraduate tuition has overtaken state support as a source in funding the cost of education; in-state tuition and state support combined provide less support now per student than they did in the 1990s. State appropriations have begun to increase, but still have not closed the gap.

- In the face of declining state support and tuition revenue, other sources of revenue have become increasingly important. Philanthropy is one of the best examples. Through the Honor the Future, the Campaign for the University of Virginia, UVA is building on strong foundations to support the President's vision: to become the best public university by 2030 and one of the very best in the world.
- UVA set an ambitious \$5B target, and as of year-end FY22, the total is \$4.15B raised.
- In terms of expenditures, the University is a people-driven industry with 28,000 employees.
- The University has not met the Board of Visitors goal, established in 2013, of paying faculty at the 20th rank of AAU universities, and UVA is losing ground. UVA is currently at the 29th position, paying on average of \$10,000 less than the 20th rank.
- Compensation is below market for many faculty and staff and Medical Center employees, which makes it difficult to compete for top talent nationally.
- Holding tuition flat while increasing compensation for multiple years will create a significant financial burden.
- The 5% salary increase mandated by the General Assembly in 2022 will cost the University \$61M.
- COVID had a significant financial impact across the University, but there have been efficiencies realized through a number of initiatives.

The Rector thanked everyone for attending. On motion, the full Board retreat meeting was adjourned at 11:30 a.m. From 11:30 a.m. to 12:30 p.m., Visitors Doug Wetmore, Bert Ellis, and Amanda Pillion attended a new member orientation on the academic division, with Provost Ian Baucom. Susan Harris also attended this meeting.

Respectfully Submitted,



Susan G. Harris
Secretary

SGH:ddr

These minutes have been posted to the University of Virginia's Board of Visitors website.
<http://bov.virginia.edu/public-minutes>