



THE RECTOR AND VISITORS OF THE
UNIVERSITY OF VIRGINIA

September 11, 2020

MEMORANDUM

TO: The Finance Committee:

Robert M. Blue, Chair
C. Evans Poston Jr., Vice Chair
Frank M. Conner III
Thomas A. DePasquale
John A. Griffin
Louis S. Haddad

Robert D. Hardie
Maurice A. Jones
James V. Reyes
James B. Murray Jr., Ex Officio
Ellen M. Bassett, Faculty Member

and

The Remaining Members of the Board:

Mark T. Bowles
L.D. Britt, M.D.
Whittington W. Clement
Elizabeth M. Cranwell

Barbara J. Fried
Babur B. Lateef, M.D.
Angela Hucles Mangano
Mazzen S. Shalaby, Student Member

FROM: Susan G. Harris

SUBJECT: Minutes of the Meeting of the Finance Committee on September 11, 2020

The Finance Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 9:30 a.m. on Friday, September 11, 2020, in the Pavilion Ballroom at the Boar's Head Resort. Robert M. Blue, Chair, presided.

Committee Members Present: James B. Murray Jr., Frank M. Conner III, Thomas A. DePasquale, John A. Griffin (via Zoom), Louis S. Haddad (via Zoom), Robert D. Hardie, Maurice A. Jones, C. Evans Poston Jr., James V. Reyes, and Ellen M. Bassett

Mark T. Bowles, L.D. Britt, M.D. (via Zoom), Whittington W. Clement, Elizabeth M. Cranwell, Barbara J. Fried, Angela H. Mangano (via Zoom), and Mazzen S. Shalaby also attended.

Present as well were James E. Ryan, Jennifer Wagner Davis, K. Craig Kent, M.D., M. Elizabeth Magill, Margaret S. Grundy, Susan G. Harris, Timothy J. Heaphy, Donna P. Henry, Michael J. Citro, John C. Jeffries Jr., Mark M. Luellen, David W. Martel (via Zoom), Clark "Chip" L. Murray, David Moltz, and Debra D. Rinker.

Presenters: Robert Durden and Melody S. Bianchetto

Mr. Blue opened the meeting. After reviewing the agenda, he called on Ms. Davis to present the action items.

Action Item: Revised 2020-2021 Operating Budget

Ms. Davis said the economic outlook is very fluid. Unemployment sits at 8.4%. Congress continues to struggle with whether they will do an additional coronavirus relief package, and the markets are incredibly volatile. She said they see increased need from students. The impact on the workforce is significant as well: economic strain in spousal employment and closed school systems.

Ms. Magill said higher education organizations are doing surveys and the message is challenging but simple: COVID is a serious financial and operational challenge to the delivery of the mission of every institution. They are trying to see the opportunities, including increased flexibility in the academic calendar, more technology enhanced learning, and more telework. COVID is tough but it is important to see it as an opportunity. Ms. Magill reminded the Board of the re-budgeting process which relied on a new budget planning tool, adaptive planning, which is part of the Financial Strategic Transformation (FST) project.

Ms. Davis said FY21 started July 1 and they needed some time to think about the financials in light of the pandemic. The budget redevelopment strategy was guided by four core principles, which President Ryan detailed out in the spring: 1) maintaining excellence in the core mission of teaching research and clinical care; 2) supporting the most vulnerable people in the workforce; 3) being creative and seeking opportunities; and 4) responsibly stewarding the financials for the long haul. There are a series of financial mitigations that were put in place in the spring that have been helpful including a hiring freeze, a merit freeze, and sorting out the right balance between reducing central service budgets and impacts to services that are needed. Most of the reductions that were made are permanent in nature.

Ms. Magill said never has it been more important to the University of Virginia that we have a diversity of revenue streams and very strong student demand for UVA degrees, which results in a predictable tuition revenue base. Also, we have a sizable endowment which has been stewarded well over the years, and a sponsored research portfolio that continues to grow and diversify. Dependence on state funding is important, but not the sole support.

The revised operating budget for the academic division, The University of Virginia's College at Wise, and the Medical Center was presented to the Board. On motion, the committee approved the following resolutions and recommended them for full Board approval:

2020-2021 REVISED OPERATING BUDGET FOR THE ACADEMIC DIVISION

RESOLVED, the 2020-2021 \$1.9 billion revised operating budget, for the Academic Division is approved as recommended by the President and the Chief Operating Officer.

2020-2021 REVISED OPERATING BUDGET FOR THE UNIVERSITY OF VIRGINIA'S COLLEGE AT WISE

RESOLVED, the 2020-2021 \$48.9 million revised operating budget for The University of Virginia's College at Wise is approved as recommended by the President and the Chief Operating Officer.

2020-2021 REVISED OPERATING AND CAPITAL BUDGETS FOR THE UNIVERSITY OF VIRGINIA MEDICAL CENTER AND THE UNIVERSITY OF VIRGINIA TRANSITIONAL CARE HOSPITAL

RESOLVED, the 2020-2021 \$1.8 billion revised operating and the \$126 million capital budgets for the University of Virginia Medical Center, inclusive of the University of Virginia

Transitional Care Hospital, are approved as recommended by the President, the Executive Vice President for Health Affairs, the Chief Operating Officer, and the Health System Board.

UVIMCO 2019-2020 Annual Report

Mr. Durden, CEO and CIO of the University of Virginia Investment Management Company (UVIMCO) gave an overview of the UVIMCO Board and staff and said their primary objective is to maximize long-term real returns commensurate with the risk tolerance of the University. He spoke of a change in the policy portfolio as of July 1, which is now 75% equity and 25% fixed income. He gave a market update and reviewed performance and asset allocation. Over the fiscal year, the long term pool gained 5.3%. Equity and fixed income did well, but real assets were significantly down. He said there is good liquidity in the portfolio. He explained market, manager, and liquidity risk and how UVIMCO analyzes risk in the portfolio.

Long-Term Debt Issuance: Series 2020

Ms. Davis thanked the Board for their foresight, technical expertise along the way, and flexibility. She said UVA is one of the few institutions that is nimble and able to take incredible advantage of the market disruption. She praised Ms. Bianchetto and her finance team; all credit goes to them in terms of market timing.

Ms. Davis said the deal size was set at \$600M which exhausted the authority she was given by the Board. The deal was led by Goldman Sachs and supported by Barclays and JP Morgan. The issuance was all taxable debt at an interest rate of 2.256%. The University's triple A bond rating made this possible.

Executive Vice President's Remarks

Ms. Davis praised the hard work of many employees this summer preparing to bring students back on-Grounds as well as their flexibility in covering duties in other areas that fell short on help. She also gave a brief state relations report and said there are more than 400 bills UVA is following that could affect the University. With a compensation and hiring freeze, Human Resources has been able to announce no increases in employee health insurance premiums for the upcoming year.

Walk-on Resolution: COVID-19 Testing

Mr. Blue asked the committee to approve a resolution related to authority to sign contracts for COVID-19 testing above the \$5 million limit. The resolution was provided to the committee at the meeting—it is not in the Finance materials.

On motion, the committee approved the following resolution and recommended it for full Board approval:

SIGNATORY AUTHORITY FOR CONTRACTS RELATED TO COVID-19 TESTING

WHEREAS, the Board of Visitors is required to approve the execution of any contract where the amount per year is in excess of \$5 million; and

WHEREAS, the University will need to continue to procure COVID-19 testing supplies and anticipates the cost of such supplies will exceed \$5 million;

RESOLVED, the Board of Visitors authorizes the Executive Vice President and Chief Operating Officer to execute COVID-19 testing contracts as needed to address identified institutional needs; and

RESOLVED FURTHER, the Executive Vice President and Chief Operating Officer will inform the Board of Visitors of any such contracts at an upcoming meeting.

On motion, the chair adjourned the meeting at 10:52 a.m.

SGH:ddr

These minutes have been posted to the University of Virginia's Board of Visitors website:
<http://bov.virginia.edu/committees/205>