



THE RECTOR AND VISITORS OF THE
UNIVERSITY OF VIRGINIA

June 4, 2021

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
Sarita Mehta, Student Member

FROM: Susan G. Harris

SUBJECT: Minutes of the Meeting of the Finance Committee on June 4, 2021

The Finance Committee of the Board of Visitors of the University of Virginia met, in open session, at 9:34 a.m. on Friday, June 4, 2021. Robert M. Blue, Chair, presided.

Committee Members Present: James B. Murray Jr., Frank M. Conner III, Thomas A. DePasquale, John A. Griffin, Louis S. Haddad, 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., Whittington W. Clement, Elizabeth M. Cranwell, Barbara J. Fried, Dr. Babur B. Lateef, Angela Hucles Mangano (via Zoom), and Sarita Mehta also attended.

Present as well were James E. Ryan, Jennifer Wagner Davis, K. Craig Kent, M.D., M. Elizabeth Magill, Melody S. Bianchetto, Margaret S. Grundy, Susan G. Harris, Timothy J. Heaphy, Donna P. Henry, Michael J. Citro, John C. Jeffries Jr., Megan K. Lowe, David W. Martel, Clark L. Murray, Debra D. Rinker, and Anda S. Webb.

Mr. Blue opened the meeting by thanking the Finance team for their exemplary work over the past 15 months. The leadership team had moved decisively to protect the safety of students, faculty, and staff, but they also protected the finances of the University. He asked Ms. Jennifer Davis

to proceed with the agenda. Ms. Davis presented three capital projects for approval by the committee.

Action Item: Major Capital Plan Project Financial Plans

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

FINANCING PLANS FOR THE CHEMISTRY BUILDING FUME EXHAUST RENEWAL, MASSIE ROAD UTILITY EXTENSION, AND TECH TALENT INVESTMENT PROGRAM PHASE I

WHEREAS, the financing plan for the Chemistry Building Fume Exhaust Renewal calls for the use of deferred maintenance funds in the amount of \$8.5M; and

WHEREAS, the financing plan for the Massie Road Utility Extension calls for the use of debt in the amount of \$6M and the use of operating cash in the amount of \$5M; and

WHEREAS, the financing plan for the Tech Talent Investment Program Phase I calls for the use of state general funds in the amount of \$3M;

RESOLVED, the Board of Visitors approves the financing plans for the Chemistry Building Fume Exhaust Renewal, Massie Road Utility Extension, and Tech Talent Investment Program Phase I.

Action Item: Disposition of Real Property: Priscilla A. Randall Estate

Ms. Davis said that in her will, Priscilla Randall left the University a bungalow in Bristol County, Rhode Island, to be sold and the proceeds directed to the Priscilla Randall Architecture Fund established in 2019. On motion, the committee approved the following resolution and recommended it for full Board approval:

DISPOSITION OF REAL PROPERTY – PRISCILLA A. RANDALL ESTATE

WHEREAS, The Rector and Visitors of the University of Virginia, the University of Virginia Foundation, and the UVA School of Architecture Foundation are beneficiaries of the Estate of Priscilla A. Randall and jointly own the property described as residential property located at 27 Pleasant Street in Barrington, Rhode Island; and

WHEREAS, the Board of Visitors finds it to be in the best interest of the University for such property to be sold;

RESOLVED, the Board of Visitors hereby approves the sale of the foregoing property; and

RESOLVED FURTHER, the Executive Vice President and Chief Operating Officer is authorized, on behalf of the University, to approve the sale of the property for such price and in such manner as she may deem reasonable; to approve and execute all agreements, deeds, affidavits, and other documents related to the maintenance, evaluation, and sale of the subject real estate; to incur reasonable and customary expenses; to approve such reasonable and customary expenses, if any, as may have been incurred by the executor or administrator of the estate in connection with the maintenance, evaluation, and sale of the property; and to take such other actions as deemed

necessary and appropriate to consummate the sale of the property and distribution of the University's interest therein; and

RESOLVED FURTHER, that each of the Executive Vice President and Chief Operating Officer and the Associate Vice President for Financial Operations is authorized, on behalf of the University, to approve and execute agency and other agreements with the UVA Foundation and other third parties to perform such actions on the University's behalf as such officer deems necessary and appropriate in connection with the maintenance, evaluation, and sale of the property; and

RESOLVED FURTHER, all prior acts performed by the Executive Vice President and Chief Operating Officer and other officers and agents of the University, in connection with such maintenance, evaluation, and sale of the property and the administration and distribution of the University's interest in same, are in all respects approved, ratified, and confirmed.

2021-2022 Operating Budget

Ms. Davis spoke about the sacrifices the University made over the last 15 months, including hiring and compensation freezes and salary and benefits reductions for some employees. One of the overarching priorities was continuity of pay, especially in the Academic Division. All across the enterprise there were budget reductions put into place. Elimination of travel, reduced office supplies, and event spending saved some money, but there are challenges for the future. She said holding undergraduate tuition increases to zero cannot be sustained over multiple years and the University must provide compensation increases to faculty and staff who did not receive compensation increases last year. They are moving forward with compensation packages effective in July. She asked Provost Elizabeth Magill to address some of the challenges and opportunities that came out of the pandemic.

Ms. Magill said they are looking at a reduction in sponsored research for FY21, which might be down as much as 45% or \$12M to \$14M compared to last year. The silver lining is that indirect cost recoveries are going up because the grants from federal agencies have a higher overhead. There are other reasons to be optimistic on the research front about FY22 because labs are reopening, there is federal stimulus funding, and entrepreneurial faculty are ready to get back full-time to their research.

Ms. Magill said that even during the pandemic they have been thinking ahead by making investments in the strategic plan and she gave an overview of the investments in relation to the 2030 Plan.

Ms. Magill highlighted a few future opportunities that leadership is working on together, including looking at the future of work at the University which could lead to some efficiencies in use of space. Financially, there are additional opportunities in federal Covid relief funding. She said on the academic side they are thinking about J-term and summer session changes that were made and what that means for the impact of a UVA education. They are also thinking very actively about opportunities in northern Virginia.

There were a number of questions from the committee on the future of work review and Ms. Magill said the group looking at this issue would be making recommendations the following week. She said they have learned a great deal from remote and hybrid work and it is an interesting balance. Several of the deans are talking about not making very long-term plans about the future of work immediately in the fall because of a desire to re-knit the community.

Ms. Davis reviewed a financial snapshot of the academic division with respect to the pandemic, which spans three fiscal years with impacts lingering into FY22. She said the Commonwealth and the federal government have been generous across the Academic Division, the College at Wise and the Medical Center. The Academic Division received about \$92M, with expenses and revenue losses of about \$131M. There is a third round of Covid relief funding, and they hope to close the gap through remaining reimbursements from the Commonwealth and some federal funds. The Medical Center saw \$149M of expenses and revenue losses and received \$63M in reimbursements plus loans. The College at Wise is balanced with losses and reimbursements.

Ms. Davis reviewed a timeline for developing the budget. She said a key planning assumption when they started the budget process was an anticipated 15% base budget cut from the Commonwealth, but that did not materialize. They did see more Covid expenses and revenue losses, so all the cuts made across the enterprise were necessary and helpful to mitigate those expenses. Merit based compensation increases will be offered this year. They are proposing an operating budget of \$3.9B, which represents a 6.4% increase over the previous year. Ms. Davis reviewed in some detail the components of the proposed Academic Division and Medical Center budgets. She also spoke briefly about the College at Wise budget which includes an increase in the state appropriation. There was discussion about the endowment, and Rector Murray pointed out that the endowment contributes more to the budget than state support. The University is becoming less state-supported and more self-supported. Mr. Murray asked for simple sources and uses pie charts, which are in the new dashboard.

Ms. Magill then gave a high-level financial overview of the Strategic Investment Fund (SIF). Since 2017, awards from the SIF have totaled \$708M with some of those awards projected to be spent through FY27. The awards are to be allocated according to the four goals of the strategic plan, the 2030 Plan: 30% to strengthen our foundation, 20% to cultivate the most vibrant community in higher education, 30% to enable discovery, and 20% for service. Of the \$195M earmarked for FY20 to FY22, they have made commitments for \$94.4M, which leaves a little over \$100M to be allocated. She had several slides that showed the allocations to the four pillars of the strategic plan. She noted that it might seem at first glance they are not tracking as well on discovery as the other categories, but they are working very hard on some investments in research that will be announced later in June. They also made about \$8M of investments in STEM research early in FY20. Another example of investing in research is they have recently set aside \$15M specifically to advance the goal of pathways to research preeminence and the “ask” is for the proposals in the STEM fields.

On motion, the committee approved the following resolutions and recommended them for full Board approval:

2021-2022 OPERATING BUDGET FOR THE ACADEMIC DIVISION

RESOLVED, the 2021-2022 \$1.99B operating budget for the Academic Division, including distributions from the John Lee Pratt Fund, is approved as recommended by the President and the Chief Operating Officer.

2021-2022 OPERATING BUDGET FOR THE UNIVERSITY OF VIRGINIA'S COLLEGE AT WISE

RESOLVED, the 2021-2022 \$56.3M operating budget for The University of Virginia's College at Wise is approved as recommended by the President and the Chief Operating Officer.

2021-2022 OPERATING AND CAPITAL BUDGETS FOR THE UNIVERSITY OF VIRGINIA MEDICAL CENTER

RESOLVED, the 2021-2022 \$1.95B operating budget and the \$122.6M capital budget for the University of Virginia Medical Center is approved as recommended by the President, the Executive Vice President for Health Affairs, the Chief Operating Officer, and the Health System Board.

Debt Shelf Registration

Ms. Davis presented this item. The University is only one of four public institutions that is rated by all three rating agencies as triple A. Borrowing rates continue to be very low and so it seems a good time to do an open shelf registration of up to \$400M in debt with the understanding that the Finance chair will approve before any debt is authorized for issuance. Ms. Davis gave examples of capital needs that would benefit from bond funds including the Novant transaction involving the purchase of three hospitals in northern Virginia, the McIntire academic facility, Lambeth Field apartments renovations, and necessary HVAC improvements. There is a shortage of triple A rated paper right now, and rates over the long haul will increase. Size and duration are to be determined. Ms. Davis also said they have redone the debt metrics and there is more capacity than previously.

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

ISSUANCE OF GENERAL REVENUE PLEDGE BONDS AS PART THE UNIVERSITY'S CAPITAL PROJECT FINANCING PROGRAM

WHEREAS, by the resolution adopted September 15, 2017 (the "Initial Authorizing Resolution"), the Board of Visitors (the "Board") authorized a multi-year capital project financing program (the "Program") that is used by The Rector and Visitors of the University of Virginia (the "University") from time to time to finance or refinance the costs of capital and other projects, including capitalized interest, financing costs, working capital, general corporate purposes and the refunding of prior obligations of the University (collectively, the "Projects"), subject to the limitations and parameters set forth in the Initial Authorizing Resolution and in one or more subsequent resolutions of the Board; and

WHEREAS, under the authority of the Initial Authorizing Resolution, the University entered into a Master Bond Resolution (Multi-Year Capital Program) dated September 28, 2017 (as supplemented and amended, the "Program Resolution"); and

WHEREAS, the bonds issued under the Program Resolution (the "Bonds") are secured by a general revenue pledge of the University and are not in any way a debt of the Commonwealth of Virginia (the "Commonwealth") and do not create or constitute any indebtedness or obligation of the Commonwealth, either legal, moral, or otherwise; and

WHEREAS, the Board desires to authorize additional financing under the Program of up to \$400,000,000 of taxable or tax-exempt Bonds that may be issued by the University from time to time to finance or refinance one or more Projects, all subject to the limitations and parameters described (1) below, (2) in the Program Resolution, and (3) in the applicable Series Resolution (as defined below);

RESOLVED, the Board hereby implements the plan of finance described in the recitals hereto by authorizing the issuance, from time to time, of one or more series of Bonds for the

financing or refinancing of the Projects (including those Projects financed by the Series 2015B Bonds), and providing for the terms thereof, by adopting one or more resolutions that supplement and amend (as needed) the Program Resolution (each a "Series Resolution"), which shall provide the final terms of the Bonds and such other matters as may be necessary or desirable; 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 each series of Bonds, including, without limitation, their original principal amounts and series, the specific Projects to be financed or refinanced, their maturity dates and amounts, redemption provisions, prices and interest rates, tax status of interest on each series of Bonds, provided that (i) the maximum aggregate principal amount of all Bonds to be issued hereunder shall not exceed \$400,000,000; (ii) the Bonds shall be issued at fixed or variable rates with a maximum yield on any fixed rate series, and the maximum initial yield on any variable rate series, not to exceed 6.00% per annum; and (iii) the final maturity of all Bonds shall not exceed 101 years beyond issuance date; 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 certain documents related to the Bonds, including a Series Resolution for each series of Bonds; and

RESOLVED FURTHER, all officers of the University are authorized and directed to take all such further actions, including without limitation the designation of underwriters, paying agents, remarketing agents, solicitation agents, trustees, and liquidity providers for the Bonds, and to execute all such instruments, agreements, documents, and certificates as they shall deem necessary or desirable to carry out the terms of the plan of finance presented to this meeting, including without limitation entering into, amending or terminating any liquidity facilities, swap or other interest rate management agreements associated with plan of finance presented to this meeting; and

RESOLVED FURTHER, pursuant to the Section 147(f) of the Internal Revenue Code of 1986, as amended, and applicable regulations thereunder, the University designates the Executive Vice President and Chief Operating Officer of the University as the public hearing officer to hold any public hearings required in order to ensure the tax-exempt status of interest on all or a portion of the Bonds; 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 plan of finance presented to this meeting are ratified, approved, and affirmed; and

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

Quasi-Endowment Actions: Establishment of the Saunders Family Professorship in Engineering Restricted Quasi-Endowment Fund for the School of Engineering and Applied Science and Divestment of the School of Medicine's Academic Advancement Restricted Quasi-Endowment Fund

Following a brief explanation of the need for the Board to approve the creation and dissolution of quasi endowments, on motion, the committee approved the following resolutions and recommended them for full Board approval:

CREATION OF THE SAUNDERS FAMILY PROFESSORSHIP IN ENGINEERING RESTRICTED QUASI-ENDOWMENT FUND

WHEREAS, the School of Engineering and Applied Science wishes to create a new restricted quasi-endowment fund for an engineering professorship under the University's Bicentennial Professorship Fund Matching Program;

RESOLVED, the Board of Visitors authorizes the creation of the Saunders Family Professorship in Engineering Restricted Quasi-Endowment Fund.

DIVESTMENT OF THE SCHOOL OF MEDICINE ACADEMIC ADVANCEMENT RESTRICTED QUASI-ENDOWMENT FUND

WHEREAS, the School of Medicine wishes to divest the remaining balance of the Academic Advancement Restricted Quasi-Endowment Fund;

RESOLVED, the Board of Visitors authorizes the divestment of the Academic Advancement Restricted Quasi-Endowment Fund.

Executive Vice President's Remarks

Ms. Davis spoke about the recent promotions in the Police Department (UPD), and two new college graduates among our employees: Nancy Eagle in the Chief Operating Officer's office, and Captain Chris Easton with the UPD. She praised Police Chief Tim Longo for his leadership of the UPD. In answer to a question about vacancies in UPD, she said there were a number of vacancies, but half have been filled recently. She said it is a very tough profession and there are still about 20 vacancies. It is a high stress, high burnout career.

Ms. Davis said pulling off seven graduations required incredible work of team members from across the organization. She also praised the Hoos Building Bridges awardees for all their work on Covid-19 quarantine and isolation of students. Mr. Blue echoed the congratulations, and Ms. Magill added that there were actually nine collective graduations, with two ceremonies at Wise.

Mr. Murray pointed out that the employee health plan has been restructured in the last year. He praised Ms. Davis and her team for this work. Mr. Murray also said, at the suggestion of Whitt Clement, he has tasked Mr. Blue and a subcommittee with looking at the process for setting tuition.

On motion, the chair adjourned the meeting at 10:40 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>