

# BOARD OF VISITORS

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FINANCE COMMITTEE MEETING

SEPTEMBER 15, 2023





# FINANCE COMMITTEE AGENDA

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2023 State Six-Year Institutional Plan

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2024-2026 State Biennial Budget Requests

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Major Capital Projects Financial Plans

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Quasi-Endowment Action

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Executive Vice President's Remarks

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UVIMCO 2022-2023 Annual Report

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# AMENDED FY2024 STATE BUDGET

## *Incremental operating funding increases over FY2023*

(\$ in millions)	UVA	College at Wise
Maintain affordable access		
Operating	\$4.05	\$0.50
Undergraduate financial aid	\$1.38	\$0.73
Nursing shortages	\$0.32	\$0.05
Cancer research	\$2.50	\$ --
Center for Teaching Excellence	\$ --	\$0.30
<b>Total incremental operating funds over FY2023</b>	<b>\$8.25</b>	<b>\$1.58</b>



# AMENDED FY2024 STATE BUDGET

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## Capital authorizations

- Authorizes UVA to begin *preplanning for Center for the Arts*
- Provides additional *maintenance reserve* funding in FY2024 (over amount approved for FY2024 during 2022 Session)
  - UVA: additional \$686K, increasing total allocation to \$16.5M
  - College at Wise: additional \$2.2M, increasing total allocation to \$2.96M (majority of additional funding designated for (1) roof replacement for Zehmer Hall and (2) roof replacement and interior repairs and improvements for Darden Hall)

# AMENDED FY2024 STATE BUDGET

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## Additional key items

- Authorizes additional **2% base salary increase** for all state employees, including university faculty and staff effective December 10, 2023
- Establishes **Joint Subcommittee on Higher Education Funding Policies** (convene after 12.01.24, and submit recommendations by 09.15.25)
  - Prioritize review of funding related to operations and financial aid
  - Provide recommendations to improve funding models
  - Develop short- and long-term plans for phased implementation
- Provides \$37.5M in grants to enhance efforts to **recruit and retain Pell-eligible students** (competitive grant process for all public institutions)



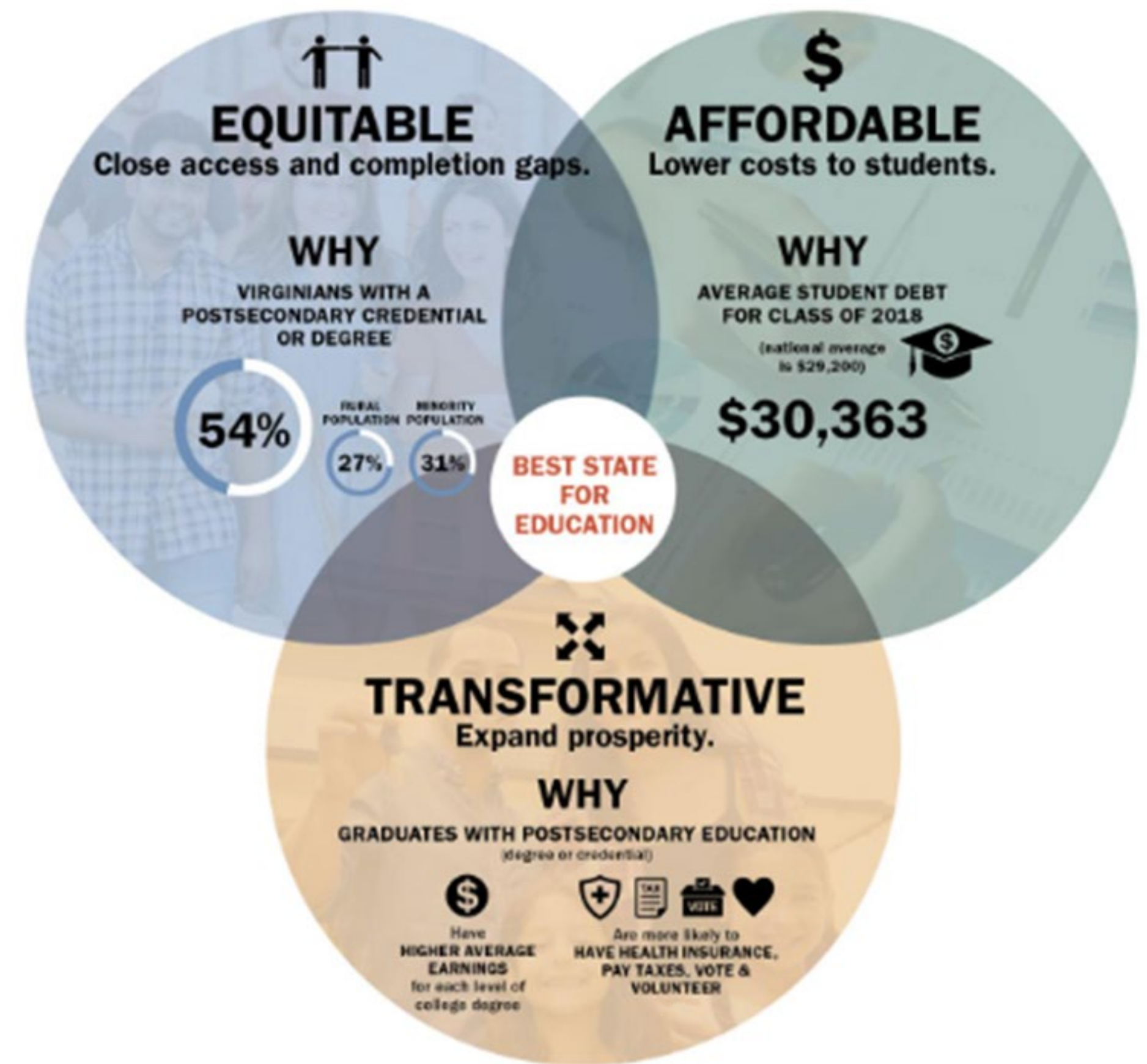


# 2023 STATE SIX-YEAR INSTITUTIONAL PLAN



# STATE-REQUIRED SIX-YEAR PLAN

- Required by the Restructuring Act (2005) and the Higher Education Opportunity Act (2011)
- Outlines institutional academic, financial, and enrollment plans
- Advances objectives of statewide higher education strategic plan – **equitable, affordable, transformative**
  - Vision: Best State for Education
  - Target: 70% educational attainment of working-aged Virginians with focus on equity



# SIX-YEAR PLAN TIMELINE



\*Op-Six includes Secretary of Education, Secretary of Finance, Director of the Department of Planning & Budget (DPB), Director of SCHEV, Staff Directors of House Appropriations and Senate Finance & Appropriation Committees



# A GREAT AND GOOD UNIVERSITY: THE 2030 PLAN

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*UVA aims to be the best public university in 2030, and one of the very best in the world, whether public or private.*





# STRENGTHS & OPPORTUNITIES

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## *Strengths*

- Enrollment demand & student retention
- Affordability & ROI
- Faculty quality/expertise
- Financial health

## *Opportunities*

- Enrollment of underserved populations
- Serve more Virginians/workforce development programs
- Research
- Talent retention



# UVA'S SIX-YEAR PLAN STRATEGIES & PRIORITIES

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## SuccessUVA

- Continue to meet 100% of demonstrated need
- Attract more underrepresented students
- Academic & career advising
- Mental health services

## Pathways to Research Preeminence

- Institute of Biotechnology
- Investments in infrastructure
- Grand Challenges (addressing major societal challenges and opportunities)

## Bachelor's Completion & Certificate Program/ Broadening Our Horizons

- School of Continuing & Professional Studies (SCPS) Bachelor's completion program
- UVA Northern Virginia
- Partnership with UVA's College at Wise



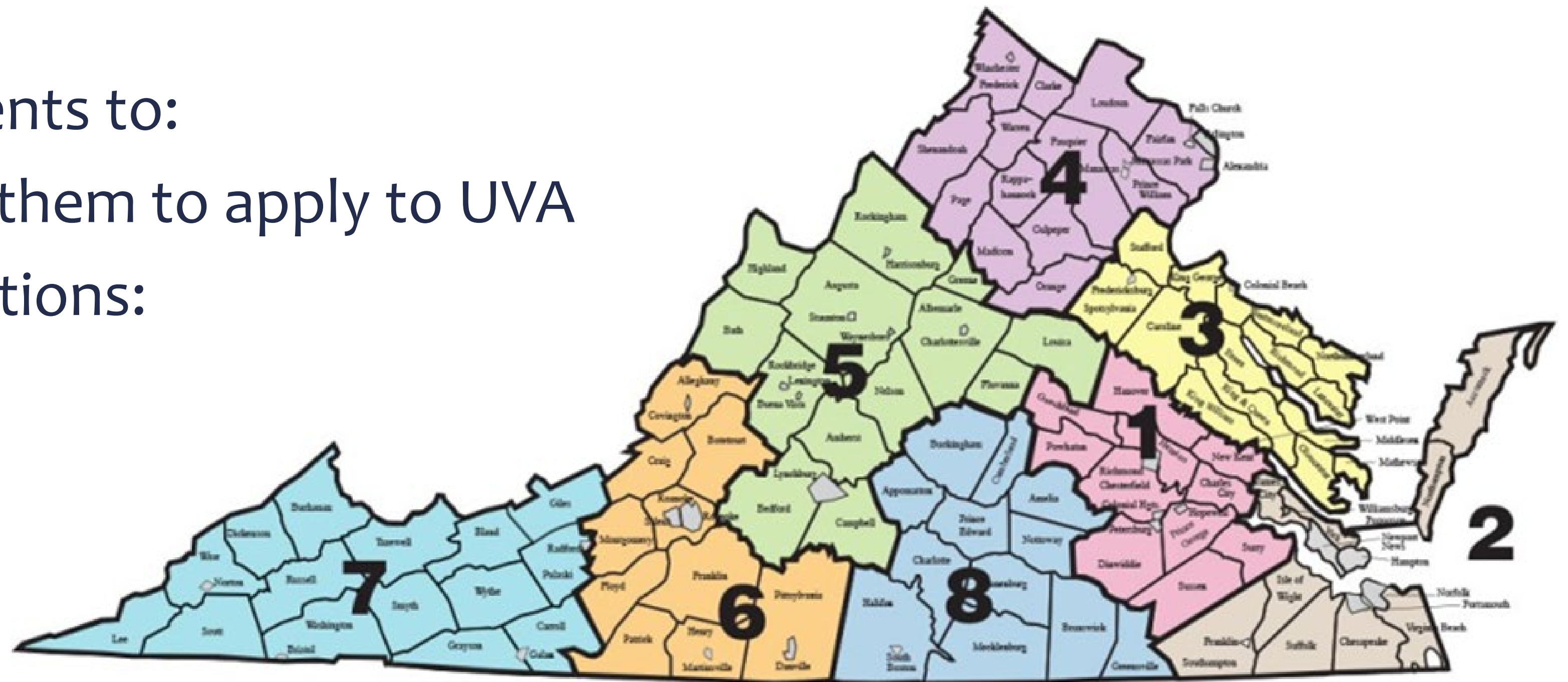
# OP-SIX DEEP DIVE DISCUSSION TOPICS

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- ***Enrollment & Student Success***
  - Proposed strategies to grow enrollment of underserved populations
- ***Workforce Development Programs***
  - Plans to enhance workforce development programming
- ***Research***
  - Plans to expand research portfolio

# SuccessUVA – Launching the **All Virginia Pilot**

- Identified 40 Virginia high schools with low rates of UVA applications (5 schools in each region)
- Actively engage with students to:
  - Encourage and prepare them to apply to UVA
  - Respond to critical questions:
    - Can I get in?
    - Can I afford it?
    - Will I fit in?
    - Will it be worth it?
- Champion public higher education across the Commonwealth





# SuccessUVA – Student Mental Health & Security

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- Expand **Threat Assessment Team** (TAT) [*\$186,000 GF request in each year*]
  - Significant increase in workload – both number and severity of cases – over last two years
  - Additional resources necessary to recruit more staff and provide appropriate training across UVA
- Student **Mental Health** Services [*\$2.9M GF request in FY2025*]
  - Need additional space for students seeking mental health services
  - CAPS (Counseling & Psychological Services) visits increased 300% over last decade
  - Build-out of 6,000 SF shell space in Student Health & Wellness Center to expand student case/care management





# Pathways to Research Preeminence

- **Institute of Biotechnology** [one-time \$111M GF request]
  - Cutting-edge medicine to revolutionize how diseases are treated and cured
  - Major hub for research, manufacturing, and pharmaceutical companies
- Investments in **research infrastructure** [\$5.8M GF request in each year]
- **Interdisciplinary research** focused on broad societal challenges



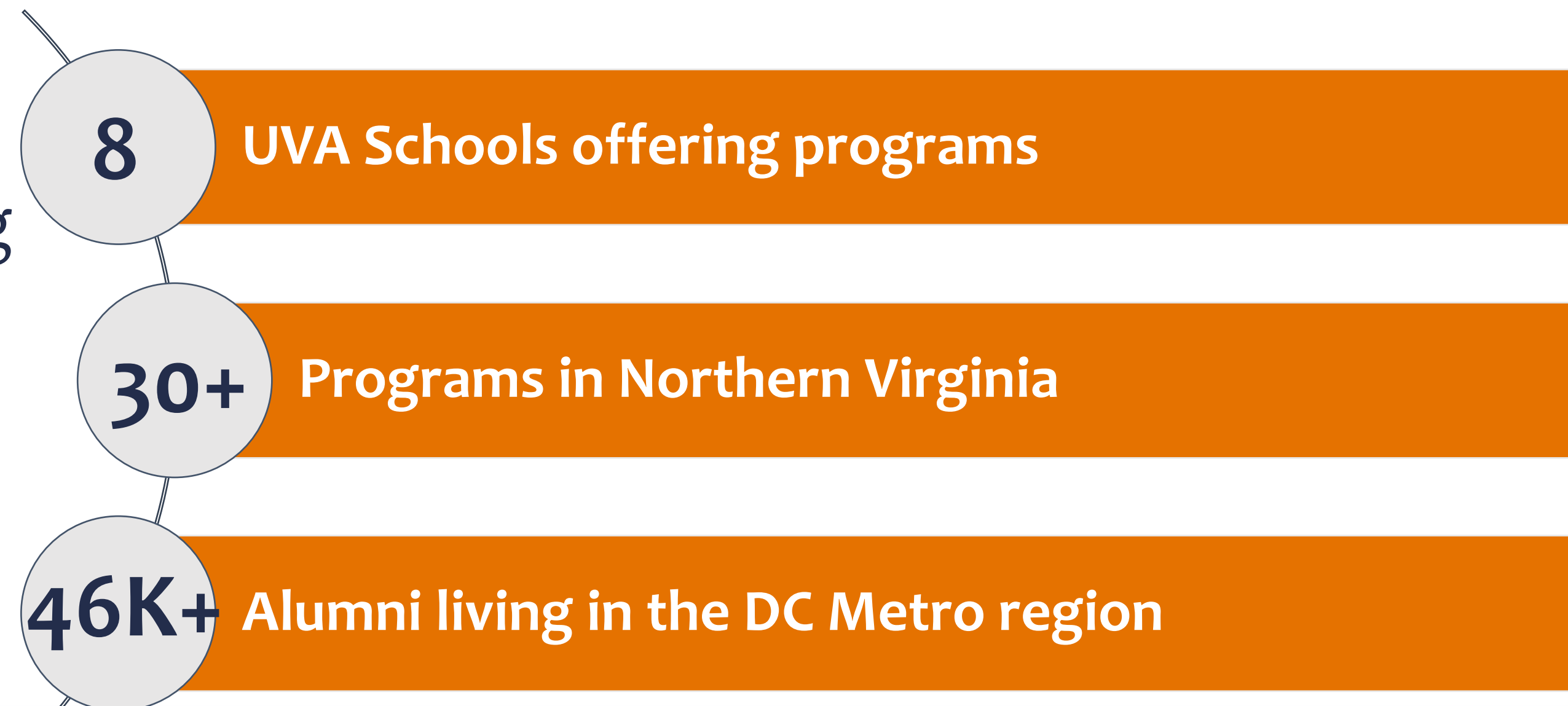


# Bachelor's Completion/Broadening Our Horizons

## Workforce Development & Internships

[\$15M GF request for workforce development; \$500,000 GF request in each year for internships]

- Expand in-person and online **educational opportunities for working adults** and scale **bachelor's completion program**
- **UVA Northern Virginia** provides additional academic programs & enables us to:
  - Grow **research**
  - Reach **more students**
  - Develop **new partnerships** including those focused on workforce development







# 2024-2026 STATE BIENNIAL BUDGET REQUESTS



# GENERAL FUND REQUESTS TO THE 2024-2026 BIENNIAL BUDGET

## ACADEMIC DIVISION

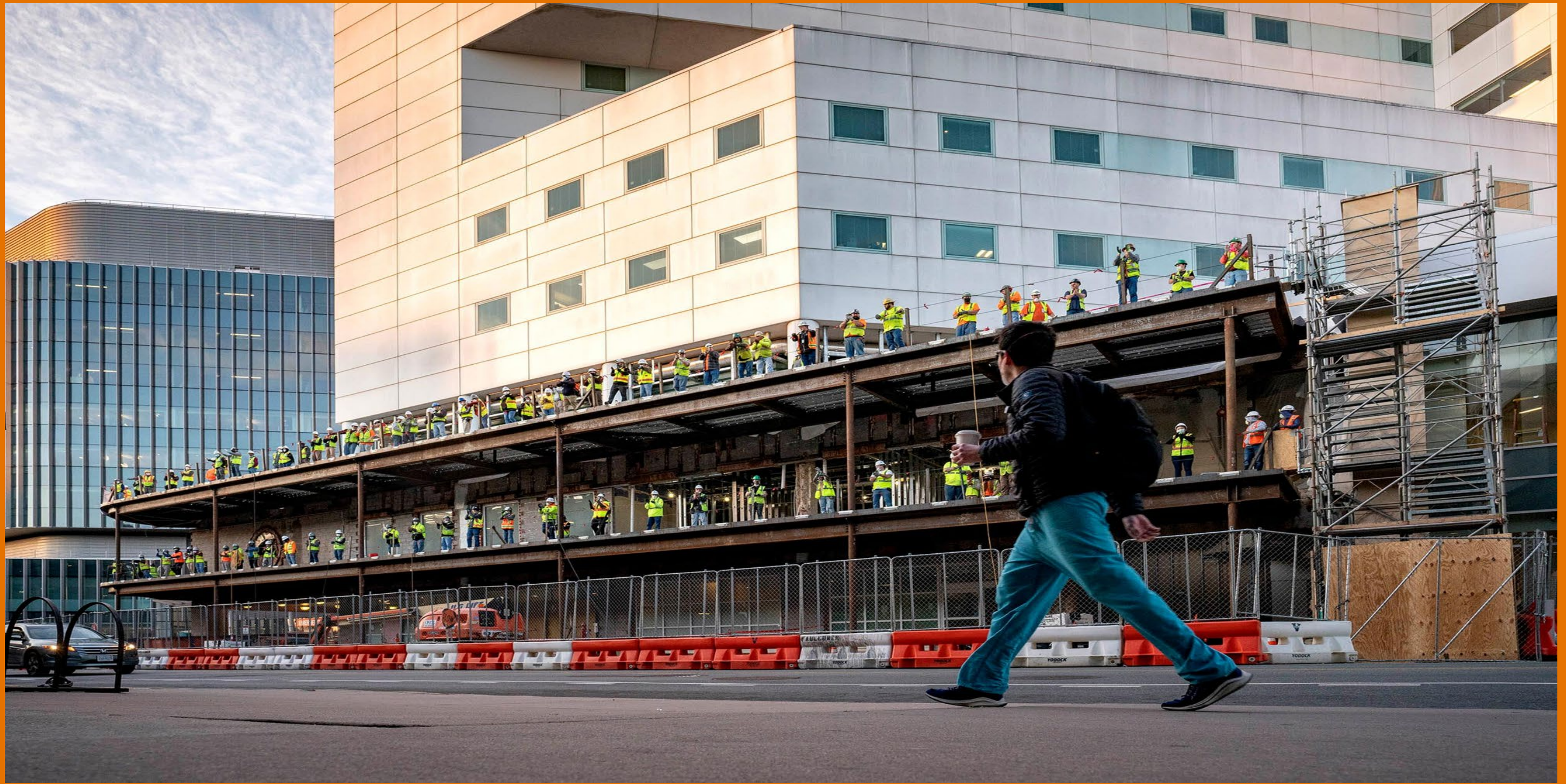
Operating Amendments	FY25 Request	FY26 Request
Institute of Biotechnology	\$111,000,000	\$0
Workforce Development and Internships	\$15,500,000	\$500,000
Expand UVA's Threat Assessment Team (TAT)	\$182,365	\$186,012
Expand Mental Health Services	\$2,900,000	\$0
Strategic Infrastructure for Translation and Commercialization of Scientific Research	\$5,770,000	\$5,770,000
Virginia Military Survivors and Dependents Education Program (VMSDEP)	\$6,760,233	\$8,051,772
UVA's Health Insurance Plan Premium Increases	\$5,969,429	\$7,373,382
Operations & Maintenance for New Facilities	\$824,903	\$1,620,717
Utilities Cost Increases	\$476,602	\$490,900
State Arboretum at Blandy Farm	\$350,000	\$350,000

# GENERAL FUND REQUESTS TO THE 2024-2026 BIENNIAL BUDGET

## COLLEGE AT WISE

Operating Amendment	FY25 Request	FY26 Request
Enrollment and Retention	\$1,976,213	\$2,095,141
Workforce Program Strategies	\$999,675	\$1,000,605
Research Activities	\$336,176	\$445,500
Expand Graduate Programs	\$241,180	\$241,500
Virginia Military Survivors and Dependents Education Program (VMSDEP)	\$180,000	\$185,400
Utilities Cost Increases	\$250,000	\$275,500
Maintenance Reserve	\$2,194,000	\$0
UVA Wise Extension of Authorization [Language only]	Language Only	Language Only
UVA Wise Redistribute Positions [Language only]	Language Only	Language Only





# MAJOR CAPITAL PROJECTS FINANCIAL PLANS



# MAJOR CAPITAL PROJECTS FINANCIAL PLANS

Project (\$ in millions)	Budget	Gifts	Debt	Cash
Center for Politics	\$10.0	\$10.0		
Scott Stadium Video Scoreboard	\$13.4	\$5.4		\$8.0
Fontaine Central Energy Plant and Utilities	\$70.0		\$62.5	\$7.5
Fontaine Research Park Roadway Infrastructure	\$10.0			\$10.0
Fontaine Research Park Parking Garage	\$61.0		\$46.7	\$14.3





**QUASI-ENDOWMENT ACTION**



# QUASI-ENDOWMENT ACTION

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- Athletics General Operations Quasi-Endowment supports Athletics Department operations, including but not limited to nutrition, athletic dining hall operations, sport performance and student athlete well-being
- Board of Visitors to consider authorizing a \$7M investment into the Athletics General Operations Quasi-Endowment
- Board approves any quasi-endowment action \$5M and above





# EXECUTIVE VICE PRESIDENT'S REMARKS



# INTRODUCTION OF VICE PRESIDENT AND CHIEF INFORMATION OFFICER KELLY DONEY

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- Most recently VP and CIO at Villanova University
- Past experience at Ellucian Inc., Georgetown University, Deloitte Consulting and Booz Allen Hamilton
- Demonstrated strengths in leadership, IT security, research computing, academic technologies, and business intelligence



# HUMAN RESOURCES

- **Forbes** ranks UVA one of Virginia's best places to work; among best employers for women in America.
- **Pathways & Pipelines** has hired more than 50 people since May. Its Hoos Driving program recently graduated 13 drivers.
- Academic Division workforce changes analysis, 2018-2022.

## America's Best Employers By State



ILLUSTRATION BY ANGELICA ALZONA FOR FORBES; WESTEND61/GETTY IMAGES



# SAFETY ON AND AROUND GROUNDS

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- Corner District enhancements
- Surveillance, lighting, aesthetics
- Expanded COPS patrols
- Project Safe Neighborhoods
- Collaboration with city and county police





# REAFFIRMATION OF AAA RATING

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- **Standard & Poor's** affirmed AAA in August
  - ‘Impressive demand for academic programs and program diversity’
  - ‘Very strong management and governance’
  - ‘Impressive fundraising track record’



# REAFFIRMATION OF AAA RATING

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- **Fitch:** verbal affirmation received
- Working with **Moody's** this fall
- AAA signals financial stability, strong management, and market strength
- Ensures best rates and terms for financing strategic priorities



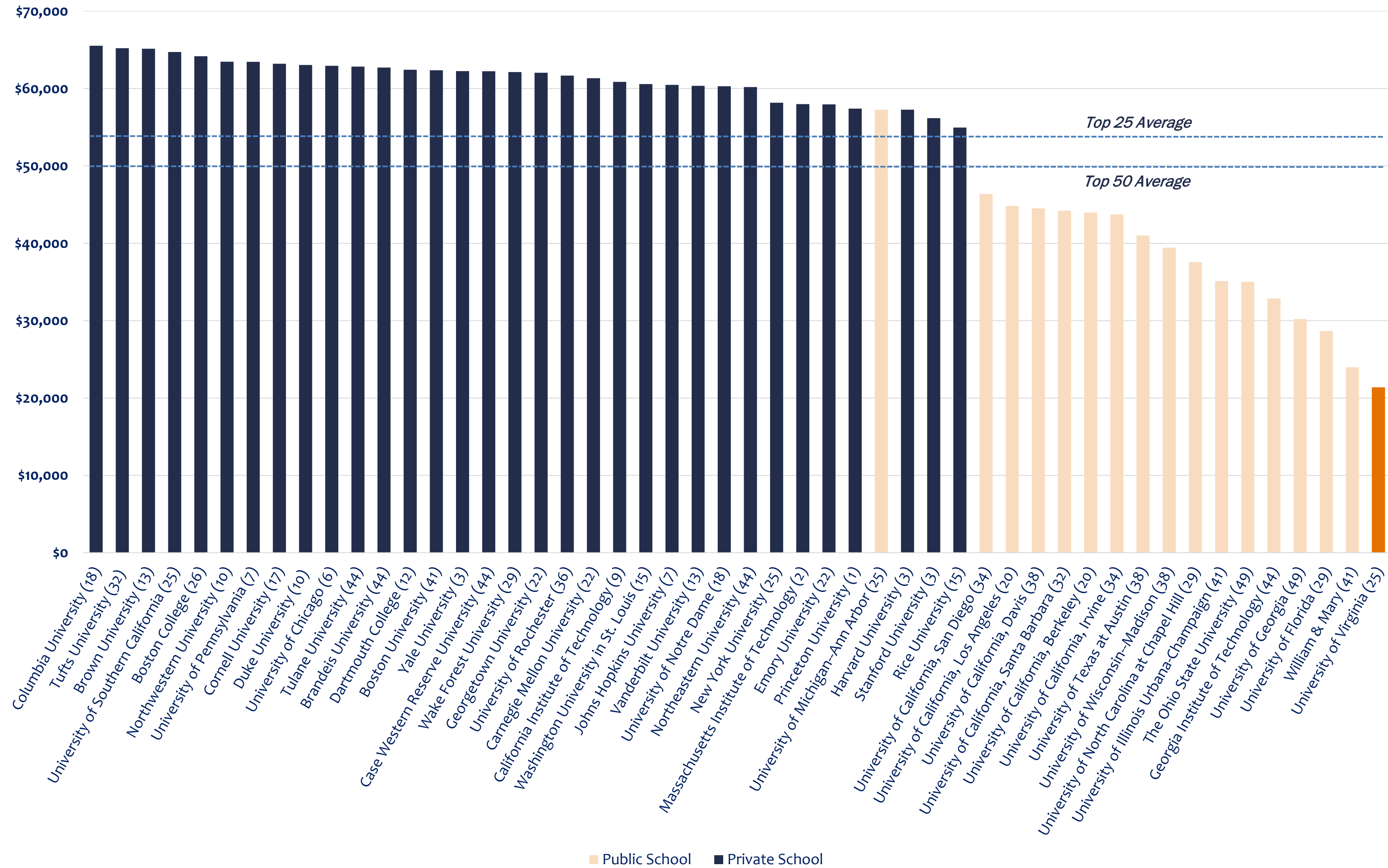
# UNDERGRADUATE TUITION SETTING

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- In 2021, **Finance Subcommittee on Tuition** recommended:
  - BOV set undergraduate tuition and fees on a two-year basis every other December
  - Management provide information to inform tuition setting
- **Timeline**
  - October                      Share tuition analysis and contextual data with Finance Committee
  - November                    Publish proposed rates and hold public hearing
  - December                    BOV to consider tuition, fees, room and board



# TUITION & FEES FOR USNWR TOP 50 NATIONAL UNIVERSITIES, AS CHARGED TO VIRGINIANS





# UVIMCO 2022-2023 ANNUAL REPORT





# OUTLINE

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- Overview
- Market Update
- Performance
- Asset Allocation
- Risk Management



# BOARD OF DIRECTORS

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



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



**John Connaughton**  
Co-Managing Partner,  
Bain Capital



**J.J. Davis**  
EVP and COO,  
University of  
Virginia



**Meredith Jenkins**  
Chief Investment  
Officer,  
Trinity Wall Street



**George Martin**  
Partner,  
McGuireWoods LLP



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



**Andrew Mulderry**  
Co-CIO, Willett  
Advisors LLC



**James Murray Jr.**  
Managing Partner,  
Court Square  
Ventures;  
Founder,  
Presidential Precinct



**Timothy O'Hara**  
Head of Banking,  
Corporate &  
Investment Bank,  
Wells Fargo &  
Company



**Elizabeth Weymouth**  
Founder and Managing  
Partner,  
Grafine Partners



# UVIMCO SENIOR STAFF

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**Robert Durden**  
Chief Executive  
Officer/Chief  
Investment Officer



**Kristina Alimard**  
Chief Operating  
Officer



**Allison Gilliam**  
Chief Financial  
Officer



**John Winn**  
General Counsel/  
Chief Compliance  
Officer



**Eric Bundonis**  
Managing Director



**Adrienne Clough**  
Managing Director



**Matt Dorchuck**  
Managing Director



**Lindsay Larsen**  
Managing Director



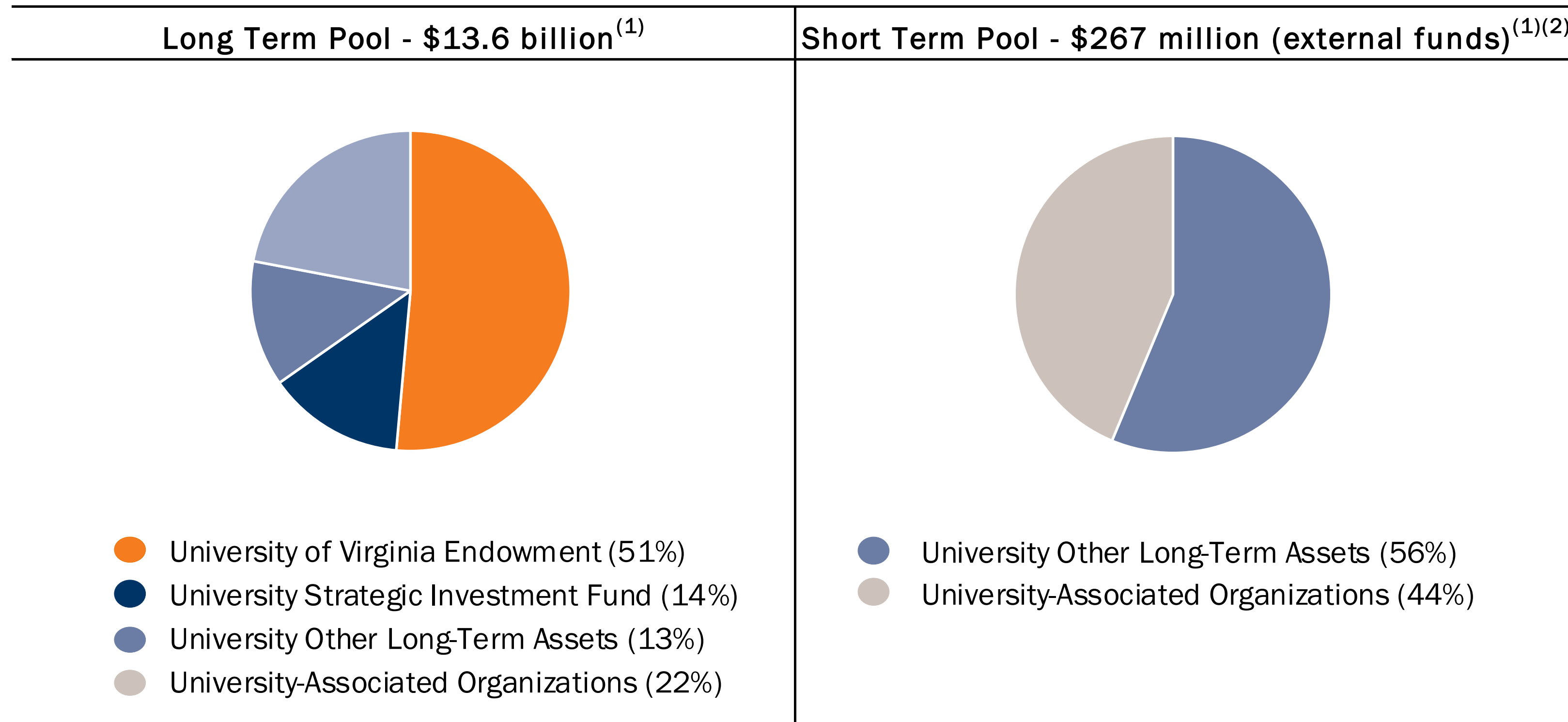
**Jason Love**  
Managing Director



**Sargent McGowan**  
Managing Director



# ASSETS UNDER MANAGEMENT



(1) Data as of June 30, 2023.

(2) 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.



# INVESTMENT OBJECTIVES

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**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
- The policy portfolio is 75/25 equity and fixed income



# PERFORMANCE

## Long Term Pool and Policy Portfolio Performance Summary

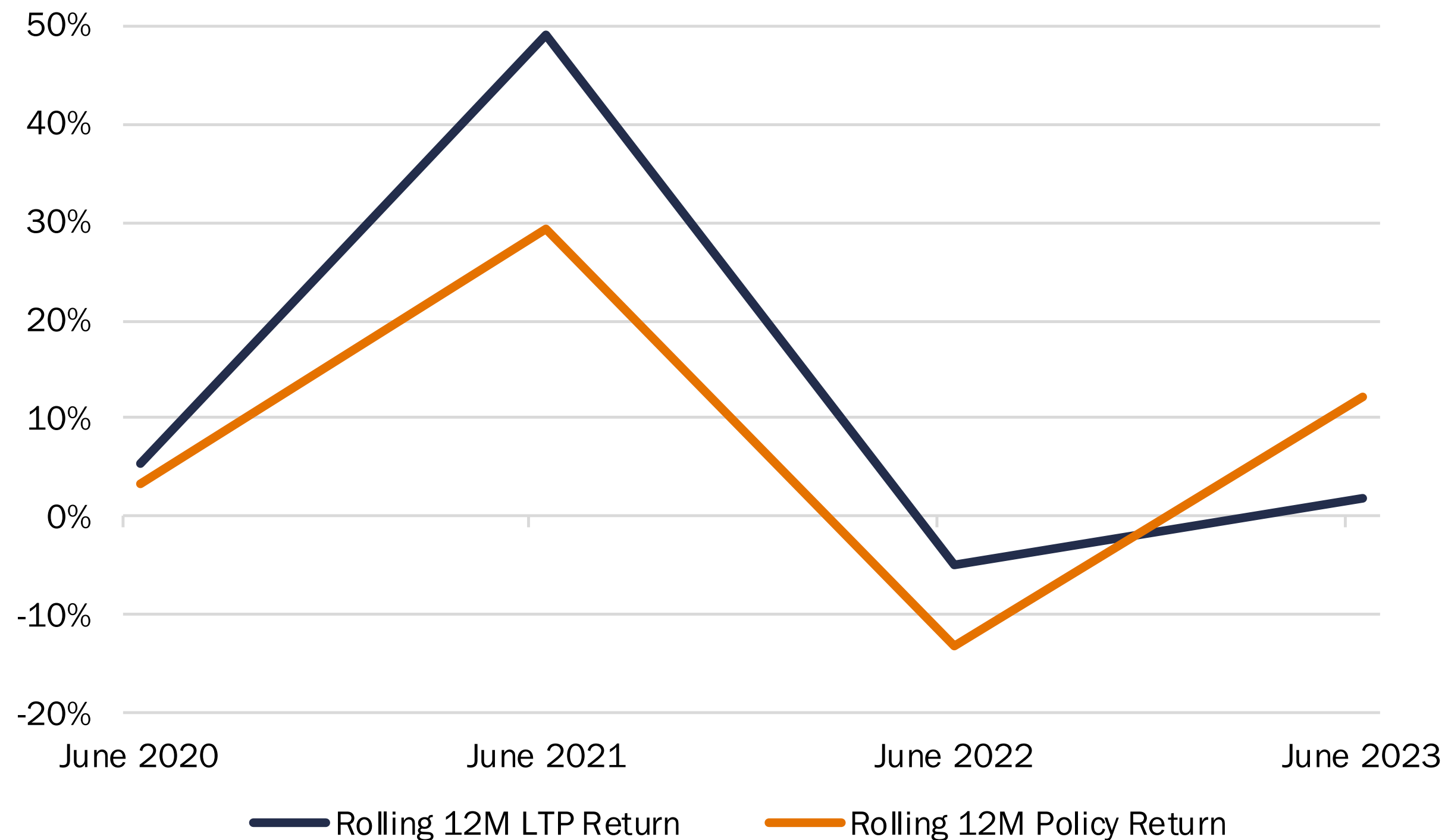
<i>As of 6/30/2023</i>	1 YR	3 YR	5 YR	10 YR	20 YR	FY 21	FY 22
Long Term Pool	2.0	13.1	10.1	9.8	10.0	49.0	(4.7)
Policy Portfolio	12.3	8.0	7.0	7.4	7.5	29.4	(13.2)
<i>Relative</i>	(10.3)	5.1	3.0	2.4	2.5	19.6	8.5

- Long-term performance remains exemplary. LTP annualized returns exceed the 8% required return, the policy portfolio performance, and median peer returns over 3-, 5-, 10-, and 20-year intervals.
- Historic outperformance has been driven through partnering with world-class external managers. Diversification and active risk management protects the LTP from significant drawdowns.
- The FY21 return of 49% was in part driven by outsized Venture Capital and Growth Equity gains (171.3% and 74.7%, respectively) that we interpreted as future equity gains pulled forward into FY21. Of note, many of the same managers and exposures that drove FY21 outperformance contributed to LTP underperformance in FY23.
- LTP performance is best evaluated over longer time horizons, which reduces the impact of lagged private valuations and endpoint sensitivity of return data.



# PERFORMANCE

Long Term Pool and Policy Portfolio Rolling 1Y Performance



- Annual return data for both the LTP and its passive benchmark has exhibited high volatility since 2020.
- Private investments (45% of LTP) drive significant basis risk versus the LTP's passive policy portfolio. This difference is particularly evident during periods of high market volatility.
- FY23 was a challenging year for diversified portfolios with significant allocations to private investments. The LTP (2%) underperformed the policy portfolio (12.3%) in large part due to lagged private valuations.
- Public Equity and Long/Short Equity suffered from outsized exposure to emerging markets, particularly China, and underexposure to the companies that drove the upswing in domestic equities that occurred in early 2023.
- Diversifiers collectively outperformed their benchmark but did not wholly compensate for the one-year underperformance of the LTP's equity strategies.



# PERFORMANCE

## Long Term Pool and Policy Portfolio Performance Detail

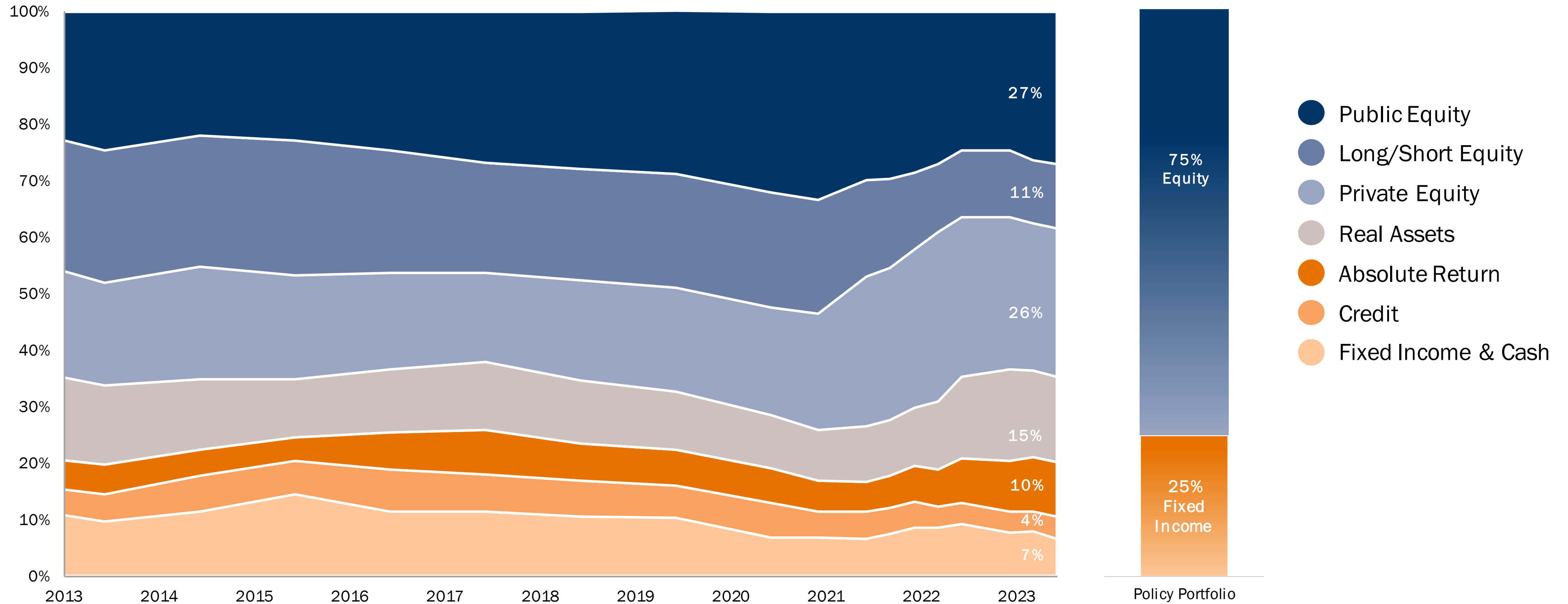
<i>As of June 30, 2023</i>	Market Value		TWRR, Annualized				
	\$mms	% LTP	1 Year	3 Years	5 Years	10 Years	20 Years
<b>Long Term Pool</b>	<b>13,597</b>	<b>100.0</b>	<b>2.0</b>	<b>13.1</b>	<b>10.1</b>	<b>9.8</b>	<b>10.0</b>
<i>Policy Portfolio</i>		<i>100.0</i>	<i>12.3</i>	<i>8.0</i>	<i>7.0</i>	<i>7.4</i>	<i>7.5</i>
<b>Equity</b>							
Public	3,668	27.0	8.2	8.2	7.4	10.0	12.8
Long / Short	1,549	11.4	6.3	3.0	4.0	5.1	7.4
Buyout	601	4.4	14.2	33.6	21.2	14.7	13.5
Growth Equity	1,554	11.4	(7.9)	14.3	16.8	18.0	--
Venture Capital	1,415	10.4	(9.1)	37.5	32.3	30.6	18.0
Real Assets	2,051	15.1	5.4	29.8	11.7	11.9	11.3
<b>Total Equity</b>	<b>10,837</b>	<b>79.7</b>	<b>2.7</b>	<b>15.1</b>	<b>11.5</b>	<b>11.6</b>	<b>11.5</b>
<i>MSCI All Country World Equity</i>		<i>75.0</i>	<i>17.1</i>	<i>11.5</i>	<i>8.6</i>	<i>9.3</i>	<i>8.7</i>
<b>Diversifiers</b>							
Absolute Return	1,330	9.8	4.1	6.7	3.5	4.4	5.8
Credit	512	3.8	4.9	9.3	5.6	5.8	7.1
Fixed Income	860	6.3	(2.9)	(3.1)	2.2	1.3	3.1
Cash	151	1.1	3.2	1.1	1.4	0.9	--
<b>Total Diversifiers</b>	<b>2,853</b>	<b>21.0</b>	<b>1.6</b>	<b>4.4</b>	<b>4.1</b>	<b>3.7</b>	<b>3.8</b>
<i>Bloomberg U.S. Treasury Bond</i>		<i>25.0</i>	<i>(1.7)</i>	<i>(2.5)</i>	<i>1.4</i>	<i>2.1</i>	<i>3.3</i>
<b>Portfolio Management and Overlays<sup>(1)</sup></b>	<b>(93)</b>	<b>(0.7)</b>	<b>(0.5)</b>	<b>(0.1)</b>	<b>(0.2)</b>	<b>(0.1)</b>	<b>--</b>

(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

UVIMCO Long Term Pool Historical Asset Allocation, as of June 30, 2023





# RISK MANAGEMENT

## Risk is the impact that a portfolio loss has on shareholders

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

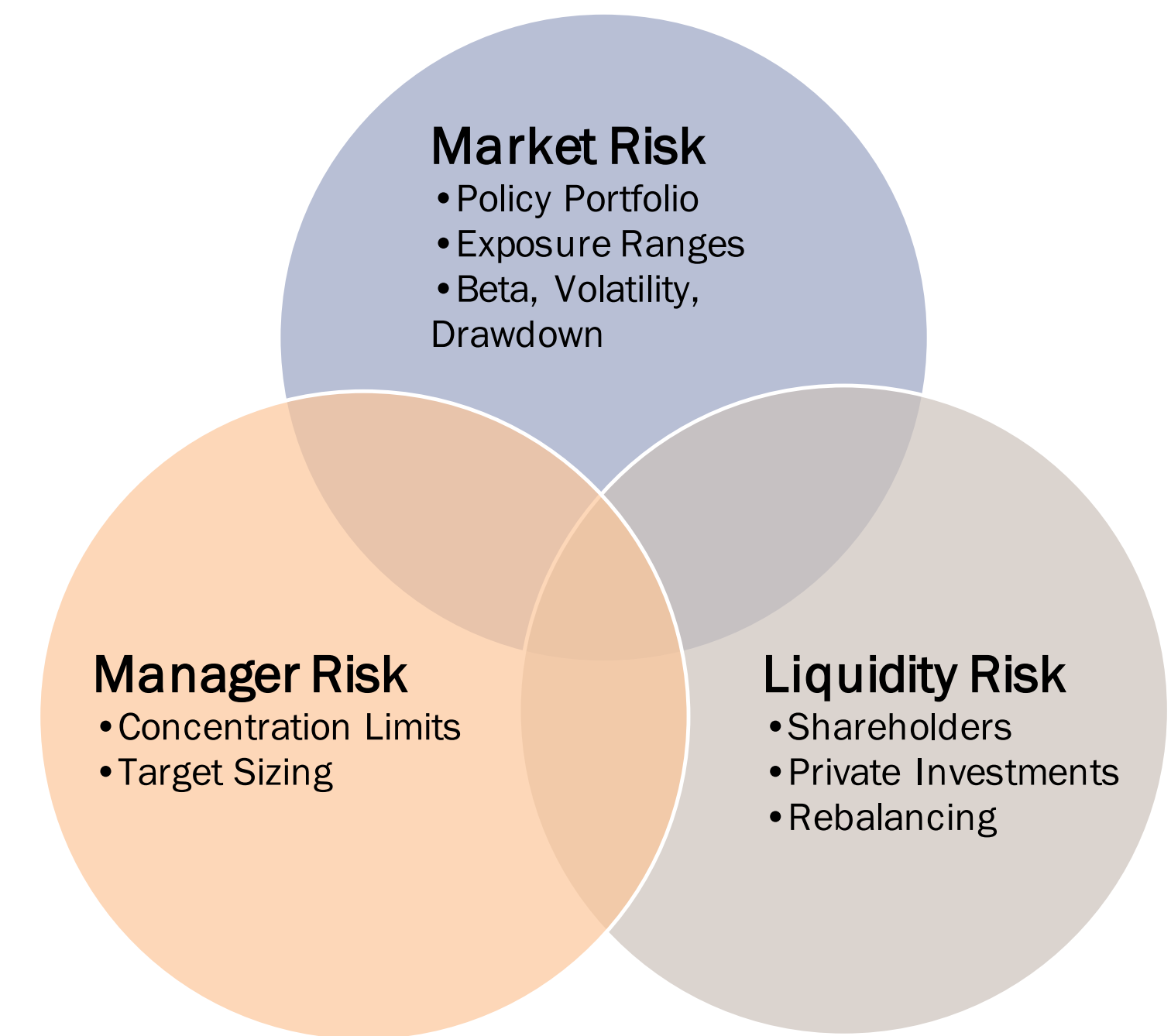


Trade-off between short-term and long-term risk

### Risk Management Framework

#### 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

Type	Risk Metrics	Policy	Actual As of June 30, 2023
Market Risk	Global Equity Beta	75%	78%
	Drawdown Risk (1.0% Value at Risk)	-22%	-23%
Liquidity Risk	Minimum 3-Month Liquidity	20%	28%
	Minimum 12-Month Liquidity	35%	44%
	Target to Private Investments	45%	45%
	Target Unfunded Commitments	20%	15%
Manager Risk	Maximum Concentration to a Single Manager	7.5%	5.0%



