



UNIVERSITY  
*of* VIRGINIA

**Board of Visitors Finance Committee Meeting**  
**June 7, 2019**



## **CONSENT AGENDA:**

1. Property Dispositions
2. Quasi-Endowment Action
3. Delegation of Signatory Authority for Medical Center Procurement of Blood Services and Products

## **ACTION ITEMS:**

1. 2019 Multi-Year Major Capital Plan Financial Plans
2. Extension of Debt Shelf Registration
3. Expansion of Commercial Paper Program Capacity
4. 2019-2020 Operating Budget

## **EXECUTIVE VICE PRESIDENT'S REMARKS**



# Property Dispositions

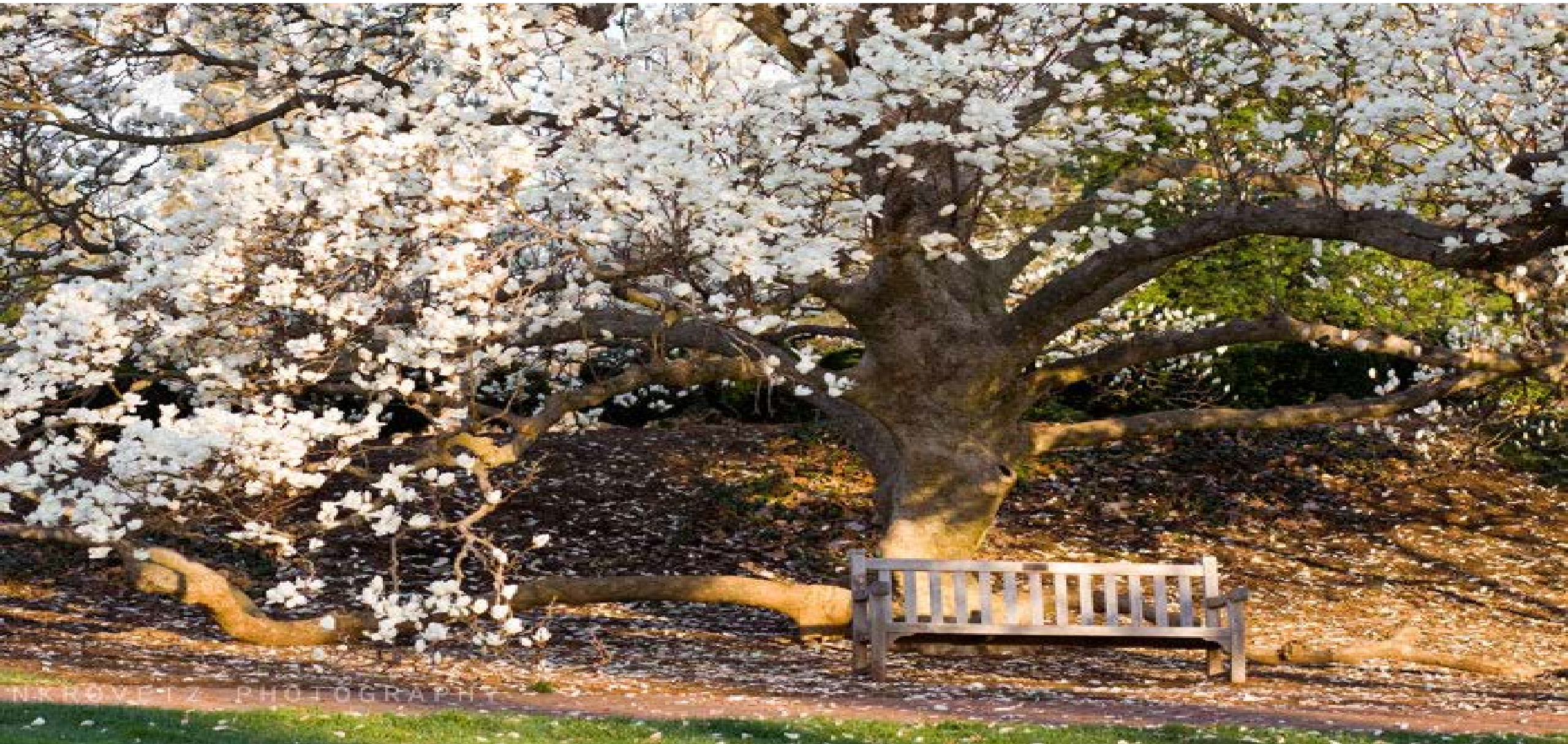
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## *Estate of Willis F. Abbey*

- UVA Children's Hospital named as a residuary beneficiary with 25% interest in two properties:
  - Residence at 2503 Woodhurst Road in Charlottesville, VA assessed at \$385,900
  - 55.4 acres of forested land in Granville, MA assessed at \$5,400 under Chapter 61 (Land Use under Forrestral District)

## *Estate of L. Sterling Phipps*

- UVA Rector and Visitors named as a residuary beneficiary with 25% interest in a residence at 1520 Seton Drive in Wilmington, DE listed at \$155,000
- Sale of these properties requires Board of Visitors approval



N. KROVETZ PHOTOGRAPHY



## QUASI-ENDOWMENT ACTION

# School of Continuing and Professional Studies

## Facility and Operations Unrestricted Quasi Endowment

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- BOV approved sale of UVA portion (40%) of Northern Virginia Graduate Center in March 2019
- Closing anticipated in Summer 2019
- SCPS wishes to establish a quasi-endowment with \$6,300,000 of sale proceeds
- Earnings will be used for facility and operating costs of SCPS in Charlottesville



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# DELEGATION OF SIGNATORY AUTHORITY FOR MEDICAL CENTER CONTRACT

# Delegation of Signatory Authority for Medical Center Contract

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- Board approves execution of any contract where annual spending exceeds \$5 million
- Medical Center has a contract (to procure blood products and services from American National Red Cross)
- Health System Board recommends approval of by the Finance Committee and the Full Board





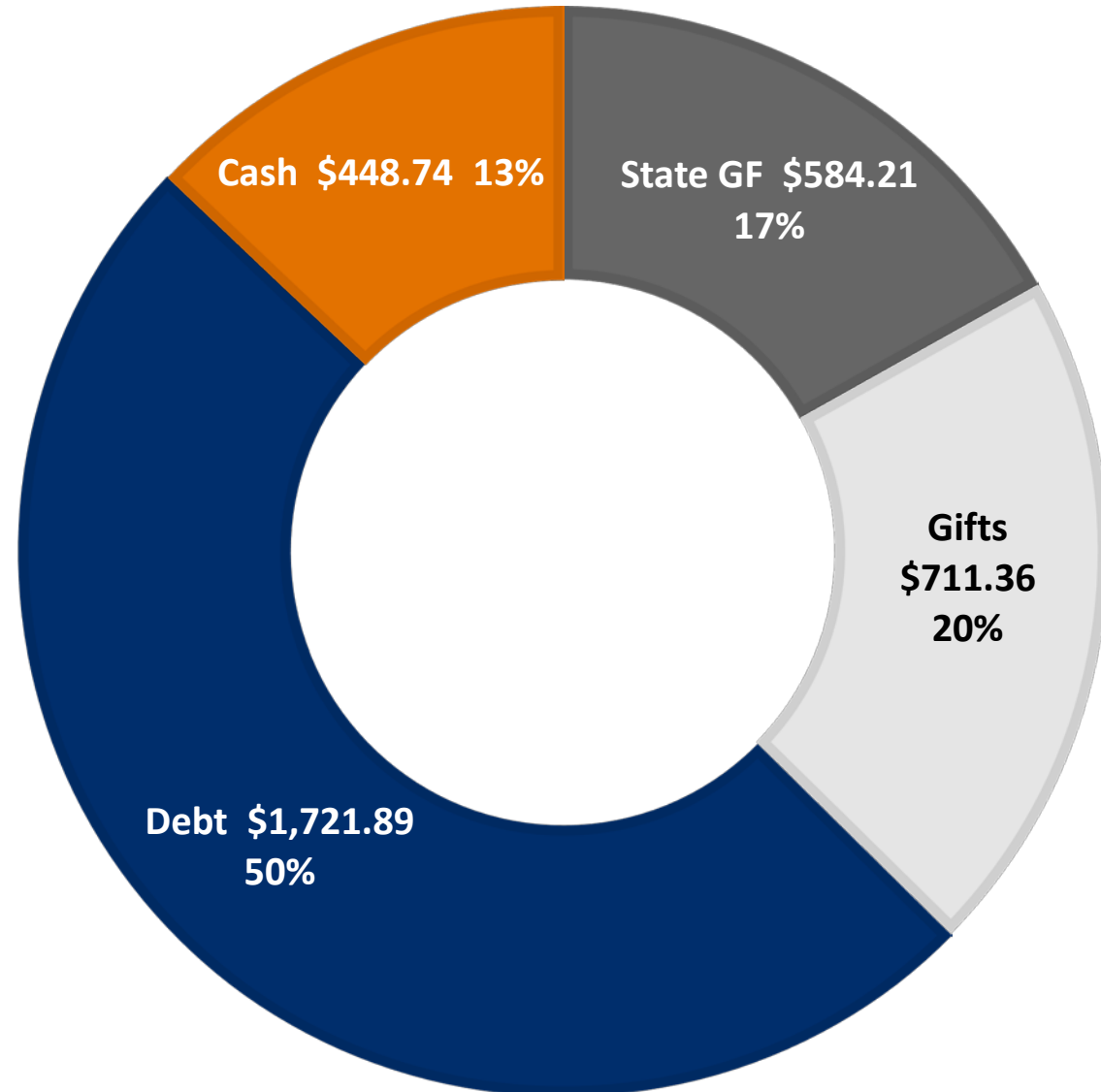


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# 2019 MULTI-YEAR MAJOR CAPITAL PLAN FINANCIAL PLANS

# Proposed 2019 Multi-Year Capital Program by Fund Source

**Total Major Capital Program = \$3.5B**  
(includes projects under construction and in planning)



# Revisions to Approved

## Academic Division Capital Projects Financial Plans

Project (\$ in millions)	Budget	GF	Gifts	Debt	Cash	Notes
Brandon Ave. Residence Hall Phase II	\$95.0			\$91.0	\$4.0	Increase budget by \$25.0M (change in project scope)
Gilmer Hall/Chemistry Building Renovation	\$197.0	\$146.7		\$42.5	\$7.8	Increase budget by \$10.2M and debt authorization by \$2.6M. \$7.6M cash from state
Low Temperature Hot Water Conversion	\$35.0			\$35.0		Increase budget by \$15.0M (change in project scope)
Physics Building Renewal	\$50.0					Increase budget by \$15.0M based on better cost estimates after planning
Softball Stadium	\$25.5		\$4.0	\$21.5		Increase project cost by \$5.5M based on actual construction bids
Student Health and Wellness Center	\$100.0		\$70.0	\$30.0		Change fund source from cash to debt for \$30.0M

# Proposed Financial Plans

## Academic Division & Health System Capital Projects

Project (\$ in millions)	Budget	GF	Gifts	Debt	Cash	Annual incremental operating costs
Athletics Complex Phase I	\$ 20.0		\$ 18.0		\$ 2.0	\$ 0.15
Data Science Facility	\$ 43.0		\$ 43.0			\$ 0.74
Athletics/North Grounds Parking Garage	\$ 35.0			\$ 35.0		\$ 0.25
Fontaine Infrastructure & Parking Garage	\$ 87.0			\$ 87.0		\$ 0.30
JPJ Arena Performance Center Renovation	\$ 8.0		\$ 8.0			N/A
Virginia Autonomous Systems Testing Facility (SEAS)	\$ 10.0	\$ 5.0	\$ 4.0	\$ 1.0		\$ 0.24
Ambulatory Clinic (tenant fit-out)	\$ 15.0				\$ 15.0	\$ 0.35
Biocomplexity Institute	\$ 12.9				\$ 12.9	\$ 0.86
Cancer Center - MRI LINAC	\$ 8.0				\$ 8.0	N/A



# Debt Shelf Registration

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- Provides flexibility to seek debt funding when market conditions are optimal
- Up to \$500 million within 18 months
- Allows for multiple modes and multiple tranches
- Anticipated price and close on first tranche in Fall of 2019
- Actions are in accordance with the BOV-approved debt policy (2/22/13)

# Debt Shelf Registration

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## Advantages of Shelf Registrations

Timing and frequency flexibility

Quicker to market (approx. one month)

Allows for structuring options under one registration

Once program is rated, issuance only requires notice to rating agencies

## Considerations

Generally positive reception by the rating agencies

Possible quarterly reporting requirements

# Commercial Paper Program Expansion

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## Current: \$300 million Commercial Paper Program

- Include tax-exempt & taxable

## Proposed: \$500 million Commercial Paper Program

- Include tax-exempt & taxable
- Add Extended Taxable Option







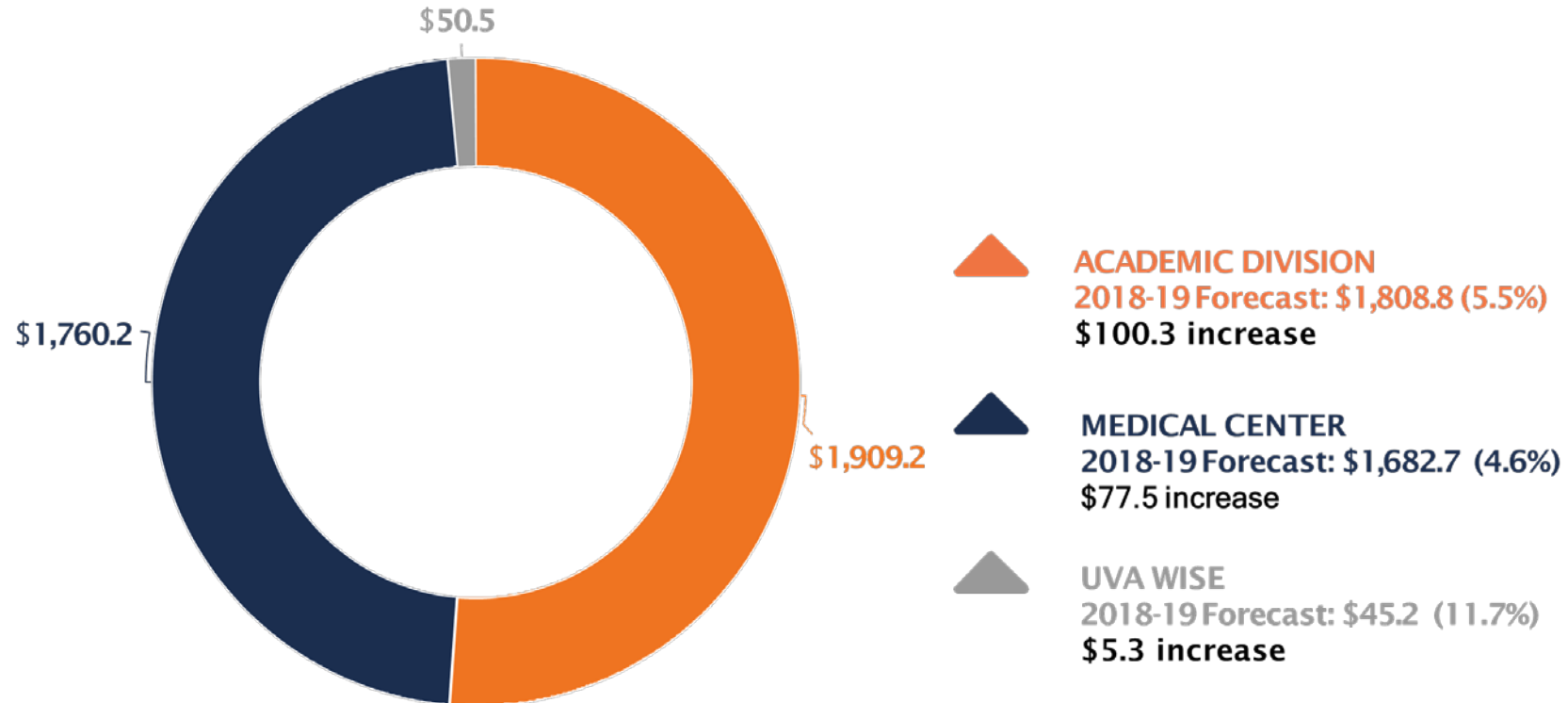
# 2019-2020 UNIVERSITY OPERATING BUDGET

# Overview of FY2019-20 Operating Budget

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- Consolidated UVA Operating Budget
- Academic Division
  - Operating Budget
  - Non-base Budget Items
  - Highlights from the Provost
- College at Wise Operating Budget
- Medical Center Operating Budget

# University of Virginia FY2019-20 Operating Budget (in millions)



2019-20 Total Annual Budget: \$3,719.8  
2018-19 Forecast: \$3,536.7  
5.2% increase



**2019-2020 OPERATING BUDGET  
ACADEMIC DIVISION**

# 2019-20 Academic Division Operating Budget

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## *Key Highlights*

- President and leadership team are developing the new strategic plan
- Continued focus on affordability with in-state undergraduate tuition remaining flat
- Base wage increase to \$15.00 for full-time University employees 1/1/2020
- Continued strength in philanthropic activity
- Establish new School of Data Science
- Research growth

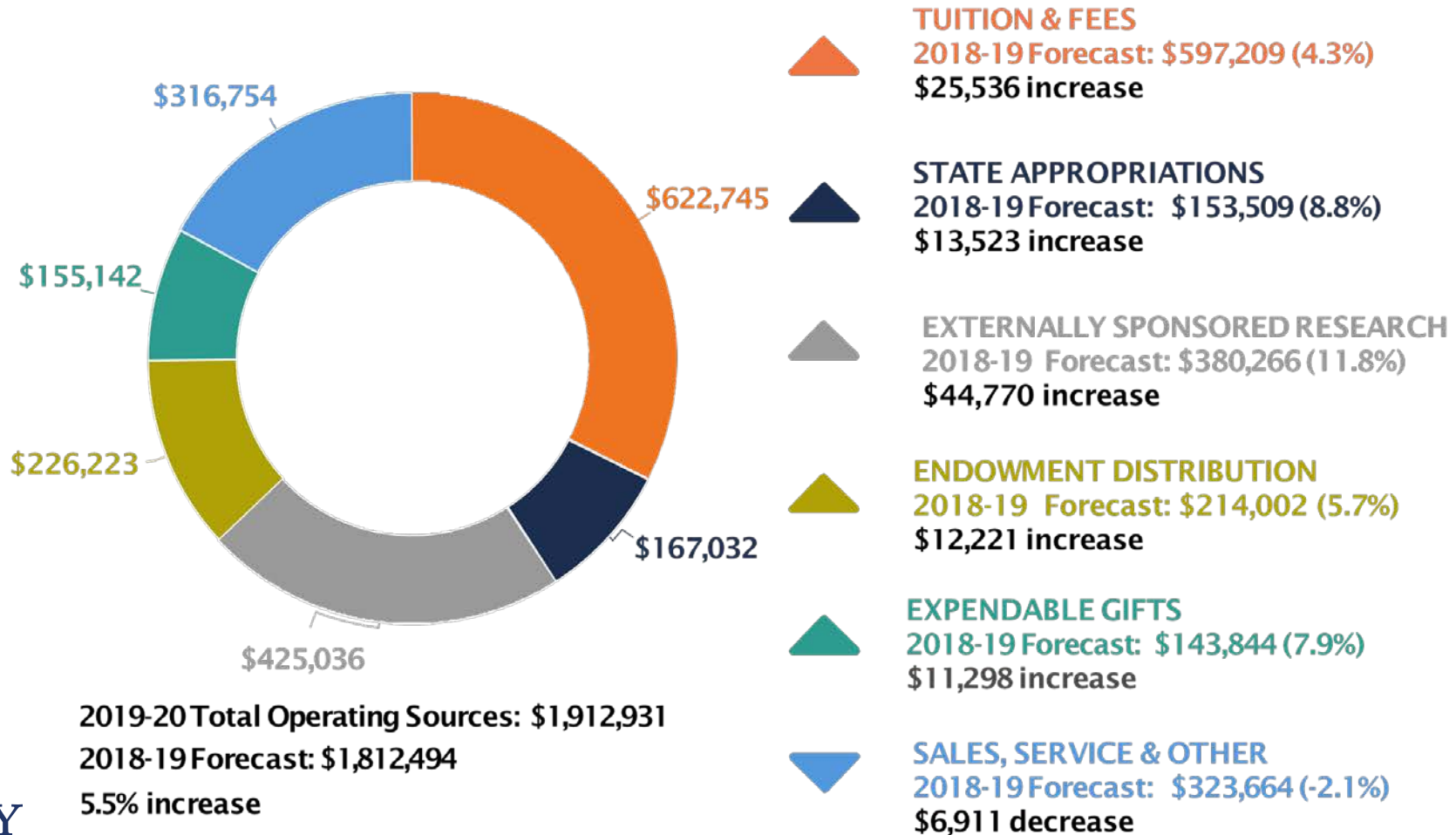
# Previously Reviewed with Board of Visitors

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## *Key Budget Elements*

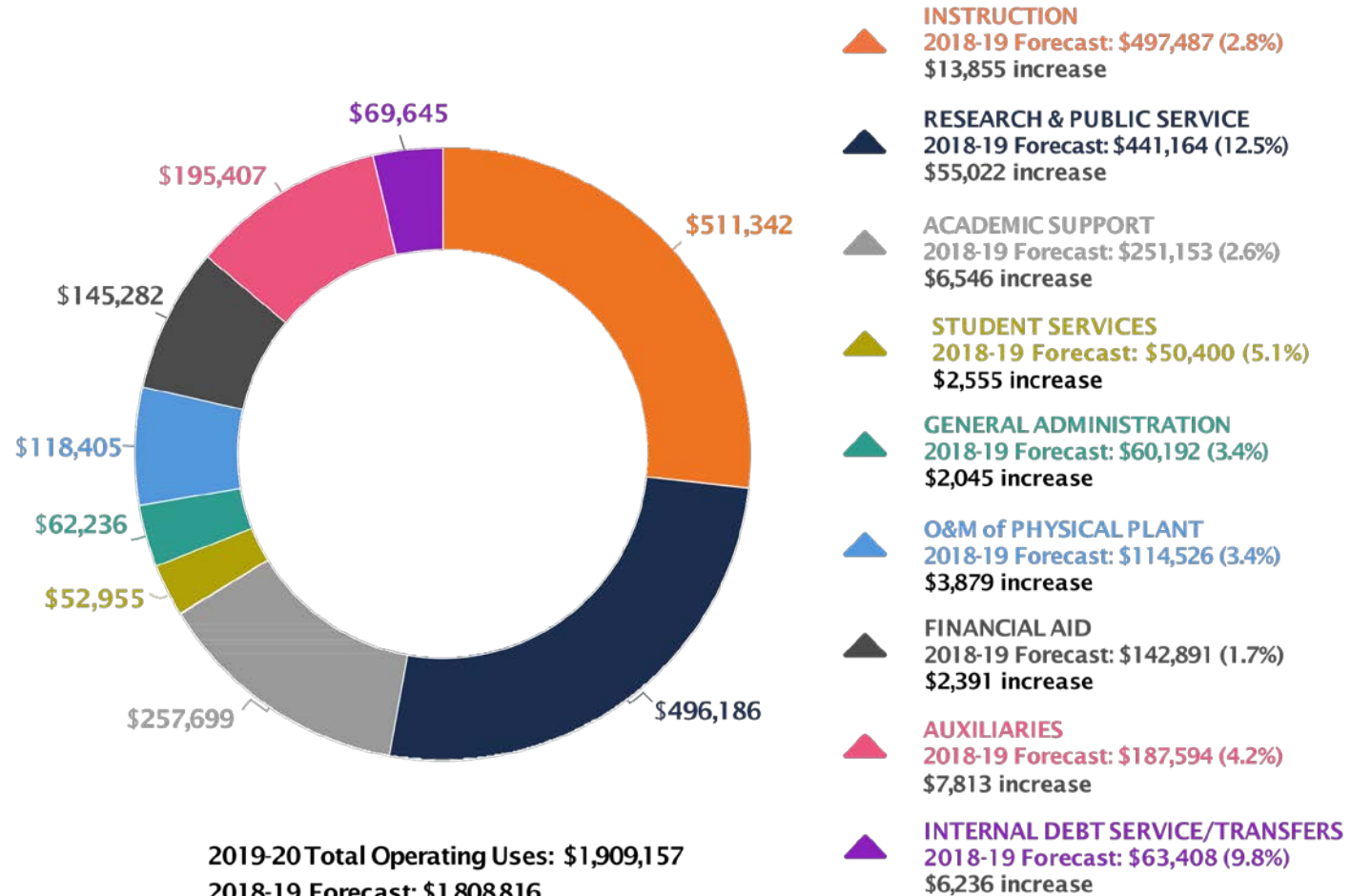
- ✓ State general funds appropriated
- ✓ Tuition, fees, housing, and dining rates
- ✓ Salary increases for faculty, staff and classified
- ✓ Endowment distribution rate
- ✓ Enrollment
- ✓ Sponsored research growth
- ✓ Philanthropy assumptions
- ✓ Inflationary increase in other than personal services
- ✓ Faculty hiring

# Academic Division: FY2019-20 Operating Sources (in thousands)



# Academic Division: FY2019-20 Operating Uses

## (in thousands)

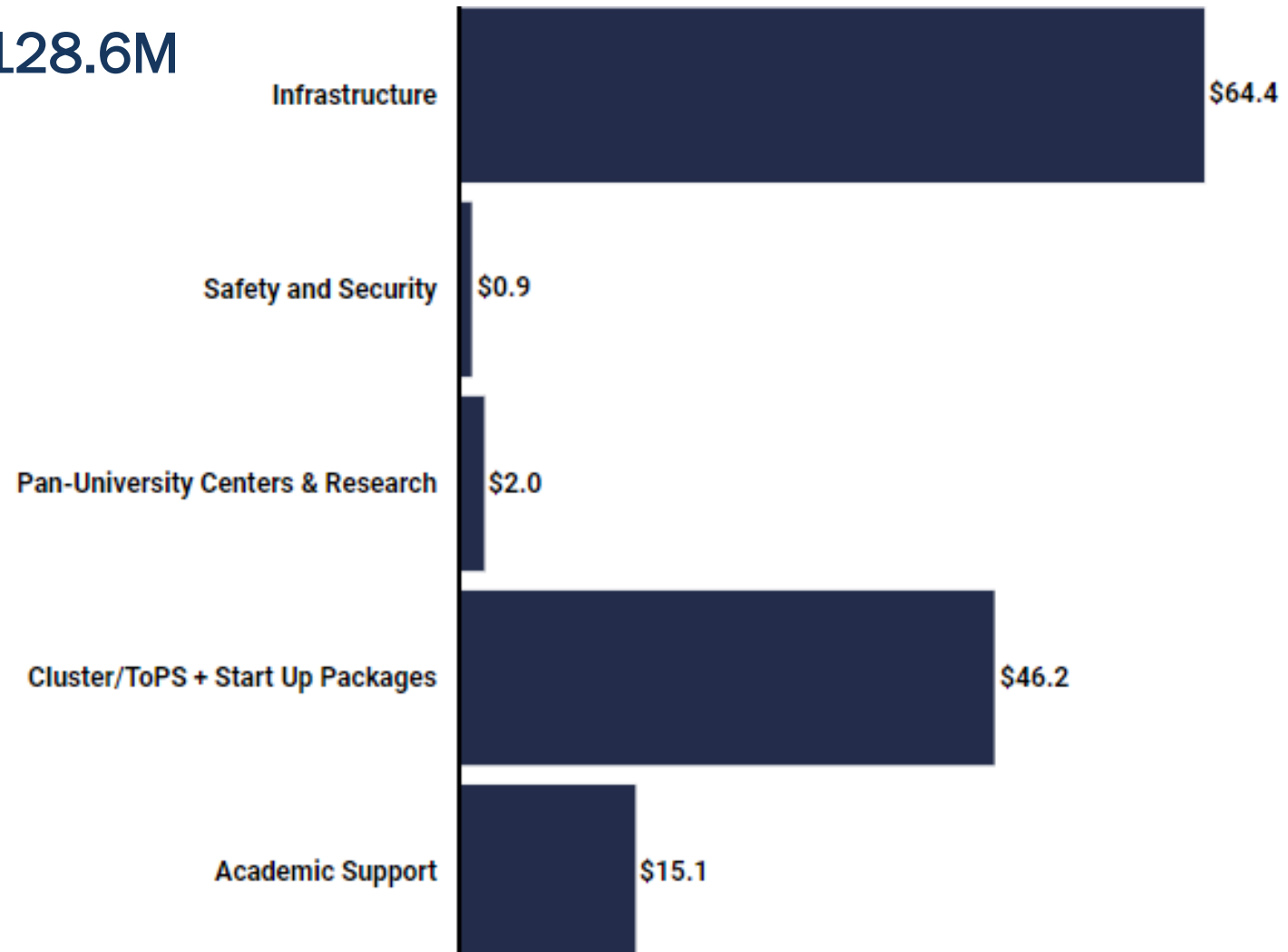


2019-20 Total Operating Uses: \$1,909,157  
 2018-19 Forecast: \$1,808,816  
 5.5% increase



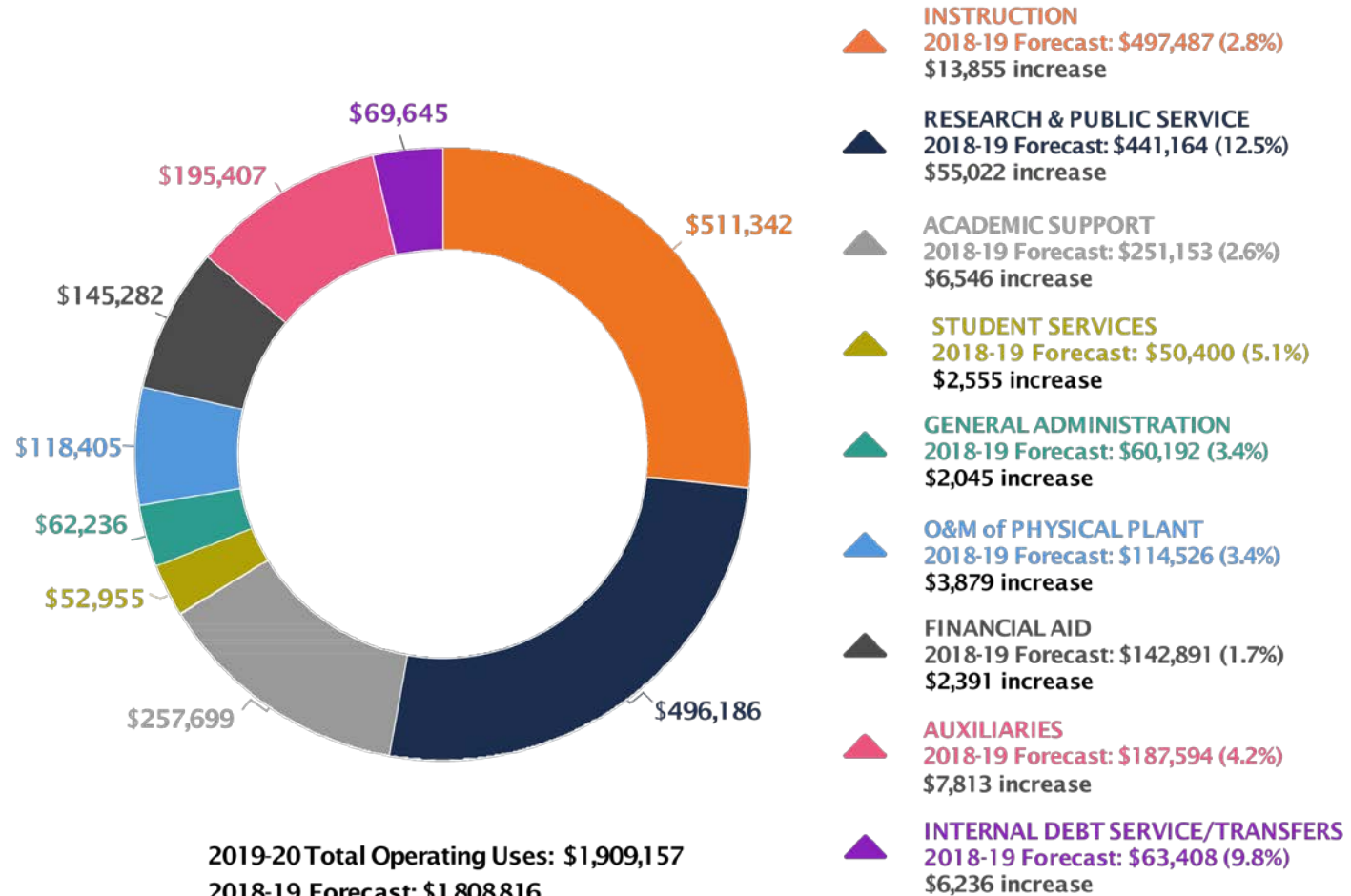
# Non-Base Budget Investments (in millions)

FY2020-FY2024 Total - \$128.6M



# Academic Division: FY2019-20 Operating Uses

## (in thousands)



# Strategic Investments in Research & Faculty

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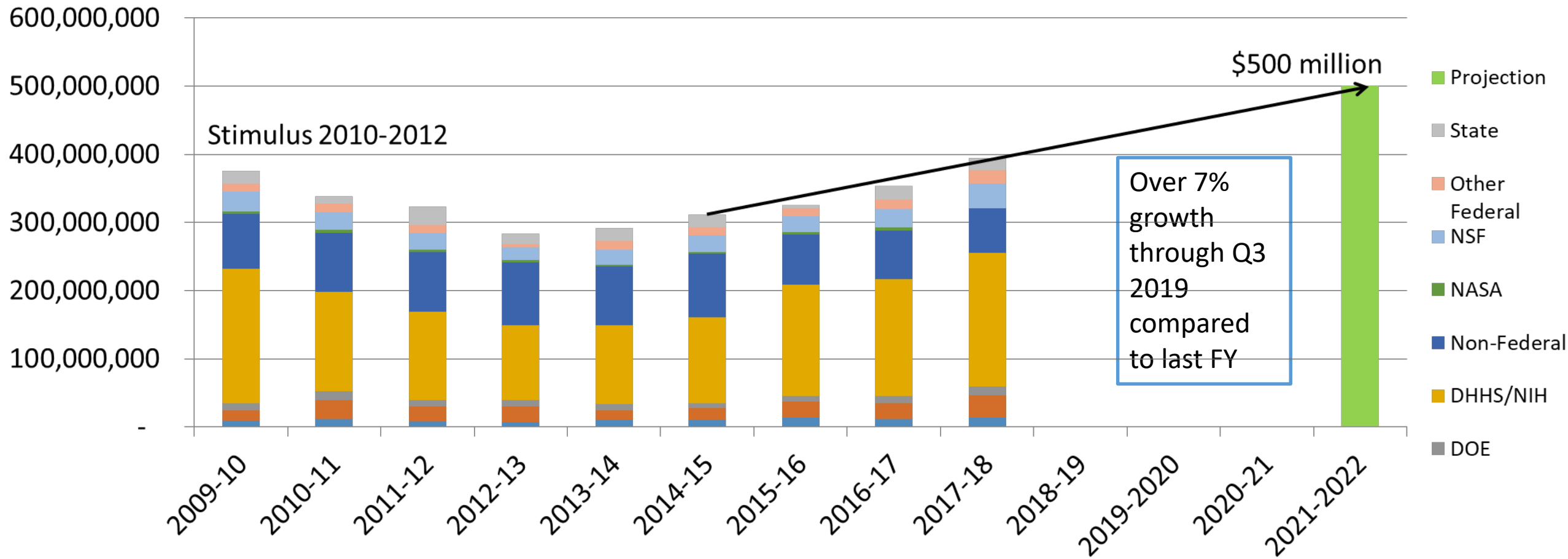
## Strengthen Research Operations & Development

- Reinventing Sponsored Programs
- ResearchNet
- Seed Funding

## Strengthen Faculty & Graduate Student Recruitment & Support

- Clusters, ToPs, Start-up Funds
- PhD+

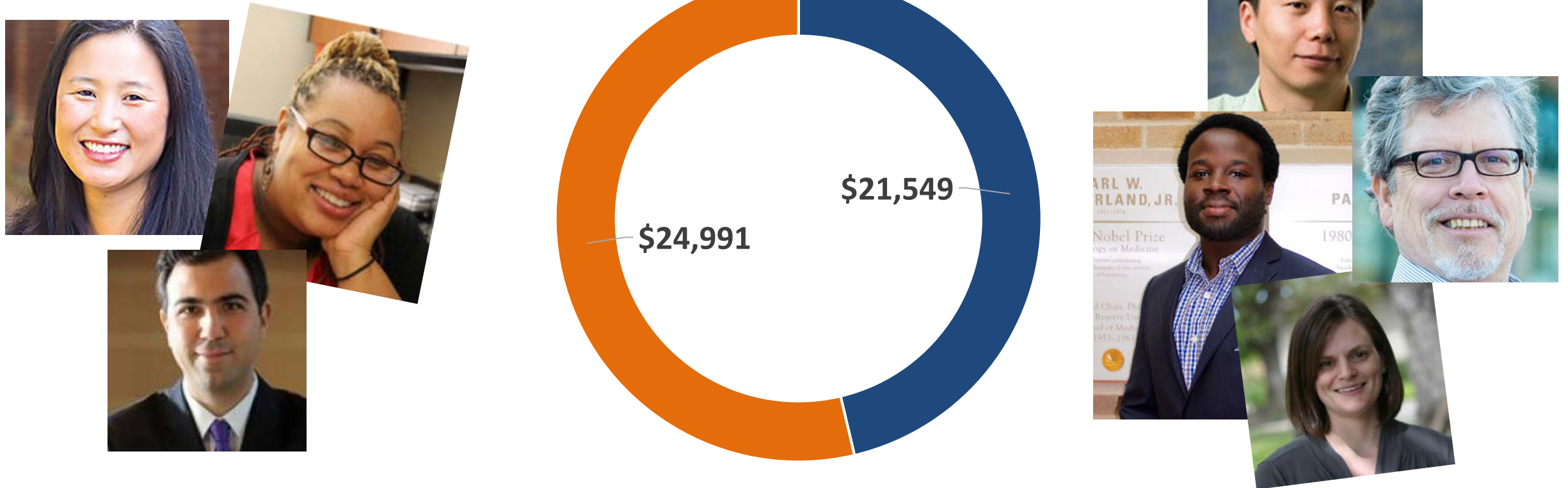
# Sponsored Research Awards Growth 2010-2018 and 2022 Goal



# \$45M Invested in Faculty Recruitment

Total Investment in Strategic Hiring to Date: Cluster / ToPs recruits and 50% startup commitment to undergraduate teaching faculty

(Actuals for FY 2017, FY 2018, & FY 2019, in the thousands)



# Research Successes

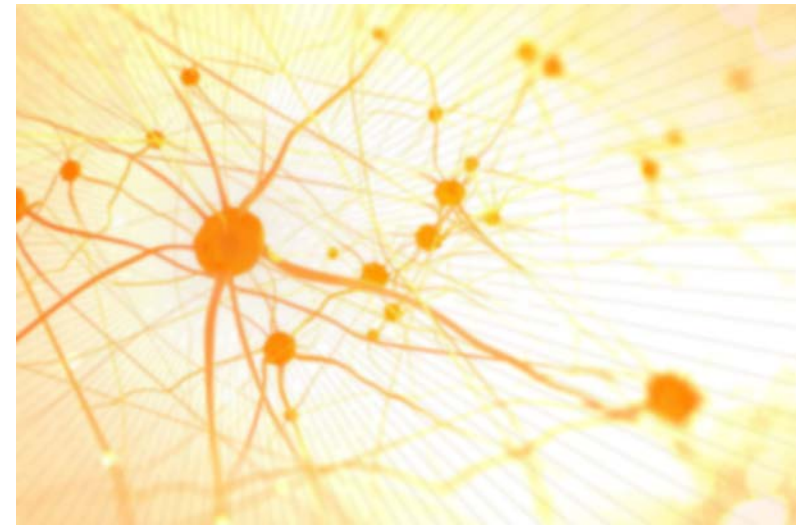
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## Artificial Pancreas for Diabetes Patients

- Calculates insulin, monitors and stabilizes blood sugar levels
- New company based on UVA technology: TypeZero, revolutionizing the treatment and management of type 1 and type 2 diabetes
- Acquired by DexCom, Inc for \$13 million

## Brain Research

- Revolutionizing our understanding of the brain
- New treatment options for neurological diseases
- Redefining our understanding of immunology
- Increased focus on autism







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# 2019-2020 OPERATING BUDGET MEDICAL CENTER



# Medical Center - Major Initiatives

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- Growth
  - Ambulatory Optimization
  - Tertiary/Quaternary Expansion
- Facilities / Infrastructure
  - Hospital Expansion
  - Ivy Mountain
  - Pinn Hall Renovation
- Cost Structure / Efficiencies
  - Clinical & Research Productivity
  - EPIC Provider Optimization
  - Supply Utilization Management
- Strategic Partnerships
  - Inova
  - Novant JOC
  - Encompass Health
  - Fortify

# Medical Center - FY 2019-20 Dashboard

Discharges				Acute Inpatient Stays			
	<u>FY20</u>	<u>FY19</u>			<u>FY20</u>	<u>FY19</u>	
	<u>Budget</u>	<u>Projected</u>	<u>% Var.</u>		<u>Budget</u>	<u>Projected</u>	<u>% Var.</u>
Medical Center	29,913	29,519	1.3%	Average Daily Census	501	495	1.3%
TCH	352	358	(1.7%)	All Payor CMI	2.09	2.08	0.5%
Hospital Discharges	30,265	29,877	1.3%	Avg Length of Stay (ALOS)	6.13	6.11	(0.2%)
Observation	5,037	5,027	0.2%	All Payor CMI Adj. ALOS	2.93	2.94	0.3%
Total Discharges	35,302	34,904	1.1%				
Adjusted Discharges	66,197	65,250	1.5%				

Outpatient Encounters				Surgeries			
	<u>FY20</u>	<u>FY19</u>			<u>FY20</u>	<u>FY19</u>	
	<u>Budget</u>	<u>Projected</u>	<u>% Var.</u>		<u>Budget</u>	<u>Projected</u>	<u>% Var.</u>
Outpatient Encounters	825,642	790,308	4.5%	UVA Main Hospital	18,585	18,011	3.2%
Emergency Room Enc.	45,542	43,311	5.2%	Battle Building	13,239	12,897	2.7%
				Total	31,824	30,908	3.0%

# Medical Center FY 2019-20 Budget Dashboard

	FY18 Actual	FY19 Forecast	FY20 Budget
<b>Revenues</b>			
Total Gross Charges	\$ 5,531,151,074	\$ 5,892,847,202	\$ 6,410,424,974
Less Deductions:			
Indigent Care Deduction	322,110,289	335,259,429	220,249,652
Bad Debt	108,989,588	91,762,284	97,199,578
Contractual Deduction	3,457,936,424	3,745,273,688	4,306,241,431
Total Deductions	3,889,036,301	4,172,295,400	4,623,690,661
Net Patient Revenue	1,642,114,773	1,720,551,802	1,786,734,313
Miscellaneous Revenue	52,821,251	52,472,763	51,162,117
<b>Total Revenue</b>	<b>1,694,936,024</b>	<b>1,773,024,565</b>	<b>1,837,896,430</b>
<b>Expenses</b>			
Expenses from Operations			
Operating Expenses	1,504,532,954	1,560,142,812	1,633,509,776
Depreciation and Amortization	98,686,661	102,094,295	108,210,113
Interest Expense	20,302,098	20,413,229	18,434,609
Total Expenses from Operations	1,623,521,713	1,682,650,336	1,760,154,498
<b>Operating Income</b>	<b>71,414,312</b>	<b>90,374,229</b>	<b>77,741,932</b>
Non-Operating Expense Transfers *	(76,413,729)	(42,023,118)	(53,385,768)
<b>Net Income After Transfers</b>	<b>\$ (4,999,418)</b>	<b>\$ 48,351,111</b>	<b>\$ 24,356,164</b>
<b>Statistics</b>			
Discharges - Medical Center	28,820	29,519	29,913
Discharges - Transitional Care Hospital	358	358	352
Outpatient Encounters	773,269	790,308	825,642
Emergency Room Billed Encounters	44,276	43,311	45,542
Average Length of Stay - Medical Center	6.34	6.11	6.13
Average Length of Stay - Transitional Care Hospital	28.40	27.58	27.10

\* Represents Medical Center Transfers to SOM. All other investment activity such as investment earnings and joint ventures are excluded from this presentation.



**2019-2020 OPERATING BUDGET  
COLLEGE AT WISE**

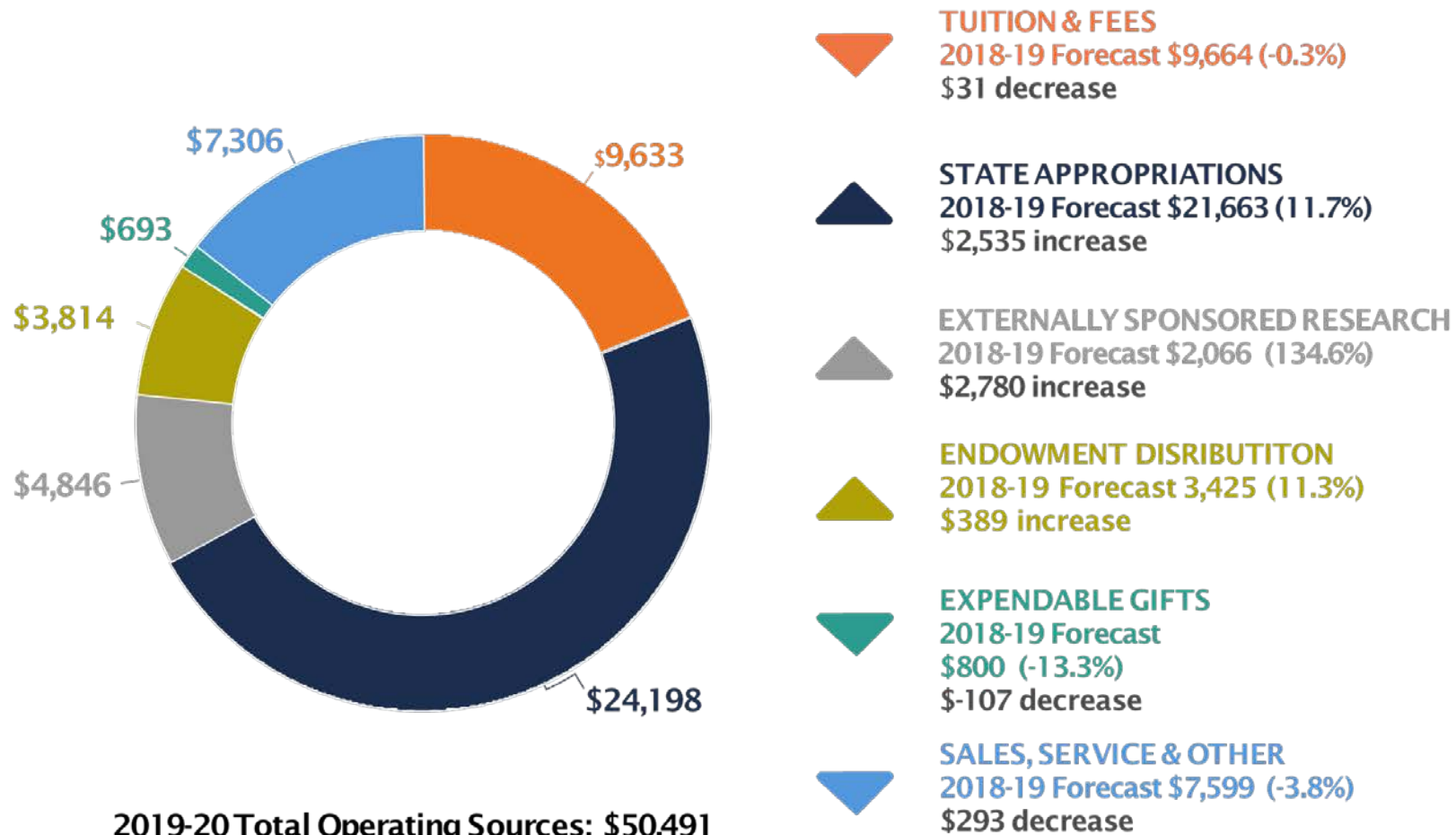
# College at Wise

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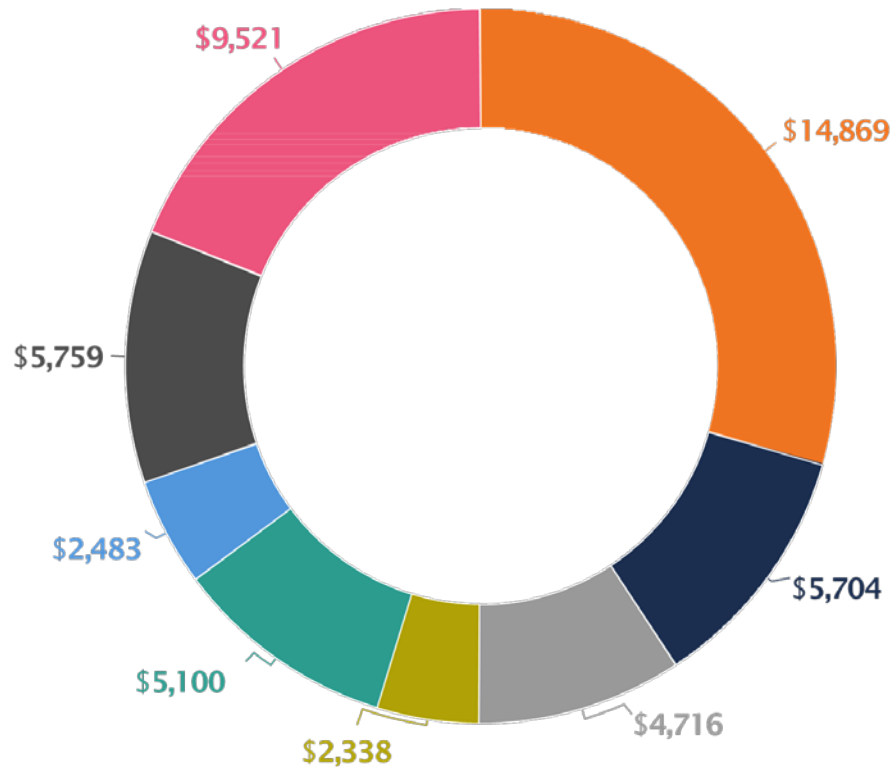
## *Strategic Priorities*

- Enrollment and Retention
- Marketing Initiatives
- Graduate Program-Master of Arts in Teaching (MAT)
- Other New Degree Programs:
  - BS Information Technology
  - Nurse Practitioner

# College at Wise: FY 2019-20 Operating Sources (in thousands)



# College at Wise: FY 2019-20 Operating Uses (in thousands)



2019-20 Total Operating Uses: \$50,491  
 2018-19 Forecast: \$45,217  
 11.7% increase

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**INSTRUCTION**  
 2018-19 Forecast: \$13,622 (9.1%)  
 \$1,246 increase
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**RESEARCH & PUBLIC SERVICE**  
 2018-19 Forecast: \$2,823 (102.0%)  
 \$2,881 increase
- ▼
**ACADEMIC SUPPORT**  
 2018-19 Forecast: \$4,816 (-2.1%)  
 \$-100 decrease
- ▲
**STUDENT SERVICES**  
 2018-19 Forecast: \$2,155 (8.5%)  
 \$183 increase
- ▲
**GENERAL ADMINISTRATION**  
 2018-19 Forecast: \$4,693 (8.7%)  
 \$407 increase
- ▲
**O&M of PHYSICAL PLANT**  
 2018-19 Forecast: \$2,046 (21.4%)  
 \$438 increase
- ▲
**FINANCIAL AID**  
 2018-19 Forecast: \$5,246 (9.8%)  
 \$514 increase
- ▼
**AUXILIARIES**  
 2018-19 Forecast: \$9,815 (-3.0%)  
 \$-294 decrease



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## EXECUTIVE VICE PRESIDENT'S REMARKS



# A History of Collaboration

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UVA and UVA-Wise have a long history of partnering, which occurs at multiple levels and across many units:

- Operational
- Economic Development
- Strategic Partnering



# Operational Collaboration

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UVA and UVA-Wise partner in many areas to create efficiencies, share best practices, and promote excellence.

Academic	Admissions	Advancement
Communications	Finance	Health System
Human Resources	Internal Audit	Capital Planning & Construction
Policy	Research	Safety & Security

# Economic Development Collaboration

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- Appalachian Prosperity Project (APP)
- Rural Virginia Initiative



# Strategic Partnering Task Force

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- **Goal**: Co-develop a plan for the continued success of UVA-Wise, so that they can continue to serve as a leader in education and economic development for far Southwestern VA
- **Deliverable**: Recommendations & Plan of Action
- **Timeline**: Present to senior leadership fall/winter 2019; present to BOV winter/spring 2020

- Understand current state
- Examine key drivers for sustainability
- Consider opportunities

# Finance Strategic Transformation

- **Phase 1** - Engaged in planning and assessment phase -- evaluated current state processes and systems and developed a proposed plan for finance transformation.
- **Phase 2** – Will develop and address a reporting vision, a foundational data model, business process remediation, and other key activities prior to implementation
- **Co-Sponsors** – Chief Operating Officer and Provost

<i>Status</i>	<b>Phase 1 Planning Completed, April 2019</b>	<b>Phase 2 Readiness May - December 2019</b>	<b>Phase 3 Implementation TBD</b>
Description	<p><i>Completed, April 2019</i></p> <ul style="list-style-type: none"> <li>• Defined scope and deployment strategy</li> <li>• Developed business case</li> <li>• Initiated reporting and analytics strategy</li> <li>• Initiated Chart of Accounts (CoA) redesign</li> <li>• Initiated Planning &amp; Budget pilot</li> </ul>	<p><i>In Process, Through Dec. 2019</i></p> <ul style="list-style-type: none"> <li>• Define reporting and analytics architecture</li> <li>• Prototype business processes</li> <li>• Confirm change impacts and change management strategy</li> <li>• Refine CoA design</li> <li>• Mobilize for Phase 3</li> </ul>	<p><i>To Be Brought at Later Date</i></p> <ul style="list-style-type: none"> <li>• Transform business processes</li> <li>• Design system</li> <li>• Configure system</li> <li>• Test system</li> <li>• Manage change</li> <li>• Go Live</li> <li>• Stabilize and provide support</li> </ul>

# Six-Year Plan

- State-required plan that addresses institutional academic, financial, and enrollment plans
- Will include proposal for an Institutional Partnership Performance Agreement (IPPA) with the Commonwealth

