



THE RECTOR AND VISITORS OF THE
UNIVERSITY OF VIRGINIA

March 1, 2024

MEMORANDUM

TO: The Finance Committee:

Robert M. Blue, Chair
James B. Murray Jr., Vice Chair
Carlos M. Brown
Thomas A. DePasquale
Paul B. Manning

John L. Nau III
Rachel W. Sheridan
Douglas D. Wetmore
Robert D. Hardie, Ex Officio

and

The Remaining Members of the Board:

Mark T. Bowles
Elizabeth M. Cranwell
U. Bertram Ellis Jr.
The Honorable Paul C. Harris
Babur B. Lateef, M.D.

Stephen P. Long, M.D.
The Honorable L.F. Payne
Amanda L. Pillion
Patricia A. Jennings, Faculty Member
Lillian A. Rojas, Student Member

FROM: Susan G. Harris

SUBJECT: Minutes of the Meeting of the Finance Committee on March 1, 2024

The Finance Committee of the Board of Visitors of the University of Virginia met, in open session, at 8:32 a.m. on Friday, March 1, 2024. James B. Murray Jr., Vice Chair, presided.

Committee Members present: Robert D. Hardie, Carlos M. Brown, Thomas A. DePasquale, Paul B. Manning, John L. Nau III, Rachel W. Sheridan, and Douglas D. Wetmore

Mark T. Bowles, Elizabeth M. Cranwell, U. Bertram Ellis Jr., The Honorable Paul C. Harris, Babur B. Lateef, M.D., Stephen P. Long, M.D., The Honorable L.F. Payne, Amanda L. Pillion, Patricia A. Jennings, and Lillian A. Rojas also attended.

Present as well were James E. Ryan, Ian B. Baucom, Jennifer Wagner Davis, K. Craig Kent, M.D., Susan G. Harris, Clifton M. Iler, Kennedy Kipps, Megan K. Lowe, Mark M. Luellen, David W. Martel, Augie Maurelli, Clark L. Murray, Margaret G. Noland, Debra D. Rinker, Margot M. Rogers, and Colette Sheehy.

Vice Chairman Murray began the meeting by reviewing the agenda. He asked Ms. Davis to present the action items.

Consent Agenda Item: The University of Virginia’s College at Wise Center for Teaching Excellence Tuition Reduction

The Board of Visitors sets undergraduate, graduate, professional, and special program tuition and fees for the Academic Division and for The University of Virginia’s College at Wise (the College at Wise). The College at Wise Center for Teaching Excellence provides undergraduate-level courses that meet the needs of teachers with 1) a provisional teaching license who are seeking full licensure as well as those with 2) full teaching licenses seeking recertification. The College at Wise presented tuition and fee rates for two academic years for undergraduate tuition and fees to the College at Wise Board in November 2023, and the Board of Visitors in December 2023.

The College at Wise wishes to reduce its Center for Teaching Excellence 2024-25 and 2025-26 academic year cost per credit hour for the K-12 Educators licensure and recertification. In the interest of affordability and program competitiveness, the College at Wise recommends reducing the cost of the Center for Teaching Excellence’s licensure courses to \$199 per credit hour and its recertification courses to \$116 per credit hour. This recommendation allows the Center to remain competitive with local and regional providers who have created similar programs, as well as online programs such as iTeach who are working to penetrate the Virginia market. The College at Wise Board approved this reduction at its February 2 meeting.

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

THE UNIVERSITY OF VIRGINIA’S COLLEGE AT WISE CENTER FOR TEACHING EXCELLENCE TUITION

WHEREAS, the Board of Visitors sets undergraduate, graduate, professional, and special program tuition and fees for the Academic Division and for The University of Virginia’s College at Wise; and

WHEREAS, the Board of Visitors seeks to keep tuition and fee rates at an affordable level while continuing to meet 100% of financial need, and to offer affordable programming to teachers across the Commonwealth; and

WHEREAS, the College at Wise desires to reduce the cost per credit hour for the licensure and recertification courses in the Center for Teaching Excellence, in order to remain competitive with local, regional, and online providers with similar programs;

RESOLVED, rates for the College at Wise cost per credit hour for K-12 educators Licensure and Recertification are approved as shown below, effective July 1, 2024, and July 1, 2025.

UVA Wise Center for Teaching Excellence Tuition Rate (Undergraduate, In-State & Out-of-State)	2023-2024 Approved	2024-2026 Proposed	Change	Percent Change
K-12 Educators, Licensure (per credit hour)	\$224	\$199	\$-25	-12.6%
K-12 Educators, Recertification (per credit hour)	\$133	\$116	\$-17	-14.7%

Action Item: Major Capital Projects Financial Plans

The Buildings and Grounds Committee determines whether a project should be added to the Major Capital Projects Program, and the Finance Committee evaluates whether there is a sound financing plan to pay for the estimated project cost and additional operating costs that are expected once a project is complete.

The Executive Vice President and Chief Operating Officer (EVP-COO) has responsibility to confirm that appropriate funding is in place before any project commences construction. Ms. Davis presented three capital project financial plans for consideration:

- **Institute of Biotechnology:**
 - The Institute of Biotechnology building, located at the Fontaine Research Park, will be a highly efficient, state-of-the-art facility that will provide modern, flexible laboratory space to accommodate a wide range of disciplines.
 - The five-story, 350,000 GSF facility will include research laboratory space, expanded animal research facilities, core facilities, and a cGMP/viral vector facility for researchers and partnering biotechnology companies.
 - In addition, the facility will provide amenities for the Fontaine Research Park including a café and conference center.
 - The building will encourage impactful collaboration among researchers within the park and across Grounds.
 - The estimated total project budget is \$350M and will be funded by private philanthropy from Paul Manning (\$100M) and debt (\$250M).
 - Debt will be repaid from a combination of Commonwealth funds, use of the Strategic Investment Fund (SIF), operating funds from the University Fund, and potential additional sources including, but not limited to, philanthropic gifts and future financial and administrative (F&A) costs.
- **Hereford Residential College HVAC Upgrade:**
 - The proposed project will upgrade the existing HVAC in the Hereford Residential College from a two-pipe to four-pipe system, as well as replace the existing fan coil units which have been discontinued and are difficult to maintain.
 - Aligned with the 2030 Plan, this project will enhance the student experience by improving the quality of residential living, allowing residents the ability to control their desired comfort levels by switching between heating and cooling in their rooms and addressing humidification issues in the facilities.
 - In addition, the project will increase overall building efficiency and extend the useful life of these facilities.
 - The estimated total project budget is \$11.4M and will be funded by housing cash reserves.
- **UVA Hospital South Tower Fit-Out:**
 - This project will fit-out three shell floors of the UVA Hospital South Tower (floors 6, 7, and 8).
 - Once complete, the three floors will provide additional beds to accommodate increased demand for acute oncology services, a neonatal intensive care unit (NICU), and an adult intensive care unit (ICU).
 - The estimated total project budget is \$120M and will be funded by Medical Center operating cash (\$55.1M) and Medical Center strategic funds (\$64.9M).

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

MAJOR CAPITAL PROJECT FINANCIAL PLANS

WHEREAS, the financing plan for the Institute of Biotechnology calls for the use of gifts in the amount of \$100.0M and debt in the amount of \$250.0M; and

WHEREAS, the financing plan for the Hereford Residential College HVAC Upgrade calls for the use of housing cash reserves in the amount of \$11.4M; and

WHEREAS, the financing plan for the UVA Hospital South Tower Fit-Out calls for the use of Medical Center operating cash in the amount of \$55.1M and strategic funds in the amount of \$64.9M.

RESOLVED, the Board of Visitors approves the financial plans for the Institute of Biotechnology, the Hereford Residential College HVAC Upgrade, and the UVA Hospital South Tower Fit-out.

Action Item: Signatory Authority for Academic Division Contracts

The Board of Visitors is required to approve the execution of any contract where the amount per year is in excess of \$5M. The Academic Division would like to award contracts to firms associated with the RFPs for the provision of custodial services, and for a portion of the University's buildings and technology solutions (including, desktops, laptops, tablets, peripherals, high-performance computing, and related services sourced from original equipment manufacturers). The annual spend for each contract is expected to exceed \$5M per year.

- Custodial Services: three-year term with two additional two-year renewal options; \$5.5M in spend per year; \$16.5 over the first term of the contract (three years). This will be one award.
- Technology Solutions: five-year term with two additional five-year renewal options, totaling 15 years; also includes 13 of Virginia's senior public universities – total combined spend in FY23 was \$80M; \$15M of which was UVA's. Estimating four awards.

Spend with both is variable and will fluctuate year to year based upon UVA department orders.

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

SIGNATORY AUTHORITY FOR CONTRACTS FOR BUILDING MAINTENANCE AND WITH QUALIFIED ORIGINAL EQUIPMENT MANUFACTURERS OF COMPUTING TECHNOLOGY AND SERVICES

RESOLVED, the Board of Visitors authorizes the Executive Vice President and Chief Operating Officer to execute the contracts with awardee(s) associated with 1) the RFP for the provision of custodial services for a portion of the University's buildings, and 2) the RFP for the provision of technology solutions, including but not limited to desktops, laptops, tablets, peripherals, high-performance computing, and related services sourced from original equipment manufacturers.

Action Item: Signatory Authority for Medical Center Contracts

The Medical Center has two contracts that each exceed \$5M in annual spend: one for CAR T-cell therapies with Cardinal Health 105, LLC, and the second for international staffing with Health Carousel, LLC d/b/a Passport USA. The Cardinal Health 105, LLC contract will provide UVA Health with ongoing access to Kite & Novartis CAR T-cell therapies, a life-saving treatment for pediatric and adult oncology patients. Projected spend is \$15M per year, \$75M over five years.

Health Carousel LLC d/b/a Passport USA is a current contracted provider of foreign travel-to-permanent nurses for the Medical Center. This was last brought to the Board in December 2022, when committing to an additional 75 placements (110 total) comprising \$10.4M annual spend for the three-year commitment. We are now expanding our contract to include up to 200 nurses in total, and up to 20 medical lab technologists: 90 additional nurses = \$12.5M annual spend, \$37.5M for three-year commitment; 20 medical lab technologists = \$2.7M annual spend, \$8.1M for three-year commitment; total amendment value = \$15.2M annual spend, \$45.6M for three-year commitment.

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

SIGNATORY AUTHORITY FOR MEDICAL CENTER CONTRACTS WITH CARDINAL HEALTH 105, LLC AND HEALTH CAROUSEL, LLC D/B/A PASSPORT USA

RESOLVED, the Board of Visitors authorizes the Executive Vice President and Chief Operating Officer to execute the contracts on behalf of the Medical Center with Cardinal Health 105, LLC for CAR T-cell therapies, and Health Carousel, LLC d/b/a Passport USA for international staffing.

2024 General Assembly Report

Ms. Davis said the session is underway and scheduled to adjourn on March 9, 2024. She showed several slides on legislation proposed in this session of the General Assembly. The Governor proposed \$2M in one-time funding for campus safety and security initiatives, which was removed by both the House and Senate. The House provides nearly \$8.5M in each year for additional operating support, which is intended to mitigate tuition increases. The House also allocates funding to several UVA-specific initiatives: Virginia Foundation for the Humanities, Blandy Farm which is the State Arboretum, focused ultrasound, and the Prince William mobile mammography van operated by UVA Health. The Senate provides \$8.6M over the biennium – \$3.6M in FY25 and just over \$5M in FY26 – for additional operating support and undergraduate and graduate financial aid.

With relation to biotechnology, the Governor included a total of \$100M to establish a Virginia research triangle to include UVA, Virginia Tech, and VCU. Of this amount, up to \$55M was allocated to UVA subject to entering into a MOU with the Virginia Innovation Partnership Authority (VIPA). The House provides a total of \$61.5M over the biennium to UVA for biotechnology: \$6.5M in FY25 and \$40M in FY26 for operations and \$7.5M in each year for equipment. The Senate provides \$36M over the biennium, split evenly between the two years.

Employee compensation: the Governor included a 1% base salary increase for all state employees in FY25, as well as one-time 1% bonuses in each year. The House budget provides 3% base salary increases in each year and the Senate provides 2.5% base salary increases in each year. To note, both the House and Senate eliminate the one-time bonuses proposed by the Governor.

General fund support for UVA-Wise: the Governor proposed \$150K in one-time funding for campus safety and security initiatives, which was removed by both the House and Senate. The House provides nearly \$1M each year for additional operating support, which is intended to mitigate tuition increases. The House also allocates \$350K each year from the equipment trust fund (ETF) to supply first-year students with technology such as iPads and related accessories (e.g., keyboards, pencils, earbuds). The Senate provides approximately \$1.3M over the biennium, split

almost evenly between the two years, for additional operating support and undergraduate financial aid.

In terms of capital, the House provided for state general funds to build out space in the Student Health & Wellness Center to enhance student mental health care. The Senate authorized planning for the Center for the Arts using UVA funds (\$15.3M NGF). For the College at Wise, all three budgets include planning authorization for the renovation of Darden Hall. The House and Senate conferees are now working through their differences.

Endowment Report: Market Value and Performance as of December 31, 2023

UVIMCO's chief executive officer, Mr. Robert Durden, provided an overview of the current market environment and the asset allocation, performance, and liquidity position of the Long-Term Pool as of December 31, 2023, and addressed questions from the committee. His presentation is attached to these Minutes.

Executive Vice President's Remarks

Ms. Davis shared several topics with the committee: affordable housing, a recent survey on places to work, the current status of operational and efficiency work, and steps taken in developing the operating budget in order to bring it to the Board for their consideration at the June meeting.

Vice Chairman Murray adjourned the meeting at 9:59 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>

ATTACHMENT



UVIMCO REPORT ON ENDOWMENT

OUTLINE

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

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CHAIR
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Trilogy Search
Partners, LLC



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Jr.
Chairman, President,
and CEO, Park Hotels
& Resorts



John Connaughton
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George Martin
Partner,
McGuireWoods LLP



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



Andrew Mulderry
Co-CIO, Willett
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James Murray
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Managing Partner,
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Ventures;
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Presidential
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Timothy O' Hara
Head of Banking,
Corporate &
Investment Bank,
Wells Fargo &
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Elizabeth
Weymouth
Founder and
Managing Partner,
Grafine Partners

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Robert Durden
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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

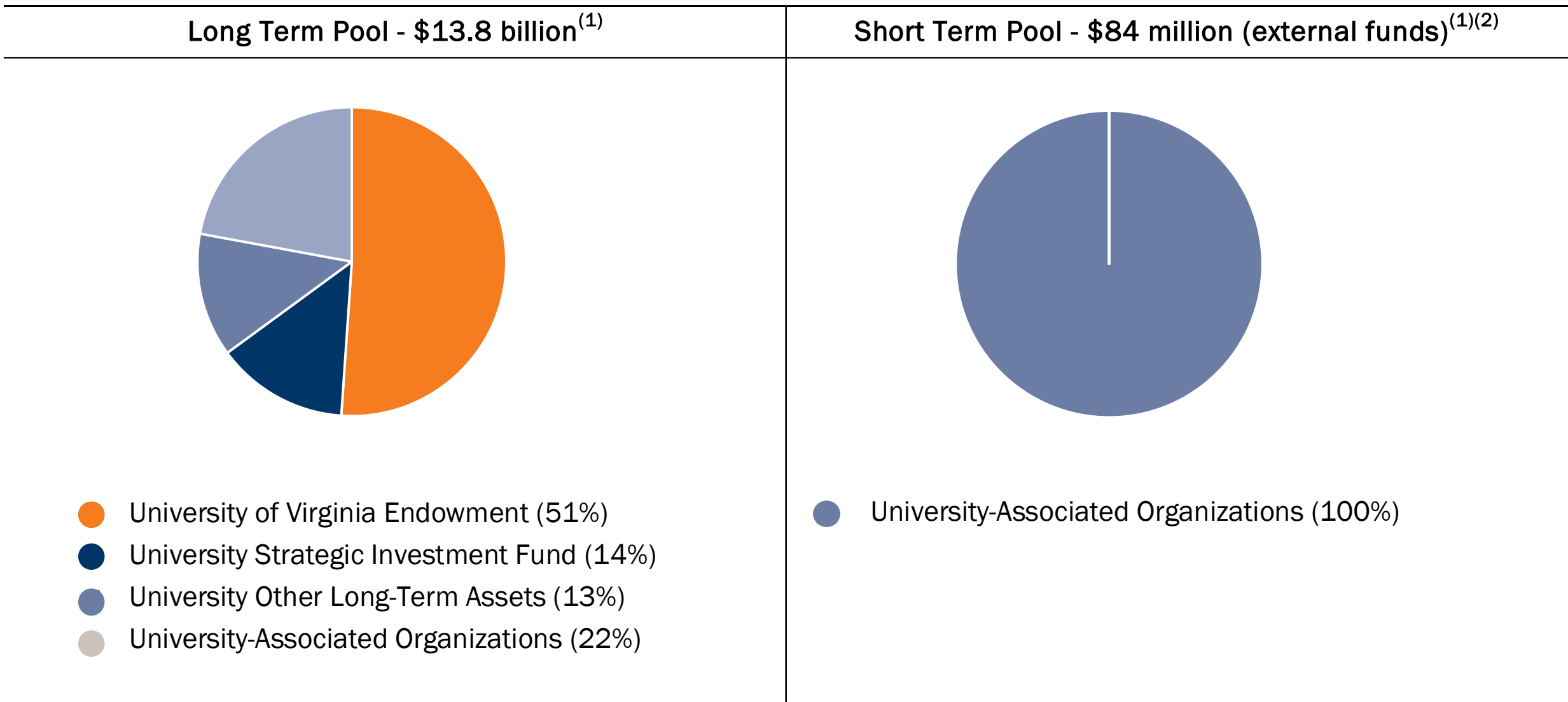


Jason Love
Managing Director



Sargent McGowan
Managing Director

ASSETS UNDER MANAGEMENT



(1) Data as of December 31, 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

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 12/31/2023</i>	1 YR	3 YR	5 YR	10 YR	20 YR
Long Term Pool	4.7	7.0	11.5	9.2	9.7
Policy Portfolio	17.9	4.2	9.5	7.0	7.1
Relative	(13.2)	2.8	2.0	2.1	2.6

- In CY23, the primary drivers of the LTP's relative underperformance versus the policy portfolio were 1) allocation to private strategies and 2) public portfolio tilts underperforming strong global equity returns.
- The value of private investments typically lags public markets (in either direction) and becomes even more pronounced when markets differ from their long-term average (~8%).
- Public Equity and Long/Short Equity suffered from outsized exposure to emerging markets, small caps, and biotech, and underexposure to the mega cap technology companies that drove the market rally in 2023.
- Evaluating the LTP performance over longer time horizons and investing with a long-term focus are key to our investment approach and success.

PERFORMANCE

Long Term Pool and Policy Portfolio Performance Detail

<i>As of December 31, 2023</i>	Market Value		TWRR, Annualized				
	\$mms	% LTP	1 Year	3 Years	5 Years	10 Years	20 Years
Long Term Pool	13,758	100.0	4.7	7.0	11.5	9.2	9.7
<i>Policy Portfolio</i>		100.0	17.9	4.2	9.5	7.0	7.1
Equity							
Public	3,988	29.0	14.6	0.0	10.3	8.9	11.7
Long / Short	1,320	9.6	6.0	(1.8)	7.0	4.6	7.3
Buyout	649	4.7	14.7	31.4	20.6	14.6	13.2
Growth Equity	1,528	11.1	(5.8)	7.5	14.3	16.8	--
Venture Capital	1,415	10.3	(6.1)	21.9	29.7	27.6	18.1
Real Assets	2,182	15.9	2.4	26.4	13.5	11.6	11.0
Total Equity	11,081	80.5	5.1	7.7	13.1	10.7	11.1
<i>MSCI All Country World Equity</i>		75.0	22.8	6.2	12.3	8.5	8.1
Diversifiers							
Absolute Return	1,310	9.5	8.9	7.9	5.7	4.5	5.9
Credit	584	4.2	6.2	5.2	7.4	5.4	6.8
Fixed Income	742	5.4	4.8	(3.8)	2.5	1.6	3.2
Cash	362	2.6	4.8	2.0	1.7	1.1	--
Total Diversifiers	2,998	21.8	6.5	3.4	5.5	3.8	4.0
<i>Bloomberg U.S. Treasury Bond</i>		25.0	4.0	(2.4)	1.6	2.3	3.4
Portfolio Management and Overlays⁽¹⁾	(320)	(2.3)	(0.7)	(0.1)	(0.2)	(0.1)	--

(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

PERFORMANCE

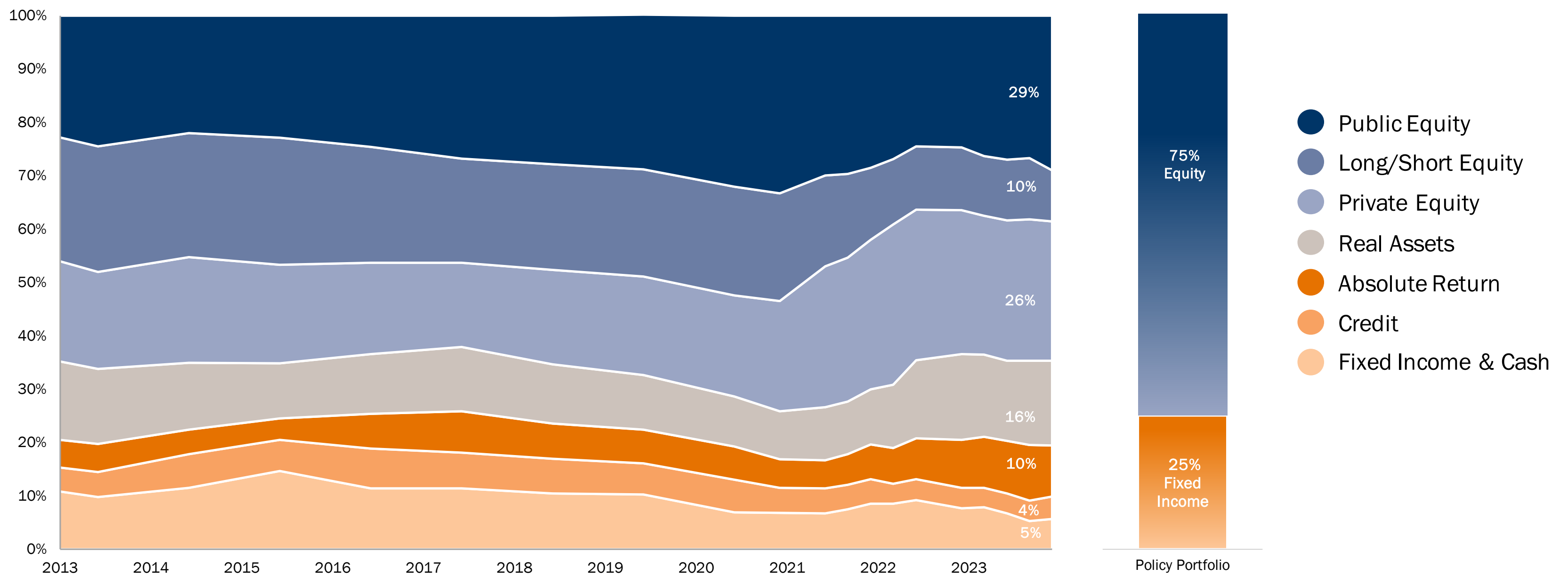
Fiscal Year 2023 LTP and Peer Performance ⁽¹⁾					
As of 6/30/2023	1 YR	3 YR	5 YR	10 YR	20 YR
Long Term Pool	2.0	13.1	10.1	9.8	10.0
Policy Portfolio	12.3	8.0	7.0	7.4	7.5
C A U.S. \$5 Billion + Quartile of LTP	3rd	1st	2nd	1st	1st
C A U.S. \$5 Billion + Top Quartile	4.4	13.1	10.3	9.8	9.9
C A U.S. \$5 Billion + Median	2.9	12.5	9.5	9.1	8.8
C A U.S. \$5 Billion + Bottom Quartile	1.3	11.3	8.3	8.3	8.3

(1) Peer returns are based on data from Cambridge Associates and direct communications.

- Annually, we measure our fiscal year performance against our peers (fiscal year data available in November).
- UVIMCO continues to perform favorably against U.S. colleges and universities with investment pools of \$5B+.
- UVIMCO and the majority of its peers invest benchmark agnostic, employing the endowment model made famous by Yale University.
- As such, every single one of our peer schools underperformed UVIMCO's policy benchmark in FY23, and we expect this trend to continue in the calendar year.

ASSET ALLOCATION

UVIMCO Long Term Pool Historical Asset Allocation, as of December 31, 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

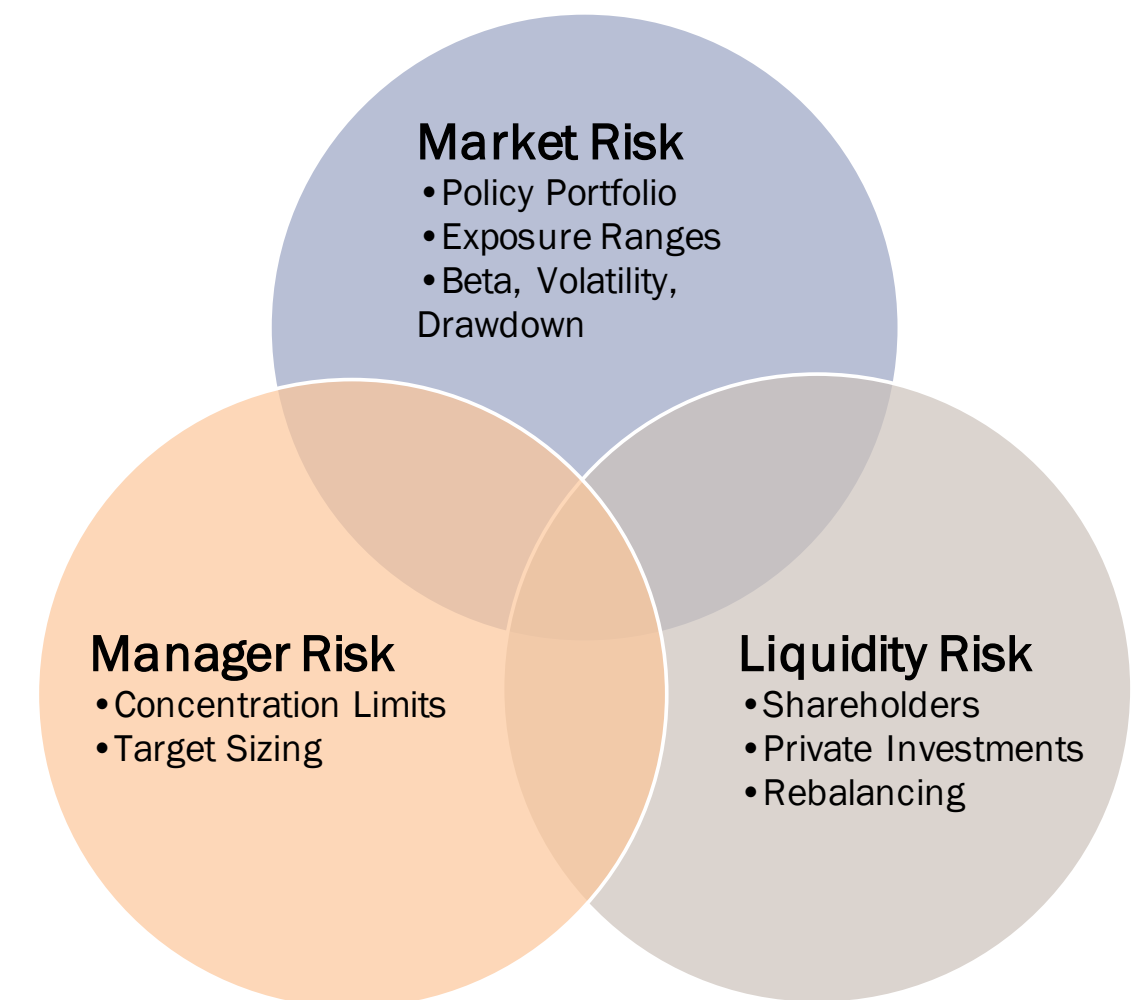


Trade-off between short-term and long-term risk

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 December 31, 2023
Market Risk	Global Equity Beta	75%	81%
	Drawdown Risk (1.0% Value at Risk)	-22%	-23%
Liquidity Risk	Minimum 3-Month Liquidity	20%	28%
	Minimum 12-Month Liquidity	35%	45%
	Target to Private Investments	45%	46%
	Target Unfunded Commitments	20%	14%
Manager Risk	Maximum Concentration to a Single Manager	7.5%	5.4%