

# May 2024 Finance Committee

---

UNIVERSITY OF VIRGINIA · MAY 2, 2024

# Agenda

ORGANIZATIONAL STRUCTURE

VALUE PROPOSITION

STRATEGIC PLAN JOURNEY

FINANCIAL FRAMEWORK

STRENGTHS & RISKS

BUDGET PROCESS

EFFICIENCY & EFFECTIVENESS EFFORTS

NEXT STEPS



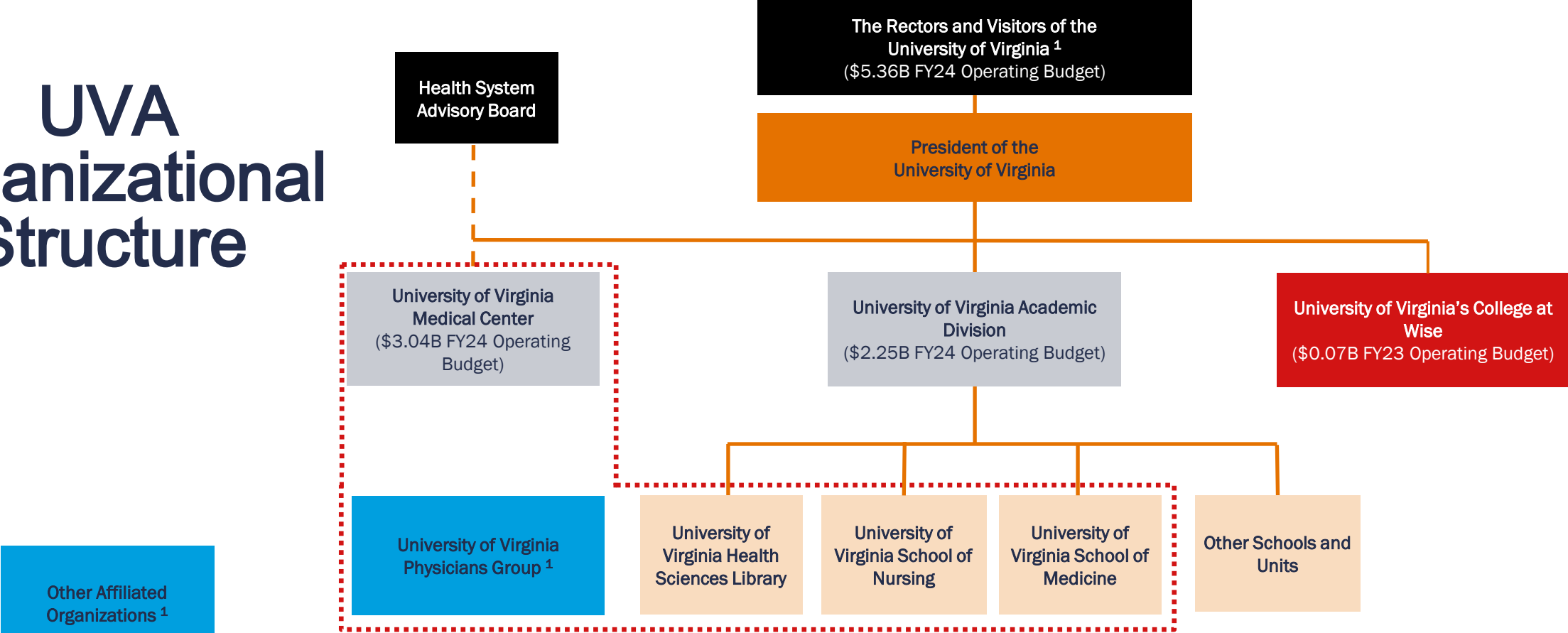
# ORGANIZATIONAL STRUCTURE

---



The University of Virginia is comprised of the Academic Division, College at Wise, and Medical Center. The Rector and Visitors are appointed by the Governor and confirmed by the General Assembly.

# UVA Organizational Structure



For purposes of this chart, the entities highlighted in the red box above are collectively referred to as “UVA Health”

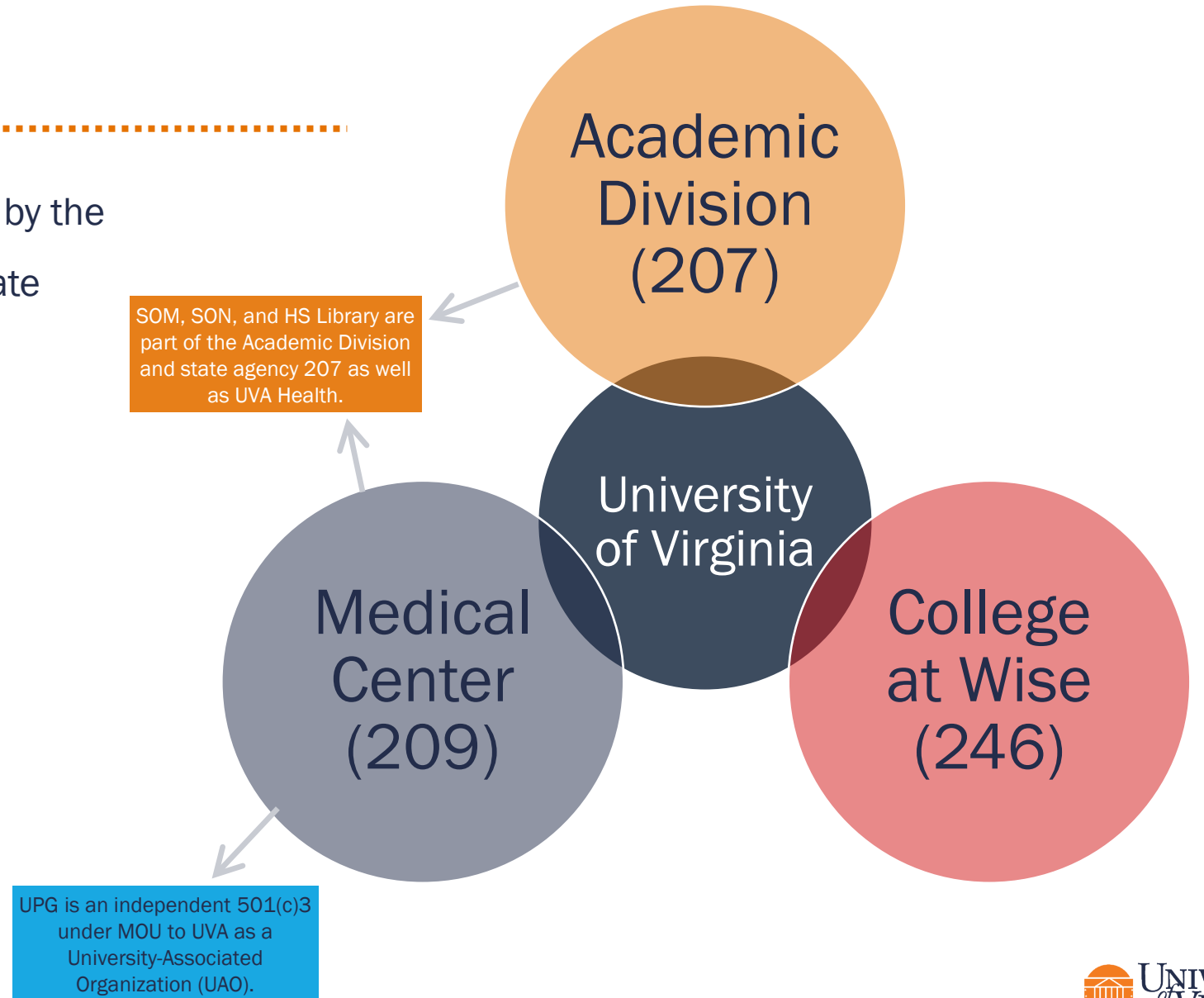


# UVA Legal Organizational Structure

UVA is an independent 501(c)3, governed by the Rector and Visitors and including three state agencies.

External reporting requirements include:

- Audited financial statements
- Commonwealth of Virginia / IRS
- Rating Agencies / External Lenders





# VALUE PROPOSITION

---



# University of Virginia Value Proposition

---



**7,776**

Degrees Awarded  
2022-2023

**97.5%**

1-Year Retention Rate  
Retention rate for first-time, first-year students entering  
FALL 2022

**14:1**

Student-Faculty  
Ratio



**95.3%**

6-Year Graduation Rate  
Graduation rate for first-time, first-year students entering  
FALL 2017

**100%**

Financial Need Met

**1st**

Comprehensive Cancer  
Center in Virginia



#1

**BEST PUBLIC COLLEGE  
IN VIRGINIA**

**2023**

FORBES

#1

**BEST PUBLIC SCHOOL  
FOR FINANCIAL AID**

**2023**

PRINCETON REVIEW

#2

**BEST-VALUE  
PUBLIC COLLEGE**

**2023**

PRINCETON REVIEW

#3

**BEST-VALUE  
PUBLIC UNIVERSITY**

**2023**

MONEY MAGAZINE

#5

**BEST PUBLIC  
NATIONAL UNIVERSITY**

**2024**

U.S. NEWS & WORLD REPORT





**#1**

**HOSPITAL IN VIRGINIA**

**2024 GUIDE**

*NEWSWEEK'S WORLD'S BEST HOSPITALS*

**#1**

**CHILDREN'S HOSPITAL**

**IN VIRGINIA**

**2023**

*U.S. NEWS & WORLD REPORT*

**A**

**SAFETY GRADE**

*LEAPFROG HOSPITAL  
SAFETY GRADE*



**#4**

**ONLINE RN TO BSN IN VIRGINIA**

**UVA WISE**

**2023**

REGISTEREDNURSING.ORG

**BEST BANG FOR YOUR BUCK**

**HIGHER ED INSTITUTION**

**UVA WISE**

WASHINGTON MONTHLY

**#2**

**PUBLIC LIBERAL ARTS COLLEGES**

**FOR LEAST DEBT**

**UVA WISE**

**2024**

U.S. NEWS & WORLD REPORT



# STRATEGIC PLAN JOURNEY

---



# GREAT AND GOOD

## THE 2030 PLAN

### Strategic Plan Journey

The Board of Visitors approved the *2030 Great and Good Strategic Plan* in June 2019.

- Strengthen the foundation of the University
- Cultivate a vibrant community
- Enable discoveries that enrich and improve lives
- Make UVA synonymous with service

Early accomplishments include:

- New School of Data Science
- Contemplative Commons
- Transformative philanthropy from alumni and friends
- SuccessUVA



# Strategic Plan Journey

## Covid-19 Pandemic Necessitated Pivot

- Kept students on Grounds
- Increased access to mental health resources
- Significant revenue and expense impacts across UVA, UVA Health, and Wise
  - 8% budget cuts
  - Hiring freeze
- Ensured University and community access to healthcare





# Strategic Plan Journey

---

During and post-COVID, we continued our push to be the best public university in the nation.



Forbes listed UVA as the fourth-best employer based in Virginia, and the top higher education employer in Virginia



Paul and Diane Manning Institute of Biotechnology



Ranked 1<sup>st</sup> by Princeton Review in Student Health Services after opening of Student Health and Wellness Building



Reopened Shannon Library



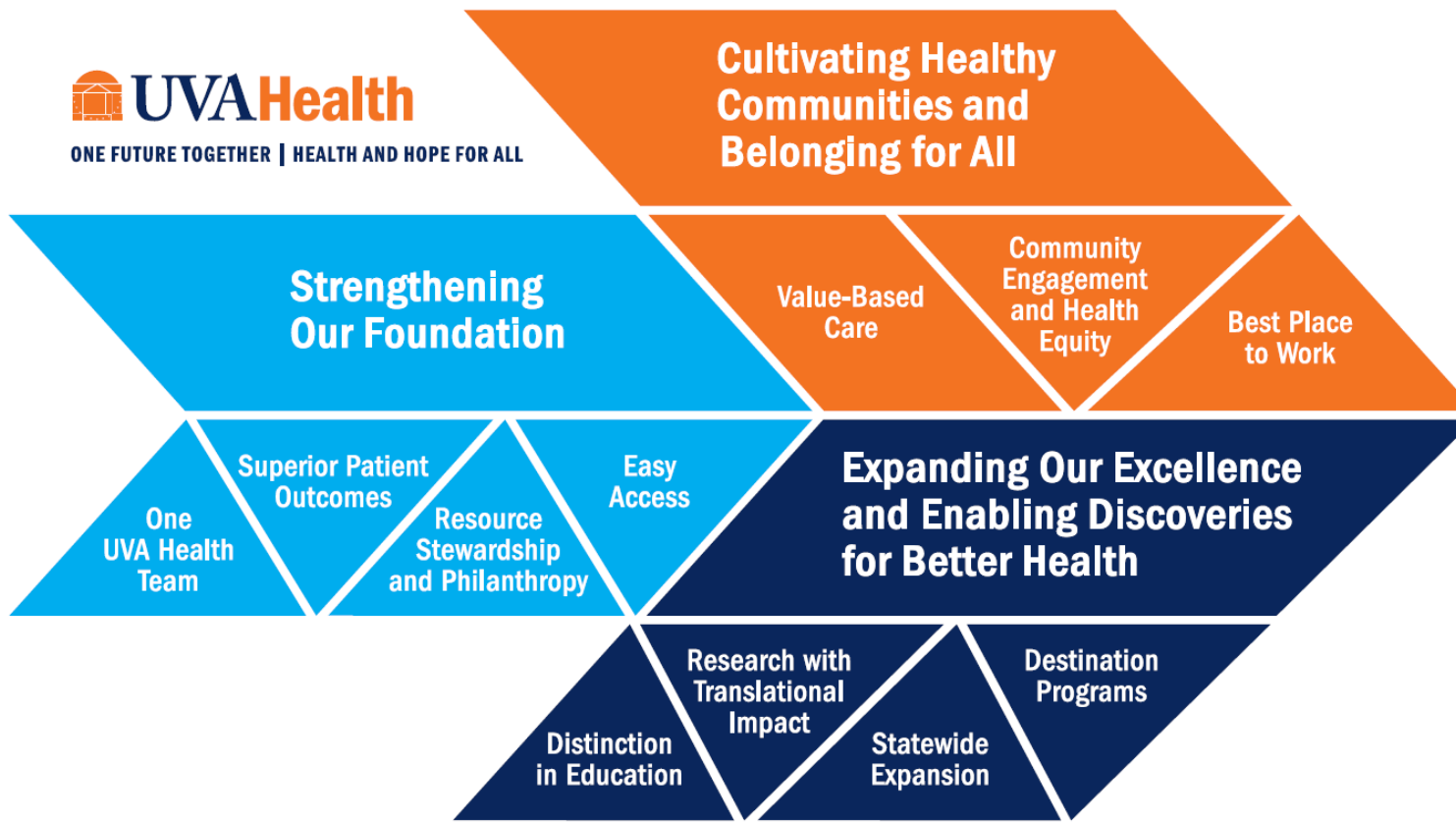
Pipelines and Pathways



Expansion of AccessUVA



# Strategic Plan Health System



- UVA Health ranked No. 117 overall and No. 24 among health systems in Forbes' 2024 ranking of America's Best Large Employers, and was the only Virginia-based health system named to the list
  - Wisdom & Wellbeing program
  - Earn While You Learn
  - Leadership Academy
- Comprehensive Cancer Center Designation
- Partnership with Academic Division for Paul and Diane Manning Institute of Biotechnology



# Strategic Plan College at Wise

---

- Re-imagine Our Core Requirements
- Align Program Portfolio with Institutional Mission, Student Demand, and Regional Need
- Invest in Faculty and Staff Recruitment and Development to Achieve Enhanced Diversity, Collaboration, and Satisfaction
- Attract, Engage, and Retain Students Who Thrive at UVA Wise
- Update Systems, Policies, and Processes to Ensure Sustainability and Efficiency





# Strategic Plan Journey

## HONOR *the* FUTURE

THE CAMPAIGN FOR THE UNIVERSITY OF VIRGINIA

- Our endowment and the generosity of our donors funds our excellence.
- Campaign \$5B Target
- Total \$5.16B Committed







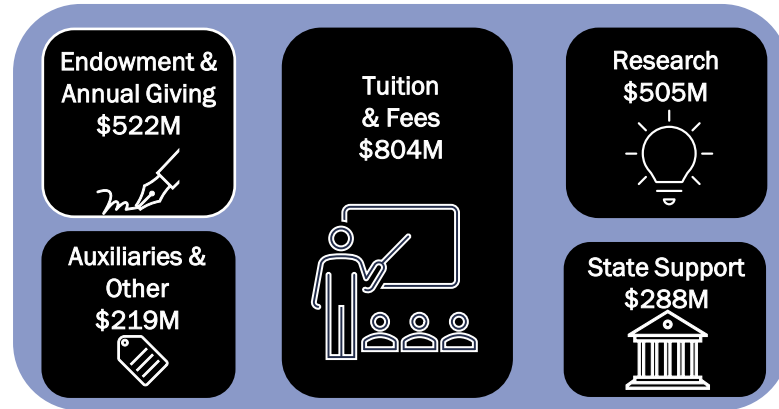
# FINANCIAL FRAMEWORK

---

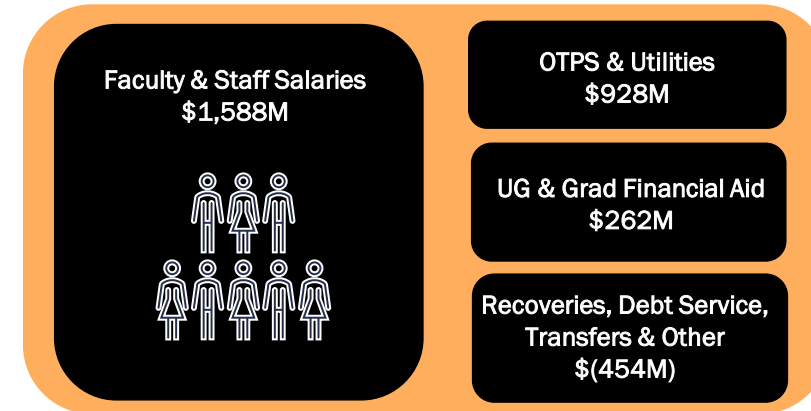


# UVA Financial Framework FY24

Academic Division & Wise Revenues, \$2.3B



Academic Division & Wise Expenses, \$2.3B



## Net Resources Directed Toward

Operating & Capital Reserves

Capital Infrastructure

Strategic Initiatives

## Medical Center

Operating Revenues, \$3.1B

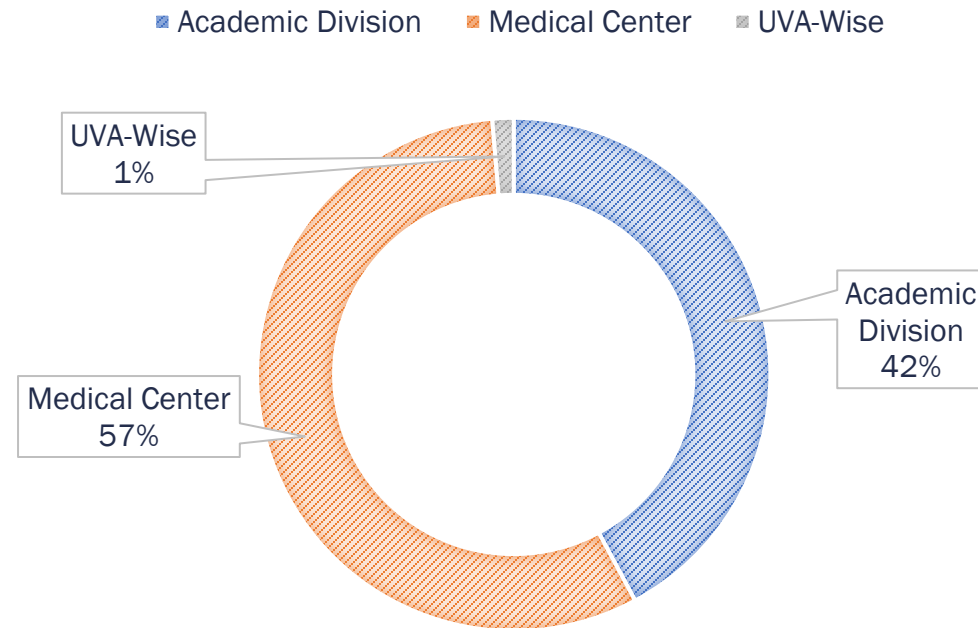
Operating Expenses, \$3.0B

Net Resources Directed To: Capital, Strategic, SOM & Reserves



# FY2024 Operating Budget (in millions)

	2022-23 <i>Approved</i>	2023-24 <i>Approved</i>	Change (FY23 to FY24)
Academic Division	\$ 2,095.4	\$ 2,265.7	\$ 170.3
Medical Center	2,655.8	3,037.0	381.2
UVA-Wise	71.3	71.8	0.5
<b>Total</b>	<b>\$ 4,822.5</b>	<b>\$ 5,374.5</b>	<b>\$ 552.0</b>







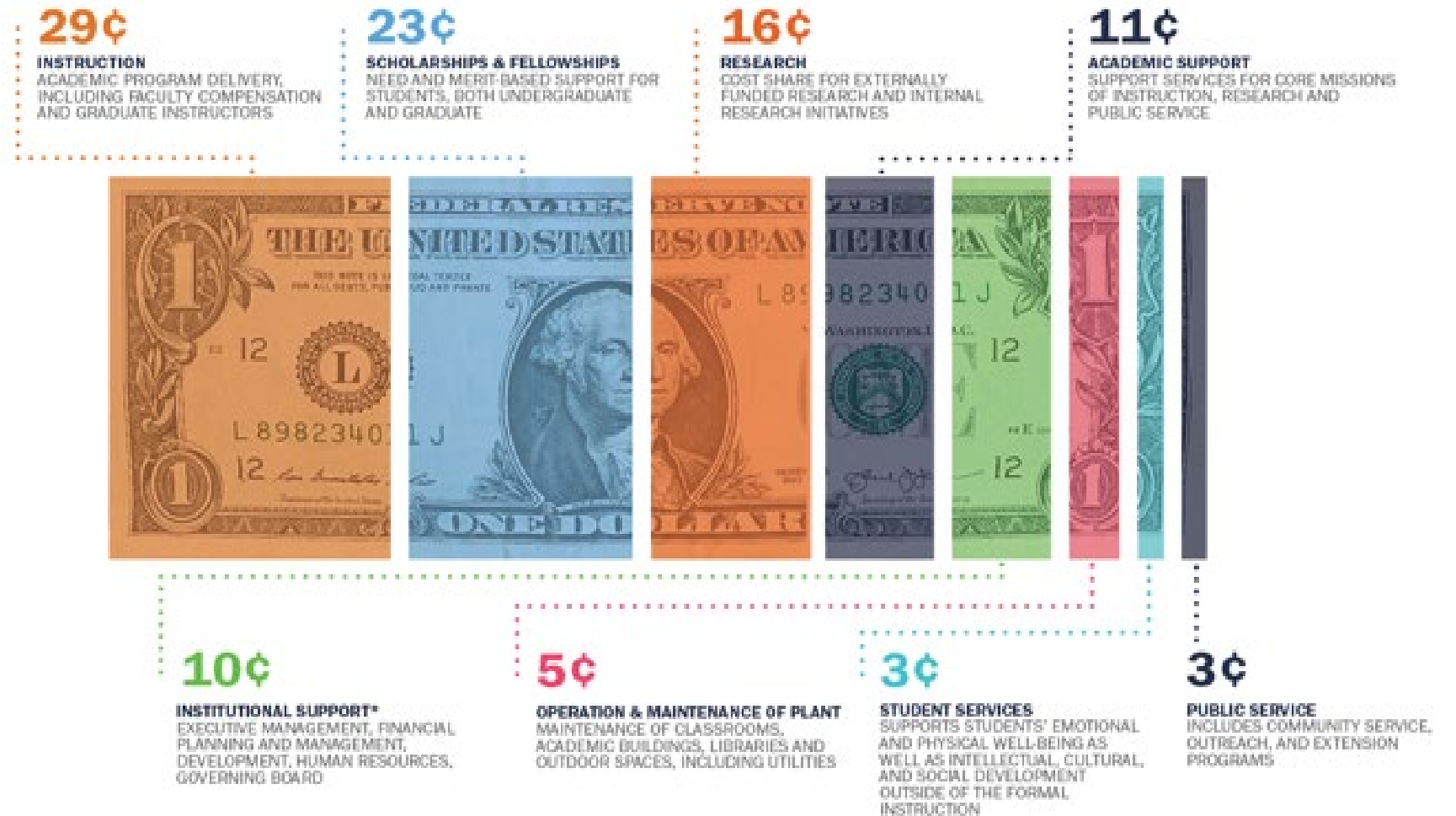
# Role of the Endowment

---

- Long-term sustainability, as well as protection against inflation: endowment
- Supplements base tuition and appropriations to allow UVA to be excellent:
  - Fund strategic priorities outlined in *Great and Good: The 2030 Plan*
  - Recruit world class faculty and researchers
  - Fund the best undergraduate financial aid program among publics
  - Match state contributions to capital, as well as fund premier facilities (Health & Wellness, Contemplative Sciences, Data Science, Democracy Institute) that are not funded by the state



# How the Rector and Visitors Endowment Distribution is Used



*\*Institutional Support includes police and emergency preparedness as well as compliance with state and federal regulations including Title IX, the Clery Act, FERPA, the Americans with Disabilities Act, the Equal Opportunity Act, the Fair Labor Standards Act, the Federal Information Security Management Act, and other federal mandates.*



# How the Wise Endowment Distribution is Used

**82¢**

**SCHOLARSHIPS & FELLOWSHIPS**  
NEED AND MERIT-BASED SUPPORT FOR STUDENTS, BOTH UNDERGRADUATE AND GRADUATE

**6¢**

**INSTRUCTION**  
ACADEMIC PROGRAM DELIVERY, INCLUDING FACULTY COMPENSATION AND GRADUATE INSTRUCTORS

**5¢**

**PUBLIC SERVICE**  
INCLUDES COMMUNITY SERVICE, OUTREACH, AND EXTENSION PROGRAMS

**3¢**

**INSTITUTIONAL SUPPORT\***  
EXECUTIVE MANAGEMENT, FINANCIAL PLANNING AND MANAGEMENT, DEVELOPMENT, HUMAN RESOURCES,



**2¢**

**ACADEMIC SUPPORT**  
SUPPORT SERVICES FOR CORE MISSIONS OF INSTRUCTION, RESEARCH AND PUBLIC SERVICE

**1¢**

**OPERATION & MAINTENANCE OF PLANT**  
MAINTENANCE OF CLASSROOMS, ACADEMIC BUILDINGS, LIBRARIES AND OUTDOOR SPACES, INCLUDING UTILITIES

**1¢**

**STUDENT SERVICES**  
SUPPORTS STUDENTS' EMOTIONAL AND PHYSICAL WELL-BEING AS WELL AS INTELLECTUAL, CULTURAL, AND SOCIAL DEVELOPMENT OUTSIDE OF THE FORMAL INSTRUCTION

*\*Institutional Support includes police and emergency preparedness as well as compliance with state and federal regulations including Title IX, the Clery Act, FERPA, the Americans with Disabilities Act, the Equal Opportunity Act, the Fair Labor Standards Act, the Federal Information Security Management Act, and other federal mandates.*



# Auxiliaries



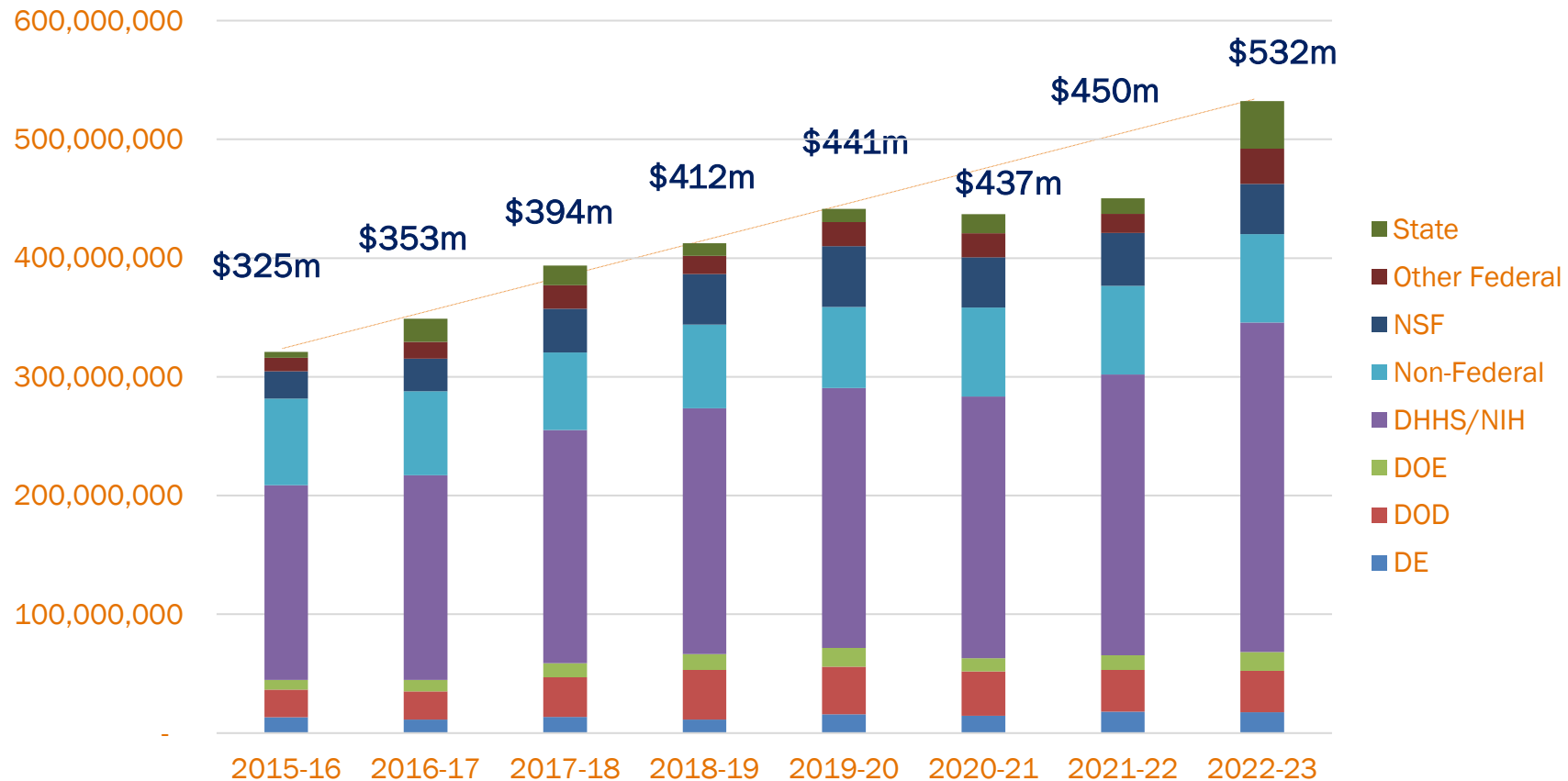
- Auxiliaries are self-funded through sales and services, fees, and other external sources
- Examples include Housing, Dining, Athletics, Bookstore, Recreation, Student Health
- Some charges are approved by the Board of Visitors:
  - Housing & Dining rates approved annually
  - Student Fees approved biannually
- Major initiatives include:
  - Second-Year Housing
  - Athletics Master Plan



# Research



## Sponsored Research Awards FY2016-23



# In-State Tuition Increases vs Inflation Measures

- HEPI values are representative of the final HEPI figure for each fiscal year. FY24 is preliminarily based on the final HEPI for FY23.
- CPI, as of March 2024 is 3.5%.
- 2022-23 was approved as a base increase for in-state students. They received a one-time credit, which reduced the net increase to 0%.

	CPI	HEPI	Wise	Academic Division
2023-24	3.5%	4.0%	2.0%	3.0%
2022-23	3.0%	4.0%	3.0%	4.7%
2021-22	9.1%	5.2%	3.0%	0.0%
2020-21	5.4%	2.7%	3.0%	3.6%
2019-20	0.6%	1.9%	3.1%	0.0%
2018-19	1.6%	3.0%	3.1%	2.4%
2017-18	2.9%	2.6%	3.0%	2.2%
Average	3.7%	3.3%	2.9%	2.3%



# AccessUVA

- Our commitment, beginning in fall 2024, will be to provide grants that equal or exceed the cost of tuition, fees, room, and board to eligible Virginians with household incomes of \$50,000 or less and typical assets.
- For Virginians with incomes of \$100,000 or less and typical assets, we will provide grants that equal or exceed tuition and fees.
- For Virginians with incomes of \$150,000 or less and typical assets, we will provide grants of at least \$2,000 per year.

Virginians with household incomes below...	...receive grants that exceed...
<b>\$150,000</b>	<b>\$2,000</b>
<b>\$100,000</b>	<b>Tuition, fees</b>
<b>\$50,000</b>	<b>Tuition, fees, room, board</b>

# Virginia's Budget Update Conference Committee Timeline

---

- **May 15:** General Assembly scheduled to vote on amended budget plans.
- Once the Governor receives the bills, he will have seven days to approve, offer amendments, or use his line-item veto authority.
- If the Governor proposes amendments or vetoes to these amended plans, they would be considered during the same special session.





# Potential State Funding Items 2024-2026

---



- Paul and Diane Manning Institute of Biotechnology
- Affordable Access
- Compensation Increases
- Undergraduate & Graduate Financial Aid

# Strategic Investment Fund (SIF) Origin

---

- **2002-2006:** General Assembly amended Code of Virginia to allow investments in the long-term investment pool
- **June 2014:** BOV Finance Subcommittee formed to improve affordability and fund the Cornerstone Plan by leveraging strong balance sheet
- **November 2015:** BOV approved new liquidity policy
- **February 2016:** BOV established SIF
- **April 2016:** Initial SIF Guidelines finalized





# SIF Recent History

- In 2019, the University's Board of Visitors approved a proposal that the Strategic Investment Fund (SIF) be used to fund the University's 2030 strategic plan.
- More than half of the SIF funds awarded to date are being matched by philanthropic gifts, thereby increasing the return on investment.
  - Bicentennial Scholars
  - Bicentennial Professors
- Funding through the SIF is centered around the pillars of the 2030 Plan.
- More information:  
<https://sif.virginia.edu/>







# Recent SIF Investments

---

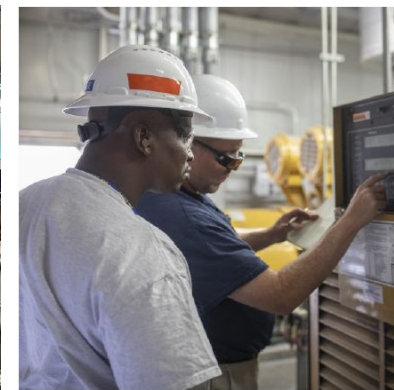
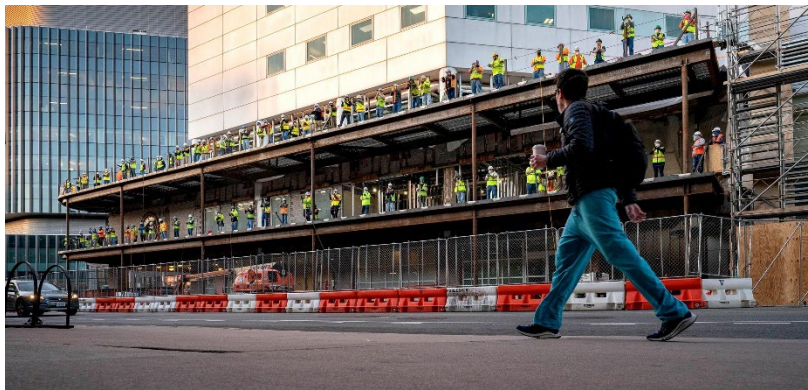
- Grand Challenges Phase 2 Investments
  - Precision Health for Populations
  - Digital Technology and Youth Development
  - Digital Technology for Democracy
  - Research and Clinical Data
  - Biotechnology Institute
- Further investments in Bicentennial Scholarships and Bicentennial Professorships
- Affordable Housing Initiative
- GSAS Matching Fellowships



# UVA Workforce

---

Academic Division:	19,177
Medical Center:	9,424
UPG:	985
UVA-Wise:	<u>769</u>
<b>Total UVA Employees:</b>	<b>30,355</b>



# Compensation

---

- We are in a people-driven industry.
- We appreciate the state-authorized salary increases each year and the state's contribution of a proportional share.
- UVA, UVA Health, and Wise are experiencing high levels of competition in recruitment and retention of our workforce.







# STRENGTHS & RISKS

---



## UVA Financial Outlook: Financial Risks

# KNOWN RISKS:

---

- **Recruitment and retention challenges**
- **Below-market compensation**
- **Contract labor**
- **CPI inflators on contracts**
- **Revenues not keeping up with inflation**
- **UVA Health competition, reimbursement rates, and regulatory environment**
- **Safety and security events**
- **Compliance and regulatory requirements**



## UVA Financial Outlook:

# STRONG FINANCIAL POSITION

---

- **AAA bond rating**
- **Diversity of revenues**
- **Strong long-term endowment performance**
- **Optimized debt portfolio**
- **Stable enrollment**
- **Exceptional student demand**
- **Successful fundraising**
- **Recent state re-investment**
- **Short- and long-term cost containment efforts**
- **Strong patient care demand**

# Rating Agency Update: Higher Education Sector

MOODY'S

Moody's Higher Education Sector Outlooks					
2019	2020	2021	2022	2023	2024
Negative	Negative	Stable	Stable	Negative	Stable

S&P Global

S&P Higher Education Sector Outlooks					
2019	2020	2021	2022	2023	2024
Negative	Negative	Negative	Stable	Mixed	Mixed

Fitch Ratings

Fitch Higher Education Sector Outlooks					
2019	2020	2021	2022	2023	2024
Negative	Negative	Stable	Stable	Deteriorating	Deteriorating

Four public institutions of higher education with AAA ratings from all three:  
 UVA | UNC – Chapel Hill | Texas A&M | Texas



# Macroeconomic Outlook: Debt Portfolio

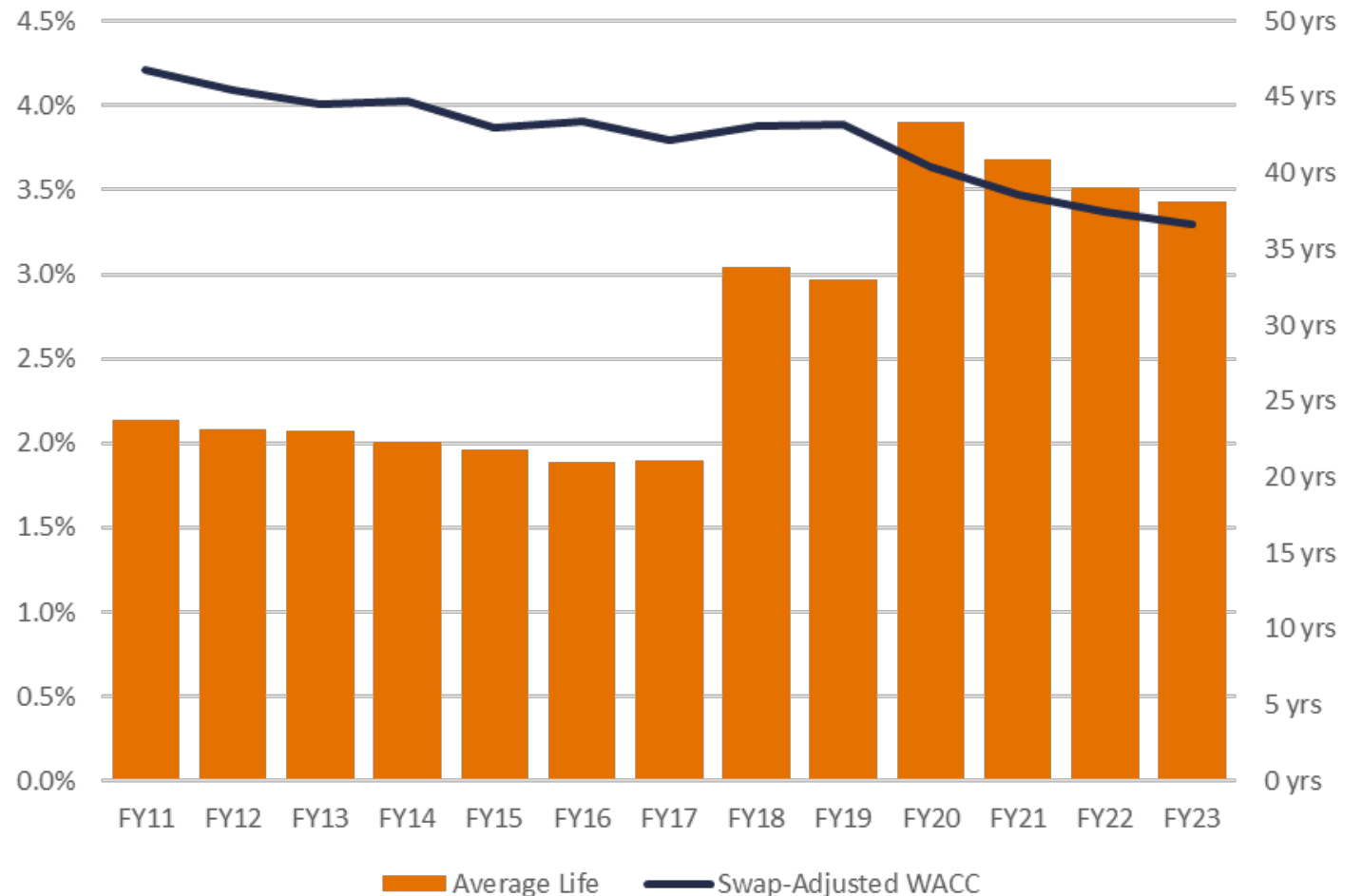
## Decreasing Rates & Increasing Average Life

**Weighted Average Cost of Capital (WACC)** has decreased by 91bps over the past 13 years to 3.3%

**The Average Life of the Portfolio** has increased by 14 years over the same period to 38 years.

**Record Setting:** The \$600M Series issued in FY21, was priced at 2.256% for 30-years: Setting the record for the lowest of Higher Ed issuances under a Muni CUSIP

**Record Setting:** The \$100M Series issued in FY22 achieved the lowest yield-to-maturity (2.180% for any 30Y tax-exempt bond ever.



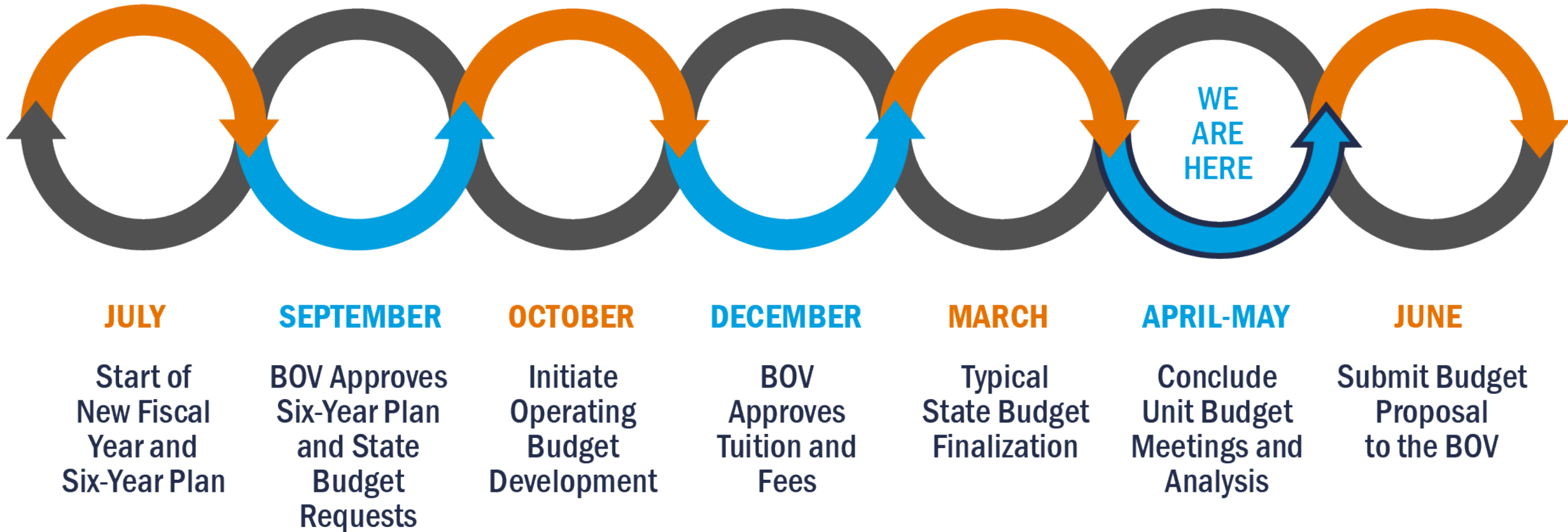
# BUDGET PROCESS

---

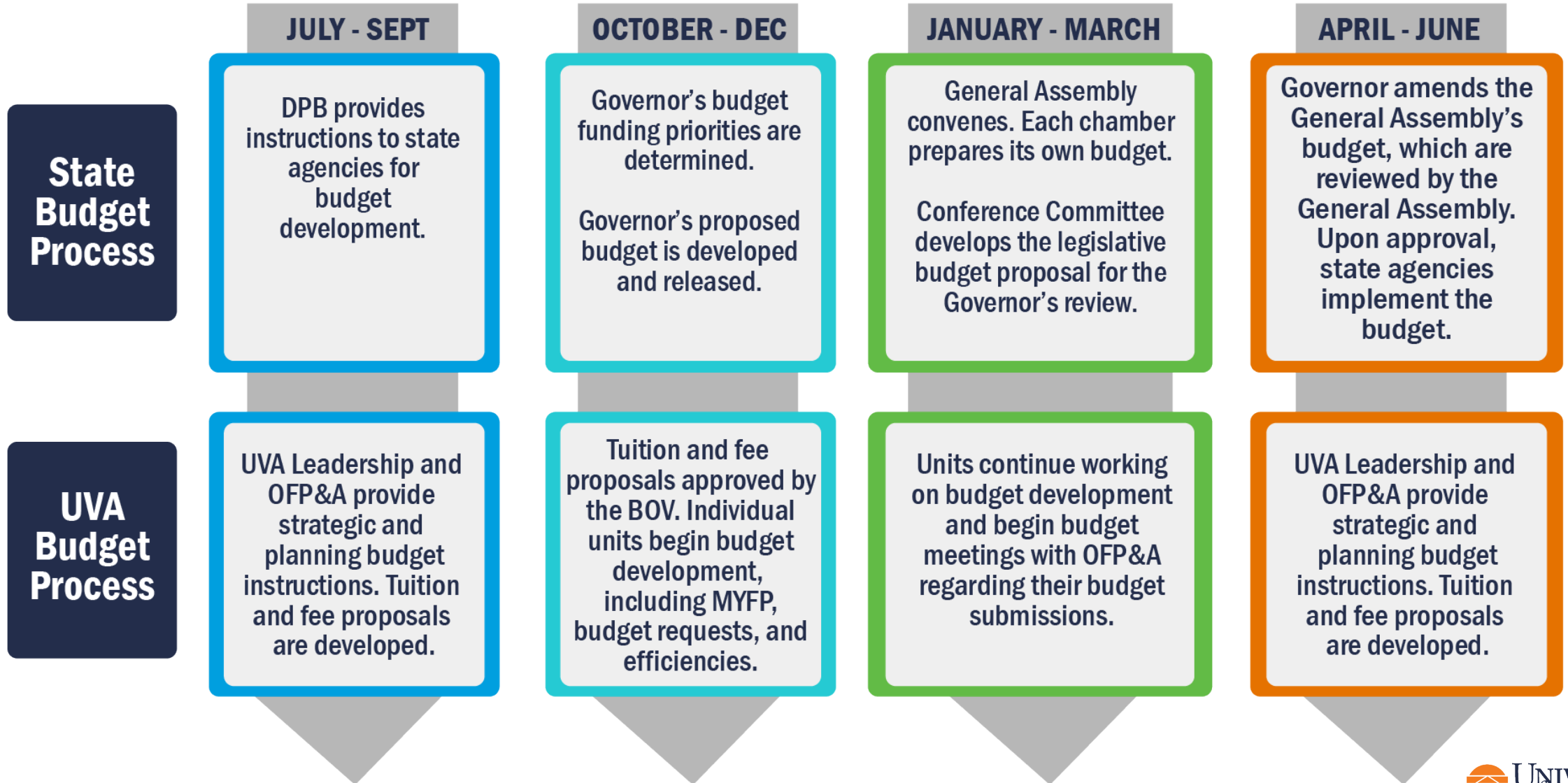


# Academic Division & Wise Annual Budget Development Process

---

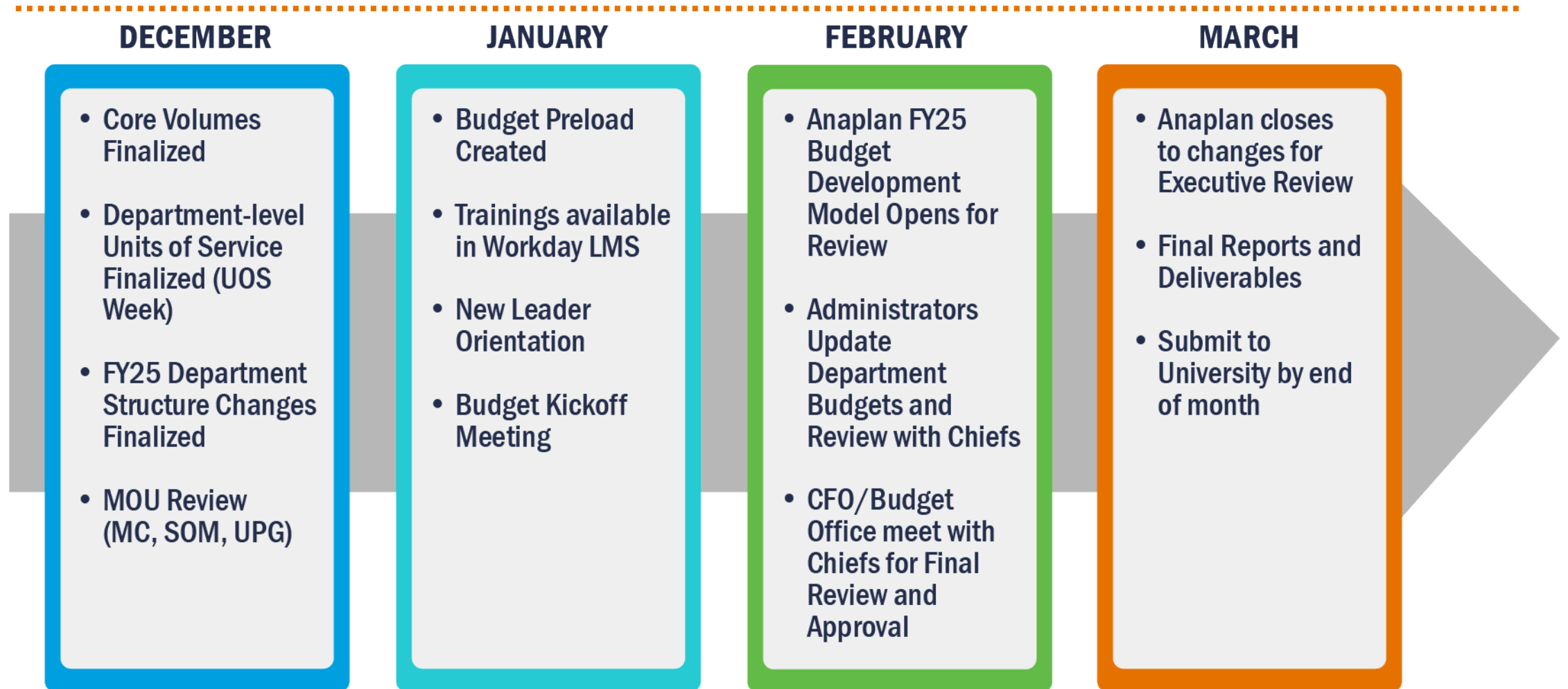


# Annual Budget Development Process





# Medical Center Operating Budget Development Process



# UVA Health Long-Range Financial Plan Process

---



**JULY**

Start of  
Fiscal  
Year

**SEPTEMBER**

Long Range  
Financial Plan  
(LRFP)  
Presented to  
BOV

**OCTOBER -  
DECEMBER**

Budget  
Principles

**JANUARY -  
MARCH**

Budget  
Development  
and Review

**MAY**

LRFP  
Principles

**JUNE**

Budget  
Presented to  
BOV. LRFP  
Development  
and Review



# UVA Academic Division Budget Assumptions

- Previously approved tuition, fee, housing, and dining rates
- Compensation increases of 3% annually at UVA and Wise, aligned with conference report and built into the UVA Six-Year Plan previously approved by Board of Visitors
- FY2025 core cost drivers include utilities, inflation on goods and services, pharmacy, and recruitment and retention costs, including start-up packages
- Student affordability: AccessUVA



# UVA Medical Center Budget Assumptions

- Compensation increases set to 3% annually
- External travelers, a key cost driver, will be managed closely
- Pandemic will not resurge
- Generate operating cash each year sufficient to cover planned capital expenditures and debt repayments
- Volume growth per forecast from 1% to 3% based on the type of service





# UVA Wise Budget Assumptions

---

- Previously approved tuition, fee, housing, and dining rates
- Previously approved enrollment plans
- Compensation increases of 3% annually, aligned with conference report
- FY2025 core cost drivers include utilities, inflation on goods and services, healthcare, and recruitment and retention costs, including start-up packages

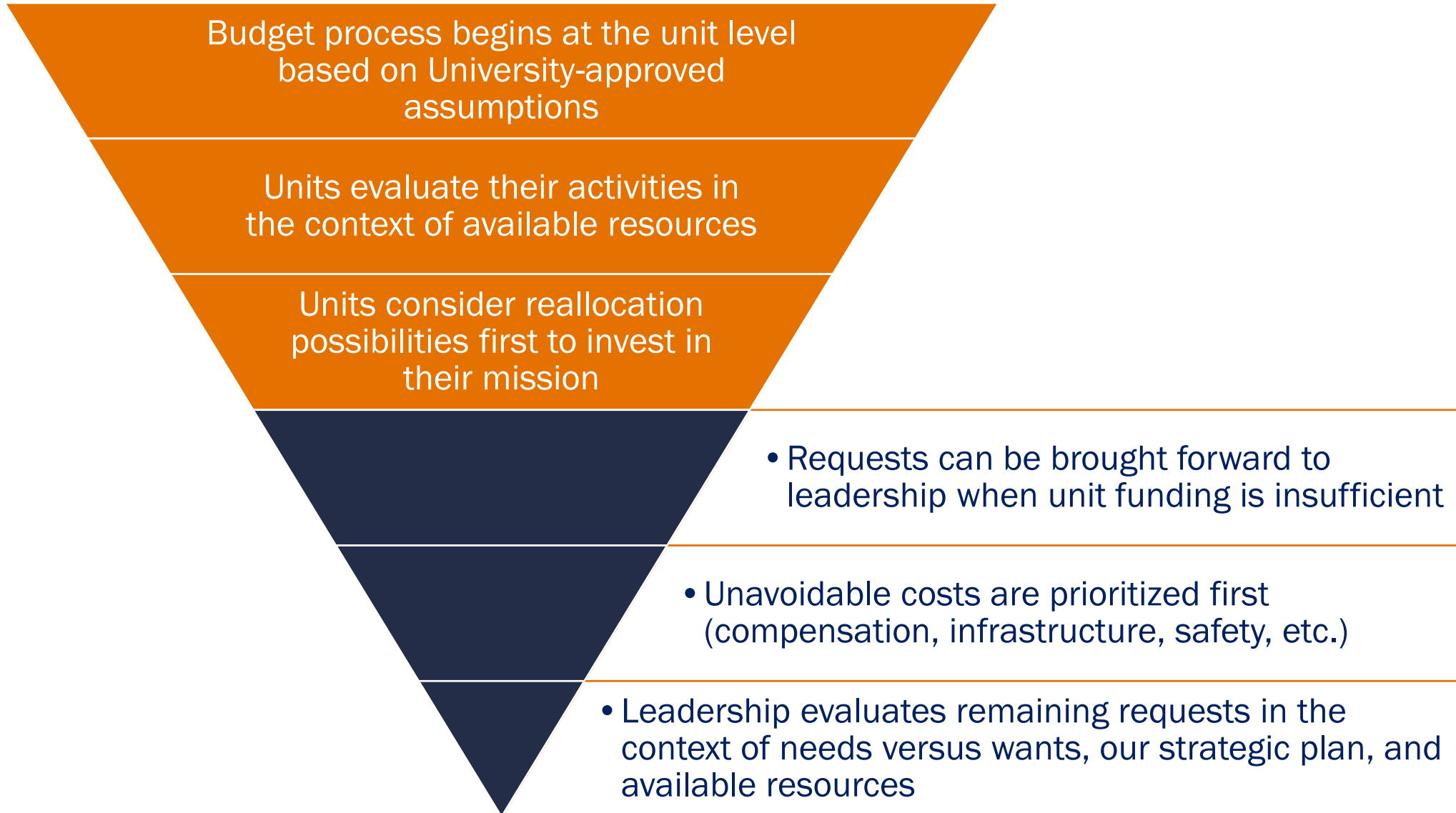


# FY2025 Issues





# How We Operationalize the Budget Process



# Budget Request Process Academic

---



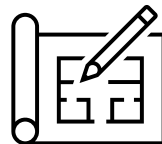
Safety & Security



Regulatory & Compliance



Contractual Obligations



University Priorities





# **EFFICIENCY & EFFECTIVENESS EFFORTS**

---

# Pan-University Operational Efficiency and Effectiveness Efforts

- Commonwealth-wide Boston Consulting Group (BCG) Study (Fall 2023)
- Operational Efficiency and Effectiveness Study (In-Progress)
  - Spend Management Business Case (June 2024)
  - Space Planning and Utilization Business Case (June 2024)
  - Research Infrastructure Business Case (June 2024)
- Strategic Reallocations as part of continuous improvement at UVA
- Accounting and Financial Reporting Optimization (In-Progress)
- Commonwealth-wide JLARC Cost Efficiency Study (Spring 2024 start)



# SCHEV Institutional Fact Pack

University of Virginia

## Chart (A): How are E&G and Auxiliary expenditures (overall and per student) changing over time?

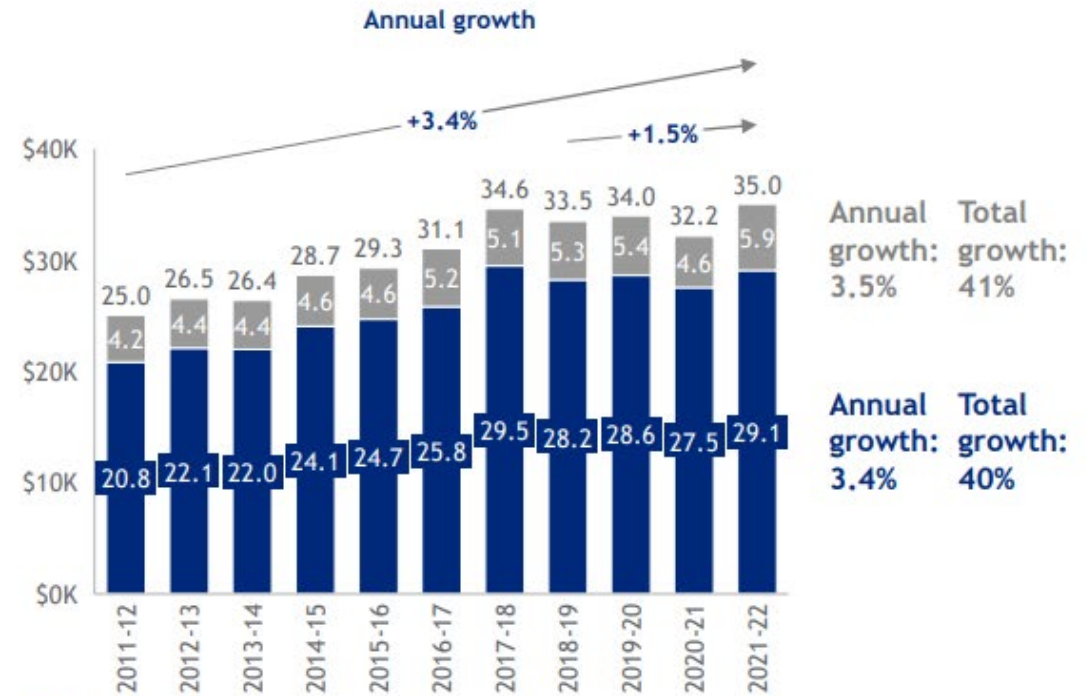
E&G and Auxiliary expenditures and expenditures by student FTE over time

	Annual	Total
Inflation (HEPI) <sup>1</sup>	2.7%	30%
Inflation (CPI) <sup>1</sup>	2.5%	28%

E&G and Auxiliary expenditure [2011-2021] (\$xM)



Expenditure per student FTE [2011-2021] (\$xK)



1. Determined as growth in HEPI/CPI over period

Note: Excludes student financial assistance and financial assistance for E&G services (program codes 108 and 110) and program code 199 ("admin/support services"). During the COVID-19 pandemic, institutions incurred one-time expenses such as testing, quarantine housing, and upgrades for distance learning, as well as suppressed personnel expenditures like travel, professional development, and hiring. Including these COVID-related expenses may skew comparisons across those years.

Source: Cardinal Expenditure data; SCHEV report E5 FTE data

# SCHEV Institutional Fact Pack

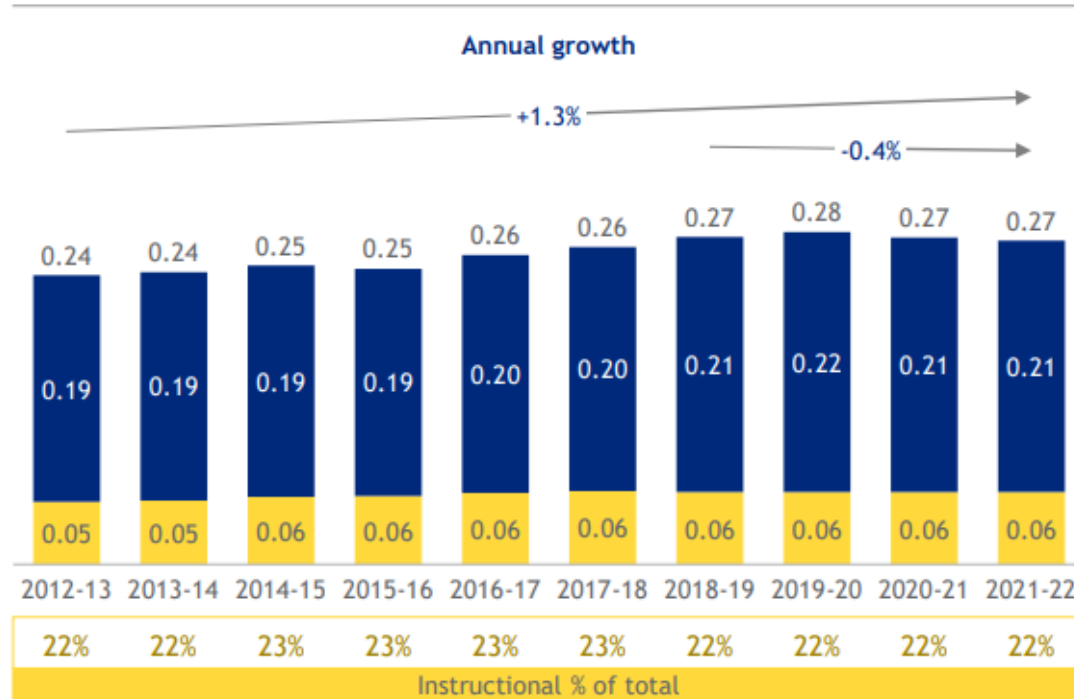
University of Virginia

## Chart (C): How has personnel increased on a per-student basis?

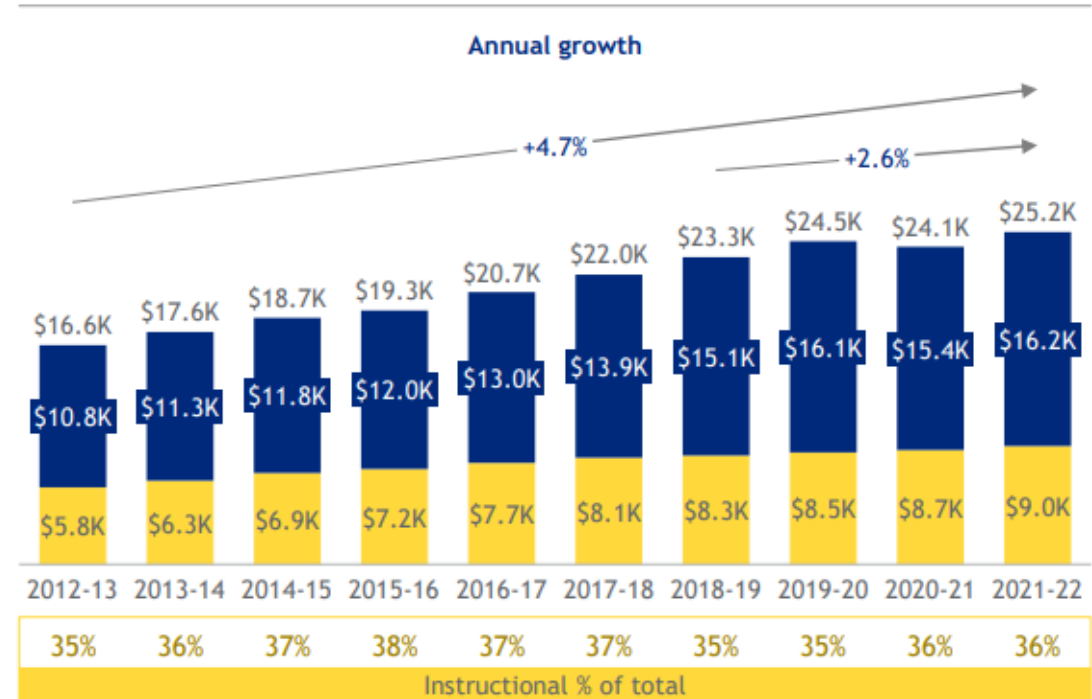
Breakdown of personnel by # and \$ on a per-student basis [2013-2022]

	Annual	Total
Inflation (HEPI) <sup>1</sup>	2.8%	28%
Inflation (CPI) <sup>1</sup>	2.6%	26%

### By # of employees per student FTE



### By salary outlay \$\$ per student FTE



■ Non-instructional ■ Instructional

1. Determined as growth in HEPI/CPI over period

Note: full-time personnel only; includes personnel from all sources of funding; William & Mary includes VIMS and VT/VSU include extension campuses

Source: IPEDS



# SCHEV Institutional Fact Pack

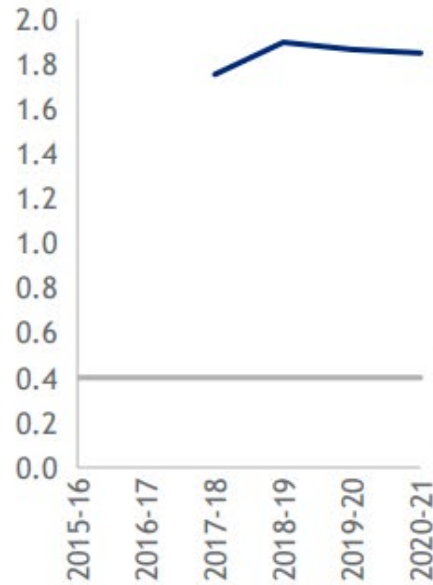
University of Virginia

## Chart (H): Is institutional financial health a concern? (include components<sup>1</sup>)

Fiscal Health Ratios per Auditor of Public Accounts Higher Education Comparative Report, including component units<sup>1</sup> [2015-2020]

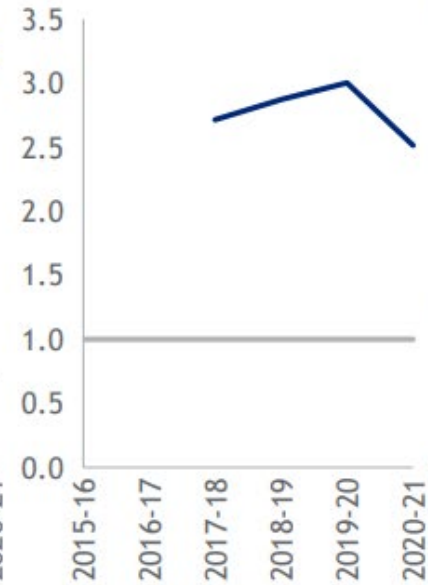
### Primary Reserve Ratio

Is there sufficient short-term reserve to quickly satisfy obligations?



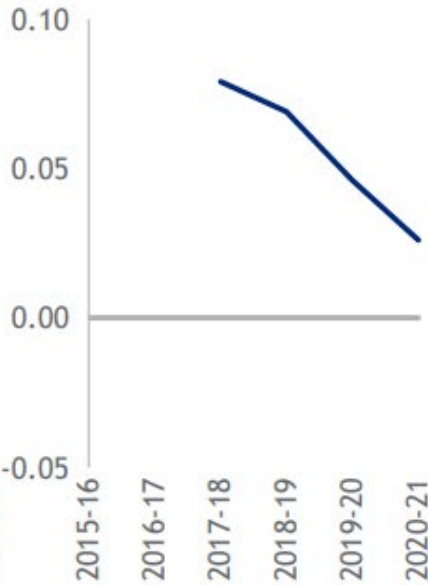
### Viability Ratio

Is there sufficient expendable net position to cover long-term debt?



### Return on Net Position Ratio

Is the institution achieving positive economic return on its invested resources?



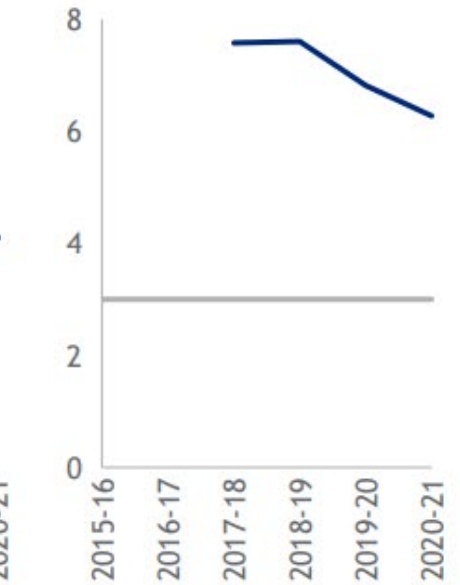
### Net Operating Revenues Ratio

Is the institution operating within its available resources?



### Composite Financial Index Ratio

What is the overall financial health of institution through aggregating 4 other ratios?



— Benchmark — Ratio

1. Component units are legally separate organizations for which the institutional leaders are financially accountable

Note: Ratios for 2015 and 2016 w/ component units not available; net operating revenues ratio has no fixed benchmark - however, institutions should attempt to achieve positive income before consideration of capital and other revenues

Source: SCHEV; Auditor of Public Accounts Higher Education Comparative Report for FY 2020 ([link](#))

# Reallocations and Efficiencies Academic

---





# Reallocations and Efficiencies— Medical Center

- Traveler / Agency labor reductions
- Revenue cycle and managed care contracting integrations
- Increased volumes / services
- Supply chain value analysis
- Efficiency care models
  - Patient progression
  - ED vertical care model
- *United on Access* initiative



# Reallocations and Efficiencies Wise

- Restructured Auxiliary Debt
- Migration to UVA IT Infrastructure
- Transition to UVA Emergency Alert System
- Launch Graduate Program



**EMERGENCY  
NOTIFICATION SYSTEM  
TEST HAS CONCLUDED.**



Emergency Management



**ITS**



# Efficiency & Effectiveness Study Timeline

Phase 1

Bridge

Phase 2

Identify Opportunities

Define Workplans and Continue Analyses

Task 1:  
Deeper Diagnostic and Affirm Opportunities

Task 2:  
Prioritization of Opportunities

Task 3:  
Implementation Planning and Board Preparation

- Held stakeholder interviews
- Conducted data analysis
- Identified three high-level themes, 9 opportunity areas, and 40+ discrete opportunities

- Created Opportunity Consideration Matrix
- Defined workplans for January-June (e.g., UVA owners, PMO structure)
- Continued data analyses

- Conducted deeper analysis in Research, Space, and Spend
- Began business case for each opportunity

- Complete business case for each opportunity (i.e., financial impact, supporting analysis, implementation considerations)
- Facilitate prioritization session

- Finalize recommendations for FY2025

September-December

January

February-April

April-May

May-June



We are here



# NEXT STEPS

---



# Focusing Forward & Next Steps

---

- Continue to make progress in our strategic plans
- Invest in Talent – Faculty, Staff, Clinicians, and Students
- **Key Dates:**
  - State Budget Approval (May-June)
  - FY2025 Budget Approval (June)
  - Commonwealth Six-Year Plan Update (June-July)
  - Accounting and Financial Reporting Optimization (In-Progress)
  - Efficiency and Effectiveness Efforts (Ongoing)

