MEMORANDUM

TO: The Finance Committee:  
  James B. Murray Jr., Chair  
  Robert M. Blue, Vice Chair  
  Thomas A. DePasquale  
  John A. Griffin  

Robert D. Hardie  
Maurice A. Jones  
Jeffrey C. Walker  
Frank M. Conner III, Ex Officio

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.  
  Tammy S. Murphy  
  C. Evans Poston Jr.  
  James V. Reyes  
  Margaret F. Riley, Faculty Member  
  Brendan T. Nigro, Student Member

FROM: Susan G. Harris

SUBJECT: Minutes of the Meeting of the Finance Committee on March 1, 2019

The Finance Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 8:00 a.m. on Friday, March 1, 2019, in the Board Room of the Rotunda. James B. Murray Jr., chair, presided.

Present: Frank M. Conner III, Robert M. Blue, Thomas A. DePasquale, John A. Griffin, Robert D. Hardie, Maurice A. Jones, and Jeffrey C. Walker

L.D. Britt, M.D., Whittington W. Clement, Elizabeth M. Cranwell, Barbara J. Fried, Babur B. Lateef, M.D., Margaret F. Riley, and Brendan T. Nigro also attended.

Present as well were James E. Ryan, Jennifer Wagner Davis, Thomas C. Katsouleas, Melody S. Bianchetto, Susan G. Harris, Timothy J. Heaphy, Donna P. Henry, John C. Jeffries Jr., Patricia M. Lampkin, W. Thomas Leback, Mark M. Luellen, M. Elizabeth Magill, Melur Ramasubramanian, Debra D. Rinker, Colette Sheehy, Kelly D. Stuck, and Pamela M. Sutton-Wallace.
Mr. Ian B. Baucom and Mr. Robert W. Durden were the presenters.

Mr. Murray opened the meeting. After reviewing the agenda and highlighting the financial contributions of the Organizational Excellence initiative, he gave the floor to Ms. Davis.

**Executive Vice President’s Remarks**

Ms. Davis reported on the 2019 General Assembly Session, which had adjourned on February 24, 2019. She said the Governor had until March 26, 2019 to sign, veto, or amend legislation. The General Assembly is scheduled to reconvene on April 1, 2019 to consider his recommendations and vetoed legislation. For FY 2020, funding for the Academic Division will increase by approximately $1.6 million in support of undergraduate financial aid, the Virginia Foundation for the Humanities, focused ultrasound research, and health insurance premium increases. Funding for the College at Wise will increase by approximately $2.4 million in support of undergraduate financial aid, enrollment growth, and student success.

The General Assembly funded its share of the Alderman Library renovation project and provided an additional $10.2 million for the Gilmer Hall/Chemistry Building renovation project. It authorized salary increases. It approved a liability surcharge for the Virginia Retirement System; the estimated impact to the University will be approximately $4.3 million.

The General Assembly authorized a number of initiatives including institutional partnership performance agreements for access, affordability, internships, talent development, and economic development. Additional funding was provided for the Tech Talent Pipeline, an initiative to increase the number of degrees and certificates in technology-related fields. Funding was provided to establish the Hampton Roads Biomedical Research Consortium, and the University will convene a group to develop a proposal. Funding was also provided to create the Virginia Commonwealth Clinical Research Network, for which the University is designated as a partner. The Commonwealth Center for Advanced Manufacturing received an additional $1 million for operations. The University and VCU were asked to develop a pilot for prison health care. Finally, the General Assembly asked institutions to respond to a proposal that would provide additional state funds in exchange for a tuition freeze for the upcoming year, and the University is studying the proposal and expects to report to the Board at the June meeting.

**Consent Agenda: Dissolution of the Meadow Creek Corporation**

Ms. Davis said the University recently acquired the Meadow Creek Corporation as a part of the development of the Ivy/Emmet Corridor and that maintaining it did not make economic sense.

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

**DISSOLUTION AND TERMINATION OF THE MEADOW CREEK CORPORATION**

WHEREAS, the University is the sole shareholder of the Meadow Creek Corporation; and

WHEREAS, to facilitate the University’s plans to redevelop the Ivy/Emmet corridor, the University wishes to acquire ownership of the Property, which constitutes Meadow Creek’s sole asset; and
WHEREAS, the University, as sole shareholder of the Meadow Creek Corporation, has been requested by the corporation's board of directors to approve and consent to its recommendation that the corporation be dissolved and terminated;

RESOLVED, the Board of Visitors hereby approves and consents to the dissolution and termination of the Meadow Creek Corporation; and

RESOLVED FURTHER, the Board of Visitors authorizes the University's Executive Vice President & Chief Operating Officer (EVP/COO), and such persons as may be delegated authority by the EVP/COO, to execute and deliver all documents and do all such acts on the part of the University as may be necessary to effect the dissolution and termination of the Meadow Creek Corporation; and

RESOLVED FURTHER, all acts of all officers of the University that are in conformity with the purposes and intent of this Resolution and in carrying out the plans presented to this meeting are ratified, approved, and affirmed.

Consent Agenda: Delegation of Signatory Authority for Medical Center Contracts

Ms. Davis said this action delegated the authority to execute four contracts to the Executive Vice President for Health Affairs. The contracts will have expenses in excess of $5.0 million per year, which was above her authority and that of the Executive Vice President for Health Affairs.

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

SIGNATORY AUTHORITY FOR FOUR MEDICAL CENTER CONTRACTS EXCEEDING $5 MILLION PER YEAR

RESOLVED, the Board of Visitors authorizes the Executive Vice President for Health Affairs to execute contracts on behalf of the Medical Center with Morrison Management Specialists, Inc., Crothall Healthcare, Inc., Cardinal Health, and Zoll Medical Corporation.

Action Item: Upper Division Tuition for the College and Graduate School of Arts & Sciences

Ms. Davis introduced this item and gave the floor to Mr. Ryan. Mr. Ryan said this was the third time the Board had addressed the College’s upper division tuition proposal. It was initially presented at the December Board meeting and then discussed in depth at the January Finance Committee meeting where Mr. Baucom reviewed the College’s vision and multi-year plan, and Ms. Davis and Mr. Katsouleas presented options. Mr. Ryan said a consensus had developed at the meeting that the proposal was strategically important to maintain the College’s preeminence and that the College had cut costs and realized efficiencies. He said the proposal was part of a larger strategy, which included philanthropy and a continued focus on cost savings.

Mr. Ryan said the General Assembly’s proposed tuition freeze should not influence the decision on the upper division tuition proposal. The freeze and funding would only be available for the upcoming year while the tuition proposal would not go into effect until 2021. If the Board delayed action on the proposal, the University would not be able to provide notice of the tuition to students enrolling in the fall. If the University implemented the proposal and the State subsequently offered funding that negated its need, the University could rescind it.
Ms. Fried suggested the resolution include a commitment to the philanthropy component of the College’s multi-year plan. Mr. Griffin said the University could not guarantee the funds would be raised, and suggested the resolution indicate the tuition proposal was part of a larger plan.

Ms. Davis gave the floor to Mr. Baucom, who provided an overview of the College’s vision and multi-year plan; both had been presented in detail at the previous meetings. The multi-year plan includes $30 million per year for faculty support, $20 to $30 million per year for Pan-University Excellence, and $12 million per year to enhance the undergraduate experience. Funding would be provided by the upper division tuition, philanthropy, increased sponsored research, and continued efficiencies. The tuition proposal would provide only 20% of the funding.

Mr. Nigro asked if the Board could commit to tracking the impact of the tuition on graduation rates, student transfers, and middle-income families. Mr. Conner said the University also needed to track the impact on out-of-state students.

Before calling for a vote on the resolution, the Chair introduced Mr. Derrick Wang, the Board’s student representative for academic year 2019-2020.

On motion, the committee approved the following resolution, amended by the Rector to reflect the committee discussion, and recommended it for full Board approval:

**2021-2022 IMPLEMENTATION OF COLLEGE AND GRADUATE SCHOOL OF ARTS & SCIENCES UPPER DIVISION TUITION RATE**

WHEREAS, the Board seeks to address the higher cost of instructing third- and fourth-year students in the College and Graduate School of Arts & Sciences and to generate additional revenue to add new courses, strengthen the faculty:student ratio, and ensure intimate, interactive learning and research environments; and

WHEREAS, AccessUVA will continue to meet full demonstrated financial need and limit indebtedness for undergraduates; and

WHEREAS, the Board of Visitors recognizes the upper division tuition differential is part of a multi-year plan to enhance the student experience whose successful implementation is also dependent on additional cost savings and philanthropy;

RESOLVED, in Fall 2021, third-year students will be assessed an upper division tuition rate that is $2,700 higher than the tuition paid by first-, second-, and fourth-year students that year; and

RESOLVED FURTHER, in Fall 2022 and thereafter, the upper division tuition rate, established by the Board of Visitors annually, will extend to third- and fourth-year students.

**Action Item: Disposition of Real Property: UVA Northern Virginia Graduate Center**

Ms. Sheehy presented this item. She said the University and Virginia Tech jointly own the facility, which was built in 1996. The School of Continuing & Professional Studies was the University’s major occupant. Over time, its courses had mostly transitioned to an on-line format, and the space was no longer needed. Virginia Tech needed additional space and agreed to buy the University’s interest. Two appraisals were received and averaged to set the $8.23 million sale price.
On motion, the committee approved the following resolution and recommended it for full Board approval:

**DISPOSITION OF THE NORTHERN VIRGINIA GRADUATE CENTER**

WHEREAS, the Board of Visitors finds it to be in the best interest of the University of Virginia to sell the University’s interests in the Northern Virginia Graduate Center to Virginia Tech; and

WHEREAS, the University’s interest includes a 40% fee interest in the 2.187 acre parcel (Fairfax County Tax Map #403 01 0092), a 40% leasehold interest in the 5.33 acre parcel owned by the City of Falls Church (Fairfax County Tax Map #403 01 0092A), and a 40% ownership interest in the 101,000 square foot building located on the aforesaid 5.33 acre parcel (together known as the “Property”); and

WHEREAS, the University and Virginia Tech have agreed that the total value of the foregoing Property is $20,075,000, and subject to adjustments, the University’s share will be approximately $8,230,000;

RESOLVED, the Board of Visitors approves the sale of UVA’s ownership interest and assignment of the leasehold interest in the Property; and

RESOLVED FURTHER, the Executive Vice President and Chief Operating Officer is authorized, on behalf of the University, to approve and execute sale and assignment agreements, releases and all other documents needed to effect the foregoing transactions, to incur reasonable and customary expenses, and to take such other actions as deemed necessary and appropriate to consummate such disposition 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 property disposition, are in all respects approved, ratified, and confirmed.

**Action Item: Capital Project Financial Plans**

Ms. Sheehy reviewed the financial plans for two capital projects. The first was a revised plan for the Old Ivy Road Office Building. Its budget was being increased from $33 million to $41 million to accommodate a number of building occupant changes, which require a more intense fit-out. The second plan was for the Augusta County Multi-Specialty Ambulatory Clinic. Its fit-out cost will range from $8.0 to $12.0 million. The Chair said the project responded to demographic studies and will allow the University to provide lower cost care for Medicare and Medicaid patients.

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

**CAPITAL PROJECT FINANCIAL PLANS: OLD IVY ROAD OFFICE BUILDING AND AUGUSTA COUNTY MULTI-SPECIALTY AMBULATORY CLINIC**

WHEREAS, the revised financing plan for the Old Ivy Road Office Building calls for the use of debt in the amount of $41.0 million; and
WHEREAS, the financing plan for the Augusta County Multi-Specialty Ambulatory Clinic calls for the use of operating cash, an amount up to $12.0 million; and

WHEREAS, the Executive Vice President and Chief Operating Officer will confirm that appropriate funding is in place before any project commences construction;

RESOLVED, the Board of Visitors approves the financial plans for the Old Ivy Road Office Building and the Augusta County Multi-Specialty Ambulatory Clinic.

Endowment Report: Market Value and Performance as of December 31, 2018

Ms. Davis introduced Mr. Robert Durden, Chief Executive Officer and Chief Investment Officer of the University of Virginia Investment Management Company (UVIMCO). Mr. Durden said the mid-level and senior level teams had been stable since his arrival last April with only one departure. There had been no change in the investment philosophy, which takes a long-term perspective.

UVIMCO was reviewing its top down strategic asset allocation and its bottoms-up portfolio construction and task allocation. The former was the only change to the investment philosophy and was overdue given that the policy portfolio had not changed for 12 years. UVIMCO’s primary objective is to generate long-term returns adjusted for inflation and commensurate with the University’s risk tolerance and the risk of a short term draw down. UVIMCO’s risk management program, which focuses on market, liquidity, and manager risk, is being enhanced with new risk measures.

The only significant year-over-year change in the asset allocation is private equity. A year ago it was 3.5% lower. The first half of calendar year 2018 was good; the second half was not. In December 2018, the endowment was down 2%; in January 2019, it was up 3%.

Historically, UVIMCO has taken fewer risks than its top performing peers. In response to November Finance Committee meeting, UVIMCO is evaluating taking more risk incrementally over the long term. UVIMCO is reviewing its 11 investment strategies to share objectives across the team and manage portfolios more efficiently. Mr. Durden said UVIMCO’s external manager pool had grown to 150, and they needed to invest with those managers where they have a high conviction and eliminate those where they do not.

Hospitality Report: Hotel and Conference Center and the Inn at Darden

Ms. Davis said the Hotel and Conference Center is moving forward as a replacement for the Cavalier Inn, working with the UVA Foundation. Parameters, such as size, design, and financing, have been reviewed. A list of potential developers was shortlisted to four.

Work is also progressing on the new Inn at Darden. Its schematic design was presented for review at the previous day’s Buildings and Grounds Committee meeting and will be presented for approval at the committee’s June meeting.

Significant time has been spent on ways to ensure the facilities would be complementary and not competitive. The financial plans for both projects will be presented in June. The Chair stressed that the University is not investing cash, tuition dollars, or state funds in these projects.
Mr. DePasquale asked if the hotels would be the same brand so they could work together. Ms. Davis said they would probably be unbranded. The University would look at a cross selling protocol, which would include the Boar’s Head, to maximize the effectiveness of the three facilities. She said a single management company is not contemplated given the academic mission of the Inn at Darden.

**UVA Foundation Town Center 4 Building Project**

Ms. Davis said the Town Center 4 project will be the home of the Biocomplexity Institute. The building was originally planned as an office building and now its design is being modified to accommodate open labs and offices and collaboration spaces. The cost is approximately $12.9 million funded by the Medical Center.

**Human Resources System Transformation and System Go-Live**

The Chair directed the committee’s attention to the Human Resources System Transformation and System Go-Live report in the committee materials.

On motion, the chair adjourned the meeting at 9:00 a.m.

SGH:wtl
These minutes have been posted to the University of Virginia’s Board of Visitors website: [http://bov.virginia.edu/committees/205](http://bov.virginia.edu/committees/205)