Finance Committee Agenda

Consent Agenda:
1. School of Medicine Quasi-Endowments
2. Six-Year Plan
3. Correction to 2016-2017 Activity Fee

Action Items:
1. 2016-2018 Biennial Budget Amendments
2. Capital Project Financing Plans
   A. Old Ivy Road Office Building
   B. International Residential College Renovation
3. Signatory Authority for Ufirst Human Resources Functional Implementation

Reports:
1. Organizational Excellence
2. UVIMCO Report
School of Medicine
Quasi-Endowment Investments

• Establishes two quasi-endowment funds to support School of Medicine Distinguished Professorships in Emergency Medicine, in the amount of $2.0 million each

• The creation of these two new endowed professorship quasi-endowment funds is in accordance with the long-term plans of the Department of Emergency Medicine

• Income generated from these funds will be used to support chair holders’ salary and fringe benefits and scholarly activities, once the chairs are established by the Board of Visitors
## 2016-2022 Six-Year Plan Timeline

### Academic Division & College at Wise

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 1, 2015</td>
<td>Submitted final, Board-approved 2016-2022 Plan to the State</td>
</tr>
<tr>
<td>July 1, 2016</td>
<td>Submitted revised/amended Plan to the State</td>
</tr>
<tr>
<td>September 1, 2016</td>
<td>Received comments from the State on the amended Plan</td>
</tr>
<tr>
<td>September 16, 2016</td>
<td>Action by the Board of Visitors on the amended 2016-2022 Plan</td>
</tr>
<tr>
<td>October 1, 2016</td>
<td>Submit final Board-approved amended Plan to State</td>
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</tbody>
</table>
• 16 strategies/priorities align with Cornerstone Plan and enhance quality of education, research, and service

• **Key changes from 2015 submission:**
  • Conforms FY2016-17 financial plan with the Board-approved operating budget
  • Reduces tuition and educational and general (E&G) fee increase for in-state students from 3.5% to 1.5% in FY2016-17 and FY2017-18

• **State Comments:**
  • State a realistic threshold of tuition revenue which the institution will spend on financial aid.
College at Wise
2016-2022 Six-Year Plan

• 6 strategies/priorities align with College’s Strategic Plan, Envision 2020

• **Key changes from 2015 submission:**
  • Reallocates $978K in institutional revenues (tuition & fees; private funds) to support initiatives not funded in the 2016-18 state budget (e.g., recruitment, retention, and graduation initiatives; compliance costs)

• **State Comments:**
  • State a realistic threshold of tuition revenue which the institution will spend on financial aid.
Correction to 2016-2017 Graduate and Undergraduate Arts & Sciences Activity Fee

- Corrects the 2016-2017 activity fees for graduate and undergraduate Arts & Sciences students, which were transposed in the tuition and fees resolution the Board approved in February

<table>
<thead>
<tr>
<th>Activity Fees</th>
<th>2016-17 Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arts &amp; Sciences</td>
<td>$ 8</td>
</tr>
<tr>
<td>Graduate Art &amp; Sciences</td>
<td>$10</td>
</tr>
</tbody>
</table>
2017 General Fund Amendment to the 2016-2018 Biennial Budget

College at Wise

- Incremental operating costs of new library
  - $1,089,618 ($683,190 GF, $406,428 NGF)
  - 8 FTEs
  - Covers utilities; maintenance, custodial and grounds care; security; and library staffing
Capital Project Financing Plans

Old Ivy Road Office Building
- 100,000 GSF building to house UVIMCO, Advancement, Communications
- Estimated project cost: $24.0-$27.0 million
  - Funding source: University debt
  - Debt service ($1.6M-$1.9M) and operating costs ($1.2M) to be covered by lease rates of $28-$31 per GSF, depending on final project cost

International Residential College Renovation
- Install fire protection systems; replace mechanical systems, site utilities, and outdated equipment; renovate interior spaces; repair exterior building envelope; install air conditioning in Munford and Gwathmey
- Estimated project cost: $16 million
  - Funding sources: University debt ($15.9M) and auxiliary cash ($0.1M)
  - Debt service ($1.3M) and operating costs ($0.6M) to be covered by housing revenues
At its June 2016 BOV meeting, the Board approved the 2016-2017 operating budget, which includes the annual expenditures for the Ufirst project.

Two-year contract extension with current vendor to:
- Implement Human Resources (HR) integrated technology system
- Transition to a new HR service delivery model

The total estimated annual value of this contract will exceed $5 million, requiring Board of Visitors approval.
ORGANIZATIONAL EXCELLENCE
Organizational Excellence
Established in the Cornerstone Strategic Plan

Pan-institutional Quality and Improvement Program

**Purpose:** To enable institutional strategic goals, priorities and core mission through resource alignment and optimization (people+process+technology) and create a high-performance culture of quality

**How:** Service delivery/process redesign, economies of scale, organizational design, automation and technology enablement

**Outcomes:**
- High-quality performance and efficiencies through best-in-class service models and processes
- Service-oriented, collaborative, innovative culture
- Reinvest effort and savings in higher-value work and strategic priorities
Organizational Excellence
Institutional-wide

- Adding Value
- Saving Time
- Saving Money
- Reinvesting in Priorities

Projected Annual Savings:

- 2014-15: $19.5M
- 2015-16: $16.2M
- 2016-17: $20.1M (Projected)

Cumulative Savings: $55.8M (Projected)
Organizational Excellence
2015-2016 Highlights

Major Functional Areas of Focus

• Human Resources Transformation
• Research Administration
  • Proposal Development
  • Award Management
• Gift Processing Services
• Information Technology
  • Security
  • Email and Server Consolidation
• Procurement
  • Strategic Sourcing
  • Travel and Expense Management
8% increase in awards in FY16 ($340M)

Focus on improvements:
• to support proposal development, submission and award management
• to promote interdisciplinary and collaborative research
• to gain insight through analytics

Strategic and transactional benefits – higher level of support, increased capacity, enhanced analytics
Research Administration
Improvements

- Paper records and process
- Inquire about status
- Different sources of information

“I have found ResearchUVa to be a big help in tracking both my current grants, contracts and subaccounts, as well as proposals as they course their way through the maze that is the pre-award process.”

Rob Kelly, Professor of Engineering

- Integrated electronic platform
- Document repository
- Keyword search
- Real-time status
- Streamlined processes
- Increased analytics and reporting
Research Administration
2016-17 Areas of Focus

**Supporting UVA’s research goals of $500M annually**

- Proposal development and routing functionality
- Analytics and reporting
- Additional support to promote interdisciplinary and collaborative research
- Comprehensive pre-award support
Outline

- Governance and Staffing
- Performance Review
- Asset Allocation
- Current Environment
- Going Forward
Governance and Staffing

Board of Directors

- 12 members led by David MacFarlane as Chair, three appointed by the BOV, and one by the President
- BOV representatives are John Harris, John Macfarlane and Tim O’Hara
- Meets 4 times a year

Staff

- 40 UVIMCO team members
- Investment team comprised of CEO/CIO, 7 Managing Directors, 4 Senior Investment Associates, 3 Investment Associates, and 2 Investment Analysts
- Jonathan Earnhardt recently joined as Managing Director of Private Equity
- Average of 20 years of investment experience among senior staff
# Performance Review

<table>
<thead>
<tr>
<th>As of June 30, 2016</th>
<th>Market Value</th>
<th>Annualized</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ Millions</td>
<td>%</td>
</tr>
<tr>
<td>Long Term Pool</td>
<td>7,619</td>
<td>100.0</td>
</tr>
<tr>
<td>Policy Benchmark</td>
<td></td>
<td>100.0</td>
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<tr>
<td>Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public</td>
<td>1,876</td>
<td>24.6</td>
</tr>
<tr>
<td>Long / Short</td>
<td>1,654</td>
<td>21.7</td>
</tr>
<tr>
<td>Private</td>
<td>1,303</td>
<td>17.1</td>
</tr>
<tr>
<td>Total Equity</td>
<td>4,833</td>
<td>63.4</td>
</tr>
<tr>
<td>MSCI All Country World Equity</td>
<td>60.0</td>
<td>(3.2)</td>
</tr>
<tr>
<td>Real Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real Estate</td>
<td>504</td>
<td>6.6</td>
</tr>
<tr>
<td>Resources</td>
<td>344</td>
<td>4.5</td>
</tr>
<tr>
<td>Total Real Assets</td>
<td>848</td>
<td>11.1</td>
</tr>
<tr>
<td>MSCI Real Estate</td>
<td>10.0</td>
<td></td>
</tr>
<tr>
<td>Fixed Income, Cash &amp; MAC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketable Alternatives and Credit</td>
<td>1,065</td>
<td>14.0</td>
</tr>
<tr>
<td>Government Bonds</td>
<td>737</td>
<td>9.7</td>
</tr>
<tr>
<td>Cash &amp; Currency</td>
<td>137</td>
<td>1.8</td>
</tr>
<tr>
<td>Total Fixed Income, Cash &amp; MAC</td>
<td>1,939</td>
<td>25.5</td>
</tr>
<tr>
<td>Barclays Aggregate Bond</td>
<td>30.0</td>
<td></td>
</tr>
</tbody>
</table>
Performance Review

A challenging year characterized by volatility and increasing market uncertainty

- Global bond yields reached record lows, global equities declined 3.2%
- Safe-haven investments performed well relative to other “riskier” investments

Short-term Performance

- Our policy portfolio benefited from drop in interest rates: global public real estate and global bonds gained 16.5% and 6.7%, respectively
- Our underweight to interest rate-sensitive investments and portfolio tilts toward growth equity and emerging markets contributed to our underperformance relative to the policy portfolio

Long-term Performance

- Long-term performance for the Long Term Pool remains strong
- Our ten- and twenty-year returns of 8.5% and 11.3%, respectively, exceeded both the policy portfolio’s returns and University’s spending rate by wide margins
Asset Allocation

As of June 30, 2016
Current Environment

**Macroeconomic challenges**
- Deflation, global growth
- Commodities
- Emerging markets
- Interest rates
- Elections

**Valuations**

**Competing pools of capital**

**Opportunities?**
Going Forward

- Constantly reassess the current portfolio
- Manage risk and rebalance
- Use market weakness as an opportunity to add to high conviction managers
- Continue to co-invest with our managers
- Be opportunistic
- Most importantly, understand our edge