



THE RECTOR AND VISITORS OF THE  
UNIVERSITY OF VIRGINIA

November 11, 2016

The Board of Visitors of the University of Virginia met, in open and closed session, at 10:00 a.m. on Friday, November 11, 2016, in the Board Room of the Rotunda. William H. Goodwin Jr., Rector, presided.

Present: Mark T. Bowles, Whittington W. Clement, Frank M. Conner III, Elizabeth M. Cranwell, Thomas A. DePasquale, Kevin J. Fay, Frank E. Genovese, John A. Griffin, Babur B. Lateef, M.D., John G. Macfarlane III, James B. Murray Jr., James V. Reyes, Jeffrey C. Walker, Nina J. Solenski, M.D., and Phoebe A. Willis.

Participating by telephone: Ms. Fried participated in the morning closed session from 255 South West Temple, Salt Lake City, UT 84101; Ms. Murphy participated in the morning closed session from the Andover Inn, 4 Chapel Avenue, Andover, MA 01810; Mr. Reyes participated in the entire meeting from 3500 Fort Lincoln Drive NE, Washington, DC 20018.

Absent: L.D. Britt, M.D.

Also present were Teresa A. Sullivan, Patrick D. Hogan, Thomas C. Katsouleas, Richard P. Shannon, M.D., Melody S. Bianchetto, Margaret Elizabeth Griffin, Susan G. Harris, David W. Martel, Debra D. Rinker, Gregory W. Roberts, Roscoe C. Roberts, Colette Sheehy, Mark M. Luellen, and Leonard W. Sandridge Jr.

After adopting the following motion made by Mr. Fay and duly seconded, a roll call vote was taken to go into closed session. The members voting in the affirmative were Mr. Goodwin, Mr. Conner, Ms. Cranwell, Mr. Fay, Ms. Fried (by telephone), Mr. Genovese, Mr. Griffin, Dr. Lateef, Mr. Macfarlane, Ms. Murphy (by telephone), Mr. Murray, Mr. Reyes (by telephone), Mr. Walker, Dr. Solenski, and Ms. Willis. There were no negative votes. Mr. Bowles, Mr. Clement, and Mr. DePasquale entered the room after the vote.

I move that the Board of Visitors go into closed session to evaluate and discuss the University President's performance. The relevant exemption is Section 2.2-3711(A)(1) of the Code of Virginia. This

discussion in closed session is further authorized by 23.1-1303 (B)(8) of the Code of Virginia.

The Rector asked everyone to leave the meeting room except the members of the Board and Ms. Griffin, who was acting as legal counsel for the closed session discussion. Ms. Griffin is an attorney in the Virginia Attorney General's office. Ms. Sullivan and Mr. Sandridge also participated in portions of the closed session.

At 12:15 p.m., the Board left closed session and, on the following motion made by Mr. Fay, all members present certified by roll call vote that the deliberations in closed session had been conducted in accordance with the exemptions permitted by the Virginia Freedom of Information Act. The members voting in the affirmative were Mr. Goodwin, Mr. Bowles, Mr. Clement, Mr. Conner, Ms. Cranwell, Mr. DePasquale, Mr. Fay, Ms. Fried (by telephone), Mr. Genovese, Mr. Griffin, Dr. Lateef, Mr. Macfarlane, Ms. Murphy (by telephone), Mr. Murray, Mr. Reyes (by telephone), Mr. Walker, Dr. Solenski, and Ms. Willis.

I move that we vote on and record our certification that, to the best of each member's knowledge, only public business matters lawfully exempted from open meeting requirements and which were identified in the motion authorizing the closed session, were heard, discussed, or considered in closed session.

The Rector continued the meeting in open session. He indicated there would be a second closed session at 2:30 p.m. to continue the discussion, and he authorized Ms. Fried to participate in the afternoon closed session by telephone because she could not be present for a personal reason: she was participating in a previously scheduled board meeting of another organization in Salt Lake City, Utah.

After a 15-minute break for lunch, the Rector asked Mr. Conner to review the guiding principles for use of the Strategic Investment Fund (SIF). Mr. Conner reviewed briefly the four buckets: research, academic excellence, research infrastructure, and access and affordability. He said a student committee will be formed to help review proposals affecting students. Referring to the second round of SIF proposals, he said they received many good proposals but also many that did not meet the criteria. Some of this is because of the short development time to bring forward a proposal for this round.

Mr. Conner made some general remarks about the guidelines. He said the time frame for a project may be re-considered; perhaps with some, the three years is not the right time frame. Another point he made is the strategic priorities of the University are important to keep in mind.

Mr. Conner gave an overview of the landscape on access and affordability, commenting that the University's student aid program is

remarkably robust. The University has done a good job for low income students, but we may need to do more for middle-income families. He said the views of some leaders in the House of Delegates are that they would like to see lower tuition for all in-state undergraduates, more in-state admissions, and possibly a comparable decrease in out-of-state undergraduates.

Mr. Conner asked Mr. Hogan to present the "Alternatives to Enhance Access and Affordability" slide deck. Mr. Hogan gave an overview of the presentation followed by an in-depth review of in-state undergraduate enrollment. He said in alignment with the Top Jobs Act, the University committed to growing enrollment by approximately 1,200 in-state undergraduates from fall 2011 through fall 2018. He pointed out in 2016 5,762 Virginians were offered the opportunity to enroll at the University and 1,752, or 42% of the first-year in-state admits, declined the offer to enroll. The offer rate for Virginians is 45%, and for non-Virginians it is 24%. Greg Roberts, Dean of Undergraduate Admission, gave further details about applications as well as admissions. He said primary reasons for not selecting UVA are cost and prestige. Unlike many other states, high school graduates are increasing over the next five years. The yield for middle income students is low compared to those who are not offered financial aid, and compared to low income applicants.

Following further discussion, Mr. Hogan began a presentation on access alternatives; the first one focuses on increasing in-state enrollment by 400. Mr. Macfarlane asked for metrics on how the University has absorbed the additional undergraduates because there are many issues around increasing enrollment including infrastructure such as dorm rooms, faculty/student ratios, classroom availability, etc. He asked that the undergraduate deans be included in the conversation. He said the Board must be concerned about the quality of the academic experience. Mr. Murray said there are deeper financial repercussions than just revenue. Mr. Fay pointed out that the 1,200 additional undergraduates were supported in part by the state, but that is unlikely to be the case for any further increase.

Mr. Walker said the growth assumptions assume a steady-state in terms of residential education, whereas online learning and other technology enhancements may change how and where students learn and the cost of educating a student. Another growth area for other universities has been executive education. These issues need to be addressed. Mr. Murray said if the SIF money is used to take more Virginians it will not be used to improve technology.

The meeting was interrupted by a small group of students who made certain demands around safety and access for all.

Mr. Hogan continued with the affordability alternatives. The first one (the third access and affordability alternative) awards a \$1,000 cost-of-attendance credit which would be across-the-board without regard for the income level of the student and family. The

fourth alternative freezes in-state tuition for three years, with an impact of \$9.7 million over three years. This would have a significant ongoing financial impact for the University. The fifth and sixth involve rolling back the tuition step increases instituted over the past two years. This will lower the tuition base, and so when tuition is increased it will be on a lower base.

The seventh affordability alternative contemplates using the earnings on the funds provided by Aramark when the contract was renewed, totaling \$70 million, to offset dining costs for students. This would only benefit students who have a meal plan, which is about 9,000 students in total. However, if the contract was terminated early, the unamortized portion of the funds would have to be repaid so reserving these funds is necessary.

Board members asked Mr. Hogan to look at the financial incentives that would encourage those who turned down the University to decide to attend.

The eighth affordability alternative is a tweak that would benefit families in the wealthiest areas of Virginia: adjusting the estimated family contribution calculation to address the impact of cost of living increases. This has a yearly \$2.2 million impact.

There was some discussion about the value of providing merit aid; the University currently gives very little merit aid. Some commented that this might assist middle income Virginians.

The ninth alternative is to reduce loan caps for in-state middle income students with need. Mr. Walker asked for return on investment data – can students pay back loans easily, or are their earnings insufficient to do so? The tenth alternative is to eliminate loans for in-state students with need and family incomes below \$125,000. This would have a substantial cost of about \$10.4 million a year.

The final alternative is to create a \$100 million SIF challenge grant to be matched by philanthropic support. These funds would be moved out of earnings with the ultimate goal of raising a \$1.2 billion permanent endowment for financial aid. This would take from SIF about a quarter of the earnings every year for four years and would relieve tuition from supporting financial aid, which is currently \$53 million a year.

The 11 alternatives are summarized on slide 23. Mr. Hogan then reviewed financial challenges for FY 2017 and beyond, including the decrease in the General Fund appropriation from base year 2016, which is projected to be \$5.0 million in FY 2017, \$13.9 million in FY 2018, \$14.5 million in FY 2019, and \$18.2 million in FY 2020. He reviewed the ongoing commitments to excellence which are \$92.9 million in FY 2017.

The Rector reminded members that we have a great university and the purpose of this exercise is to make it a little bit better, which is hard. Mr. Conner said he is hearing that members do not want to do anything that will have a long-term adverse financial impact on the university. Mr. Hogan said any tweaks to financial aid packages for this year must be done very soon.

Discussion ensued about the alternatives. Some felt that more data is needed to make an informed decision. Mr. Goodwin said starting an endowment with some kind of matching program should be put in place now; otherwise, the University has enough on its plate now. Mr. Macfarlane said alternatives five and six should be eliminated, and 11 (the matching program) should be implemented in some form.

Mr. Clement and several others said the across-the-board reductions should be taken off the table; look only at alternatives that target middle income and below. Mr. Conner recommended considering number nine, which is lowering the loan caps for those above \$50,000, and will assist middle income families.

In summary, the Visitors narrowed the list of viable alternatives to five: numbers one, three, eight, nine, and 11 on the chart. They approved moving forward immediately with a proposal on number 11, which is to build an AccessUVA endowment with SIF challenge grants, and to continue to consider the others. Taken off the table were trading 400 out-of-state students for 400 in-state students; freezing future base in-state tuition for three years; rolling back either the first, or the first and second, \$1,000 step increases; creating a special-purpose quasi-endowment to support student dining operations; and eliminating loan caps for in-state students with need with family incomes below \$125,000.

President Sullivan then spoke briefly about the student concerns addressed to the Board during the meeting. There has been an uptick in incivility this week; the presidential election has created some tension. She described an incident involving University police officers that is under investigation.

The Board recessed for 15 minutes and resumed the meeting at 2:30 p.m. On the following motion duly made by Mr. Fay and seconded, and a roll call vote taken, the Board went into closed session. The members who voted in the affirmative on the motion were Mr. Goodwin, Mr. Conner, Ms. Cranwell, Mr. Fay, Ms. Fried (by telephone), Mr. Genovese, Mr. Griffin, Dr. Lateef, Mr. Macfarlane, Mr. Murray, Mr. Reyes (by telephone), Mr. Walker, Dr. Solenski, and Ms. Willis. There were no negative votes.

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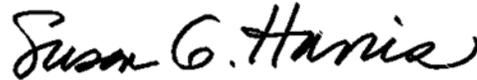
The Rector asked everyone to leave the meeting room except the members of the Board and Ms. Griffin. Ms. Sullivan and Mr. Sandridge also participated in portions of this closed session.

At 4:00 p.m., the Board left closed session and, on the following motion made by Mr. Fay and duly seconded, all members present certified by roll call vote that the deliberations in closed session had been conducted in accordance with the exemptions permitted by the Virginia Freedom of Information Act. The members voting in the affirmative were Mr. Goodwin, Mr. Bowles, Mr. Clement, Mr. Conner, Ms. Cranwell, Mr. DePasquale, Mr. Fay, Ms. Fried (by telephone), Mr. Genovese, Mr. Griffin, Dr. Lateef, Mr. Macfarlane, Mr. Murray, Mr. Reyes (by telephone), Mr. Walker, Dr. Solenski, and Ms. Willis.

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On motion, the Rector adjourned the meeting at 4:05 p.m.

Respectfully submitted,



Susan G. Harris  
Secretary

SGH

These minutes have been posted to the University of Virginia's Board of Visitors website.

<http://www.virginia.edu/bov/publicminutes.html>