



May 11, 2012

**Meeting of the Finance, Investment and Property Committee
of the Board of Visitors of Virginia Commonwealth University
*Minutes***

A meeting of the Finance, Investment and Property Committee of the VCU Board of Visitors was held on Friday, May 11, 2012, at 9:15 a.m. in Benjamin J. Lambert Board Room located in the Critical Care Hospital at 1213 E. Clay St.

Present were: Messrs. Siegel (Chair), Farrell, Ginther, Jackson and Snead; Drs. Broaddus and Doswell; and Mrs. Lambert. Mr. McMurtrie was absent. Also present were Drs. Rao, Hanson, Macrina and Retchin; Messrs. Blohm, Bonfili, Davenport, Jez, and Ohlinger; and Mesdames Atkinson, Balmer, Currey and Lepley.

The meeting was called to order and on motion made and seconded, the minutes of a meeting held Feb. 9, 2012 were approved.

The Resolution and Recommendation of Financial Structure Task Force were presented. On motion made and seconded, the Finance, Investment and Property Committee recommended to the full Board the approval of the below resolutions:

**RESOLUTION
BOARD OF VISITORS
VIRGINIA COMMONWEALTH UNIVERSITY**

DEVELOPMENT OF UNIFORM MANAGEMENT AGREEMENTS

Recitals

- A. The Financial Structure Task Force (FSTF) was charged in Sept. 2011 with seeking ways to collaborate across all Virginia Commonwealth University (VCU) entities (including all affiliated foundations) to develop the most efficient and best practice financial structures and operations for combined success;
- B. VCU has agreements with the following foundations or affiliated organizations: Virginia Commonwealth University Health System (VCUHS), Medical College of Virginia Foundation (MCFV), Virginia Commonwealth University Foundation (VCUF), Virginia Commonwealth University Real Estate Foundation (VCUREF), VCU School of Business Foundation (VCUSOB), VCU School of Engineering Foundation (VCUSOE), VCU Intellectual Property Foundation (VCUIPF) and the Monroe Park Campus Corporation (MPCC), (collectively the foundations and affiliated organizations);
- C. Through a review of literature, practices of peer institutions nationally and Virginia law and practice, the FSTF found that the policies and agreements currently in place between and among VCU and its foundations and affiliated organizations are out-of-date, do not reflect current standards, are not consistent across the entities and do not reflect best practices;
- D. The Board of Visitors of the university (the Board) is aware of the May 20, 1983 Memorandum of the Attorney General of Virginia to the Presidents of Virginia's Public Institutions of Higher Education which includes the following provisions:

“Foundations exist because of, and for, the public institutions they support and after which they are named. Looking beyond their independent corporate existence, the foundations are depositories of enormous funds charitably donated for the benefit of public higher education. Their assets exist essentially because of public tax policy and publicly spirited donations.”

“The institutions should be encouraged to shoulder the primary responsibility for closely reviewing (as opposed to regulating) these foundations. The foundations should not be allowed to act under their name, nor for their benefit, without at least some form of minimum scrutiny and institutional review of foundation activity on a periodic basis, frequent enough to be effective.”

“It is clear that when such a foundation receives or solicits funds under the institution’s name, a trust is impressed by law requiring prudent use and management of such funds.”

E. Pursuant to the Board’s bylaws, § 3.02(d)(8), the Committee has specific responsibilities related to the investment policies.

“The Finance, Investment and Property Committee shall oversee policies involved in University financial, investment, and debt management and facilities planning, construction and renovation, physical plant, and equipment and shall make recommendations on matters relating to these areas to the Board.

In addition to the special responsibilities that the Board may, from time to time, assign to the Committee, the Committee shall have the following specific responsibilities:”

“Serve as an investment committee and oversee university investment policies and activities including direct management of the university’s cash investment pool and monitoring of the policies and activities of the university-related private foundations.”

F. The Commonwealth of Virginia, pursuant to § 55-268 Uniform Prudent Management of Institutional Funds (UPMIFA) Act provides a framework for the appropriate management and investment of endowment funds.

G. The Board believes it is in the best interest of the university to, and encourages its foundations and affiliated organizations to, review existing management agreements as well as existing debt, cash and investment management policies in light of the findings of the FSTF and its review of these legal underpinnings and current best practices.

NOW THEREFORE BE IT RESOLVED BY THE BOARD OF VISITORS OF VIRGINIA COMMONWEALTH UNIVERSITY.

1. The vice president for finance and administration of the university is authorized and directed to review, and as appropriate, revise for consideration by the Board at the Nov. 2012 meeting, the university’s debt, investment, and cash management policies.

2. The president, the vice president for finance and administration, and the general counsel of the university (collectively, the “authorized officers”) are authorized and directed to develop a uniform management agreement between the university and its foundations and affiliated organizations, which may be altered as necessary to accommodate the specific circumstances of individual foundations, for consideration by the Board at the Nov. 2012 meeting. The uniform agreement shall be in consonance with the best practices, Virginia law, and the May 20, 1983 Virginia Attorney General’s memorandum.

3. The president, the vice president for finance and administration, and the general counsel of the university (collectively, the “authorized officers”) are authorized and directed to develop a uniform fund management agreement between the university and its foundations and affiliated organizations, which may be altered as necessary to accommodate the specific circumstances of individual foundations, for consideration by the Board at the Nov. 2012 or Feb. 2013 meeting. The uniform agreement shall be in consonance with the best practices, Virginia law, specifically Code

of Virginia § 55-268.11 Uniform Prudent Management of Institutional Funds (UPMIFA) Act, and the May 20, 1983 Virginia Attorney General's memorandum.

4. All other officers of the university are authorized to take steps appropriate or desirable to carry out the intent of this resolution.

5. This resolution shall become immediately effective upon its passage.

**RESOLUTION
BOARD OF VISITORS
VIRGINIA COMMONWEALTH UNIVERSITY**

CONDUCT A NATIONAL SEARCH FOR A SINGLE INVESTMENT ADVISOR

Recitals

H. Virginia Commonwealth University (the "university") established the Financial Structure Task Force (the "FSTF") in Sept. 2011, to seek ways for the university, its major affiliated foundations, and the VCU Health System (collectively referred to as the "VCU Entities") to leverage its resources in order to provide the most efficient management of cash, investments, debt, and similar financial structures.

I. The FSTF is co-chaired by the university's vice president for finance and administration and VCU Health System's chief financial officer, and comprises 15 other university and VCU Health System employees who represent specific organizations that make up the VCU Entities. The FSTF met twice a month over a seven-month period and formed a number of workgroups to carry out its detailed benchmarking and research efforts. Such efforts included an exhaustive review of literature, benchmarking with over 25 peer institutions, and consultation with a number of national and local investment experts.

J. The FSTF collaborated with the VCU Entities to put contracts in place for a single investment advisory firm to oversee approximately \$600 million in long-term assets (> 10 years). The contracts were not competed, as they were primarily initiated as a temporary measure until the FSTF completed its research. The contracts were entered into on Dec. 31, 2011, for a one-year term, with options to renew for two additional years. The new contracts also include a 30-day exit clause, which can be executed at any time by the VCU Entities.

K. The FSTF recommends that a dedicated investment management function be made available to the VCU Entities. A dedicated investment function is a best practice for large and complex institutions similar to the VCU Entities. The FSTF found that institutions which can leverage \$1 billion (or approaching) in investable assets benefit considerably from enhanced returns and lower fees. The FSTF envisions that it could take up to three years to fully plan and implement a dedicated investment management function for the VCU Entities.

L. The FSTF recommends that a competitive and national search begin for a single investment advisor, while plans are implemented over the next several years to create a dedicated investment function for the VCU Entities. The national search would be conducted so that a single investment advisory firm can be put in place prior to the expiration of the current contract discussed in Section C above. The extent of investible assets under advisory by a single investment advisor is unknown, but the FSTF expects a high degree of voluntary participation from the VCU Entities. Even if participation is initially low, the FSTF recommends the University take the lead in conducting a national search for the VCU Entities. The FSTF also expects the VCU Entities to add to their existing long-term investment pools, as they continue to better understand their individual liquidity and cash flow needs.

M. The Board supports the work of the FSTF and believes it is the Board's fiduciary responsibility under the terms of the May 20, 1983 Memorandum of the Attorney General of Virginia to the Presidents of Virginia's Public Institutions of Higher Education, § 55-268 of the Code of Virginia, the Uniform Prudent Management of Institutional Funds (UPMIFA)

Act, and the Board's bylaws, § 3.02(d)(8) to have a national search for a single investment advisor for the VCU Entities' long-term investments be undertaken immediately.

NOW THEREFORE BE IT RESOLVED BY THE BOARD OF VISITORS OF VIRGINIA COMMONWEALTH UNIVERSITY.

1. The vice president for finance and administration is authorized and directed to develop and launch a national search for investment advisor across the VCU Entities and permit any VCU entity to opt in to this process.
2. The officers of the university are authorized to take steps appropriate to carry out the intent of this resolution.
3. This resolution shall become immediately effective upon its passage.

The Resolution Authorizing the Refinancing of General Revenue Pledge Bonds, Series 2006A and 2006B was presented. On motion made and seconded, the Finance, Investment and Property Committee recommended to the full Board the approval of the below resolution:

**RESOLUTION
BOARD OF VISITORS
VIRGINIA COMMONWEALTH UNIVERSITY

REFUNDING OF SERIES 2006A AND 2006B BONDS
and
AUTHORIZATION OF RELATED REFUNDING BONDS**

Recitals

- A. In 2006, Virginia Commonwealth University (the "university") issued its General Revenue Pledge Bonds, Series 2006A (the "2006A Bonds"), and its General Revenue Pledge Bonds, Series 2006B (the "2006B Bonds" and, collectively with the 2006A Bonds, the "2006 Bonds"), to pay costs of the construction of facilities for the university's School of Engineering and School of Business.
- B. Because of the downgrading of the bond insurance originally securing the 2006 Bonds, the 2006 Bonds were restructured in 2008, in the form of variable rate "low floater" bonds secured by a letter of credit issued by Wachovia Bank, N.A. (now, Wells Fargo Bank, N.A.).
- C. Reflecting the pending termination of the letter of credit currently securing the 2006 Bonds, the university has received proposals from JPMorgan Chase Bank, N.A.; PNC Bank, N.A.; U.S. Bank N.A.; and Wells Fargo Bank, N.A. (collectively, the "Banks") with respect to options for restructuring or refunding the 2006 Bonds.
- D. There has been presented to the Board of Visitors a description of financing options currently being considered, including refunding the 2006 Bonds with new bonds, either secured by a new letter of credit or sold in a direct placement to one of the Banks, with the current expectation being that the new bonds would be sold to U.S. Bank N.A. in a direct placement.

NOW, THEREFORE BE IT RESOLVED BY THE BOARD OF VISITORS OF VIRGINIA COMMONWEALTH UNIVERSITY:

The Board of Visitors approves and authorizes the issuance and delivery of the university's General Revenue Pledge Bonds (the "2012 Bonds") to refund the 2006 Bonds. To accomplish such issuance, the Board of Visitors hereby authorizes the execution and delivery of a bond resolution (the "2012 Bond Resolution") in substantially the form of the resolution adopted for the 2006 Bonds with such terms, provisions and other changes as may be approved by any designated officer consistent with prior practice of the university, so that the 2012 Resolution may reflect the final terms and conditions of the 2012 Bonds. Each designated officer is authorized to approve, on behalf of the Board, the final form of the 2012 Bond Resolution and to evidence such approval on behalf of the university in writing.

The designated officers shall be the university's (a) president, (b) vice president for finance and administration and (c) associate vice president for business services and treasurer.

The 2012 Bonds may be issued in one or more series. The final terms and forms of the 2012 Bonds, including maturities, interest rates and redemption provisions, shall be as approved by a designated officer; provided that the principal amount of the 2012 Bonds shall not exceed \$70,000,000 and the final maturity shall not be later than Nov. 1, 2030. The 2012 Bonds may be combined in one or more series with other bonds issued by the authority and properly authorized with the amount of such other bonds not counting toward the maximum principal amount set forth in the previous sentence.

In connection with the issuance and securing of the 2012 Bonds, the officers of the university are authorized to execute and deliver one or more loan, covenant, letter of credit, reimbursement or similar agreements (collectively, "Financing Agreements") with the bank providing a letter of credit or purchasing the 2012 Bonds, providing for credit enhancement of the relevant bonds by a letter of credit or otherwise securing the university's obligations with respect to the 2012 Bonds, including Financing Agreements obligating the university to pay fees and to purchase and/or pay such bonds purchased by the letter of credit bank, all as may be approved by a designated officer.

The officers of the university are authorized to execute and deliver amendments to the existing project development and Financing Agreements with, respectively, the Virginia Commonwealth University School of Engineering Foundation and the Virginia Commonwealth University School of Business Foundation providing that each foundation will be obligated to pay debt service on all or an appropriate portion of one or more series of the 2012 Bonds reflecting the refunding of the 2006 Bonds issued for the benefit of such foundation.

If, contrary to current expectations, the 2012 Bonds are not purchased in a direct placement but instead are secured by a letter of credit, the officers of the university are authorized to develop and execute an appropriate offering memorandum or similar document (the "Offering Document") for the initial offering and subsequent remarketing of the 2012 Bonds and to execute and deliver documents and certificates necessary or desirable for such offering and reoffering, including without limitation remarketing, paying agent, tender agent and other agreements. The officers are also authorized to execute and deliver an appropriate continuing disclosure agreement in connection with the offering of the 2012 Bonds to enable the underwriters and remarketing agents to comply with Rule 15c2-12 of the Securities and Exchange Commission.

The Designated Officers and all other officers of the university are authorized to take all steps necessary or desirable in connection with the issuance of the 2012 Bonds and the refunding of the 2006 Bonds, including the execution of certificates and agreements with respect to preserving the tax exempt status of such bonds.

The BOV Fund was presented. At the request of the Board of Visitors, a restricted, donor-advised fund will be established at VCU. Contributions from the BOV members, or others, will be used to establish and maintain the fund. The fund will be used by the BOV to execute and support the university's mission. On motion made and seconded, the below resolution was approved:

**VIRGINIA COMMONWEALTH UNIVERSITY
Resolution Regarding Board of Visitors Fund**

WHEREAS, in their efforts to support the mission of Virginia Commonwealth University from time-to-time the Board of Visitors has the need to make expenditures;

WHEREAS, there are currently no funds assigned directly to the Board of Visitors.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF VISITORS OF VIRGINIA COMMONWEALTH UNIVERSITY

Section 1. There is hereby established on the books of Virginia Commonwealth University a donor advised restricted fund to be known as the “Board of Visitors Fund.”

Section 2. Direct contributions from members of the Board of Visitors or friends will provide monies for the fund. The fund will only contain monies from outside contributions.

Section 3. It is the express intent of the Board of Visitors that monies in this fund shall only be used for (a) scholarships, (b) faculty and staff recognitions and (c) other projects, undertakings or expenses which the Board of Visitors deems to be in the best interest of Virginia Commonwealth University and consistent with the overall educational mission of the institution. Such withdrawals under (a), (b), and (c) may be made by upon recommendation of the rector of the Board and approval of the vice rector. However, any such withdrawals in excess of twenty-five hundred dollars (\$2,500) in any fiscal year, or which would result in a total fund balance of less than \$2,500, shall require the affirmative vote of a majority of the members of the Board of Visitors.

Section 4. Such withdrawal may be in increments or at one time, and shall be in writing, and be placed in the permanent records of the university and shall be provided to the other members of the Board of Visitors.

Section 5. The administration will provide routine reports to the rector, vice rector and Finance, Investment and Property Committee regarding the fund uses and fund balance (or upon request by any Board member).

Section 6. This resolution shall take effect immediately upon its adoption.

The following items were presented for information:

- VCU Master Plan Update 3
- Capital projects status report
- Cash, debt and investment monitoring as of May 4, 2012
- Notification of contract award for renovations to Biotech One
- Revenue and expense summary 3/31/12
- VCUHS financial statistics for the eight months ending Feb. 29, 2012

On motion made and seconded, the Committee convened into closed session to discuss the acquisition or use of real property for public purpose, or of the disposition of publicly held real property, where discussion in an open session would adversely affect the bargaining position or negotiating strategy of VCU, including the acquisition of property on or adjacent to the Monroe Park Campus as authorized by Section 2.2-3711 A(3) of the Virginia Freedom of Information Act.

Following closed session, on motion made and seconded, the following resolution was approved by roll call vote: The Finance, Investment and Property Committee of the Board of Visitors of Virginia Commonwealth University hereby certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements by Virginia law were discussed in the closed session meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the closed session meeting were heard, discussed, or considered by the Finance, Investment and Property Committee of the Board of Visitors of Virginia Commonwealth University.

<u>Roll call vote</u>	<u>Ayes</u>	<u>Nays</u>
Mr. Stuart C. Siegel, chair	X	
Mr. Brian K. Jackson, vice chair	X	
Dr. J. Alfred Broaddus Jr.	X	
Mr. Thomas F. Farrell II	X	
Mr. William M. Ginther	X	
Mrs. Lillian L. Lambert	X	

Mr. Alexander B. McMurtrie Jr.	Absent
Dr. John C. Doswell II, vice rector	X
Mr. Thomas G. Snead, Jr., rector	X

Vote:

Ayes: 8

Nays: 0

ABSENT DURING MEETING: 1

ABSENT DURING VOTING: 1

On motion made and seconded, the Finance, Investment and Property Committee recommended to the full Board the approval of the acquisition of property and the amendment to the Six Year Capital Plan.

The meeting was adjourned at 10:30 a.m.