

MINUTES OF A SPECIAL MEETING OF THE
BOARD OF VISITORS OF
VIRGINIA COMMONWEALTH UNIVERSITY
April 20, 1995

A regular meeting of the Board of Visitors of Virginia Commonwealth University was held on Thursday, April 20, 1995, at 8 a.m. in the University Meeting Center.

Present were Messrs. Whitworth, Flippen, Framme, Meador, Siegel, Townes and Weinberg; Drs. Johnson and Smith; and Ms. Teig. Absent were Mr. Arenstein; Drs. Dombalis, Gilmer, Vaughan and Wootton; and Ms. Vaughan. Also present were Drs. Trani, Dewey, Harris, Jones and Rhone; Messrs. Bruegman, Ross and Wyeth; and Mesdames Burnside, Messmer and Price.

Mr. Whitworth called the meeting to order. On motion made and seconded, the following Resolution was approved:

WHEREAS, the 1995 Session of the General Assembly of Virginia passed the Workforce Transition Act of 1995 (hereinafter referred to as the "Act"); and

WHEREAS, Governor Allen signed the Act into law on March 10, 1995; and

WHEREAS, full-time teaching and research faculty of institutions of higher education in Virginia are not eligible under the Act to participate in the incentive programs established under the second and third enactments of the Act unless specifically permitted by the Boards of Visitors of the respective institutions of higher education; and

WHEREAS, enactment nine of the Act empowers Boards of Visitors of state institutions of higher education in Virginia, in keeping with the purposes of the Act and as part of the higher education restructuring plan pursuant to Item 183 E. 1, 2 and 3 of Chapter 966 of the Acts of Assembly of 1994, to permit full-time teaching and research faculty, including administrative and professional faculty,

to participate in the incentive programs established in the second and third enactments of the Act; and

WHEREAS, the Board of Visitors of Virginia Commonwealth University, in keeping with its restructuring plan developed pursuant to Item 183 E. 1, 2 and 3 of Chapter 966 of the Acts of Assembly, wishes to permit full-time teaching and research faculty, including administrative and professional faculty, of Virginia Commonwealth University to participate in the incentive programs established in the second and third enactments of the Act; and

NOW, THEREFORE, BE IT RESOLVED by the Board of Visitors of Virginia Commonwealth University that full-time teaching and research faculty, including administrative and professional faculty, of Virginia Commonwealth University are hereby permitted to apply for the incentive programs established in the second and third enactments of the Act subject to the following conditions:

1. The President of Virginia Commonwealth University hereby is empowered to develop and implement procedures for receipt and consideration of, as well as the recommended action to be taken with respect to, applications submitted by eligible faculty members of Virginia Commonwealth University. The procedures shall be consistent with the provisions of the Act, as well as any implementing procedures, rules and regulations developed by the Governor of the Commonwealth of Virginia, and shall be in keeping with Virginia Commonwealth University's ongoing restructuring plans and efforts.

2. Written application of a faculty member's desire to participate in the aforementioned incentive programs must be received by the appropriate Virginia Commonwealth University official not later than June 30, 1995, at 5:00 p.m. Separation from employment must occur not later than June 30, 1996.

The 1995-96 University and Hospitals budgets were presented. Highlights of the Budget are:

Revenues for the University and the Hospitals will total \$820 million in 1995.

State general funds support for the \$820 million budget will total \$118 million, representing only 14% of the budget.

The budget is balanced, with budget surpluses projected in the University and the Hospitals budgets.

Both budgets include contingency funds for unexpected revenue shortfalls, and strategic planning initiatives.

Highlights of the University budget include:

University revenues are expected to total \$440 million and expenditures are budgeted at \$439 million.

The budget is balanced for all programs and includes contingency funds totaling \$3.9 million.

Tuition revenue is based on revised projected enrollments for 1995-96, where total fall headcount is projected to be 21,585 students, an increase of only 62 students over the fall of 1994.

Due to the planned reduction in tuition revenue and the need to fund selected University initiatives, VCU's projected expenditure needs exceeded projected revenues by approximately 1% or \$4.5 million during the budget preparation process. The University developed a plan to balance the budget. The plan includes reducing the existing library materials budget by \$500,000; deferring a planned \$400,000 increase in library materials budget; requesting the VCU Foundation to provide an additional 2% distribution from the quasi-endowment fund for University support as a means of reducing advancement expenditures by \$140,000; reducing summer school salary costs by \$200,000; reducing E&G travel budgets by 25% to save \$200,000; realizing salary savings from flexible contracts and vacant positions to save \$400,000; and implementing Phase I of Administrative Restructuring to realize a savings of \$500,000.

Tuition charges for all student groups, except first professional students, are being increased by 3% for residents and 5% for nonresidents. The resident rate is increased to the maximum level authorized by the General Assembly. Although the General Assembly authorized a maximum 7.5% increase in the nonresident rate, the University is recommending an increase of 5%.

The University is initiating a course overload fee for full-time students. Undergraduates who take more than 18 credit hours a semester and graduate students who take more than 15 credit hours a semester will be charged on a per credit hour basis for each credit hour above the full-time maximum.

Mandatory fees and other charges are being held to a 3% increase.

Tuition charges for medical students are being increased by 1% for residents and 2% for nonresidents.

Tuition for the new PharmD program has been set at \$7,500 for resident students and \$15,000 for nonresidents.

There is a tuition and fee increase of 21.1% for the Fast Track MBA program. Beginning with the Fall 1995 class, students will pay \$23,000 for the thirteen course program.

In 1994-95, off-campus tuition rates did not increase. For 1995-96, off-campus tuition will increase to the on-campus rates for resident students.

The expenditure budget includes general fund support for legislative initiatives relating to:

- the School of Engineering (\$547,000);
- the Generalist Medicine Initiative (\$388,000);
- the School of Dentistry (\$250,000);
- Restructuring (\$500,000);
- an Offset to the Tuition Loss (\$250,000); and
- the Economic Education Program (\$25,000).

The budget includes a State-authorized December 1, 1995 2.25% salary increase for classified staff and faculty.

Of the \$3.9 million in contingency funds, \$1.2 million is dedicated to a Strategic Plan Reallocation Pool.

Highlights from the Hospital Budget include:

The fiscal 1995-96 VCU/MCV Hospitals' budget is balanced, and will provide an excess of \$4.3 million for reinvestment in needed capital equipment, renovations, and required debt service payments.

The Hospitals has been able to balance the budget with the implementation of reengineering/restructuring which was embarked upon over one year ago. The efforts have reduced positions at the Hospitals by 645 or over 10% since April of 1994.

The total profitability of the Hospitals is dependent upon commercial and related payers. The

insurers are unwilling to recognize expenses associated with graduate medical education, unreimbursed indigent care, and medical school support. Reduction in hospital and medical school expenses, state or national recognition of expenses associated with graduate medical education, and full state funding of indigent care are essential if long term financial viability is to be maintained. Only 11.3% of the Hospitals' payers pay what is billed, so increasing rates is not a solution.

The Hospitals budget is based on the following statistics:

patient admissions are projected to decrease
by 701 or 2.20%
patient days are projected to decrease by
2,814 or 1.45%
outpatient visits are projected to increase by
5,703 or 2.96%
emergency visits are projected to decrease by
1,900 or 1.73%

Medicaid and indigent care reimbursement will be capped at a total of \$147.3 million.

The Hospitals' budget assumes State mandated classified and faculty salary increases of 2.25% on December 1, 1995 and provides for Health Care Provider increases of 3.0% and house staff increases of 3.5% on July 1, 1995.

The Hospitals restructuring/reengineering efforts will save approximately \$11.8 million in operating expenses in 1996.

The Hospitals will fully open the new Ambulatory Care building in 1996, will assume responsibility for all operating expenses, and will rent approximately 52,000 square feet to Associated Physicians. Associated Physicians will assume responsibility for approximately 26,000 patient visits now seen in the A.D. Williams Clinic.

The Hospitals' Emergency Services will be transitioned to full-time attending coverage during 1995-96 with assistance of an outside consultant.

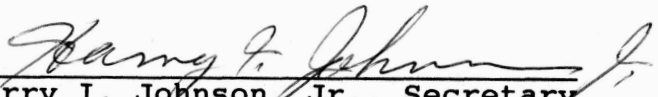
The Hospitals provides support that is not normally required from competitor community hospitals. The support amounts to approximately 10.8% of the Hospitals' budget and is the primary reason VCU/MCV Hospitals' costs exceed that of the competitors.

On motion made and seconded, the 1995-96 University Budget and Tuition and Fees were approved.

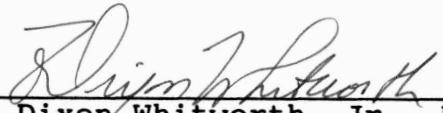
On motion made and seconded, a report to the Board of Visitors on tuition is to be prepared over the next 12 months (by the March 1996 Board of Visitors' meeting) relative to how restructuring can be used to lower tuition rates.

On motion made and seconded, the Hospitals' 1995-96 budget was approved.

The meeting was adjourned at 9:30 a.m.



Harry I. Johnson, Jr., Secretary



F. Dixon Whitworth, Jr., Rector