

MINUTES OF A REGULAR MEETING OF THE
BOARD OF VISITORS OF
VIRGINIA COMMONWEALTH UNIVERSITY
August 2, 2002

A regular meeting of the Board of Visitors of Virginia Commonwealth University was held on Friday, August 2, 2002, at 9 a.m. in the University Meeting Center located at 101 North Harrison Street.

Present were Drs. Perkinson (Rector), Bersoff, Long and Romano; Messrs. Axelle, Markel, Plymale, Pyon, Rigsby, Rosenthal, Slater and Thompson; and Mesdames McMichael, Petera and Riddick. Mr. Baldacci was absent. Also present were Drs. Trani, Andrews, Brodd, Huff, Kontos, McDavis, Rhone, Self and Turner; Messrs. Broadway, Bunce, Burke, Gehring, Jez, Ohlinger, Ross and Timmreck; and Mesdames Balmer, Chinnici, Lepley and Messmer.

The Report of the President was presented.

The four new members of the Board of Visitors were introduced.

Dr. Bersoff is the Managing Director of Quarterdeck Investment Properties, a Los Angeles-based investment bank providing knowledge-driven investment banking services to the aerospace, defense, information technology, space, and technical services marketplaces. Dr. Bersoff was Chairman, President, and CEO of BTG, Inc., an information-technology firm Dr. Bersoff founded in 1982. Dr. Bersoff was the first Chairman of the Virginia Economic Development Partnership and currently is a member of the Board of Directors and past Chairman of the Fairfax County Chamber of Commerce. Dr. Bersoff holds a Ph.D. in mathematics from New York University. Dr. Bersoff was selected as Virginia's Outstanding Industrialist for 1999 by the Commonwealth of Virginia and the Science Museum of Virginia.

Dr. Romano is a physician in private practice in Fairfax, Virginia. Dr. Romano also is serving as an Associate Clinical Professor in VCU's Department of Family Practice. Dr. Romano is a member of the national, state, and local chapters of the American Academy of Family Practice and the Fairfax County Medical

Society. Dr. Romano earned a M.D. from VCU.

Mr. Thomas Rosenthal is Chief Executive Officer of Med Outcomes, Inc. and co-founder of MunRo Partners, a company bringing a new concept to pharmacy. Before founding MunRo Partners, Mr. Rosenthal was President and Chief Operating Officer of Standard Drug Company. Mr. Rosenthal currently serves on the School of Pharmacy's Advisory Board and is a former member of the MCV Foundation's Board of Trustees and the VCU Health System's Board of Directors. Mr. Rosenthal earned a B.S. in entrepreneurial management from the University of Pennsylvania's Wharton School of Business.

Mr. Philip Thompson, Sr. is President and Chief Financial Officer of One Number Information Systems, Inc. of Virginia. Mr. Thompson was previously with C&P Telephone Company and a teacher with Norfolk Public Schools. Mr. Thompson has been actively involved in providing computer support for Second Baptist Church and for Cross-Over Ministries, supporting efforts to provide health care for indigent patients and the working poor. A member of the Metropolitan Business League and the Executive Board of Richmond Renaissance, Mr. Thompson earned a bachelor's degree in education from St. Paul's College in Lawrenceville, Virginia.

An enrollment update was presented. VCU has received more than 11,700 undergraduate applications. Undergraduate applications have increased 8 percent over 2001 and by 90 percent since 1995. Based on offers accepted by students, VCU has already achieved the goal of 2,900 freshmen and an anticipated freshman class size for Fall 2002 is between 3,050 and 3,100 students. Currently, the average SAT score of the incoming freshman is up 13 points from 2001. The average SAT for the incoming freshman class is expected to be 1050, up from the Fall 2001 freshman class average of 1037 and up from 1002 in 1996. The number of incoming out-of-state undergraduate students is up 67 students, a 20 percent increase over 2001. The state showing the largest increase is New York, increasing from 26 to 40 students from 2001. The headcount for 2001 was 25,001, the projected headcount enrollment for 2002 is 25,415.

A budget update was presented. Highlights are:

- On July 23, 2002, Governor Mark Warner reported to the General Assembly that state revenue collections for the fiscal year ending June 30, 2002, were \$237 million short of the forecast and 3.8 percent below revenues from the prior fiscal year.
- In view of the shortfall, the Governor has directed the Secretary of Finance to re-forecast the general fund revenues for the 2002-04 biennium.

- Governor Warner will brief members of the General Assembly on Virginia's financial condition and actions required to balance the state budget on August 19, 2002.
- In the meantime, the Governor has directed agencies and institutions to limit discretionary spending and ensure that only the most essential items are funded.
- Additional state budget cuts for both the current fiscal year and the next year are expected.
- The University has already implemented general fund reductions of \$5.3 million in 2001-02, \$18.2 million in 2002-03 and \$24.7 million in 2003-04.
- To help mitigate state funding reductions for 2002-04, the University's budget already assumes tuition increases of 9 percent for resident undergraduates and 8 percent for all other students in both years of the biennium.
- Budget reduction actions have been implemented across all areas of the University and include:
 - Eliminating faculty and classified positions
 - Redirecting turnover and vacancy savings
 - Increasing class size
 - Increasing full-time faculty teaching loads
 - Delaying full classroom implementation of the student computer initiative
 - Reducing much needed equipment purchases
 - Privatizing housekeeping services
 - Reducing facilities maintenance
 - Minimizing operating expenses, such as supplies, materials, postage, and travel
- With additional budget reductions anticipated for the current year and the unlikelihood of a mid-year tuition increase, the University's budget will be severely stressed.
- Another round of budget cuts also will delay the development of VCU's six-year financial plan until the University is reasonably assured of a stable state funding base.

Copies of Dr. Trani's book *The First Cold War* were distributed to the Board members.

The Report of the Rector was presented. A slide presentation featuring the first commencement ceremony in Qatar in June 2002, in which Dr. Perkinson and Dr. Smith participated, was presented. Also included were slides of a visit to the Rice Property in Charles City, Virginia. Dr. Perkinson encouraged Board members to visit the Rice Property to observe the VCU's life sciences initiative at work.

Mrs. Petera reported for the Academic and Health Affairs Policy Committee. A brief overview of the responsibilities of the Academic and Health Affairs Policy Committee was presented. The revision to the VCU Faculty Early Retirement Incentive Program was presented. The VCU Faculty Early Retirement Incentive Program was approved by the Board of Visitors in 1999. The purpose of the Faculty Early Retirement Incentive Program is to provide a financial early retirement incentive for certain tenured faculty that will facilitate the release of tenured faculty resources for budget reallocation or reduction in accordance with the University Strategic Plan goals, changes in enrollment, and other University needs. The program is not designed to be a faculty fringe benefit program, but a management tool. The revision to the Incentive Program would provide that the total annual costs for the program shall not exceed three percent (rather than one percent) of the University's general fund appropriation for faculty salaries and associated benefits. The Academic and Health Affairs Policy Committee recommended to the full Board the approval of the revision to the VCU Faculty Early Retirement Incentive Program. A report on the Degrees Awarded was presented. Virginia Commonwealth University awarded 4,159

degrees and certificates during 2001-02, an increase of 77 degrees and certificates from 2000-2001. In 2001-02, baccalaureates were awarded in 66 disciplines, master's degrees in 83 disciplines, doctorates in 22 disciplines, first professional degrees in three disciplines and post-baccalaureate certificates in 20 disciplines. During 2001-02, 2,198 baccalaureates were awarded; 1,318 master's degrees were awarded and 108 doctorates were awarded. Also during 2001-02, 79 first professional degrees in Dentistry, 168 first professional degrees in Medicine, and 95 first professional degrees in Pharmacy were awarded. The off-campus Comprehensive Services for Personnel Development program graduated the first off-campus class in December 2001, awarding 85 master's degrees in Rehabilitation Counseling.

The Southern Association of Colleges and Schools (SACS) Reaffirmation of Accreditation Update was presented for information. Mrs. Anne Petera was asked and agreed to serve on the University's SACS Leadership Team.

A report on VCU's Writing and Technology Competency Results, a Report on the College of Humanities and Sciences, a Report on Grants, Contracts and Intellectual Property, and the VCU Health System Financial Statement Summary Fiscal Year 2002 – Eleven Months ending May 31, 2002, were presented for information.

Mr. Plymale reported for the Advancement and External Relations Committee. The Marketing and Media Relations Report was presented. The Federal, State, Local and Community Relations Report was presented. The General Obligation Bond legislation contains almost \$77 million worth of new

construction and renovation projects for the University. The Government and Community Relations web site has information regarding the overall higher education bond campaign as well as VCU-specific information. The University and the VCU Health System are working to educate constituencies and insure a strong turnout on November 5.

The Marketing and Media Report was presented. Ms. Pam Lepley, VCU's new Director of News Services, was introduced. With the hiring of Ms. Lepley, VCU has a professional marketing, media relations, public relations, communications and publications team, dedicated to enhancing the recruitment of students and VCU's national visibility. The marketing and media relations report highlighted recent marketing efforts which have resulted in new recruitment videos for the School of Nursing and the Department of Psychiatry. The videos were produced in-house. New student recruitment pieces and ad campaigns are being produced and will be shown at the November, 2002, meeting. Academic programs and administrative offices are taking advantage of VCU's in-house Creative Services' offices with over 600 design jobs completed over the past academic year. VCU is attracting greater national visibility. The syndicated column about the CEO's for Cities report and the articles about the VCU-Qatar graduation appeared in newspapers and online publications all across the country. The news organization continues to focus on and pitch research stories in the life sciences and had considerable success with the story about Dr. Kendler's research on schizophrenia that appeared in the national and international press, including the *New York Times*.

Mr. Rigsby reported for the Audit Committee. The Status Report on Financial, Operational, and Administrative Practices Framework was presented for information.

Mr. Markel reported for the Finance, Investment and Property Committee. The Lease for the School of Social Work (NOVA) was presented. The lease is for approximately 9,500 square feet of office and classroom space at 6295 Edsall Road, Alexandria, Virginia. The School of Social Work, Northern Virginia Program, received notification the current lease will be terminated mid-July, 2002, due to an expansion of George Mason University's existing programs. In February, 2002, an advertisement was placed in *Virginia Business Opportunities* requesting information on alternative locations. Four brokers responded with proposals. The lease is with First Potomac Management. The anticipated initial term is August 25, 2002, to August 31, 2007, with year-to-year renewals. The rent is \$223,250 for the first year of the initial term of the lease. The Finance, Investment and Property Committee recommended to the full Board the approval of the lease for the School of Social Work located at 6295 Edsall Road in Alexandria, Virginia.

The VCU Qatar Financial and Administrative Policies and Procedures were presented. The 2002 General Assembly authorized the Virginia Commonwealth University Board of Visitors to establish, operate, and govern a branch campus of Virginia Commonwealth University in the Arab State of Qatar. In general, all State and University policies and procedures apply to the VCU

Qatar Campus. However, the General Assembly authorized VCU to maintain a local bank account in Qatar and to modify procurements in Qatar and surrounding Arab states to comply with local custom, laws and regulations. In addition, Qatar citizens and other residents employed solely to support the VCU Qatar Campus are not considered employees of the Commonwealth of Virginia. Because of modifications related to an overseas campus, the University is required to develop policies and procedures related to the Qatar Campus. As per Chapter 899, 2002 Virginia Acts of the Assembly, the policies and procedures are to be approved by the Board of Visitors. The Finance, Investment and Property Committee recommended to the full Board the approval of the VCU Qatar Financial and Administrative Policies and Procedures, the following resolution and the Tuition and Fee Charges for the 2002-03 Academic Term for Full-time Undergraduate Students:

**RESOLUTION
AUTHORIZING MODIFICATIONS TO
VIRGINIA COMMONWEALTH UNIVERSITY
QATAR FINANCIAL AND ADMINISTRATIVE POLICIES AND PROCEDURES**

WHEREAS, by action of the General Assembly, in *Code of Virginia* §23-50.16:36, Virginia Commonwealth University ("VCU") has been authorized to establish, operate and govern a branch campus of Virginia Commonwealth University in the State of Qatar; and

WHEREAS, VCU is in the process of negotiating a final agreement with the Qatar Foundation for Education, Science, and Community Development to Establish and Operate the Virginia Commonwealth University in Qatar ("Agreement"); and

WHEREAS, by action of the General Assembly, in Chapter 899 of the Appropriations Act of 2002, §1-67 227 T.2 – 4., VCU has been authorized to maintain a local bank account in Qatar and to modify procurements in Qatar and surrounding Arab states to comply with local custom, laws and regulations; and

WHEREAS, pursuant to the cited provisions of the Appropriations Act, the VCU Board of Visitors has been authorized to approve policies and procedures related to the VCU Qatar Campus with the understanding that, prior to approval, the University is to seek the guidance of the Secretaries of Administration, Education, and Finance; and

WHEREAS, a draft form of the policies and procedures has been submitted to the Secretaries of Administration, Education, and Finance for their guidance and reflects guidance received to date; and

WHEREAS, a draft form of the policies and procedures has been presented to the Board for its consideration, which policies and procedures are acceptable to the Board; and

WHEREAS, the form of the policies and procedures may require modification from time to time to conform to and comply with the terms of the final Agreement, additional guidance from the Secretaries of Administration, Education, and Finance, and/or changes to State and University policies and procedures;

NOW THEREFORE, BE IT RESOLVED by the Board of Visitors of Virginia Commonwealth University, that the VCU Qatar Financial and Administrative Policies and Procedures are approved in substantially the form as presented to the Board but subject to such changes as may be deemed necessary by the President, who hereby is delegated authority to approve any modifications to these Policies and Procedures.

The Resolution for the Virginia College Building Authority (VCBA) bonds for the Bowe Street Parking Deck, Gladding Residence Hall and West Grace Street Housing was presented. The Finance, Investment and Property Committee recommended to the full Board the approval of the following resolution:

VIRGINIA COMMONWEALTH UNIVERSITY
Resolution of the Board of Visitors

WHEREAS, pursuant to Chapter 3.2, Title 23 of the Code of Virginia of 1950, as amended (the "Act"), the General Assembly of Virginia has authorized the Virginia College Building Authority (the "Authority") to develop a pooled bond program (the "Program") to purchase bonds and other debt instruments issued by public institutions of higher education in the

Commonwealth of Virginia (the "Institutions") to finance or refinance the construction of projects of capital improvement specifically included in a bill passed by a majority of those elected to each house of the General Assembly of Virginia (the "Projects");

WHEREAS, the Authority intends to issue from time to time under the Program its Educational Facilities Revenue Bonds (Public Higher Education Financing Program) (the "Bonds") to finance the purchase of bonds and other debt instruments issued by the Institutions to finance or refinance the Projects, all in the furtherance of the purposes of the Act and the Program;

WHEREAS, the Board of Visitors of Virginia Commonwealth University (the "Board") may from time to time wish to finance or refinance Projects of Virginia Commonwealth University (the "Institution") through the Program;

WHEREAS, if the Institution wishes to finance or refinance a Project through the Program, it will be necessary for the Institution to enter into a Loan Agreement (a "Loan Agreement") between the Authority and the Institution and to evidence the loan to be made by the Authority to the Institution pursuant to the Loan Agreement by issuing the Institution's promissory note (the "Note") pursuant to Section 23-19 of the Code of Virginia of 1950, as amended, and pursuant to the Loan Agreement, the Authority will agree to issue its Bonds and to use certain proceeds of the Bonds to purchase the Note issued by the Institution and the Institution will agree to use the proceeds received from the Authority to finance or refinance the construction of the Project and to make payments under the Loan Agreement and the Note in sums sufficient to pay, together with certain administrative and arbitrage rebate payments, the principal of, premium, if any, and interest due on that portion of the Bonds issued to purchase the Note;

WHEREAS, the Institution now proposes to sell to the Authority the Institution's Note (the "2002A Note") to be issued under a Loan Agreement (the "2002A Loan Agreement") to finance or refinance from all or a portion of the proceeds of certain Bonds issued by the Authority in 2002 (the "2002A Bonds") all or a portion of the costs of construction and improvement of the Bowe Street parking, arts laboratory and athletic facility, the construction and acquisition of housing (the Capitol Medical Building) for the Academic Campus and construction of Gladding Residence Hall, all located on the Institution's Academic Campus (collectively, the "2002A Project"), and each of which has been authorized for bond financing by the General Assembly and, subsequently, has received temporary financing through a Treasury Loan from the Commonwealth's Department of Treasury to be fully repaid with a portion of the Institution's share of the proceeds of the 2002A Bonds; and

WHEREAS, it is the desire of the Board to delegate to such Authorized Officers (as hereinafter defined) of the Institution the authority to

approve, on behalf of the Board, the forms of the 2002A Loan Agreement and the 2002A Note and, similarly, to authorize such Authorized Officers of the Institution to execute, deliver and issue in the name of and on behalf of the Institution, the 2002A Loan Agreement, the 2002A Note and any and all documents necessary or desirable to effectuate the financing or refinancing of all or a portion of the costs of the 2002A Project through the Program with the Authority and to facilitate the purchase of the 2002A Note by the Authority.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF THE INSTITUTION:

Section 1. The 2002A Project is hereby designated a Project to be undertaken and financed or refinanced by the Authority and, accordingly, the President, the Senior Vice President for Finance and Administration and the Assistant Vice President for Business Services and Treasurer of the Institution (the "Authorized Officers"), are each hereby delegated and invested with full power and authority to approve the forms of the 2002A Loan Agreement and 2002A Note, and any pledge to the payment of the 2002A Note of the Institution's total gross university sponsored overhead, unrestricted endowment income, tuition and fees, indirect cost recoveries, auxiliary enterprise revenues, general and nongeneral fund appropriations and other revenues not required by law or restricted by a gift instrument to be used for another purpose, any of which are not required by law or by binding contract entered into on or prior to the date of issuance of the 2002A Bonds to be devoted to some other purpose on a basis that is senior in priority to the 2002A Bonds, as may be provided in the 2002A Loan Agreement, and such approval is hereby authorized, subject to the provisions of Section 3 hereof.

Section 2. Subject to the provisions of Section 3 hereof, the Authorized Officers are each hereby individually delegated and invested with full power and authority to execute, deliver and issue, on behalf of the Board, (a) the 2002A Loan Agreement and the 2002A Note with the approval of such documents in accordance with Section 1 hereof by any such officer evidenced conclusively by the execution and delivery of the 2002A Loan Agreement and 2002A Note, respectively, and (b) any and all other documents, instruments or certificates as may be deemed necessary or desirable to consummate the financing or refinancing of all or a portion of the costs of the 2002A Project through the Program, the construction of the 2002A Project and the Institution's participation in the Program, and to further carry out the purposes and intent of this Resolution. The Authorized Officers are directed to take such steps and deliver such certificates prior to the delivery of the 2002A Note as may be required under existing obligations of the Institution, including bond resolutions relating to the Institution's outstanding general revenue pledge bonds.

Section 3. The authorizations given above as to the approval, execution, delivery and issuance of the 2002A Loan Agreement and the 2002A Note are subject to the following parameters: (a) that the principal amount to be

paid under the 2002A Note shall not be greater than the aggregate amount authorized for the 2002A Project by the General Assembly of Virginia, including any adjustments required or permitted by law, and in no event shall exceed \$30,000,000, (b) that the interest rate payable under the 2002A Note shall not exceed a "true" or "Canadian" interest cost more than 50 basis points higher than the interest rate for "AA" rated securities with comparable maturities, as reported by Delphis-Hanover, or another comparable service or index, on the date that the interest rates on the 2002A Note are determined, taking into account original issue discount or premium, if any, (c) that the weighted average maturity of the principal payments due under the 2002A Note shall not be in excess of 20 years, (d) that the last principal payment date under the 2002A Note shall not extend beyond the period of the reasonably expected economic life of the 2002A Project, (e) that the financing of the 2002A Project and the terms and provisions of the 2002A Loan Agreement and the 2002A Note will comply with the Alternative Construction and Financing Guidelines issued by the Commonwealth's Secretary of Finance, and (f) that the actual interest rates, maturities, and date of the 2002A Note shall be approved by an Authorized Officer, which approval will be evidenced by the execution of the 2002A Note.

Section 4. The Board acknowledges, on behalf of the Institution, that if the Institution fails to make any payments of debt service due under any Loan Agreement or Note, including the 2002A Loan Agreement and the 2002A Note, the Program authorizes the State Comptroller to charge against the appropriations available to the Institution all future payments of debt service on that Loan Agreement and Note when due and payable and to make such payments to the Authority or its designee, so as to ensure that no future default will occur on such Loan Agreement or Note.

Section 5. The Board agrees that if the Authority determines that the Institution is an "obligated person" under Rule 15c2-12 of the Securities and Exchange Commission with respect to any issue of Bonds, the Institution will enter into a continuing disclosure undertaking in form and substance reasonably satisfactory to the Authority and the Institution and will comply with the provisions and disclosure obligations contained therein.

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

The revision to the Statement of Investment Objectives, Policies and Guidelines for the Operating Pool was presented. The Finance, Investment and Property Committee recommended to the full Board the approval of the revision to the Statement of Investment Objectives Policies and Guidelines for the Operating Pool.