

# Opportunity and Promise

A NEW GENERATION OF UNIVERSITY LEADERS



Leonard W. Sandridge

The University of Virginia is facing a period of significant change—change on a scale we have seen only a handful of times in our history. Three historic changes in particular led to substantial improvements in the scope and quality of our programs: the influx of students supported by the GI Bill after World War II, the admission of African Americans in 1950, and the admission of women some twenty years later. In each case, new people brought new ideas, new perspectives, and new energy to the Academical Village. As they have in the past, the changes we anticipate will both challenge us and provide us with promising opportunities to advance our missions of teaching, research, and service to the Commonwealth.

We are facing a generational shift that will take place in the next few years. The current leadership will be stepping down, and a new generation will assume the responsibility for shaping the University's future. This change is already under way. In little more than a year, we have appointed new deans for five of our schools, a new provost, and a new vice president for research. The composition of our faculty, too, will reflect this change. We estimate that we will hire 300 faculty members over the next ten years. Half will replace retiring faculty, while the rest will add depth in engineering, the College, and health sciences. In the years ahead, we will build on the strength that these new leaders and faculty members bring to the University.

To ensure that we take full advantage of the opportunities these changes create, the president directed that the University form the Commission on the Future of the University. This planning effort came at an ideal juncture, enabling us to capture the insight and experience of the current leadership and the excitement of the next generation in pursuing new directions.

Executive Vice President and Provost Tim Garson and I cochair the commission, which involved more than 250 people around the University.

The final recommendations of the commission, which were presented to the Board of Visitors at its October 2008 meeting, focus on three priorities: the student experience, global programs, and science and technology. In each of these areas, we are making hard decisions, reinforcing our existing areas of strength, and targeting new areas of excellence in fields that are essential to fulfilling our aspirations. We will act on these recommendations with the assurance that the University of 2020 will be a better institution because of them.

## Building on Our Financial Strength

Drawing on our experience of earlier downturns, we are working to maintain our momentum as the economy slows. In October 2008, the state cut 7 percent of our general fund appropriation, or \$10.6 million, for current 2008–09 operations. Our schools and departments are in the process of removing 3 percent from their operating budgets to produce the amount we must return to the state. Another \$10 million in the equipment trust fund remains frozen. State salary increases planned for academic division employees to be effective in fall 2008 have been deferred “at least” until July 2009. The cuts in 2009–10 are likely to be even more significant. We are planning for what the General Assembly may do when it meets in early 2009.

Tuition and fees are also critical sources of revenue for the University. Under the Restructured Higher Education Financial and Administrative Operations Act of 2005, the Board of Visitors has the ability to adjust tuition and fees to preserve the financial stability of the University.

For 2008–09, the board mandated a 9.4 percent increase for in-state students and a 6.7 percent increase for students from out of state, consistent with a six-year plan revised in fall 2007. At the same time, the board increased funding for AccessUVA, our financial aid program. Students whose family incomes are at or below an amount representing 200 percent of the federal poverty level will have all costs—including tuition and fees, room and board, books and expenses—met by grants from the University.

Our strong endowment gives us the ability to compensate for reductions in state contributions. As of June 2008, our returns for three, five, ten, fifteen, and twenty years equal more than a 13 percent annual rate of return. In the 2007–08 fiscal year—a year that was hard on endowments of other universities—our total return was about 6 percent. Obviously, the situation in late 2008 has affected this performance record, but these are the times we remind ourselves that we are a long-term investor. We also received reaffirmation from the top three rating agencies of the University's AAA rating, in conjunction with the issuance of tax-exempt long-term bonds in May 2008.

This year, the Board of Visitors voted to alter the University's endowment payout formula, increasing the fiscal year 2008–09 distribution to 5 percent and making \$16 million more available for the benefit of students and U.Va. Health System patients. The distribution is based on the June market value. We will review the 2009–10 payout carefully.

### Acting on Our Administrative Flexibility

We are now able to see the many advantages of our restructuring agreement with the state. Freed from many state constraints, we

have seen buildings rise more rapidly. This accelerated schedule enables us to realize substantial construction savings in the face of inflation. Because we are in the midst of the most ambitious building program in the University's history, this independence and the savings that result are particularly important in realizing our aspirations. For instance, the University's science and technology programs have long been hampered by a lack of research space. Our ability to build more efficiently is making it possible to rectify that deficit by planning an additional 300,000 square feet of research facilities. Clearly, restructuring has lived up to its promise.

The restructuring agreement has also allowed the University to create its own human resources system, substituting for the state classified system one that is designed specifically for higher education. The new system is launching in fall 2008. We expect that current state employees, who will be given an option to join the new system, will find it very attractive.

At the same time, the University is developing a new student system to replace ISIS. The course catalog, the schedule of classes, and first-year applicants for fall 2009 have been transferred to the new system, and pre-enrollment and academic advisement will be added in March 2009.

In addition to providing a higher level of service, these new systems generate better planning information. The data we gain from them allow us to know more about ourselves, make more accurate projections, understand the needs of our customers, and respond to them more appropriately.

### A Sound Infrastructure for Health Care

At a time when the costs of providing health care are rising and the number of people requiring care is increasing, prudent

management has enabled the U.Va. Medical Center to continue operating at a profit and to reinvest funds in capital improvements needed to serve critically ill patients in central and southwest Virginia. As part of this initiative, we are preparing to add seventy-two intensive-care-capable beds to our hospital as well as thirty beds in a long-term acute care hospital facility. We have also begun construction on a new clinical cancer center.

The Medical Center also continues to attract exceptional physicians, nurses, and other health care professionals. In particular, our Magnet nursing recognition has served us well and enabled us to attract talented nurses during a time of shortage.

### Continuity and Change

This is an exciting opportunity in the University's history. We have enlisted the most experienced members of our community to help us chart our course for the next decade. Our loyal employees have never been more dedicated, and their professional opportunities have never been greater. The quality of our students and faculty is a continuous source of pride. With a reliance on private funding that underscores the importance of our current capital campaign, our goal is to emerge from the economic downturn with a strategic advantage relative to our peers. The University as it exists in 2020 may look different than the one Thomas Jefferson envisioned, but our commitment to his ideals of excellence, service, integrity, and leadership will remain as strong as ever.



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