A regular meeting of the Board of Visitors of Virginia Commonwealth University was held on Thursday, February 14, 2002, at 9 a.m. in the University Meeting Center located at 101 North Harrison Street.

Present were Messrs. Flippen, Axselle, Gresham, Markel, Plymale and Rigsby; Drs. Long, Perkinson, and Wootton; and Mesdames McMichael, Petera and Riddick. Messrs. Baldacci, Pyon and Slater; and Dr. Smith were absent.

Mr. Flippen called the meeting to order and the Report of the President followed:

The Medical College of Virginia Hospitals Auxiliary of VCU will hold the grand opening of the Gateway Building and Community Health Education Center on Saturday, February 16, 2002 from 7 to 9 p.m.

Susan Ferguson, Associate General Counsel, since November, 2001, was introduced. Ms. Ferguson is a graduate of Providence College and Marshall-Wythe School of Law at the College of William and Mary. Ms. Ferguson practiced law in Suffolk, Virginia, before joining the State Attorney General’s Office in the mid-1980’s. In 1998, Ms. Ferguson was appointed by Governor Gilmore as the Director of the Department of Rights of Virginians with Disabilities and served in that capacity until joining VCU.

The Dean of the School of Nursing presented a report on the nursing shortage. The six dimensions that must be addressed in order to affect the root causes of the shortage and avert a crisis are: the work environment, education, legislation and regulation, technology research and data collection, financing, and the role of governing boards.
A budget update was presented based on Governor Gilmore's introduced budget with Governor Warner's proposed amendments. Budget reductions in higher education include:

- $343 million, a 13% decrease from the current level of funding for public colleges and universities.
- $25 million reduction in equipment funding (HEETF) and $35 million in maintenance reserve.
- On top of the existing base inadequacy of $240 million ($10 million for VCU without Medicine or Dentistry needs identified) – reductions take base inadequacy to 15% statewide.

For VCU, the cuts take the form of across-the-board reductions in-state support dollars (general funds). Additional general fund reductions predicated on an ability, but not a requirement, to raise tuition as well as reductions in central allocations. The targets will change as additional institutional needs are identified. VCU reductions are particularly challenging because VCU has the largest percentage of Virginia resident students of all the doctoral institutions; therefore, the largest percentage of the E&G budget from State taxpayer dollars. The budget cuts for VCU mean:

- A $14-million reduction is roughly equivalent to:
  - the combined budgets of the Schools of Education and Engineering or the Schools of Nursing and Pharmacy
  - the budget for the School of the Arts or the School of Business
- 78% of the E&G budget is in salaries, wages and fringe benefits; reductions and layoffs will be necessary to meet the reduction targets.
- 71% of the E&G budget is in instruction and academic support, and 11% is in facilities operation and maintenance.

The planning process at the present time is:
- VCU distributed preliminary reduction targets on January 14, 2002; anticipated that targets would exceed actual cuts to allow choices.
- Revised targets plus internal needs indicate the full amount may be required; further adjustments may be needed for institutional needs and final actions of the General Assembly.
• Reduction plans submitted to the State on February 7, 2002, based on reduction plans developed as part of January 15, 2002, process.
• The President and Vice Presidents will review plans presented by the Deans and make adjustments according to University mission and priorities.
• A special Board meeting will be held in April to review budget and tuition/fee recommendations.
• The Board will act on budget and tuition/fees in May.

VCU continues the movement toward the Tier 2 Goal. Budget reductions will curtail the implementation of some of the strategies planned for reaching the Tier 2 goal. New and innovative strategies will be developed and employed in all areas measured by *U.S. News & World Report*. VCU goals are to:

• Increase academic reputation rating from 2.8 to 3.2
• Increase the proportion of full-time faculty members with a doctorate or the highest degree in the field or specialty from 83% to 88%
• Increase the proportion of total faculty employed on a full-time basis during the academic year from 82% to 90%
• Increase the percentage of first-year freshmen who return the following fall from 74% to 84%
• Increase the percentage of first-time freshmen who graduate within six years from 42% to 57%
• Increase average SAT scores of first-time freshmen from 1028 to 1100, and increase the 25th – 75th percentile ranges from 920-1130 to 1000-1200
• Increase the percentage of first-time freshmen who graduate in the top 10 percent of their high school class from 13% to 20%
• Increase the average spending per full-time equivalent student from $18,039 to $23,000
• Increase the percentage of undergraduate alumni who donate money from 12% to 17%
• Increase the graduation rate performance measure to students from -6 to +5 (predicted versus actual rate comparison)

A final budget is not completed but VCU’s first obligation is to VCU’s resident students. The Council of Presidents is highly focused on pursuing shared priorities such as:

• Maximum flexibility in tuition increases
• Bond bill for capital projects
• Maintenance reserve funding and financial aid
• Raising awareness among legislators of the impact of no salary increases on recruitment and retention of faculty
• Raising awareness of the impact of declining financial resources on reputation

VCU also needs to broaden the revenue base. Nonresident student tuition - - VCU's out-of-state recruitment goals have been authorized by the General Assembly. The nonresident initiative will generate significant resources for the schools. Alternative revenue sources are research; increased endowments and private giving; entrepreneurial activities; and clinical and university enterprise. VCU will be seriously challenged but, the President remains committed to ensuring that VCU is providing the best possible education for the students, pursuing the best possible funding alternatives to preserve VCU's excellence, and maintaining the Tier 2 objectives.

Dr. Wootton reported for the Academic and Health Affairs Committee. The Proposal to Rename the Department of Anatomy, School of Medicine was presented. The name change has been initiated to more appropriately reflect the teaching and research missions of the department which extend far beyond traditional anatomical studies. The Academic and Health Affairs Committee recommended to the full Board the approval to Rename the Department of Anatomy, School of Medicine, to the Department of Anatomy and Neurobiology, School of Medicine.

The Proposal for the B.S. Degree in Financial Technology was presented. The proposed program should provide national exposure for VCU, and is consistent with VCU's goal to become ranked as a Tier 2 university. The program
will attract students from the Commonwealth of Virginia as well as students from around the country. Graduates will be in high demand in the technologically focused economy. The Academic and Health Affairs Policy Committee recommended to the full Board the approval of the B.S. Degree in Financial Technology.

The Proposal for the B.A. Degree in International Studies was presented. The College of Humanities and Sciences at Virginia Commonwealth University proposes that the Bachelor of Arts degree be offered in the International Studies Program. The proposed expansion of the current interdisciplinary minor in International Studies reflects continued and increasing collaboration among more than a dozen academic units in the College of Humanities and Sciences, the School of Business and the School of the Arts. The Academic and Health Affairs Policy Committee recommended to the full Board the approval of the B.A. Degree in International Studies.

The School of Medicine Clinical Faculty Salary Plan (Revision to the July 1, 1998, Plan) was presented. The revised Clinical Faculty Salary Plan, while retaining the basic structure and components of the 1998 Salary Plan, clarifies, defines and expands certain aspects of the Salary Plan including the key factors that determine a faculty member's annual salary. The refinements are summarized below. The revised Clinical Faculty Salary Plan:

- Expands and clarifies the definition of the Variable Salary Component of Base Salary
- Defines a new component called the Annual Contract Salary
- Requires each department to use a nationally recognized Salary Benchmark approved by the Dean
• Clarifies and defines the linkage of the new salary determination criteria in setting the Annual Base Salary
• Provides a mechanism to adjust faculty salaries to achieve budget goals.

The revised Clinical Faculty Salary Plan will be effective July 1, 2002. The Academic and Health Affairs Policy Committee recommended to the full Board the approval of the revisions to the School of Medicine Clinical Faculty Salary Plan.

Dr. Perkinson reported for the Advancement and External Relations Committee. The Marketing and Media Relations Report was presented. Two video news releases (VNR) were viewed. The first video highlighted the work of Dr. Ron Merrell, Chief of Surgery; Dr. William Broaddus, Associate Professor in VCU's School of Medicine; and Dr. Tony Giuseppe Eley, Professor in VCU's School of Engineering. The VNR on Dr. Merrell was watched on Fox News in Washington D.C. with a viewership of 1.5 million people. The next video was a recruitment video to be used as a direct mail campaign that highlights VCU and VCU's location. VCU has received marketing awards for the Life Sciences Website and the printed admissions recruitment materials. The Federal, State, Local and Community Relations report was presented for information.

Mr. Gresham reported for the Student Affairs Committee. An update on the Housing Plan for the Fall 2002 was presented. On motion made and seconded, the Student Affairs Committee recommended to the full Board that a five year plan to address VCU's housing needs be prepared. An update on the Center for Multicultural Activities was presented for information.

Mr. Markel reported for the Finance, Investment and Property Committee. The Lease for 700 West Grace Street and 701 West Broad Street was pre-
sented. The lease at 700 West Grace Street and 701 West Broad Street is for approximately 27,862 square feet of office space and a 24-space surface parking lot at 700 West Grace Street and 701 West Broad Street, respectively, for VCU. The VCU Real Estate Foundation will acquire the property from the Metropolitan Medical Office Partnership and lease the property to VCU. The Facilities Management Division will be the major University department to occupy the building. The Division is currently located in six different buildings and the consolidation into one location will enhance efficiency and services to the University community. Additionally, the consolidation will allow for the demolition of one building (824 Park Avenue), the elimination of three private leases (totaling approximately $93,751 annually), and the availability of two University-owned buildings for other uses (14,735 SF). VCU will lease the space for a five-year initial term, with two five-year renewals after the initial term of the lease. The tenants will pay the cost of fit-up as well as all operating and maintenance expenses. The Finance, Investment and Property Committee recommended to the full Board the approval of the Lease for 700 West Grace Street and 701 West Broad Street.

The Amendment to Master Deed of Lease and Sublease between Virginia Commonwealth University and the Virginia Commonwealth University Health System was presented. The Finance, Investment and Property Committee recommended the following resolution to the full Board for approval:

WHEREAS, the 1996 Session of the General Assembly of Virginia, with the support of the Board of Visitors of Virginia Commonwealth University, created the Medical College of Virginia Hospitals Authority (the “Authority”) as a political subdivision of the Commonwealth of Virginia; and

WHEREAS, in furtherance of the establishment of the Authority, the
General Assembly empowered and authorized the Board of Visitors of Virginia Commonwealth University to take certain actions, including the transfer to the Authority of the assets and liabilities on the balance sheet of the Medical College of Virginia Hospitals, formerly a division of the Health Sciences Division of Virginia Commonwealth University; and of hospital facilities, then or thereafter owned, leased, operated or used, in whole or in part, by Virginia Commonwealth University as part of, or in conjunction with, the Medical College of Virginia Hospitals in the normal course of its operations as a teaching, research and medical treatment facility, subject to the proviso that real property assets could be leased to the Authority for a term not to exceed ninety-nine years upon such terms as may be approved by the Board of Visitors of Virginia Commonwealth University; and

WHEREAS, the Board of Visitors of Virginia Commonwealth University subsequently authorized the execution of a Master Deed of Lease and Sublease as between Virginia Commonwealth University and the Authority, pursuant to which certain real property assets and hospital facilities were classified as Long-Term Leased Premises that were leased to the Authority for a period of ninety-nine years and other such facilities were classified as Short-Term Leased Premises, that were leased for renewable terms of five-years; and

WHEREAS, it subsequently has been determined that there exists a need for the addition to the Master Deed of Lease and Sublease of a new category of leased premises identified as Intermediate-Term Leased Premises, pursuant to which certain real property assets could be leased by Virginia Commonwealth University to the Authority for periods of times spanning more than fifteen (15) years but less than ninety-nine (99) years; and

WHEREAS, it also has been determined that other amendments to the Master Deed of Lease and Sublease are now necessary and appropriate to recognize certain changes in circumstances that have occurred since the execution of the original Master Deed of Lease and Sublease, including, but not limited to, the change of the Authority's name from the Medical College of Virginia Hospitals Authority to the Virginia Commonwealth University Health System Authority, as enacted by the Virginia General Assembly during its 2000 Session, changes to recognize the demolition and construction of certain facilities and other similar changes; and

WHEREAS, the Board of Visitors of Virginia Commonwealth University wishes to support and authorize the amendment of the aforementioned Master Deed of Lease and Sublease as between the Virginia Commonwealth University and the Authority in the aforementioned
respects;

NOW, THEREFORE, BE IT RESOLVED by the Board of Visitors of Virginia Commonwealth University that the Rector of the Board of Visitors is authorized and empowered to execute, on behalf of Virginia Commonwealth University, an appropriate amendment to the aforementioned Master Deed of Lease and Sublease in substantially the same form as the Attachment to this Resolution.

The Project Plans for the University Student Commons, Phase III were presented. The third phase of construction of the University Student Commons will consist of an approximately 35,000 GSF addition and 24,850 GSF of renovations within the existing building. Increased student enrollment has necessitated an expanded University Student Commons. Included in the new addition is a multi-purpose ballroom with catering capabilities on the second level. The first level of the addition primarily consists of departmental office suites for student services. Renovations are planned for the existing food court and café, commuter lounge, multicultural center suite, and information center. The construction budget is $6,750,000 with a total budget of $9,000,000. The Finance, Investment and Property Committee recommended to the full Board the approval of the Project Plans for the University Student Commons, Phase III.

The Project Plans for the Gladding Residence Center Addition were presented. The purpose of the project is to increase the amount of on-campus student housing on the Academic Campus. The project adds approximately 53,700 gross square feet of dormitory space housing 172 beds in a mix of four-bedroom and two-bedroom units. The construction budget is $6,000,000 with a total budget of $7,768,000. The Finance, Investment and Property Committee rec-
ommended to the full Board the approval of the Project Plans for the Gladding Residence Center Addition.

On motion made and seconded, the following items on the Consent Agenda were approved:

Board of Visitors
- Minutes of a Meeting held November 8, 2001
- Minutes of a Retreat held November 16, 2001
- Minutes of a Retreat held November 17, 2001

Academic and Health Affairs Policy Committee
- Minutes of a Meeting held November 7, 2001
- Proposal to Rename the Department of Anatomy, School of Medicine
- Proposal for B.S. Degree in Financial Technology
- Proposal for B.A. Degree in International Studies
- School of Medicine Clinical Faculty Salary Plan (Revision to the July 1, 1998, Plan)

Advancement and External Relations Committee
- Minutes of a Meeting held November 7, 2001

Audit Committee
- Minutes of a Meeting held November 7, 2001

Finance, Investment and Property Committee
- Minutes of a Meeting held November 7, 2001
- Lease for 700 West Grace Street and 701 West Broad Street
- Amendment to Master Deed of Lease and Sublease between VCU/VCUHS
- Project Plans for the University Student Commons, Phase III
- Project Plans for the Gladding Residence Center Addition

Student Affairs Committee
- Minutes of a Meeting held November 7, 2001

On motion made and seconded, the Board accepted the Consent Agenda Information items.

Mr. Flippen appointed the following members to serve on the Board Nominating Committee for Rector: Dr. Wootton, Mr. Flippen and Dr. Smith.

On motion made and seconded, the Board convened into closed session to discuss certain personnel matters and matters relating to the performance of
identifiable employees and faculty of VCU, including the Faculty Appointments and Changes in Status and other Personnel Actions; and to discuss the performance of departments or schools of VCU where such matters regarding such individuals might be affected by such evaluations, including Audit Reports of individually identified departments and/or schools; and to discuss legal matters and probable litigation relating to the aforementioned Audit Reports, to discuss the acquisition or use of real property for public purpose, or of the disposition of publicly held property, or of plans for the future of a state institution of higher education which could affect the value of property owned or desirable for ownership by such institution, including the acquisition of property on or adjacent to the Academic Campus; and to consult with legal counsel pertaining to actual and probable litigation, and other specific legal matters requiring the provision of legal advice by counsel, including the Report of the General Counsel; to discuss matters relating to gifts, bequests, and fundraising activities, including the approval of the Named Funds Report and Facility Naming Recommendations, and an update on the development activities; and to discuss matters relating to honorary degrees and special awards including the Report of the Student Affairs Committee as authorized by Section 2.2-3711 A(1), A(3), A(7), A(8) and A(10) of the Virginia Freedom of Information Act.

Following closed session, on motion made and seconded, the following resolution was approved by roll call vote:

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 Board of Visitors of Virginia Commonwealth University.

Roll Call Vote

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<tr>
<th>Name</th>
<th>Ayes</th>
<th>Nays</th>
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<tr>
<td>Mr. Edward L. Flippen, Rector</td>
<td>X</td>
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<tr>
<td>Mr. Ralph L. &quot;Bill&quot; Axselle, Jr.</td>
<td>X</td>
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<td>Mr. David G. Baldacci</td>
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<td>Mr. Timothy L. Gresham</td>
<td>X</td>
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<td>Dr. Stephen P. Long</td>
<td>X</td>
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<td>Mr. Steven A. Markel</td>
<td>X</td>
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<td>Ms. Laura R. McMichael</td>
<td>X</td>
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<td>Dr. W. Baxter Perkinson, Jr.</td>
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<td>Mrs. Anne P. Petera</td>
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<td>Mr. Monty W. Plymale</td>
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<td>Mr. Harold Y. Pyon</td>
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<tr>
<td>Ms. E. Janet Riddick</td>
<td>X</td>
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<tr>
<td>Mr. Robert E. Rigsby</td>
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<td>Mr. G. Bryan Slater</td>
<td>Absent</td>
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<td>Dr. Lindley T. Smith</td>
<td>Absent</td>
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<tr>
<td>Dr. Percy Wootton</td>
<td>X</td>
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Vote:

Ayes: 12
Nays: 0

ABSENT DURING MEETING: 4
ABSENT DURING VOTING: 4

On motion made and seconded, the Board accepted the Report of the President; approved the Recommendations of the Student Affairs Committee for the Board of Visitors Scholarship Award Selection; approved the Faculty Appointments and Changes in Status and other personnel actions; approved the Named Funds Report and Facility Naming Recommendations; concurred with the acquisition of property by the VCU Real Estate Foundation on or adjacent to the Academic Campus; accepted the closed session Committee Reports; and accepted the Report of the General Counsel.
The meeting was adjourned at 1 p.m.

Lindley T. Smith, Secretary

Edward L. Flippen, Rector