



Minutes for Tuesday, March 9, 2010 Sarratt 220

ATTENDANCE:

Present

Alley, Jean
Amos, Stan
Armstrong, Terri
Atack, Becky
Bailey, Bill
Barnett, Lora
Boglin, Harriett
Brassil, John
Cage, Vickie
Cribbs, Chris
DiGiovanna, Sheri
Dixon, Michele
Dubois, Daniel
Formont, Jamie
Franklin, Keith
Gambill, Jodie
Hiltz, Shirley
Holcroft, Nancy
Johnson, Faye
Johnson, Stacy
Kendrick, Stacey
Kiely, Kay
King, Sue
Koval, Kristin
Lang, Melanie
Martin, Ashley
McKee, Brenda
McMeen, Ben
Moore, Kenny
Norfleet, Lydia
Owens, Ann Marie
Palmer, Dave
Pickert, Don

Pickett, Annetta
Pring, Michael
Pruitt, Don
Rhodes, Katherine
Richter, Andy
Sheldon, Brenda
Smith, Donna
Smith, Susanne
Soren, Carol
Soxayachanh, Olivia
Stanard, Ray
Suttles, Todd
Trenary, Carlos
Villager, Nyla
Wall, Andrea
Watts, Katie
Webb, Mary
Whaley, Elizabeth
Whatley, Luci
White, Lolita
Williams, Tara

Absent, sent regrets

Banks, Diane
Brake, Alyssa
Chapman, Angela
Dean, Mary Ann
Featherston, Ginny
Fife, Jerry
Houseman, Andrea
Jones, Eric
Krueger, Anna
Latham, Vickie
McClure, Cheryl

McCurry, Barry
McGrath, Jason
Patterson, JoAnn
Reynolds-Barnes, Deborah
Seezen, Karen
Steward, Dan
Street, JJ
Stuart, Kate
Sumrell, Sharon
Thompson, Molly
Tucker, Phillip
Vincz, Janiece
Walker, Bryon
Watson-Weinzettl, Myrna
Wenzel, Alison
Whitlow, Cathy

Absent

Bransford, Chris
Collins, Greg
Fagan, Shawn
Fisher, Joe
Jackson, John
McLeod, Laura
Moore, Stacey
Pepper, Ronnie
Pryor, Jessica
Renshaw, Grace
Smeltzer, Mike
Steine, Cindy
Strohl, Sandy
Wilson, Cliff
Wyatt, Michelle

Guest/Visitors: Cliff Joyner, Jane Bruce, Jason Hunt and Melissa Woche/
Mark Petty, Plant Ops and Aileen Tackett, Client's Community Relations

Speakers: Christine Bradley, Director of Vanderbilt's Office of Neighborhood, Community and Government Relations and Brett Sweet, Vice-Chancellor and Chief Financial Officer

8:00 a.m. Coffee, Fruit and Pastries

8:30 a.m. Vice-President Daniel DuBois called the meeting to order.

MINUTES: The minutes of the February meeting were unanimously approved.

COMMITTEE REPORTS

Membership: Andy Richter introduced and welcomed the following newly appointed members:
Eric Jones, Athletics, Group 26, and Annetta Pickett, Student Campus Events, Group 30.

Andy reminds members that it is not too late to join a standing committee. All even numbered groups will receive an invitation to run for election. Elections are conducted in May, elected members are invited to June meeting. Andy encouraged current members to run for re-election: to do so, members must respond to the invitation, we do not assume you want to run.

Events: Andrea Wall reported that Hands on Nashville has been invited to speak to the council next month to address our push for creating service work and to send out a survey. Kroger cards are here and may be purchased for \$5. They should then be take to the Kroger service desk and loaded with your chosen amount of money. They may be used for groceries or gas. 4% of what we spend comes back to us and we'll make a donation to Employee Assistance Program. VU matches our contribution 100%. If the card isn't used, it will deactivate. Q: Can other people in our office buy one? A: Right now it's just for Council members unless we get approval.

Communication: Co-chair Carlos Trenary reported that they are continuing to make web updates and improvements and adding new members to the rosters online. They have added a scrolling newsbar to the USAC site. Kristin Koval made updates to membership lists. Carlos reminds the members in charge of auto populating their lists to make sure that this is done.

Rules and Administration: No report.

Staff Life: Kathy reported they met in February. Eric Jones is one of their new members. Dave Palmer is also on the list, as well as Michael Pring and Elizabeth Whatley. Staff Life started to form a subcommittee for the grievance policies and are looking at putting together a bereavement issues subcommittee. Staff life committee members are currently researching what has changed since the request was first presented. Another issue they will look at is our inclement weather policy where currently, staff members have to take vacation time when weather prohibits one from coming in to work. Another issue is training. Melanie Lang reported on the Learning Exchange which is currently on the Medical Center side but is now available to everyone. This learning management system now houses all the trainings (self-paced and instructor led) available across campus into a consolidated location. Go out online and log in with your vunet id, you can browse courses, and discover if there's a cost involved. They are currently holding sessions to introduce the university side to training. March 16, 1-2 pm light hall, 512, March 18, 8:30-930, and Mar 25, 10-11 am in Light Hall.

UNIVERSITY STANDING COMMITTEES

Benefits Committee: No report.

Traffic Committee: No report. Q: When will Traffic & Parking re-line the lots such as 6 A? Cliff Joyner answered that they are currently looking at potholes and fixing them and in summer will reline parking lots. Some need to be completely recoated. They prioritize worse problems first. If anyone notices potholes, please email parking office to let them know.

Athletics: No report.

MCSAC: Chancellor Zeppos talked to us about the changes in the endowment and its importance as well as the departments critically in need of expansion. The money that the Medical Center generates is allocated for growth on both medical side and university side.

NEW BUSINESS

In May, we will hold elections for offices, elect chairs for the committees and new officers.

GUEST SPEAKERS

USAC continues to look at the ways Vanderbilt presents itself in the community. Today's two speakers represent two areas of VU which are the face of VU to the community.

8:50 a.m. Christine Bradley, Director of Vanderbilt's Office of Community, Neighborhood, and Government Relations (CNGR)

Daniel DuBois introduced Christine Bradley: **Christine Bradley** joined [Vanderbilt University's Public Affairs](#) team in January of 2007 as Assistant Vice Chancellor for [Community, Neighborhood and Government Relations](#).

Bradley comes to Vanderbilt from the Nashville Career Advancement Center (NCAC), a part of the [Metro Nashville Mayor's office](#) with regional jurisdiction. As NCAC executive director since 2000, she led workforce development activities in Davidson, Rutherford, Wilson and Trousdale counties.

Before joining the NCAC, Bradley was state director of operations for Camelot Care, a provider of mental health services, where she worked on a wide range of service delivery and policy issues.

As chief of staff to Phil Bredesen from 1995 to 1998 while he was mayor of Nashville, Bradley was Bredesen's advocate with the Metro Council, the State Legislature, federal officials, business leaders and the nonprofit community.

An active participant in community affairs, Christine serves as a board member of many local and national community organizations.

Christine reported that she has been at Vanderbilt for around 4 years. Back in 1994, when Mayor Bredeson called VU the 800 pound gorilla, people in mayor's office didn't feel VU was friendly or involved in the community. On the other hand, VU was angry because the university felt that quite a lot had been done to help Nashville. It is interesting when two thoughtful people can come at one thing and see it completely differently.

VU felt like it was just giving, giving, giving. The community felt like it was expected to be grateful. So, the CNGR office was created to be a portal of entry to the university for those who don't have one. In addition, we act as a place where neighbors and community leaders can communicate with VU and we can interact with Nashville when we build new buildings, honor zoning changes, work with metro council, etc. For ex, to put up the "100 years of nursing" sign, it had to go through metro council and took 4 months to get approved.

MaryPat Teague has a close relationship with metro council members. Another part of our office does community based outreach. We have a small amount of money to buy tables at various events, to give to communities like Edgehill, to provide money for a park, etc. The Medical Center also gives enormous amounts of money to the community. Community organizations come to us. We are very engaged in Berry Hill, for ex. We pulled together a history of 100 oaks, met with the neighborhood association, and business people there and created a 25,000 community based program. We contribute not to buy people's love but to make sure that people understand that we're not just moving in, we want to be part of their neighborhood, honor who they are and be a part of that community.

We take VU's mission and move it out to the community...helping to build the intellectual capacity of individuals such as via our OCEA life and learning program for folks 55 and older. Had 650 students last year, 800 this year. These are 6 week sessions in fall, spring and summer covering topics such as History, Mark Twain, Neurotechnology, etc. For \$80, people get to hear from some of the great professors.

We host Lunch and Learn at TPAC and the library 6 times each year. We give away 250 box lunches and it's never enough. We are always promoting the next event at TPAC, etc. We have a Virtual School

in the basement which has had an impact on 168 schools. 500 kids are reached by this program. Faculty come to participate. For ex, we had 3 Holocaust survivors who came in and talked about their experiences. Another was a program on the presidential election. Virtual School goes out to schools that otherwise don't have a chance to have speakers

Dyer Observatory is also part of our office. We have 12,000 to 17,000 people visiting Dyer during telescope nights, campus visits, workshops for teachers, rentals, Bluebird on the Mountain, etc. The house has recently been renovated.

On the government relations side, David Mills does our lobbying. It is about building relationships, getting people to understand that what you want, they also want. David is on the Hill working on TennCare. TennCare cuts will effect us by around 70 million, so we've been working with folks to do a bed assessment in order to get money together that the Federal Government will match two to one.

The bottom line is to work with people not just so they like you or do what you want, but to make them feel good, then you feel good about yourself and feel good about them. Every time we go to grocery store, go to work, we should leave it better than we found it...If someone is not happier for our having been there, we have not done our job.

For more information on their lunch and learns, or their other programs, see their website <http://www.vanderbilt.edu/cngr/community.html>

9:20 a.m. Brett Sweet, Vice-Chancellor and Chief Financial Officer

Daniel Dubois introduced Brett Sweet: **Brett Sweet** came to Vanderbilt in July of 2009. Prior to Vanderbilt he served as the Dean of Administration and Finance of Harvard University's Faculty of Arts and Sciences. At Harvard, Sweet oversaw the financial and administrative operations of the Faculty of Arts and Sciences, which encompasses Harvard College, the Graduate School of Arts and Sciences, The School of Engineering and Applied Science and the Division of Continuing Education. It also has 49 centers, institutes and museums.

Sweet came to Harvard from Baylor College of Medicine, where he was Executive Vice President of Finance and Administration and Chief Financial Officer.

From 2000 to 2004, Sweet was a principal with The Boston Consulting Group in the United States and in Europe, where his emphasis was on competitive strategies and change, management in large, multinational organizations, as well as academic medical centers and colleges.

Sweet, a graduate of the U.S. Naval Academy, earned a master of business administration from Harvard University Graduate School of Business Administration in 2000.

He spent five years as a nuclear submarine officer in the U.S. Navy and served as a special projects officer with the National Security Agency.

Brett gave members an overview of where VU is financially today, where the Board of Trust and senior leadership says we're going and why we're better off than our peers. Brett said he can't find another school that's better off than we are.

Brett arrived last Sept and had heard what we went through last year. He came from one school that reduced its budget by 120 M.

See slide presentation.

Brett showed real headlines of peer universities noting: staff and faculty reductions, 10-15% pay cuts, virtual libraries replaced real ones, etc. Conclusion: The grass is brown everywhere else.

5 strategic imperatives of VU. Everything we do is important and has value but we have to have strategic focus:

1. Enhance the quality of undergraduate student experience
2. Unify research themes across the university
3. Continue to enhance the quality of the faculty
4. Continue to reshape our physical environment: expand Children's Hospital, etc.
5. Enhance graduate education programs: our PhD programs have not achieved the level of prominence of our undergraduate programs in breadth and quantity of scope or quality of students because we haven't married up professors with graduate programs

Financial perspective '09 data: how big are we? Balser and McCarty have different worries. 2/3 of our roughly \$3 Billion annual revenue comes from healthcare. We receive Department of Defense funding and Department of Education funding also, but our primary funding sources are the National Institutes of Health and the National Science Foundation.

The University's budget is \$450 million, tuition and fees are 50%. Most schools are increasing their tuition. Rice announced a 5.8% tuition increase, most schools tuition increases fall in the high 4%. VU and Harvard have yet to announce their increases. Our lowest increase was 4.2 % so we've been in that higher increase level as well. Endowment is 20% of the budget of all the schools. Note there is not much endowment going to the Medical Center - 1%.

How is the university doing this year? So far for half the year (July – Dec) we have an operating surplus that we use for capital expenditures. We projected income of \$22 million for half the year, but achieved \$87. Compared to last year where it was \$11 million. Medical Center is doing incredibly well, largely due to the current success of the past in recruiting surgeons. At 100 Oaks, volumes are through the roof. Discharge 50,000 patients per year. 1.5 million outpatient visits each year. Seeing about 100,000 more patients than last year.

Academic Support units = overhead: general counsel, university affairs, athletics, ESPN contract yielding more income than planned. We have cut back on expenses above and beyond budgets which were reduced 5%. There has been a cultural change on how people expend university funds which has put us in a great position.

Endowment: investment returns of top schools last year. The trend is usually pointing up. The average school lost 21%. Most of us lost 20-50% in our personal retirement accounts. VU managed to lose only 16.3%. Only two schools had a better loss, Penn and Columbia. Pretty incredible that our management team managed to avoid such huge losses.

If we had lost the average amount, we would have lost \$180 million more. If we had lost as much as the last school listed on the chart, it would have been a loss of \$380 million more.

VU's returns in last 40 years show only 5 down years: 70, 74, 2002, and 2003. We were fighting inflation in 73- and 74. We cannot manage inflation very well when our expenses are going up. In spite of the fact that we were better than other schools, it was our worst year in 40 years. We didn't have to do major reductions or layoffs like most of our peers did. We were buffered a bit by this – thanks to our investment team.

Figures on endowment money parceled out to each school shows how dependent they are. Divinity folks pray to God that Matt has a good year – half their budget comes from the endowment. At the other extreme, the School of Medicine is only 5% endowment dependent.

Q: How large are other school's endowments?

A: Princeton's was \$16 billion, and on June 30th was \$12 billion; Yale's was 26 or 27 billion and down to just under 20; Harvard was 37 billion, down to 21 billion. They still had annual operating budgets where they were using 5% of endowment, then on top of that went down 27% so lost 32%. They are

compounding the loss problem by drawing out from their endowment. Age matters: Princeton, Harvard, Yale older (more time to grow endowment) and have an institutional focus to raise funds. Harvard, for ex, has conditioned its alums to give to the endowment, not. With 6,500 undergraduates, we are the same as Harvard, one hits a plateau of 120-150,000 living alumni (sounds morbid, but its based on life expectancy).

VU has historically been asking for current gifts and term endowments – monies we can use today. We are shifting now to a better mix to build endowment and our dependency will change. We haven't asked our donors to raise endowment dollars.

Q: Are most of these schools need blind? Does that fall under that endowment policy?

A: Yes and no. About 12 institutions in last 5 years went to need blind admissions. Brown and Dartmouth backed away. Rice (ranked 17th like us) backed down 2 weeks ago from their need blind acceptance policy. We still use the Federal Financial Aid form to determine what the parental contribution is per year. Some use an income based system: for ex, a straight income method is used by Harvard, parental income of < \$60,00 free, \$60 - \$108,000 pay \$18,000 and rest is scholarship, etc.

Endowment for financial aid is there, but it's not enough. \$260 million needed, but it's not what we get. Increasing endowment returns would fund these – or so thought the other schools. Our capital campaign and forgone revenues are what pay for our tuition program. \$100 million will generate 5 million a year. We've raised 2/3 of the \$100 million. Development and Alumni Relations will fill it up. No school has fully endowed financial aid. Princeton is closest having conditioned its donors to give money for financial aid - over 90% of their financial aid is funded.

If you have an endowment, external funding sources is less important. We will be increasing our endowment as a strategy.

Vanderbilt has a acceptance rate of 20%, 1 of 5 get in. 22,000 applications are expected this year. Average SAT scores keep getting better. We are more worried about funding faculty.

Q: Why is the endowment distribution unbalanced between schools?

A: Funds have been raised or bequests given. For ex, approx \$15 million is budgeted for Divinity. A transformational gift was given which had a proportional impact in the way they evolved. Owen has also had great benefactors, more endowment relative to your operating budget. At what point do you get nervous about dependency of endowment? Should we change our investment profile due to this structure? The investment group's goal is to make money, not worry about our mission. But there is a dependency issue – can schools endure changes in endowment distribution? At what level might you change your investment to be more slow and steady, for ex, give up some up-side to have safer investments? 20% endowment dependency...high class problem to have, we're only at 5%.

Q: What are we investing in?

A: We don't invest to make money. We invest in faculty and students, no financial returns on those. We don't make money, it's intangible, priceless. Real estate, trees are investments, etc. Our \$3 billion is spread across half a dozen asset classes and with hundreds of managers. We have over 1000 investments. Of the top 100, 1/3 invested in equities – some long, some short. Domestic versus international division is bogus now, for example take Coke which is global.

Q: If this were to happen all over again, how is our future, our ability to endure? Risk in global economies, where do we stand if we face it again or another 911?

A: We are a year away from last December, we had it tough. The debt portfolio had been managed with asymmetric risk, if interest rates went up, not bad, if down, we'd have to post hundreds of millions in collateral. Our debt strategy didn't consider all advantages of swat portfolio, full risk wasn't

considered, reduced hedging capacity and built up liquidity as a university. We have a \$200 million credit revolver for the first time, nearly \$1 billion of liquidity more than we did last Sept: if this happens again, we won't be anywhere near where we were a year ago.

Q: Same with other top 25 schools? Are they learning the hard way and changing?

A: No, they are not changing. Too much, "we're smarter than everyone else!" They issued taxable debt, we are non-tax. Issued debt at tax exempt rates. Investors don't have to pay taxes on it. Neutral if we pay 5% and don't pay taxes or ...as long as we use it for buildings, not for making payroll, we always have right to issue taxable at 7%. Many schools issued taxable debt...we issued 250 million at 5% of debt and locked it away in Boston at State St, as an insurance policy for next 10 years. The other schools used it to make payroll, etc. Some of those institutions (top brands in the world) would not have made payroll without that taxable debt...some used for operations, others doubled down – invested it in endowment....earned 10% looked and like geniuses...some have earned 30% - I would argue they bet the institution when they did that. VU did not.

Q: Where does our taxable debt sit, earning interest?

A: Some, not enough because it's safe, we not using it. Robert Spencer has our money in the bank....fund balances. The goal is to preserve and protect those fund balances.

Q: What can we do to help besides maintaining positive environment and keeping our spending down?

A: Help the Deans and faculty prioritize. Anxious to spend on what everyone else thinks are priorities. Over last decade, we haven't had to prioritize as much as we will in this next decade. For some it comes naturally: for others it's hard to not be able to do whatever we want. Won't earn 30% anymore with our endowment. We'll go back to where endowment earns modest returns...if it earns 8% it stays flat because we use 5% for our budget and 3% is inflation.

Q: Any correlation between using endowment and our non-profit status?

A: No, foundations must distribute at least 5% of their assets every year. We are 501 3C, but it's different. We don't have a minimum payout of distribution but we have a de facto maximum. If we spend out more than 7% - rebuttal presumption of imprudence. Community is our shareholders. We enjoy benefit of not-for-profit. The Attorney General has oversight over all not-for-profits, any member of the community (state of TN) can ask us to prove that we aren't spending down the assets. To protect people from a charity using financial assets too quickly...live in perpetuity. We use 4% in 3 year average. Others generally use 5%.

10:00 a.m. The meeting was adjourned.

The next USAC meeting will be on April 13, 2010 in Sarratt 220, the Rand Function Room.

Speakers will be Jeff Balser, Vice-Chancellor for Health Affairs and Laura Berlind and Brian Williams of Hands On Nashville.

Reminder: All meeting times and locations are posted on the Staff Council website

<http://www.vanderbilt.edu/usac/next.html>. Minutes of previous meetings and other USAC information may be found at www.vanderbilt.edu/usac