

MINUTES OF THE FINANCE COMMITTEE  
University of Kentucky Board of Trustees  
December 11, 2007  
9:00 AM

Committee Members Present

Stephen Branscum, Chairperson, Dermontti Dawson, Frank Shoop and Billy Joe Miles

Approval of Minutes

The minutes of the October 16, 2007, Finance Committee meeting were approved as presented.

FCR 1, Resolution Establishing Authority for Banking and Investment Transactions

Frank A. Butler, Executive Vice President for Finance and Administration, presented FCR 1, which clarifies several previous actions of the Board. This FCR provides authorization to an officer, the University Treasurer, rather than a specific individual, for various financial transactions and provides backup authority for the Treasurer. Specifically, FCR 1 recommends that the Board of Trustees authorize the Treasurer to:

- a) Establish bank accounts;
- b) Be the designated signatory authority for the disbursement of University funds;
- c) Establish investment contracts and authorize endowment and short-term, overnight investment transactions under the supervision of the Investment Committee; and
- d) Assign, sell or otherwise dispose of securities received as gifts.

This FCR also authorizes the Treasurer to delegate, in writing, signature authority for the above transactions to the Treasury Operations Director or the Assistant Treasurer for Investments. Frank Shoop approved the recommendation. Dermontti Dawson seconded, and the motion for approval unanimously carried.

FCR 2, Establishment of University of Kentucky Other Postemployment Benefits (OPEB) Trust Quasi Endowment Fund

Henry Clay Owen, Treasurer, presented FCR 2 which recommends that the Board of Trustees establish the University of Kentucky Other Postemployment Benefits (OPEB) Trust Quasi Endowment Fund. This fund will consist of University funds designated for the payment of post employment benefits, primarily health insurance credits. The University is required by accounting standards to report the actuarially determined cost of providing future benefits to employees during their post retirement period. The expense may be reduced by estimated future earning on funds set aside specifically for these purposes. The University has established and will begin to fund this year the University of Kentucky OPEB Trust, which will be administered by U.S. Bank. This action establishes a quasi endowment within the UK pooled endowment fund and allows U.S. Bank to invest funds of the Trust within the UK endowment. By so doing, administrative and investment costs will be greatly reduced. Dermontti Dawson approved the recommendation. Frank Shoop seconded, and the motion for approval unanimously carried.

### FCR 3, Authorization to Sell 1503 Cochran Road, Lexington, Kentucky

Frank Butler presented FCR 3 which will authorize the Executive Vice President for Finance and Administration to sell the house and real property located at 1503 Cochran Road in Lexington for a sale price not less than the appraised fair market value. The house and real property were donated to the University for the benefit of the College of Medicine. Frank Shoop approved the authorization. Dermontti Dawson seconded, and the motion for approval unanimously carried.

### FCR 4, Acceptance of Interim Financial Report for the University of Kentucky for the Three Months Ended September 30, 2007

Marc Mathews, Controller, presented the Interim Financial Report for the University of Kentucky for the three months ended September 30, 2007. As of September 30, the University has realized 31 percent of the revenue estimate, and expended 24 percent of the approved budget. The balance sheet is strong with assets of \$3.2 billion and liabilities of \$796 million. Fund balances of \$2.2 billion represent a nearly 71 percent equity position in the total assets. Revenues and appropriated fund balances have exceeded expenditures to date by \$128.6 million, creating a strong cash position and balance sheet as of September 30, 2007. At the end of the first three months of the 2007-08 Fiscal Year, financial operations are consistent with the budget plan and the University's financial condition is excellent. Dermontti Dawson approved the report. Billy Jo Miles seconded, and the motion for approval unanimously carried.

### FCR 5, 2007-08 Budget Revisions

Angie Martin, Vice President for Planning, Budget and Policy, presented the budget revisions which will increase the University of Kentucky's total budget by \$23 million – from \$2.072 billion to \$2.095 billion. The budget revisions include:

- During the special session, the Kentucky General Assembly approved a \$2 million increase in state appropriations for the Center for Applied Energy Research to increase the Center's research capabilities.
- The 2007-08 Operating Budget approved by the Board of Trustees included a projected fund balance of \$66,927,700. The actual fund balance was higher as a result of unspent funds in various reserve accounts; actual tuition revenue in excess of budget; and, other over realized revenues in many areas of the University. Additional expenditure authority of \$20,498,400 is requested to fully recognize the funds available.

About 50 percent of the increase in fund balance is dedicated for benefit reserves. The remaining funds will likely be used for classroom renovations and academic programs. Any capital construction project greater than \$600,000 will be brought to the Board for approval prior to initiation. Frank Shoop approved the revisions. Dermontti Dawson seconded, and the motion for approval unanimously carried.

## FCR 6, Approval of the 2006-07 Endowment Match Program Annual Report

Angie Martin presented the annual 2007-07 Endowment Match Program Annual Report. Pursuant to the Council on Postsecondary Education's Endowment Match Program Guidelines, the University is required to compile an annual report on UK's participation in the program. As of June 30, 2007, the market value of the endowments created as part of the Endowment Match Program totals \$423 million. As of June 30, 2007, the University had received \$176.4 million of state funds and \$164.1 million of cash gifts. The University has \$12.3 million of outstanding pledges, representing only 6.9% of the matched state funds.

With these funds, the University has created 77 endowed chairs and 190 endowed professorships and 215 fellowships, scholarships, and endowments for research support and the William T. Young Library.

As of June 30, 2007, the University had matched \$66.4 million of the \$66.67 million available from the last round of matching funds. Dermontti Dawson approved the report. Billy Jo Miles seconded, and the motion for approval unanimously carried.

## FCR 7, Patent Assignment Report

James Tracy, Vice President for Research, presented FCR 7 which requests that the Board accept the Patent Assignment Report for the period ending October 21, 2007. For the fiscal year to date as of October 30, 2007, the University filed three patent applications; four patents were issued; and, received \$284,227 of patent income.

Dermontti Dawson approved the report. Frank Shoop seconded, and the motion for approval unanimously carried.

## FCR 8, Capital Construction Report

Bob Wiseman, Vice President for Facilities Management, presented FCR 8 which requests that the Board accept the Capital Construction Report for the three months ending September 30, 2007. During this period, there was one new contract, three contracts were completed, and there were seven change orders greater than \$25,000:

A new \$52,319 contract was executed with Lucas/Schwering Architects for the Fit-up Education Space in Health Science Building project.

The three contracts completed were:

- The \$3.3 million contract with Eubank & Steele Construction for the Expand Emergency Services – Hospital project.
- The \$4.4 million contract with Messer Construction for the Patient Care Facility Cooling Plant #1 Modifications project; and,
- The \$540,000 contract with Denham Blythe for the Lease/Purchase Hospital Dining Facilities and Equipment project.

Mr. Wiseman noted that the last change in the FCR should have read Project “2227” rather than 2271 and should have been titled “Fit-up Education Space in the BBSRB Building”. Dermontti Dawson approved the report. Frank Shoop seconded, and the motion for approval unanimously carried.

Other Business

Next Meeting

Tuesday, January 22, 2008, 11:30 AM, 18<sup>th</sup> Floor Patterson Office Tower.

Respectfully submitted,

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Barbara Royalty-Tatum