

MINUTES OF THE FINANCE COMMITTEE
University of Kentucky Board of Trustees
April 22, 2008
10:30 AM

Committee Members Present

Stephen Branscum, Chair; Dermontti Dawson, Frank Shoop, JoEtta Wickliffe

Approval of Minutes

The minutes of the March 4, 2008, Finance Committee meeting were approved as presented.

FCR 1-4 (Consent)

FCR 1-4 were consent items. Stephen Branscum, chairperson, reported that the gifts and pledges totaled \$12 million. He noted that FCR 3 gave the University a \$5 million pledge from the Sarah Scaife Foundation of Pittsburgh. Richard Scaife and the foundation board are funding an auditorium in the new hospital to be named the Karpf auditorium at an appropriate time. FCR 4 reports that the University will receive a \$5 million commitment from the Curry Stone Foundation to create and support the Curry Stone Chair in Design and the Curry Stone Design Prize. In addition to an endowed position, the gift will fund an annual, \$100,000 international prize that rewards great design. The Curry Stone Foundation was established by UK alumnus Clifford Curry and his wife H. Delight Stone of Oregon.

FCR 5, College of Medicine Internal Transfer for Spinal Cord and Brain Injury Chair No. 6

FCR 5 will approve internal transfers of \$500,000 from the College of Medicine to create and endow the Spinal Cord and Brain Injury Chair No. 6 Quasi-Endowment for the Spinal Cord and Brain Injury Research Center. Frank Shoop approved the request. Dermontti Dawson seconded, and the motion for approval unanimously carried.

FCR 6, College of Medicine Internal Transfer for Spinal Cord and Brain Injury Chair No. 7

FCR 6 will approve internal transfers of \$500,000 from the College of Medicine to create and endow the Spinal Cord and Brain Injury Chair No. 7 Quasi-Endowment for the Spinal Cord and Brain Injury Research Center. Dermontti Dawson approved the request. Frank Shoop seconded, and the motion for approval unanimously carried.

FCR 7, Interim Financial Report for the University of Kentucky for the Nine Months Ended March 31, 2008

Marc Mathews, Treasurer, presented FCR 7. As of March 31, 2007, the University has realized 80 percent of the revenue estimate and expended 70 percent of the approved budget. The balance sheet is strong with assets of \$3.3 billion and liabilities of \$975 million. Fund balances of \$2.1 billion represent a 65 percent equity position in the total assets. Revenues and appropriated fund balances have exceeded expenditures to date by \$205.8 million, creating a

strong cash position as of March 31, 2008. At the end of the first nine months of the 2007-08 fiscal year, the University's financial condition is excellent. Frank Shoop approved the acceptance of the report. Dermontti Dawson seconded, and the motion for approval unanimously carried.

FCR 8, 2007-08 Budget Revision

Stephen Branscum reviewed the 2007-08 Budget Revision which will decrease the University of Kentucky's total budget by a net \$5.7 million including revision to the General Fund, restricted Fund, and UKAA. In response to a budget shortfall, Governor Beshear issued an executive order in December 2007, reducing the state appropriations by 3 percent or \$10 million. Additionally, student enrollment in 2007-08 is lower than expected, resulting in a projected tuition revenue shortfall of \$5.9 million. The enrollment decline is primarily due to fewer transfer students and a smaller than expected number of first-time freshmen. With regard to the restricted fund, the federal government appropriated an additional \$3.56 million for the Multi-State and Hatch research programs at the Agricultural Experiment station which must be expended by the end of the federal fiscal year, September 30, 2008. With regard to UKAA, revenue is expected to increase by \$3.67 million from the SEC participant allowance, the Music City Bowl and other sources. These funds will be used to support the men's football and basketball programs, facilities and operations costs, and other administrative responsibilities. Angie Martin, Vice President for Planning, Budget and Policy, stated that the loss in state appropriations and tuition revenue will be offset with accumulated fund balances, excess budgeted funds for the Family Education Program and a one-time transfer of \$3 million from UK HealthCare. Frank Shoop approved the report. Dermontti Dawson seconded, and the motion for approval unanimously carried.

FCR 9, Proposed 2008-09 Tuition and Mandatory Fees Schedule

Angie Martin presented FCR 9 which requests the Board to approve the proposed 2008-09 tuition and mandatory fee rates reflecting a 9 percent increase for resident students and a 6.6 percent increase for non-resident students. Undergraduate resident tuition and mandatory fees will increase by \$320 to \$3,868 per semester for incoming freshmen. In October and November 2007, the Council on Postsecondary Education discussed a possible 9 percent tuition rate for UK assuming an \$18 million increase in state funds. Given market pressures and affordability issues, the administration recommends staying with the original business plan model of a 9 percent increase even though state funds will be cut \$20 million. With this increase, the University expects the resident undergraduate rates to remain below the median rate of the benchmark institutions. Following approval by the Board, President Todd will present UK's 2008-09 Tuition and Mandatory Fees to the Council on Postsecondary Education on May 1. The Council is expected to take action on the proposed rates May 9, 2008.

The committee discussed the student requested 'Green Thumb' mandatory fee which was not included in the recommended rates. President Todd committed to providing \$20,000, the estimated revenue that would be generated from the requested fee, for environmental sustainability efforts in FY 2008-09. JoEtta Wickliffe approved the proposal. Frank Shoop seconded, and the motion for approval unanimously carried.

FCR 10, Proposed 2008-09 Room and Board Rates

Angie Martin presented FCR 10. The proposed housing and dining rates reflect no increase in room rates for 2008-09. The housing rate will continue to be \$1,892.50 per semester for traditional residence halls with air-condition. The 2008-09 dining rates include a minimum dining plan of \$1,206 per semester, an increase of 4 percent or \$39. The minimum plan will provide an average of five meals per week and \$300 flex dollars. Flex dollars may be used as “cash” at dining venues. Four optional plans with more meals and flex dollars will also be offered. The request was approved by Frank Shoop. Dermontti Dawson seconded, and the motion for approval unanimously carried.

FCR 11, Approval of Lease for Eastern State Hospital Site at Coldstream Research Campus

Frank Butler presented the request that the Board authorize the Executive Vice President for Finance and Administration to negotiate and execute a lease with the Cabinet of Health and Family Services for approximately 29 acres in the Coldstream Research Campus for a new Eastern State Hospital. This lease is part of an agreement between the State, the Kentucky Community and Technical College System, the Lexington-Fayette Urban County Government, and the University. The new facilities for Bluegrass Community and Technical College will be constructed on the current Eastern State Hospital site. UK and KCTCS will collaborate to designate and reallocate the existing KCTCS buildings on UK’s campus. This agreement has been approved by the 2008 Kentucky General Assembly. JoEtta Wickliffe approved the request. Frank Shoop seconded, and the motion for approval unanimously carried.

FCR 12, A Resolution Providing for the Authorization, Issuance and Sale of Approximately \$36,685,000 General Receipts Obligations (Commonwealth Library) of the University of Kentucky, Pursuant to the Trust Agreement Dated as of November 1, 2005

Marc Mathews presented the resolution requesting the Board to authorize the refinancing of bonds issued in 1998 for the W. T. Young Library. The 1998 bonds that mature on or after November 1, 2008, are eligible for refunding. It is anticipated that the refunding will reduce the annual debt service on the library bonds by \$400,000 per year. Dermontti Dawson approved the request. Frank Shoop seconded, and the motion for approval unanimously carried.

FCR 13, Authorization to Convey the Community College Properties to KCTCS

Frank Butler presented FCR 13 which requests the Board to authorize the Executive Vice President for Finance and Administration to convey title to the Kentucky Community and Technical College System, except for the property which currently comprises the Bluegrass Community and Technical College. These properties were not transferred to KCTCS at the time of the passage of the Postsecondary Education Reform Act in 1997, because of the restrictions of the outstanding UK community college system revenue bonds. These bonds have now been satisfied or defeased. JoEtta Wickliffe approved the authorization. Frank Shoop seconded, and the motion for approval unanimously carried.

FCR 14, Disposal of Personal Property

Bob Wiseman, Vice President for Facilities Management, presented the request for the Board to approve the disposal of lab ware equipment purchased by the Department of Agriculture in the 1920's. The surplus property includes 30 pieces of platinum lab ware weighing approximately 50.99 troy ounces and 6 silver pieces weighing 9.24 troy ounces, both with a value in excess of \$100,000. An RFP will be issued to accept sealed bids from jewelers and brokers. JoEtta Wickliffe approved the requested. Dermontti Dawson seconded, and the motion for approval unanimously carried.

FCR 15, Patent Assignment Report

Jim Tracy, Vice President for Research, presented the report for the period February 1, 2008 through March 31, 2008 which includes three patent applications. As of March 31, the University has filed nine patent applications, nine patents have been issued, and the University has received over \$1.1 million of patent income. Frank Shoop approved the report. JoEtta Wickliffe seconded, and the motion for approval unanimously carried.

Other Business

Next Meeting

Tuesday, June 17, 2008, 10:00 AM, 18th Floor Patterson Office Tower Board Room

Respectfully submitted,

Barbara Royalty-Tatum