

MINUTES OF THE FINANCE COMMITTEE
University of Kentucky Board of Trustees
December 1, 2009, 11:15 AM
18th Floor Patterson Office Tower, Board Room

Committee Members Present

Stephen Branscum, Chair; Britt Brockman, Bill Gatton, and Jim Stuckert

Approval of Minutes

The minutes of the September 15, 2009 Finance Committee meeting were approved as presented.

FCR 1, Acceptance of Interim Financial Report for the University of Kentucky for the Three Months Ended September 30, 2009

Angie Martin, Vice President of Financial Operations and Treasurer, presented the recommendation requesting acceptance of the Interim Financial Report for the three months ended September 30, 2009. The statements include comparative totals for the period September 30, 2008. A summary of the financial statements was distributed. During the first three months of the 2009-10 Fiscal Year, the University realized 31 percent of the revenue estimate, and expended 24 percent of the approved budget. While state appropriations reflect an increase of \$934,000 (or one percent) for the quarter, \$30 million of state budget cuts will be realized over the remaining three quarters; \$21 million of the \$30 million will be replaced with federal stimulus funds. The balance sheet remains sound with assets of \$3.3 billion and liabilities of \$951 million. Fund balances of \$2.2 billion represent almost a 67 percent equity position in the total assets. Revenues and appropriated fund balances have exceeded expenditures to date by \$173.4 million. At the end of the first three months of the 2009-10 Fiscal Year, financial operations are consistent with the budget plan and the University's financial condition remains excellent. Britt Brockman moved for approval. Jim Stuckert seconded, and the motion for approval unanimously carried.

FCR 2, Energy Savings Performance Contract

Bob Wiseman, Vice President for Facilities Management, presented the proposal for entering into a cost-effective process for completing building energy upgrades. The energy service company guarantees that utility savings generated by facility upgrades will be sufficient to pay back the capital investment over a set period of generally 11 to 12 years. If the project does not provide a sufficient return to pay the debt service, the company will pay the difference. The project will reduce the University's overall energy consumption by upgrading and replacing energy consumption equipment such as lighting and HVAC systems and installing energy management software to monitor usage. The scope for the first phase of the project is \$25 million. AMERESCO, from Louisville, Kentucky, was selected for the contract as a result of a year-long RFP process which included a trial audit of 10 buildings. Britt Brockman moved for approval. Bill Gatton seconded, and the motion for approval unanimously carried.

FCR 3, Renovate 4-H Camps

Bob Wiseman recommended approval of this capital project, noting that the 2008 Kentucky General Assembly authorized \$2 million in state bonds to renovate 4-H campus in Nicholas, Pulaski, Laurel, and Hopkins counties operated by the College of Agriculture Cooperative Extension Service and 4-H Youth Development. The existing camps have been in use since the mid-1960's and are in need of repair and modernization. This project will include replacement of existing bunks and mattresses and a new cabin will be built that will house 28 campers and 4-H staff. Jim Stuckert moved for approval. Bill Gatton seconded, and the motion for approval unanimously carried.

FCR 4, Capital Construction Report

Bob Wiseman requested acceptance of the capital construction report for the three months ending September 30, 2009. During this period, there were three new contracts, three contracts were completed, two contracts were amended, and there were 22 change orders greater than \$25,000. Britt Brockman moved for approval. Jim Stuckert seconded, and the motion for approval unanimously carried.

FCR 5, Approval of the 2009-09 Endowment Match Program Annual Report

Angie Martin reported that pursuant to the Council on Postsecondary Education's guidelines, the University is required to submit an annual report on the Endowment Match Program approved by the Board of Trustees. As of June 30, 2009, the market value of the endowments created through the Endowment Match Program total \$313.8 million. The University has fully matched all available state funds from the first three rounds of the Program. The University has received \$202.2 million of state funds and \$177.7 million of cash gifts. The University has \$21 million in outstanding pledges, which represent only 10.4 percent of the matched state funds. The University has used the Program to create 87 endowed chairs, 206 endowed professorships, and 238 endowments to support fellowships, research, and the William T. Young Library. Britt Brockman moved for approval. Jim Stuckert seconded, and the motion for approval unanimously carried.

FCR 6, Patent Assignment Report

Jim Tracy, Vice President for Research, presented the quarterly Patent Report. As of September 30, 2009 the University had filed six patent applications and received \$391,931 of patent income. Jim Stuckert moved for approval. Bill Gatton seconded, and the motion for approval unanimously carried.

Other Business

Frank Butler, Executive Vice President for Finance and Administration, reported on the recent sale of bonds for the Patient Care Facility. The University was very successful with its \$100 million bond issuance. The bonds were sold at a true interest cost of 3.58 percent, after the Build America Bonds tax credit. The bonds are payable over 30 years.

Next Meeting

Tuesday, March 9, 11:00 AM, 18th Floor Patterson Office Tower Board Room

Respectfully submitted,

Barbara Royalty-Tatum

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