

MINUTES OF THE FINANCE COMMITTEE
University of Kentucky Board of Trustees
March 10, 11:00 AM
18th Floor Patterson Office Tower, Board Room

Committee Members Present

Stephen Branscum, Chair; Frank Shoop; JoEtta Wickliffe, Britt Brockman

Approval of Minutes

The minutes of the December 9, 2008, Finance Committee meeting were approved as presented.

FCR 1 (Consent)

FCR 1 is a consent item. Stephen Branscum, Chairperson, reported that the gift and pledge totaled \$500,000. Mr. Branscum acknowledged the pledge from the UK Albert B. Chandler Hospital Auxiliary to improve the Surgical Waiting Area; and support the Health Education Center and the Arts in HealthCare program.

FCR 2, WITHDRAWN

FCR 3, Acceptance of the Interim Financial Report for the University of Kentucky for the Three Months Ended December 31, 2008

Marc Mathews, Treasurer, presented the Interim Financial Report for the three months ended December 31, 2008. As of December 31, the University has realized 53 percent of the revenue estimate and expended 46 percent of the approved budget. The University's consolidated balance sheet is strong, with assets of \$3.1 billion and liabilities of \$962 million. The difference of \$2.0 billion represents fund balances totaling nearly 64 percent of assets. Year to date revenues of \$1.08 billion and appropriated fund balances of \$103.2 million have exceeded expenditures to date by \$158.2 million, creating a strong cash position as of December 31, 2008. At the end of the first six months of the 2008-09 fiscal year, financial operations are consistent with the budget plan as approved by the Board. JoEtta Wickliffe approved the report. Frank Shoop seconded, and the motion for approval unanimously carried.

FCR 4, Resolution Approving a Lease Purchase Agreement Under the University's General Receipts Bond Resolution

Marc Mathews, presented the resolution approving the lease purchase financing of the Samaritan Hospital properties under the University's general receipts pledge, which provides for a favorable interest rate on the financing. At a special meeting on June 29, 2007, the Executive Committee approved the lease purchase financings of one or more borrowings in an aggregate amount not to exceed \$70 million to complete the purchase of Samaritan Hospital. At the time of the purchase, July 1, 2007, the owner of the property, Ventas Real Estate Investment Trust, did not want to immediately sell the property to the University due to tax consequences. Ventas recently notified the University of its intent to sell the property. The University requested bids for the lease purchase financing of the Samaritan properties to provide funding to purchase the properties from Ventas. The winning bid was

received from the Kentucky Association of Counties Leasing Trust. A favorable interest rate of approximately 4.39 percent with a term of 20 years was the bid, assuming that the lease purchase would take place under the University's General Bond Resolution being secured under the University's General Receipts Pledge. Britt Brockman approved the budget revisions. Frank Shoop seconded, and the motion for approval unanimously carried.

FCR 5, Proposal 2009-10 Tuition and Mandatory Fee Schedule

Angie Martin, Vice President for Planning, Budget and Policy presented the request to the Board to approve the proposed 2009-10 Tuition and Mandatory Fee Schedule. The tuition and mandatory fee rates reflect a five percent increase for most residents and non-reside students. Undergraduate resident tuition and mandatory fees will increase by \$193.50 to \$4,061.50 per semester for incoming freshmen. The University expects the resident undergraduate rates to remain below the median rate of the Top 20 institutions. Applications to the University remain strong.

At its March 6, 2009, meeting the Council on Postsecondary Education established maximum increases for undergraduate, in-state tuition and mandatory fees: 3 percent for the Kentucky Community and Technical College System (KCTCS); 4 percent at the comprehensive institutions; and 5 percent at the research institutions. These "ceilings" on undergraduate, in-state tuition reflect continuing concerns about affordability while being sensitive to the distinct missions and mandates of the institutions.

State funds for UK are expected to be cut \$6.33 million, or 2 percent, for 2008-09. A revised level of state support for 2009-10 has not yet been communicated. Based on estimated enrollment, the proposed rates are expected to generate \$239 million, an increase of \$14.4 million. Unavoidable costs are expected to increase at least \$15.5 million. The state cut will increase this gap in funding. The University administration continues to work on the 2009-10 budget and will present a recommendation to the Board in June. JoEtta Wickliffe approved the request. Britt Brockman seconded, and the motion for approval unanimously carried.

FCR 6, Proposed 2009-10 Room and Board Rates

Angie Martin presented the proposed housing rates which reflect an average increase of 5 percent for 2009-10. The housing rates were not increased last year. The 2009-10 housing rate will be \$1,987.50 per semester for traditional residence halls with air conditioning.

The 2009-10 dining rates include a minimum dining plan of \$1,057 per semester which is an increase of three percent or \$31. 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. Three optional plans with more meals per week will also be offered. Frank Shoop approved the request. JoEtta Wickliffe seconded, and the motion for approval unanimously carried.

FCR 7, Patent Assignment Report

Jim Tracy, Vice President for Research, presented the Patent Report for the quarter ended December 31, 2008. The University has filed 29 patent applications, nine patents were issued, and the University has received \$508,853 of patent income. Britt Brockman approved the request. Frank Shoop seconded, and the motion for approval unanimously carried.

FCR 8, Capital Construction Report

Bob Wiseman, Vice President for Facilities Management, presented the Capital Construction Report for the three months ending December 31, 2008. During this period, there were four new contracts, four contracts were completed, one contract was amended, and there were 12 change orders greater than \$25,000. JoEtta Wickliffe approved the report. Britt Brockman seconded, and the motion for approval unanimously carried.

Other Business

Marc Mathews reported highlights on the recent bond sale to fully refund the Library Bonds. The principal refund amount was \$36.5 million at a net interest cost of 3.84 percent. The final maturity of new bonds is November 1, 2024, and the present value of savings is \$1.96 million.

Next Meeting

Tuesday, April 21, 2009, 18th Floor Patterson Office Tower Board Room

Respectfully submitted,

Barbara Royalty-Tatum