

MINUTES OF THE FINANCE COMMITTEE
University of Kentucky Board of Trustees
October 27, 2009, 2009, 11:15 AM
18th Floor Patterson Office Tower, Board Room

Committee Members Present

Stephen Branscum, Chair; Britt Brockman, Jo Curris, Bill Gatton, and James Stuckert

Approval of Minutes

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

FCR 1, Acceptance of Audit Report and the Report on Internal Control for the University of Kentucky for 2009-09

Angie Martin, Vice President of Financial Operations and Treasurer, presented the recommendation requesting acceptance of the 2008-09 Audit Report and the Report on Internal Control for the University. BKD, the University's external auditors, completed its audit and issued its independent auditor's report. The report expresses an unqualified (or "clean") opinion on the University's financial statements. BKD also issued its Report on Internal Controls, which, as part of the audit, noted no material weaknesses in the University's system of internal controls. As of June 30, 2009, the University had assets of \$3.25 billion, liabilities of \$1.03 billion, and net assets of \$2.2 billion. Net assets include investment in capital, endowments, restricted donations, and unrestricted fund balances. Net assets decreased \$83.5 million (four percent) primarily due to a \$195 million loss on endowment investments. Unrestricted net assets totaled \$627 million, including \$382 million attributable to the hospital system and \$119 million in General Funds. In summary, while assets and fund balances decreased, revenues and expenses were managed within the approved budget. Britt Brockman moved for approval. James Stuckert seconded, and the motion for approval unanimously carried.

FCR 2, 2009-10 Budget Revisions

Angie Martin presented the 2009-10 Budget Revisions which will decrease the University's budget by \$6.5 million (0.3 percent) to \$2.43 billion. The major adjustments include a decrease of \$30.5 million in state appropriations in response to Governor Beshear's September 2009 Budget Reduction Order. This reduction reflects a \$9.4 million anticipated recurring cut. The \$9.4 million cut will be offset by a funded reserve included in the original FY 2009-10 budget approved by the Board in June.

In response to continuing budget shortfalls, the Governor's Reduction Order also included a \$70 million non-recurring reduction in state appropriations to Kentucky's public colleges and universities. These funds are being supplanted with State Fiscal Stabilization Funds which are part of the American Recovery and Reinvestment Act. The University's share is \$21.1 million which is reflected as a decrease in unrestricted General Funds and an increase in Restricted Funds. James Stuckert moved for approval. Jo Curris seconded, and the motion for approval unanimously carried.

FCR 3, Replace Wildcat Lodge Student Housing

Mitch Barnhart, Director of Athletics, presented FCR 3, Replace Wildcat Lodge Student Housing. The FCR includes acceptance of a \$7 million pledge from Mr. Joe Craft for and on behalf of the Difference Makers to fund the “Replace Wildcat Lodge Student Housing” capital project and authorization for the President to complete a pledge agreement; approval of a transfer of \$7 million from the intercollegiate athletics quasi-endowments to provide temporary financing of the project; and approval to initiate the capital project.

This project will replace the campus residential housing for the UK men’s basketball players and non-student athletes. The scope of the project is \$7 million and will be funded initially from the athletics quasi-endowments. The pledge receipts will be used to replenish the quasi-endowments. James Stuckert moved for approval. Bill Gatton seconded, and the motion for approval unanimously carried.

FCR 4, Renovate Nutter Training Center Meeting Rooms

Mitch Barnhart recommended approval of the renovation of the Nutter Training Center Meeting Rooms to meet the needs of the football program. The project will convert existing space to provide a larger meeting area with theatre-style seating for use by the offensive or defensive teams. The scope of the project is \$750,000 and will be funded with private gifts. Britt Brockman moved for approval. James Stuckert seconded, and the motion for approval unanimously carried.

FCR 5, Renovate Nursing Building

Frank Butler, Executive Vice President for Finance and Administration, requested approval to renovate the Nursing Building. In response to the national nursing shortage, the College of Nursing has steadily increased the size of its entering class. The increased enrollment has created the need for additional student space. This project will renovate and convert a covered patio on the third floor of the nursing building into student study and discussion space. The project also includes minor enhancements to graduate student space on the fifth floor, restrooms, and network wiring. The scope of the project is \$1.9 million and will be fully funded by a grant from the U. S. Department of Health and Human Services. Jo Curris moved for approval. Bill Gatton seconded, and the motion for approval unanimously carried.

FCR 6, WITHDRAWN

FCR 7, Adoption of University of Kentucky Hazard Mitigation Plan

Frank Butler recommended adoption of the University of Kentucky Hazard Mitigation Plan. The Disaster Mitigation Act of 2000 established new requirements that state and local entities develop a natural hazard mitigation plan which must be formally approved by the Board. The plan identifies 13 natural hazards (including flood, severe storms, and tornadoes) that could have an impact on the University. The adoption of this plan will qualify the University to apply for federal grants to help pay for the costs of implementing the mitigation strategies. James Stuckert moved for approval. Britt Brockman seconded, and the motion for approval unanimously carried.

Other Business

Coldstream Research Campus Master Plan

Len Heller, Vice President for Commercialization and Economic Development, made a presentation on revising the Coldstream Research Campus Master Plan.

Next Meeting

Tuesday, December 1, 11:15 AM, 18th Floor Patterson Office Tower Board Room

Respectfully submitted,

Kristen Cheser

Kristen Cheser
for Barbara Royalty-Tatum