

MINUTES OF THE FINANCE COMMITTEE
University of Kentucky Board of Trustees
April 27, 2010, 11:00 AM
18th Floor Patterson Office Tower, Board Room

Committee Members Present

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

Approval of Minutes

The minutes of the March 9, 2010, Finance Committee meeting were approved as presented.

FCR 1, Gift from Kentucky Christian Foundation (Consent Item)

Mr. Stephen Branscum, Chairperson, acknowledged the \$100,000 gift from the Kentucky Christian Foundation which is eligible to be matched by the state through the Endowment Match Program. Mr. Branscum added that on behalf of the University he wished to thank the Kentucky Christian Foundation for their generous support.

FCR 2, Proposed 2010-11 Tuition and Mandatory Fees Schedule

Angie Martin, Vice President for Financial Operations and Treasurer, presented the 2010-11 Tuition and Mandatory Fee Schedule which reflects a six percent increase for most resident and non-resident students. At its April 23, 2010 meeting, the Council on Postsecondary Education established maximum increases for undergraduate, in-state tuition and mandatory fees: four percent for the Kentucky Community and Technical College System (KCTCS); five percent for the comprehensive universities; and six percent for the University of Kentucky and the University of Louisville. The different increases by sector reflect the distinct missions and mandates of the institutions. At UK, undergraduate resident tuition and mandatory fees will increase from \$4,061.50 to \$4,305 per semester for lower division students. The University expects the resident undergraduate rates to remain below the median rate of the Top 20 institutions. . UK's recommended rates were based upon five considerations: the CPE parameters; state appropriations, which are expected to decrease 1.4 percent or \$4.3 million; estimated fixed cost increases; necessary investments in general education reform to maintain momentum; and affordability concerns. As to the latter, Ms. Martin noted that applications to the University remain strong. Even with this increase in rates, the University will be required to reduce costs and reallocate funds. The University administration continues to work on the 2010-11 budget, and will present a recommendation to the Board at its June 8 meeting. Jim Stuckert moved for approval. Bill Gatton seconded, and the motion for approval unanimously carried.

FCR 3, Proposed 2010-11 Room and Board Rates

Angie Martin presented the proposed housing rates that reflect an average increase of four percent or \$80 per semester. The 2010-11 housing rate will be \$2,067.50 per semester for traditional residence halls with air-conditioning. The 2010-11 dining rates include a minimum dining plan of \$1,089 per semester which reflects an increase of three percent or \$32. 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 per week will also be offered. Jo Curriss moved for approval. Britt Brockman seconded, and the motion for approval unanimously carried.

FCR 4, Revision of Debt Policy

Frank Butler, Executive Vice President for Finance and Administration, presented FCR 4 which revises the University's Debt Policy adopted by the Board on September 20, 2005. The proposed revisions include: expanding the membership of the internal Debt Management Committee to include the Provost and the Vice President for Health Affairs and Chief Financial Officer; establishing guidelines for internal loans; and minor edits to clarify and update language. The University has, on a very limited basis, used its operating funds investment pool as an alternate source of funding when external debt is not available or when there is a gap between the receipt of funds (such as an anticipated gift or bond proceeds) and the date of acquisition or construction of a project. The most recent internal loan provided bridge funding for the Patient Care Facility until agency bonds could be issued.

The revised Policy establishes guidelines to ensure the University's investment objectives are not compromised and to protect the operational liquidity of the University. The guidelines set the maximum amount of outstanding internal loan balances and the maximum duration of internal loans; and require a memorandum of agreement for repayment prior to release of funds. The revised Policy also clarifies that all external or internal debt financings which exceed \$600,000 must be approved by the Board of Trustees. Internal loans will be reported to the Investment Committee annually. Britt Brockman moved for approval. Jim Stuckert seconded, and the motion for approval unanimously carried.

FCR 5, Fit-up 4th and 5th Floors to the New Pharmacy Building

Stephen Branscum stated that this project will fit-up approximately 84,000 gross square feet of shelled research lab space on the 4th and 5th floors of the new Pharmacy Building. The new space will include wet-bench research labs, lab support spaces, and lab offices. The project scope is not expected to exceed \$28 million and will be funded from an internal loan of up to \$15.5 million and \$12,476,839 in state matching funds requested from the Research Capital Match Program. In accordance with the Council on Postsecondary Education guidelines, the University's funds may not include state general funds. The Provost will repay the loan over 10 years with indirect cost revenue from research grants and contracts and other non-state general funds. Jim Stuckert moved for approval. Britt Brockman seconded, and the motion for approval unanimously carried.

FCR 6, 2009-10 Budget Revisions

Angie Martin presented the 2009-10 Budget Revisions that will increase the University's total budget by \$16.6 million, or 0.7 percent, to \$2.5 billion. The primary adjustments include increased budgeted fund balances of \$13.8 million. This adjustment includes the \$15.5 million internal loan to fit-up the lab and research space in the new Pharmacy Building and a \$1.7 million reduction to reflect actual balances as of June 30, 2009. The Budget Revision also includes an increase in the revenue budget for county appropriations of \$1.3 million which will be used to support field programs in the Agriculture Cooperative Extension Service; and recognizes \$1.0 million generated by ticket sales from the "Overture of Healing" event to benefit the Lucille Caudill Little Performing Arts in UK HealthCare.

Jo Curris moved for approval. Jim Stuckert seconded, and the motion for approval unanimously carried.

Other Business

Next Meeting

Tuesday, June 8, 2010, 11:00 AM, 18th Floor Patterson Office Tower Board Room

Respectfully submitted,

Barbara Royalty-Tatum
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