Faculty Senate Chair

Report

November 6, 2019

The Committee on Student Well-Being met on October 21. Four subcommittees will begin work in the following areas: Well-Being and Resilience, Faculty Roles, Suicide Prevention and Tool Kits for Faculty, Staff and Students. A final report will be submitted to the Provost on April 15th.

Sandy Russell has been appointed by the President to the position of Interim Vice President for Enterprise Risk Management, Audit and Compliance.

The top four candidates for the EVPRI position have been identified and are currently being scheduled for campus visits. The first candidate will be on campus November 7. The Executive Committee of the Faculty Senate will have an opportunity to meet with each candidate.

The following eligibility criteria must be met in order for an employee to receive the 2% cost-of-living increase. Additional criteria may also apply to certain employee types as detailed in the subsequent faculty, exempt and non-exempt, and board appointed administrator sections.

1. *Employees must have a hire date prior to July 1, 2019, and have had continuous service with the university since that time (see "Note" below.)*

2. *Employees must have been working the equivalent of 0.40 FTE or greater as of July 1, 2019.*

3. *Employees must have at least received a "Developing", "Succeeding" or "Satisfactory" rating on their performance evaluation for the July 1, 2018 through June 30, 2019 measurement period.*

4. *Only filled positions as of July 1, 2019, are included.*

5. *Salary increases for eligible employees cannot exceed the maximum pay grade for the employee's position.*

***Note**: Continuous service includes both active pay status and periods of approved leave without pay (including FMLA, Temporary Medical Disability, and leave without pay for employees reduced in force, but subsequently re-hired within 12 months).*

Attached to this report you will find a Memorandum to UofL Faculty and Staff from Mary Elizabeth Miles, Interim Associate Vice President for Human Resources, which outlines the university's annual commitment to equal education and employment opportunity.

The Board of Trustees met on October 24th for a regular quarterly meeting. The board approved the President's recommendation of the list of projects presented by Mark Watkins in the university's 2020-2026 Capital Plan. The presentation is attached to this report.

Dan Durbin presented the following highlights regarding Financial Results for FY 2019:

- University ended the year consistent with plan and an unqualified "clean" audit
- Total revenues increased by 5% from prior year to $1.099 billion
- Total expenses increased by 3% from prior year to $1.076 billion
- Net position (our financial value) increased by $23 million in FY19 – significant increase over the prior year performance of $3 million
- Increased Net Position was spread over Capital, Restricted, and Unrestricted asset categories
- The University's financial position remains strong as June 30, 2019 with total assets and deferred outflows of $1.3 billion
- Liquidity position is improving

Dan's full report is attached to this report.

Jewish Hospital Acquisition: Please see the attached documents regarding the Jewish Hospital Acquisition Project

The Board of Trustees met jointly with the ULAA board on October 24, approving the recommendation from the President to execute a mutual termination agreement with John H. Schnatter. The University has agreed to pay Mr. Schnatter $9.5million over the next 5 years in satisfaction of the 23 years remaining on the original agreement, dated May 16, 1996, and subsequently amended in 2000, 2007, and 2016. The $9.5million will be funded from Athletics.

Additional Updates:

- November 8 is the last day for Open Enrollment

Respectfully Submitted,

Krista Wallace-Boaz

Chair, Faculty Senate

UNIVERSITY OF LOUISVILLE.

Human Resources

October 1, 2019

MEMORANDUM

To: UofL Faculty and Staff

From: Mary Elizabeth Miles
Interim Associate Vice President for Human Resources

Re: University of Louisville Notice of Nondiscrimination

Attached is the university's annual reaffirmation of commitment to equal educational and employment opportunity. Please take a moment to review this important document.

University of Louisville • 1980 Arthur Street • Louisville, KY 40208-2770
P: 502.852.6258 **F:** 502.852.5665 **W:** louisville.edu/hr

UNIVERSITY OF LOUISVILLE.

REAFFIRMATION OF COMMITMENT TO EQUAL EDUCATIONAL & EMPLOYMENT OPPORTUNITY

The University Louisville is committed to and will provide equality of educational and employment opportunity for all persons regardless of race, sex, age, color, national origin, ethnicity, creed, religion, disability, genetic information, sexual orientation, gender, gender identity and expression, marital status, pregnancy, or veteran status – except where sex or national origin represent bona fide educational or employment qualifications. Further, the university seeks to promote campus diversity by enrolling and employing a larger number of veterans and persons with disabilities, as well as minorities and women where these groups have historically been and continue to be under-represented within the university in relation to availability.

This affirmation is published in accordance with 41 CFR 60 and is in keeping with Title VII of the Civil Rights Act of 1964 and Title IX, Education Amendments of 1972, as amended; Executive Order 11246; the Rehabilitation Act of 1973; the Vietnam Era Veterans' Readjustment Assistance Act of 1974; the Civil Rights Restoration Act of 1988 and Kentucky Statutes.

To ensure that equal educational and employment opportunity exists throughout the university, a results-oriented equal opportunity/affirmative action program will be implemented to overcome the effects of past discrimination and to eliminate any artificial barriers to educational or employment opportunities for all qualified individuals that may exist in any of our programs. The university aims to achieve, within all areas of the university community, a diverse student body, faculty, and staff capable of providing for excellence in the education of its students and for the enrichment of the university community.

The University of Louisville reaffirms its commitment to equality of educational and employment opportunity in its relationships with all members of the university community and its commitment to the elimination of any documented historical and continuing underutilization of women and minorities among the student body or employee complement. The University of Louisville is committed to this program and is aware that with its implementation, positive benefits will be received from the greater utilization and development of previously underutilized human resources.

STATEMENT ON DIVERSITY IN THE UNIVERSITY COMMUNITY

The University of Louisville strives to foster and sustain an environment of inclusiveness that empowers us all to achieve our highest potential without fear of prejudice or bias. We commit ourselves to building an exemplary educational community that offers a nurturing and challenging intellectual climate, a respect for the spectrum of human diversity, and a genuine understanding of the many differences-including race, ethnicity, gender, socio-economic status, national origin, sexual orientation, disability, and religion-that enrich a vibrant metropolitan research university. We expect every member of our academic family to embrace the underlying values of this vision and to demonstrate a strong commitment to attracting, retaining, and supporting students, faculty, and staff who reflect the diversity of our larger society.

UNLAWFUL HARASSMENT, PERSONAL DISCRIMINATION, AND RETALIATION

The University of Louisville's Discriminatory Harassment Policy reflects the commitment to maintain a community that is free from harassment of any kind. Harassment of any kind (including sexual harassment and sexual abuse) is not acceptable at the university. It is inconsistent with the university's commitment to excellence and respect for all individuals. The university is also committed to protecting the academic freedom and freedom of expression of all members of the university community. Academic freedom and freedom of expression includes, but is not limited to, the expression of ideas, however controversial, in the classroom, residence hall, and in keeping with different responsibilities, in work places elsewhere in the university community. The University of Louisville strives to provide equal employment opportunity on the basis of merit and without unlawful discrimination in terms race, sex, age, color, national origin, ethnicity, creed, religion, disability, genetic information, sexual orientation, gender, gender identity or expression, marital status, or pregnancy. In addition, the university prohibits job discrimination of Vietnam era veterans, qualified special disabled veterans, recently separated veterans, and other protected veterans. The university shall make every reasonable effort to select all staff from applicant pools which are representative of the labor market in terms of sex, disability, minority, and veteran status. Furthermore, the university shall not subject employees to unlawful discrimination in terms of compensation, benefits, and/or working conditions. No student or employee shall be subject to retaliation for bringing a good faith complaint pertaining to unlawful harassment or personal discrimination or for protesting such behavior directed against another member of the university community.

For more information concerning ways in which our multicultural learning community may be nurtured and protected or complaint resolution procedures, contact the Office of Student Affairs, the Office of Human Resources, or the Office of Diversity.

For more information regarding sexual misconduct, contact the Office of Human Resources or see the Sexual Misconduct Brochure.

For more information concerning complaint resolutions procedures, contact the Dean of Students' Office at 852-5787 or the Office of Human Resources at 852-6258. For more information concerning ways in which our multicultural learning community may be nurtured and protected, contact the Office of Diversity at 852-5719.

You may also contact the following individuals or agencies:

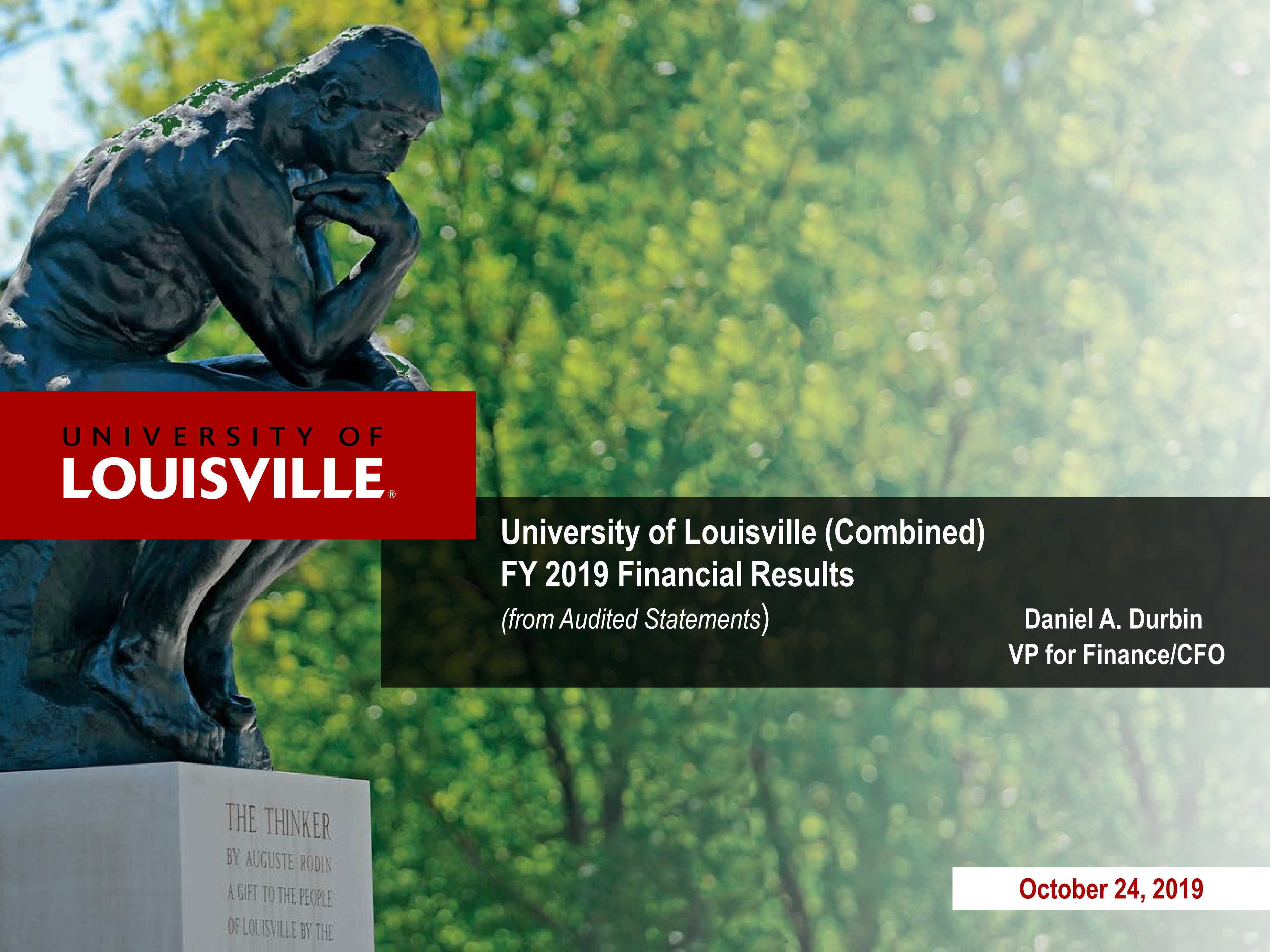
David Parrott	**Mary Elizabeth Miles**	**Aaron Graham**	**Dr. Angela Taylor**
Interim ADA/Title IX Coordinator Dean of Students Office 2100 S. Floyd Street Student Activities Center Louisville, KY 40208 Phone: 502-852-5787	Deputy Title IX Coordinator Interim Associate Vice President for Human Resources 1980 Arthur Street Louisville, KY 40208 Phone: 502-852-6688	Deputy Title IX Coordinator Lt. Colonel Floyd Street Parking Garage Suite 100 Louisville, KY 40292 Phone: 502- 852-6111	Deputy Title IX Coordinator Assistant Provost for Student Affairs Dean of Students Office 2100 S. Floyd Street Student Activities Center Louisville, KY 40208 Phone: 502-852-5787

Additional Contact:

- Assistant or Associate Vice Presidents, Vice Presidents, Deans, Provosts, Department Chairs, Directors, and Coaches;
- All faculty;
- University of Louisville Police Officers and any contracted security personnel;
- Any employee in a supervisory or management role.

Some forms of harassment and discrimination may violate federal and state laws, and a Complainant or Respondent may choose to contact the following agencies regarding their complaint:

Philadelphia Office for Civil Rights	**Kentucky Commission on Human Rights**	**Federal Equal Employment Opportunity Commission**
U.S. Department of Education The Wanamaker Building 100 Penn Square East, Suite 515 Philadelphia, PA 19107-3323 Phone: 215-656-8541 TDD: 877-521-2172	332 W. Broadway Louisville, KY 40202 Phone: 1-800-292-5566	600 Dr. Martin Luther King, Jr. Place, Suite 268 Louisville, Kentucky 40202 Phone: 1-800-669-4000 TTY: 1-800-669-6820



UNIVERSITY OF LOUISVILLE

University of Louisville (Combined)
FY 2019 Financial Results
(from Audited Statements)

Daniel A. Durbin
VP for Finance/CFO

October 24, 2019

Highlights of Financial Results for FY 2019

- **University ended the year consistent with plan and an unqualified "clean" audit**
- **Total revenues increased by 5% from prior year to $1.099 billion**
- **Total expenses increased by 3% from prior year to $1.076 billion**
- **Net position (our financial value) increased by $23 million in FY19 - significant increase over the prior year performance of $3 million**
- **Increased Net Position was spread over Capital, Restricted, and Unrestricted asset categories**
- **The University's financial position remains strong as of June 30, 2019 with total assets and deferred outflows of $1.3 billion**
- **Liquidity position is improving:**
  - Unrestricted cash position improved significantly
  - Current ratio increased to 1.32x from 1.11x

Summary of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2019 and 2018

	6/30/19	6/30/18	$ Diff	% Diff
REVENUES				
Student tuition and fees, net	$ 223,173	$ 217,395	$ 5,778	2.7%
State appropriations	128,930	132,959	(4,029)	(3.0%)
Clinical services and practice plans	287,393	262,096	25,297	9.7%
Grants and contracts	152,019	144,596	7,423	5.1%
Intercollegiate athletics	86,826	76,491	10,335	13.5%
Affiliate contributions, net	61,324	67,608	(6,284)	(9.3%)
Capital appropriations & gifts	58,147	44,368	13,779	31.1%
Other revenues	101,561	101,630	(69)	(0.1%)
Total Revenues	1,099,373	1,047,143	52,230	5.0%
EXPENSES				
Salary & wages	570,922	562,274	8,649	1.5%
Employee benefits	137,811	142,801	(4,990)	(3.5%)
Utilities	21,251	20,249	1,003	5.0%
Scholarships and fellowships	32,527	32,216	311	1.0%
Supplies & services	250,848	226,952	23,897	10.5%
Depreciation	52,213	48,780	3,433	7.0%
Interest on capital asset-related debt	10,457	10,789	(332)	(3.1%)
Total operating expenses	1,076,030	1,044,060	31,970	3.1%
Increase (Decrease) in Net Position	**$ 23,343**	**$ 3,083**	**$ 20,260**	**657.2%**

Statement of Net Position (Balance Sheet)
June 30, 2019 and 2018

	6/30/19	6/30/18	$ Diff	% Diff
TOTAL ASSETS				
Unrestricted cash and cash equivalents	$ 110,451	$ 80,839	$ 29,612	36.6%
Restricted cash and cash equivalents	2,152	35,816	$ (33,664)	(94.0%)
Short-term investments	6,517	-	6,517	0.0%
Accounts receivable, net	139,040	137,570	1,470	1.1%
Due from Affiliates	34,442	37,853	(3,411)	(9.0%)
Investments held with ULF	11,236	13,884	(2,648)	(19.1%)
Capital assets, net	976,355	971,395	4,960	0.5%
Other assets	38,023	23,519	14,504	61.7%
Total assets	1,318,216	1,300,876	17,340	1.3%
DEFERRED OUTFLOWS OF RESOURCES	$ 8,080	$ 9,680	$ (1,600)	-16.5%
TOTAL LIABILITIES				
Accounts payable and accrued liabilities	$ 103,575	$ 102,439	$ 1,136	1.1%
Bonds and notes payable	259,263	271,258	(11,995)	(4.4%)
Other liabilities	150,297	167,895	(17,598)	(10.5%)
Total liabilities	$ 513,135	$ 541,592	$ (28,457)	(5.3%)
DEFERRED INFLOWS OF RESOURCES	$ 82,129	$ 61,275	$ 20,854	34.0%
NET POSITION				
Net investment in capital assets	$ 716,400	$ 701,024	$ 15,376	2.2%
Restricted - nonexpendable	4,710	1,633	3,077	188.4%
Restricted - expendable	79,510	79,622	(112)	(0.1%)
Unrestricted	(69,588)	(74,590)	5,002	6.7%
Total net position	$ 731,032	$ 707,689	$ 23,343	3.3%
Unrestricted Net Position excluding GASB 75 & OPEB	24,481	18,026	6,455	35.8%

- Overall increase in our Net Position of $23 mil
- $15 mil increase in the value of Capital Assets
- $3 mil increase in our Restricted Assets
- $5 mil increase in our general operations (liquidity plan)

Analysis of Cash from Statements
Fiscal Years Ended 2017 – 2019 *(in thousands)*

	2017	2018	2019
Restricted Cash:			
Beginning of Year Balance	$ 28,046	$ 62,707	$ 35,816
Construction/State Held Funds, net change	$ 44,452	$ (41,022)	$ (37,872)
Perkins Loan Funds, net change	$ -	$ 1,289	$ 1,206
Internally Designated Funds, net change	$ (9,791)	$ 12,842	$ 3,002
End of Year Restricted Cash	$ 62,707	$ 35,816	$ 2,152
Unrestricted Cash:			
Beginning of Year Balance	$ 123,803	$ 76,669	$ 80,839
Kentucky One Health Infusion of Funds	$ 37,400	$ -	
Planned Spend Down of KOH Funds, net change	$ (42,000)	$ (14,460)	$ (8,203)
Frazier Funds	$ -	$ -	$ 10,682
Cash (used in) provided by Operations	$ (42,534)	$ 18,630	$ 27,133
End of Year Unrestricted Cash	$ 76,669	$ 80,839	$ 110,451

UNIVERSITY OF LOUISVILLE

The Depth of Our Resources at June 30, 2019

($ millions)	FY 2017 Actual Amount	FY 2017 Cumulative Total	FY 2017 Cumulative Days	FY 2018 Actual Amount	FY 2018 Cumulative Total	FY 2018 Cumulative Days	FY 2019 Actual Amount	FY 2019 Cumulative Total	FY 2019 Cumulative Days
• **University Based Liquidity**									
□ Liquid Cash	$77.9	$77.9	28.7	$100.1	$100.1	38.0	$125.0	$125.0	46.7
□ ULAA Short-Term Investments	$25.3	$103.2	38.0	$13.9	$114.0	43.2	$11.2	$136.2	50.9
□ General Line of Credit				$50.0	$164.0	62.2	$50.0	$186.2	69.6
• **UofL Liquidity Held by Foundation**									
□ Designated/Unrestricted Gift Account Cash Available	$46.1	$149.4	55.0	$45.3	$209.3	79.4	$48.9	$235.1	87.9
□ Endowment Spend Cash Availability									
▪ Current Year End	$1.6	$150.9	55.5	$1.6	$210.9	80.0	$2.6	$237.7	88.9
▪ Carryover	$40.0	$190.9	70.3	$22.9	$233.8	88.7	$25.3	$263.0	98.4
▪ Spend Cash Available 7/1	$23.2	$214.1	78.8	$25.8	$259.5	98.5	$20.4	$283.3	106.0
Total		$214.1	78.8		$259.5	98.5		$283.3	106.0

UNIVERSITY OF LOUISVILLE

The Year in Review ….

- **Improved Financial Position & Performance**

  Doing the right thing

- **Clean Audit Opinion**

  Doing it the right way

- **Active Investments in Students, Employees & Programs**

  Doing it for the right reasons

UNIVERSITY OF LOUISVILLE.

Thank you


THE THINKER
BY AUGUSTE RODIN
A GIFT TO THE PEOPLE
OF LOUISVILLE BY THE

Questions?

UNIVERSITY OF
LOUISVILLE

Six-Year Capital Plan

(proposed)

2020 – 2026

October 14, 2019

University of Louisville Vision

The University of Louisville will be recognized as a great place to:

**** learn***
**** work***
**** invest***

WE will do this through the celebration of diversity, fostering equity, embracing inclusion.

Why this Process and a Plan ?

- Legislative requirement
  - Six-Year plan
  - All projects $1,000,000 or greater
  - Projects in the first biennium – part of the 2020-2022 Capital Budget submission

- Estimation of University capital needs for the next six years based on current knowledge

- Communicates the university’s path to support and improve student success through building and campus improvements

Today's Agenda

- **Planning Process**
- **Kentucky Council on Post-Secondary Education (CPE) Initiatives**
- **Matching a Plan to our Vision**
- **2020 – 2026 Capital Plan Priorities**
- **Capital Renewal**
- **Next Steps**

UNIVERSITY OF LOUISVILLE

Planning Process

- **Advisory and Planning Groups**
  - **Capital Plan Development Committee**
  - **Capital Plan Executive Committee**
- **Engagement with Campus**
  - Deans
  - Vice Presidents
  - President’s Cabinet
  - SGA
- **Review and consensus of current capital needs at all levels (college and university-level)**
- **Reviewed with Capital Plan Development Committee for current strategic “fit” and prioritization**

CPE Initiatives: Capital Renewal

- **CPE recognizes the institution's need of major capital renewal, maintenance, and renovation needs**
- **CPE space study completed in April 2007 (updated in 2013) by Vanderweil Facility Advisors, Inc. provided insight into space needs at universities; possible new study is pending**
- **CPE supports the group fund approach for capital renewal**

Matching the Plan to Vision: Great Place to Learn

Current Situation

- *Increase student success*
  - *decrease time-to-degree*
- *Increase STEM degree production*
  - *STEM degrees increased from 1,643 in 2014 to 1,923 in 2018*
- *Quality focus:*
  - *12 Fulbright Students*
  - *Most in the state of Kentucky for 2019*
- *Strives to foster and sustain an environment of inclusion*

Capital Plan Goals

- Provide contemporary learning environment with technology rich tools to advance collaborative team-based learning
- Updating existing instructional space post BACB
- **Priority One: Upgrade STEM instructional space = $50M of STEM related building upgrades**

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Matching the Plan to Vision: Great Place to Work

Current Situation

- *52% of Belknap buildings > 50 years old (some over 100 years old)*
- *Accelerating increases in deferred maintenance backlog*
- *Carbon footprint size reduction*
- *Reduce, reuse, recycle – landfill diversion*
- *Eight years on the Arbor Day Foundation Tree Campus USA list*
- *Challenging funding*

Capital Plan Goals

- Asset preservation
- Storm water detention/irrigation basins
- **Priority 2 = $100M, 50/50 requested state share for capital renewal**

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Matching the Plan to Vision: Great Place to Invest

Current Situation

- *Strategic plan completed*
- *New strategic goals to spur donors to invest*
- *Research/grant support*
  - *"Research 1" Doctorial University confirms UofL top-tier research status*
- *UofL has 13 LEED buildings; 4 Gold, 5 Silver, 4 certified or as guidance; two buildings pending LEED award*

Capital Plan Goals

- **Investment in Energy Conservation Measures (ECM) projects**
- **Renovate research facilities and equipment (attract & foster research funding)**
- **Build to highest standard to reduce cost on all new buildings**
- **Integration of Priorities # 1 and #2**

UNIVERSITY OF LOUISVILLE

Priority One: Upgrade Science, Technology, Engineering, and Mathematics (STEM) Instructional Buildings

- **This project will renovate and upgrade classrooms, instructional laboratories, student support space and facility offices in the following buildings:**
  - Life Sciences Buildings
  - Natural Science Building
  - Chemistry Building
  - Speed School of Engineering Buildings

- **The goal of these improved facilities is to support the increased production of graduates in STEM fields to address important labor needs in the Commonwealth of Kentucky**

- **ROI Possibility: Kentucky performance-funding model incentives for increasing the number of degrees and credentials in the STEM fields.**

- **Priority of the Governor's office (2017)**

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Priority Two: Capital Renewal, Replacement, and Upgrades

- **Fund authorization concept allows for flexible implementation of traditional deferred maintenance/capital renewal projects for building system assets that have reached or exceeded their life expectancy**

- **Requested Group Funds:**
  - Building security and life safety system upgrades
  - Replacement of deficient utility infrastructure, mechanical / electrical / plumbing systems
  - Technology enhancements
  - Roof replacement
  - Elevator upgrades
  - Renewal of interior finishes

- **UofL proposes a 50/50 match of state general funds and agency bonds to fund this project during the 2020 – 2022 biennium**

- **Priority for universities/colleges in Kentucky per CPE**

- **Reduced energy and plant interruption costs means more dollars are available for direct instructional mission**

2020-2026 Specific Capital Plan Project Aspirations

- **Short-Term Critical Needs**
  – Upgrade Science, Technology, Engineering and Mathematics (STEM) instructional buildings
  – Capital renewal, replacement and upgrades

- **New Academic Space**
  – Construct new College of Business building
  – Construct Speed School multidisciplinary building

- **Renovated Academic Space**
  – Renovate HSC and instructional buildings (55B) – classrooms
  – Renovate chemistry teaching labs, auditorium and fume hoods

- **Research Space**
  – Regional biocontainment lab renewal
  – Renovate and renew research facilities and equipment
  – Renovate and renew building 55A – classrooms and labs

Next Steps: Current and Future Initiatives

- **New university strategic plan developed**
- **Integrate capital into strategic plan roll-out**
- **Comprehensive, integrated master planning process in place**
- **To realize these projects, UofL will continue to explore a variety of funding sources, including philanthropic gifts, federal grants, restricted funds and state funding**

Oppenheimer Hall

Note: Sixteen members (universities and colleges) requesting funding from the state.
State normally approves general fund/bonds for 15 new construction, 15 IT, and 15 Renovations, which are split between the 16 members.


Questions?

Jewish Hospital Acquisition Project

- **The Risk of Not Acquiring:**
  - *$51 mill negative **budget** impact to the University*
  - *Loss of **space** for research, patient care, and academic*
  - *Loss of 1,901 **jobs** with a $103 mill payroll and $220 mill of non-payroll spend*
  - *Creates **health care** void for 220 inpatients and 35k ER visits*
  - *Leads University to **contraction** and jeopardizes R1 Status*
- **The Solution (to Acquire):**
  - *Three year transition plan developed to reverse $50 mill loss to $8 mill positive*
  - *$100 million needed for **transition plan-** $50 mill State Loan + $50 mill other UL sourced support*
  - *Future annual deficits offset by $33 mill of **enhanced Medicaid reimbursements** (IGT) and savings from system integration synergies*
  - *Follows **strategies** that created a $95 mill turn around at UMC (and restored a positive margin in FY19)*
- **The Outcome:**
  - *Creates **integrated** health system with a robust primary care network*
  - *A greater path to **expansion** of research and academics (quality & scope)*
  - *Allows University **growth** (not contraction) and a **stable** financial future*
- **How Can You Help?**
  - ***Support** the legislation creating the $50 mill state loan arrangement*
  - ***Inform** your community about the importance of this project with the **facts***

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The University of Louisville is acquiring the KentuckyOne Health properties from CommonSpirit Health, formerly known as Catholic Health Initiatives. Following are the key messages around the agreement and the university's effort to secure these vital properties for the Louisville community and the Commonwealth of Kentucky.

The University of Louisville's ask:

The University of Louisville (UofL) seeks support for a $50 million loan to assist with transition costs in acquiring the Louisville assets of KentuckyOne Health (KOH), including 5 hospitals and 4 outpatient facilities. The vast majority of total system losses come from Jewish Hospital alone at about $50 million per year. Our plan calls for $100 million in transition assistance to turnaround the losses in three years.

The proposed loan terms are:

- 20-year term; No payments and no interest accrual for first 5 years, 1% interest accrual starting year 6 through year 20.
- 50% forgiveness if the University maintains 5,880 full-time Kentucky resident jobs or provides healthcare in the west end of Louisville and/or other agreed-upon rural communities.
- If UofL does not repay, state appropriations can be withheld from the university.
- Draw down of funds requires a 1:2 private match (i.e., $10 million in private philanthropy allows for a $20 million draw on the state loan).

Repayment for the loan will go to the state general fund and not to the Cabinet for Economic Development.

UofL sought partnerships with both Norton Healthcare and Baptist Health systems as well as external business partners and comes to the state as a last resort.

BUT FOR the help of the state, UofL would not be able to be successful and the citizens of Kentucky would face dire consequences for their physical, social, and economic health and wellbeing.

UofL has a plan for a successful turnaround that will benefit the commonwealth.

As part of the UofL academic enterprise, Jewish Hospital will be immediately eligible for $33 million of enhanced Medicaid reimbursement. This federal drawdown is not available for a non-academic owner.

Due diligence by independent private sector entities indicates there are synergies to get us to modest profitability over time.

We have proven we can institute effective management practices while improving patient care, and satisfaction, going from -$72 million in FY18 to $23 million in FY19 in operating our own hospital.

We will reduce significant corporate overhead levied on KOH assets (these levies were funds sent out of state).

We will invest in facilities and equipment throughout the system.

Our plan calls for a three-year turnaround that will require $100 million of transition costs:

- Money will be used to sustain operations during the phase-in financial restoration plan
- $50 million already secured from private sources
- $50 million state loan is critical and forgiveness provisions allows long-term stability and continued service

Click to return to Schedule (Page 1)

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The loan benefits Kentucky taxpayers and makes a stronger commonwealth by:

1) Avoiding overwhelming the statewide healthcare system.
   - Average of 3,000 emergency room visits per month at Jewish Hospital; other hospitals in town are simply unable to accommodate the demand. 20% or about 600 patients a month require immediate hospitalization. The economic and human costs of transferring 600 patients a month to other communities or out-of-state will be significant.
   - Avoid the immediate closure of heart, kidney, lung, pancreas and liver transplant programs, forcing patients to go elsewhere. Transplant surgery patients require significant in-patient care.
   - Slightly more than 1/3 of Jewish Hospital admissions come from outside Jefferson County. About 45% of KOH outpatient visits come from outside Jefferson County.

2) Avoiding a significant negative impact on the economy.
   - Loss of more than 1,900 jobs (Jewish employs 1,901 staff: 77% are full time and 82% are Kentucky residents.)
   - Loss of more than $100 million annually in Kentucky wages and of associated taxes.
   - Loss of $220 million annually in non-personnel spending at Jewish Hospital and of associated taxes.
   - Cost of unemployment benefits for at least a significant portion of 1,560 Kentucky residents and correspondingly higher Medicaid costs with lost health insurance coverage.

3) Ensuring the pipeline of physicians for Kentucky and preserving programs at UofL.
   - Avoid immediate need to relocate 60 residents. Avoid accreditation jeopardy of residency programs primarily or heavily based at Jewish and Frazier, including cardiology and all cardiology subspecialty fellowships, cardiothoracic surgery, medical subspecialty fellowships in kidney, lung and liver, neurosurgery, and physical medicine and rehabilitation.
   - Avoid immediate need to relocate 15-20 medical students per month.
   - Avoid jeopardizing UofL's R1 research status. The loss of an R1 university would hurt economic development and recruitment of business partners. $96 million of sponsored research (grants) was secured by School of Medicine faculty last year. This represents 2/3rds of the research grants at UofL.
   - Jewish Hospital-based faculty alone have secured over $63 million in grants over the next 4 years.
   - Closure creates a $51 million deficit for the University (loss of clinical and academic support revenues of $41 million; UMC must continue to repay KOH $5 million annually for certain items; The vacated Jewish Hospital building reverts back to the University - estimated costs to minimally maintain the empty facility could be $5 million annually).

Click to return to Schedule (Page 1)

UNIVERSITY OF
LOUISVILLE.

FREQUENTLY ASKED QUESTIONS

What assets will UofL acquire on November 1?:

- 5 Hospitals:
  1. Jewish Hospital, including:
     a. Jewish Hospital Rudd Heart and Lung Center
     b. Jewish Hospital Outpatient Care Center
  2. Frazier Rehab and Neuroscience Center
  3. Sts. Mary and Elizabeth Hospital
  4. Jewish Hospital Shelbyville
  5. Our Lady of Peace Hospital
- Physician groups affiliated with KentuckyOne
- 4 Outpatient Facilities:
  1. Medical Center Jewish East
  2. Medical Center Jewish South
  3. Medical Center Jewish Southwest
  4. Medical Center Jewish Northeast
- 2 Parking Garages:
  1. Jewish Hospital Visitor Parking Garage
  2. Jewish Hospital Employee Garage

What are the terms of the deal?

The University of Louisville will pay $10 million for the assets.
In return, the seller will cancel two notes from University Medical Center Inc., amounting to $19.7 million. The seller also is obligated to provide $76.4 million in net working capital, which will provide needed start-up funding for the university.

What other sources of funding is the university counting on?

The university has received commitments from several entities to help ensure the success of the transition:

- The Jewish Hospital and St. Mary's HealthCare Foundation is providing $40 million over four years.
- The Jewish Heritage Fund for Excellence is providing $10 million immediately.
- A bi-partisan group of state government leaders, including Gov. Bevin, Senate President Robert Stivers, Speaker of the House of Representatives David Osborne, and Minority Leader Rocky Adkins have pledged a $50 million loan to provide needed start-up capital to the new hospital organization.

So why do you need the state loan? What happens if you do not get the state loan?

The loan from the state is critical to the success of this turnaround. The university would not have entered into this deal if it were not for this loan. These funds will be used to invest in the hospital facilities and to sustain operations during the phase-in financial restoration plan. It will provide long-term stability and continued outstanding service to customers. Without the loan, the transition will be more difficult, the university may be forced to take on significant financial risk, and UofL Health may have to look to close some service lines or significantly limit investment in facilities.

Click to return to Schedule (Page 1)