

MINUTES OF THE MEETING OF THE FINANCE COMMITTEE OF THE  
UNIVERSITY OF LOUISVILLE BOARD OF TRUSTEES

In Open Session

Members of the Finance Committee of the University of Louisville Board of Trustees met on Thursday, October 14, 2010, at 12:50 p.m., in the Jefferson Room, Grawemeyer Hall, Belknap Campus, with members present and absent as follows:

Present: Judge Rebecca Jackson, Chair  
Dr. William Selvidge, Vice Chair  
Ms. Sana Abhari (arrived at 1:35 p.m.)  
Mr. Ron Butt  
Ms. Augusta Brown Holland  
Mr. Frank Minnifield

Absent: Ms. Phoebe Wood

Other Trustees

Present: Mr. Jonathan Blue (arrived at 1:15 p.m.)  
Mr. Owsley Frazier (arrived at 1:35 p.m.)  
Mr. Brent Fryrear  
Dr. Kevin Cosby (came in at 1:00 p.m.)  
Dr. Salem George  
Dr. Mark Lynn  
Ms. Brucie Moore  
Mr. J. Chester Porter  
Mr. Robert Rounsavall, III  
Ms. Debbie Scoppechio  
Dr. Robert Staat

Guests: Ms. Mary McKinley, CPA, BKD, LLP  
Ms. Jennifer Williams, BKD, LLP  
Ms. Jennifer Elliott, Stites & Harbison  
Mr. Greg Davis, Stites & Harbison  
Ms. Vickie Yates Brown, Nucleus

From the  
University: Dr. James R. Ramsey, President  
Dr. Shirley Willihnganz, Executive Vice President and Provost  
Dr. William Pierce, Interim Executive Vice President for Research  
Ms. Angela D. Koshewa, University Counsel  
Mr. Mike Curtin, Vice President for Finance  
Dr. Sam Connally, Vice President for Human Resources  
Dr. Priscilla Hancock, Vice President for Information Technology

Mr. Glenn Bossmeyer, Associate University Counsel  
Mr. Dave Barker, Associate VP for Audit Services and Inst. Compliance  
Ms. Cheri Jones, Director of Audit Services  
Ms. Susan Howarth, Director of Budgets  
Mr. Larry Zink, Controller  
Ms. Susan Magness, Associate Controller  
Ms. Terri Rutledge, Associate VP for Business Affairs  
Ms. Anne Rademaker, CPA, Director of Financial Reporting and University Accounting  
Mr. Mark Hebert, Director, Media Relations  
Ms. Cindy Hess, Director, Communications & Marketing  
Ms. Carolyn Cochran, Assistant to the Provost  
Mrs. Kathleen M. Smith, Assistant Secretary  
Ms. Trisha Smith, Director of Special Programs  
Ms. Debbie Dougherty, Board Liaison

I. Call to Order

Having determined a quorum present, Chair Jackson called the meeting to order at 12:50 p.m.

Approval of Minutes, May 13, 2010

Mr. Butt made a motion, which Dr. Selvidge seconded, to approve the minutes of May 13, 2010. The motion passed.

II. Action Item: Approval of Ground Lease to Campus One for Initial Building at ShelbyHurst

President Ramsey discussed the many ways the University is working to turn underperforming and nonperforming assets into performing assets. The effort involves the development of the Shelby Campus. The proposed resolution summarizes the actions taken thus far, and provides for an agreement authorizing the University of Louisville Foundation, through its partnership with NTS, to execute a ground lease for the first building. Dr. Selvidge made a motion, which Mr. Butt seconded, to approve the

**RESOLUTIONS OF THE BOARD OF TRUSTEES OF  
THE UNIVERSITY OF LOUISVILLE**

**October 14, 2010**

**WHEREAS, on September 24, 2001, the Board of Trustees of the University of Louisville (the “Board of Trustees”) approved the development of the University’s Shelby Campus, consisting of both the academic facilities located thereon and the surrounding unimproved real property (together, the “Shelby Campus Property”), in order to convert the Shelby Campus Property into a**

revenue producing asset that would strategically enhance the academic mission of the University of Louisville (the “University”);

WHEREAS, on June 24, 2004, the Board of Trustees approved, based on a presentation made by James R. Ramsey, the President of the University (the “President”), a preliminary conceptual master plan for the development of the Shelby Campus Property;

WHEREAS, on July 14, 2005, the Board of Trustees authorized action on a number of items involving the development of the Shelby Campus Property, including, without limitation, (i) the creation of a management structure whereby a non-profit corporation would be formed for the sole purpose of developing the Shelby Campus Property, and (ii) the endorsement of a proposal requesting a financial investment in the development of the Shelby Campus Property by University of Louisville Foundation, Inc., a Kentucky non-profit corporation organized and operated to receive, hold, invest, and administer property and to make expenditures to and for the benefit of the University (the “Foundation”);

WHEREAS, in connection with the Board of Trustee’s request that the Foundation make a financial investment in the development of the Shelby Campus Property, and as reported to the Board of Trustees on September 1, 2006, the Foundation created a Special Ad Hoc Committee on Shelby Campus (the “Ad Hoc Committee”) to consider and review issues and strategies pertaining to the development of the Shelby Campus Property, including, without limitation, possible opportunities to advance the infrastructure investment for the Shelby Campus Property;

WHEREAS, subsequent to the review by the Ad Hoc Committee, the Foundation created the Shelby Campus Development Committee (the “Development Committee”, and together with the Ad Hoc Committee, the “Committees”), which Development Committee recommended to the Foundation that (i) a 501(c)(3) corporation, or appropriate entity, be created to serve as the University’s master developer with respect to the Shelby Campus Property, (ii) that such corporation, or appropriate entity, should be affiliated with the Foundation in order to facilitate the development of the Shelby Campus Property, and (iii) that such corporation, or appropriate entity, should be authorized to contract with local, regional, and national development firms to develop the Shelby Campus Property;

WHEREAS, on September 20, 2007, the Foundation reported to the Board of Trustees, based on the recommendation of the Development Committee, that the Board of Directors of the Foundation had approved the formation of a limited liability company to serve as the master developer of the Shelby Campus Property;

**WHEREAS, in connection with the foregoing and based upon extensive review of the preliminary conceptual master plan, and ongoing review and refinement by the Committees of development scenarios with respect to the Shelby Campus Property, the President has proposed an organizational structure to undertake the development of the Shelby Campus Property whereby: (i) the Foundation will serve as the non-profit corporation for purposes of developing the Shelby Campus Property, (ii) the University will ground lease the Shelby Campus Property to the Foundation, and (iii) the Foundation will subsequently ground sublease the same property to University of Louisville Development Company, LLC, a Kentucky limited liability company which is a wholly-owned subsidiary of the Foundation (“ULDC”), pursuant to which ULDC shall oversee the planning and development of the Shelby Campus Property;**

**WHEREAS, in accordance with the proposed organizational structure and in order to advance the development of the Shelby Campus Property, the Foundation advanced funds to ULDC and ULDC used those funds to (i) plan, develop and construct a road on the Shelby Campus Property, (ii) address certain land use and site development issues with respect to the development of the Shelby Campus Property, and (iii) take other actions necessary and desirable to develop the Shelby Campus Property; and**

**WHEREAS, on May 8, 2008, the Board of Trustees ratified, authorized, approved and consented to (i) the development of the Shelby Campus Property so as to convert the Shelby Campus Property into a revenue producing asset for the University, (ii) the proposed organizational structure described in the recitals above, (iii) the negotiation, execution and delivery of a ground lease pursuant to which the University will ground lease the Shelby Campus Property to the Foundation, (iv) the subsequent ground sublease of the Shelby Campus Property by the Foundation to ULDC, (v) all actions taken by the Foundation and ULDC on behalf of the University to advance the development of the Shelby Campus Property, and (vi) any other action necessary and appropriate to accomplish the development of the Shelby Campus Property in a manner that will enhance the academic mission of the University;**

**WHEREAS, on November 28, 2008, the University entered into a Ground Lease (the “Ground Lease”) with the Foundation pursuant to which the University ground leased portions of the Shelby Campus Property (the “Ground Leased Property”) to the Foundation;**

**WHEREAS, on September 16, 2009, ULDC and NTS Corporation (the “Development Partner”) entered into that certain Office and Research Facility Term Sheet (the “Term Sheet”) outlining the terms under which ULDC and the Development Partner would plan, design, develop, finance, construct, lease, manage and use ShelbyHurst Building One (the “Initial Project”) on approximately 8.4 acres of the Ground Leased Property (the “Site”);**

**WHEREAS, working in accordance with and pursuant to the Term Sheet, ULDC and the Development Partner have decided to form Campus One, LLC, a Kentucky limited liability company (“Campus One”), to serve as the joint venture vehicle contemplated by the Term Sheet;**

**WHEREAS, Campus One will be owned 51% by ULDC and 49% by NTS Realty Holdings Limited Partnership, a Delaware limited partnership (“NTSRHLP”), an affiliate of the Development Partner;**

**WHEREAS, during the course of the negotiation of the various documents and instruments that will govern Campus One, the Foundation, ULDC and the NTSRHLPP concluded that for various tax, structuring and other practical reasons a direct ground sublease of the Site from the Foundation to Campus One would be the preferred approach;**

**WHEREAS, because the Ground Lease does not permit the Foundation to sublease any portion of the Ground Leased Property to any person or entity other than ULDC, the Foundation has requested that the University consent (i) to the direct ground sublease of the Site to Campus One and (ii) to an amendment to the Ground Lease to permit the Foundation to enter into direct leases of all or portions of the Ground Leased Property, in each case (i) and (ii) on such terms and conditions as the Foundation deems appropriate;**

**NOW, THEREFORE, the Board of Trustees ratifies, authorizes, approves and consents to (i) the direct sublease of the Site from the Foundation to Campus One, (ii) an amendment to the Ground Lease to permit the Foundation to enter into direct leases of all or portions of the Ground Leased Property with persons and entities other than Campus One and ULDC so long as such persons and entities are owned and controlled by the Foundation or ULDC, in each case (i) and (ii) on such terms and conditions as the Foundation deems appropriate, (iii) all actions taken by the Foundation and ULDC to date on behalf of the University to advance the development of the Shelby Campus Property and (iv) any other action necessary and appropriate to accomplish the development of the Shelby Campus Property in a manner that will enhance the academic mission of the University;**

**FURTHER RESOLVED, that the President is hereby authorized to negotiate, execute and deliver such documents, instruments and agreements, including but not limited to, a consent to ground lease and an amendment to the Ground Lease and to take such other action and do all things, in the name and on behalf of the University, as the President may approve as being necessary, desirable or appropriate to carry out the aforesaid resolutions and to fully implement the development of the Shelby Campus Property; and**

**FURTHER RESOLVED, that all acts and deeds heretofore done by the President, the Foundation and ULDC for and on behalf of the University with respect to the development of the Shelby Campus Property and the negotiation, preparation, execution and delivery of any arrangements, agreements, instruments or documents relating to the subject matter of the foregoing resolutions be, and they hereby are, in all respects, approved, ratified and confirmed.**

The motion passed.

III. Action Item: Approval of Parental Leave Policy

Provost Willihnganz reported the Board of Trustees established the Parental Leave Policy effective November 1, 1995, which provides that regular full-time and part-time employees may receive three weeks of paid parental leave. She said more recent practices among higher education support the extension of leave from three weeks to six weeks, noting that public child care facilities will not accept children less than six weeks old. Among UofL peer institutions that have established formal parental leave policies, the term varies from two weeks up to one full semester.

During academic year 2009-10, the Commission on the Status of Women – with the endorsement of the Executive Committees of the Faculty & Staff Senates and the Great Places to Work Committee – proposed the University increase its parental leave to six weeks of paid leave for all permanent full-time and part-time employees.

Provost Willihnganz said when the Board approved the original parental leave policy, the eligibility threshold for permanent part-time employees was based on the number of hours worked in the previous 12 months (or 2/3 FTE for faculty). To promote consistency in the application and coordination of various leave programs, she noted the recommendation adjusts the eligibility threshold for parental leave to be the same as other leave policies. She estimated the cost would be \$310,000 per year, and would be funded initially through the University's Health & Wellness program budget administered by Human Resources, and subsequently through a centralized fringe benefit pool. She said the parental leave program has proven to be a valuable resource for employees in significant need during their family-building years and has fostered a greater sense of community and well being among employees. Ms Holland made a motion, which Mr. Minnifield seconded, to approve the

**President's recommendation that the Parental Leave policy (PER 4.18) be amended as provided in the attached document to increase the parental leave benefit for regular faculty and staff from three weeks to six weeks of paid time off in connection with the birth or adoption of a child and to establish eligibility at the current full-time-equivalent thresholds for regular part-time employees, equivalent to vacation leave, sick leave, family medical leave, and catastrophic shared leave, effective January 1, 2011.**

The motion passed.

#### IV. Executive Session

Mr. Minnifield made a motion, which Mr. Butt seconded, to go into executive session at 12:50 p.m. to discuss a real estate matter. The motion passed.

#### V. Open Session Reconvenes

Chair Jackson reconvened the open session at 1:30 p.m. and reported no action was required.

#### VI. Report of the President

President Ramsey shared updates on the following

- Fort Knox follow up
  - Task force
- Capital Campaign
  - Kick-off date is November 10
  - Volunteer Network
- “On the Road” with the outreach program
- CPE/LRC data
- Moving forward in difficult fiscal times
- Work of the University – ranked #1 in 8 of the 9 CPE Strategies Comparing Kentucky public universities
  - #1 in Increase in the number of undergraduate degrees awarded - 732
  - #2 in Percentage increase in the number of undergraduate degrees awarded - 42% increase
  - #1 in Percentage increase in all doctoral degrees awarded - 23%
  - #1 in percentage increase in doctoral degrees in research/scholarship - 87%
  - #1 in Increase in number of doctoral degrees awarded in research/scholarship - 66
  - #1 in Percentage increase in 6-year graduation rate - 29.7%
  - #1 in Smallest percentage increase in full-time undergraduate resident tuition and fees - annual rate: 1999-2008
  - #1 in Increase in average ACT score - 2.9 points
  - #1 in Percentage increase in average ACT score - 13.5% increase in score
- Seven Strategies for Moving Forward
  - Continue re-engineering of processes and expense management
  - Aggressively improve balance sheet management, with an emphasis on converting underperforming assets
  - Increase clinical income to support education and research
  - Increase contract research and commercialization income
  - Create private sector partnerships
  - Enhance fundraising
  - Be creative in expanding the research mission through innovative financing tools, e.g., Tax Increment Financing plan (TIF)

- UofL Foundation
  - Change in payout policy
  - Enhanced Partnerships
- HSC TIF
- Next Major Initiative
  - Business plan: Sources/uses
  - Belknap Campus Master Plan (approved 2009)
  - Main Campus TIF
- Belknap Campus Expansion
- Key Differences between Belknap and HSC TIF
  - \$200 Million (Belknap) vs. \$150 Million (HSC) capital expenditure
    - Taxes included
    - Calculation of increment
- Process
  - Metro Council approved on October 7
  - Application forwarded to state for review

President Ramsey thanked Dr. and Mrs. George for hosting a recent outreach event. Chair Jackson thanked President Ramsey for an excellent report.

VIII. Adjournment

Mr. Minnifield made a motion, which Ms. Abhari seconded, to adjourn the meeting at 1:55 p.m. The motion passed.

**COMMITTEE ACTION:**

Passed \_\_\_\_\_ X \_\_\_\_\_  
 Did not pass \_\_\_\_\_  
 Other \_\_\_\_\_

Asst. Secretary Katalin M. Smith

