

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

In Open Session

The Finance Committee of the University of Louisville Board of Trustees met on Tuesday, March 7, 2006, in the Jefferson Room of Grawemeyer Hall, Belknap Campus, with members present and absent as follows:

Present: Mr. Ulysses L. Bridgeman, Jr., Chairman
Mr. Bill Brammell, Jr.
Mr. Kevin Cogan
Ms. Sandy Metts Snowden
Mr. Steve Poe
Mr. Bill Stone

Absent: Mr. Owsley B. Frazier

Other Trustees

Present: Ms. Marie Abrams
Mr. Bill Forman
Dr. Salem George
Ms. Margaret Handmaker
Mr. Grant Helman
Dr. Robert Curtis Hughes
Prof. Bill Pierce
Mr. J. Chester Porter
Ms. Sandy Metts Snowden
Ms. Elizabeth Worland

From the
University:

Dr. James R. Ramsey, President
Dr. Shirley Willihnganz, Executive Vice President and Provost
Ms. Angela D. Koshewa, University Counsel
Dr. Larry Cook, Executive Vice President & Chancellor for Health Affairs
Mr. Mike Curtin, Vice President for Finance
Mr. Larry Owsley, Vice President for Business Affairs
Mr. Ronald L. Moore, Vice President for Information & Technology
Mr. Dan Hall, Vice President for External Affairs
Mr. Joe Beyel, Vice President for University Advancement
Mr. John Drees, Interim Associate VP for University Advancement
Ms. Terri Rutledge, Assistant Vice President for Business Affairs
Mr. Jason Tomlinson, Assistant Vice President for Finance
Ms. Anne Rademaker, Controller's Office
Ms. Carolyn Cochran, Assistant to the Provost

Mrs. Kathleen M. Smith, Assistant Secretary
Ms. Debbie Dougherty, Board Liaison

I. Call to Order

Having determined a quorum present, Chair Bridgeman called the meeting to order at 1:05 p.m.

Approval of Minutes

Mr. Brammell made a motion, which Ms. Snowden seconded, to approve the minutes of January 12, 2006. The motion passed unanimously.

II. Action Item: Approval of Capital Construction Projects

President Ramsey explained the Keeney House was a gift from the Brown Foundation. The Development Office plans to occupy the third floor space. This project includes updating furnishings and adding an exterior emergency exit staircase, which is required by fire code. Also, the room dividers in the multipurpose room of the Swain Student Activity Center have become unsafe. They have been placed in a stationary position, which reduces the flexibility of the use of the room. This project replaces the dividers in the westernmost part of the room.. Ms. Snowden made a motion, which Mr. Stone seconded, to approve the

President's recommendation that the following projects be approved:

Project	Estimated Cost	Fund Source
Renovation of the Keeney House	\$110,000	Plant Funds and Clinical Revenues
Replacement of Swain Student Activity Center dividers	\$260,000	Plant Funds

The motion passed unanimously.

III. Action Item: Approval of Short Term Funds Investment Policies

Vice President Curtin explained the existing Short-Term Investment guidelines are more restrictive than allowed by Kentucky Revised Statute (KRS) 66.480. The proposed guidelines have been updated to include all classes of investments permissible by KRS 66.480. Mr. Curtin noted the UofL Foundation Board of Directors reviewed and adopted similar guidelines at its December 3, 2005 meeting. Mr. Cogan made a motion, which Ms. Snowden seconded to approve the

President's recommendation that the Board of Trustees approve the Investment Guidelines for Internally Managed Short-Term Funds (copy available upon request)

The motion passed unanimously.

IV. Information Item: Interim Financial Statements for Period Ending December 30, 2005 and 2004

Vice President Curtin reported the University remains in a strong position, with assets of \$837 million and net assets of \$605.4 million. The University recognized an increase in net assets of \$73 million for the first six months of Fiscal Year 2006, as compared to a \$57.6 million increase for the same time period of Fiscal Year 2005. Of the operating revenue, 1) tuition and fee revenue increased \$12.4 million, or 12% due to increased tuition rates; 2) clinical services and practice plan increased \$6.8 million, or 13% due mainly to increased revenue from the Passport and Safety Net programs; and 3) grant revenue, in total, increased \$6.8 million or 14% due to a continued focus on research initiatives.

Mr. Curtin said almost all operating expense categories had an increase over the prior year; however, expenses were held to 8% total increase, as compared to the 13% increase in revenues. Mr. Curtin noted in nonoperating revenues and expenses, 1) state appropriations increased \$6.1 million due to the restoration of the 2004-05 budget cuts and additional appropriations; and 2) transfers from the University of Louisville Foundation include \$1.0 million collected from donors for construction of University projects, such as the Jack Segell Memorial Park and the Soccer/Lacrosse Field.

Mr. Curtin reported Revenues:

- 1) Overall revenues are on budget, with 67% of budgeted revenue recognized as of December 31, 2005. This was slightly more than the expected 50% due to the cyclic nature of tuition revenue
- 2) Approximately 95% of tuition and fee budgeted revenue has been recognized. This is due to the fact that Fall and Spring tuition comprise approximately 93% of the total tuition budget, and as of December 31, 2005, both semesters have been billed and recognized as revenue.
- 3) As of December 31, 2005, the University has recognized only 7% of the budgeted clinical revenues. This was due to the majority of the revenue budgeted for Clinical and hospital revenue is the \$10.6 million of expected revenue from the surplus cash or UMC. This revenue will not be recognized until June 30, when the information becomes available from UMC.

Mr. Curtin summarized expenses:

- 1) Overall expenses match closely with budget as there is 54% of the budget remaining for the year.
- 2) Scholarships and Fellowships – due to the timing of the tuition charges, approximately 61% of the budget for scholarships has been used.

- 3) Service Centers – The service centers have offset their expenses with approximately \$9.5 million in charges to other departments.
- 4) Debt Service – Debt payments due in November consist mainly of interest payments. The majority of the principal payments will be made in May. Therefore, as of December 31, 2005, only \$2.9 million in debt service expenses has been incurred.

Chair Bridgeman thanked Vice President Curtin for an information update.

V. Information Item: Preliminary Presentation on Proposed 2006-07 Tuition

Vice President Curtin presented the proposal for 2006-07 tuition. Highlights include:

- Tuition currently covers about 46% of college costs; the balance is covered through state funds
- Minimal state funding in FY 2006-07 – \$3.4 million
- UofL had the 2nd lowest percentage increase last year of Kentucky public universities
- Traditionally, Kentucky’s public universities are considered “affordable” by national standards (based on a Council on Postsecondary Education (CPE)-commissioned study by JBL Associates)

The process for establishing the 2006-07 proposed tuition rates included a consultative process which included the Board of Trustees, vice presidents and deans, faculty and staff senates, Student Government Association leaders, a planning and budget advisory committee, public forum, and the CPE.

Mr. Curtin explained the CPE Tuition Policy’s objective was “to maintain a systematic approach for establishing parameters regarding tuition and mandatory fees for postsecondary education in order to balance the need to ensure that higher education remains affordable for Kentucky’s citizens with the need to provide sufficient revenue for the goal attainment of the public agenda.” He said the Policy focused on undergraduate tuition rates. The nonresident tuition must be at least 1.75 times the resident rate.

Mr. Curtin reviewed the timeline for tuition approval, noting the CPE tuition hearing for UofL was set for April 5.

Mr. Curtin reviewed the University’s Goals:

- Maintain momentum for the *Challenge for Excellence*
- Focused Investment in Strategic Initiatives
- Minimize tuition increases, or its effect on students, to the extent possible
- Provide focused increases in scholarships and need-based financial aid

The University's Challenges include:

- Retaining quality faculty and staff
- Declining contribution to Financial Aid from the Federal Government (Pell Grants)
- Rising costs to provide services and materials
- Meeting CPE Goals and Objectives for UofL
- Obtaining elite university memberships (Phi Beta Kappa, Carnegie Classification, Lombardi Ranking)

Mr. Curtin noted the University's efforts to maintain momentum while keeping tuition affordable included:

- Reinvested to strategic priorities such as academic programs, student financial aid, libraries, technology and research during recent years
- Targeted enrollment increases
- Eliminated and re-configured low productivity programs
- Reallocated positions and academic space
- Energy conservation initiatives
- Outsourcing of selected support services
- Charge users for specialized goods and services
- Charge overhead for indirect costs to revenue-producing programs (e.g., Continuing Education programs, Clinics, etc.)

Vice President Curtin summarized market consideration and competition. He provided 2005-06 tuition comparison rates. He provided affordability comparison for benchmark institutions and the University's service area.

Vice President Curtin reviewed the 2006-07 tuition and fees proposals:

- Task Force on Tuition and Fees Setting Recommendation – 13% increase
- Alternate #1 – 13%, plus mandatory fees
- Alternate #2 – 15.4%, no mandatory fees

Mr. Curtin noted the University did not anticipate any university-wide student fees. There were a few focused fees which included 1) student health and wellness fee, 2) targeted course/program fees, 3) institution of a drop/add fee, and a tuition surcharge over full-time course load. He noted all institutions in Kentucky were considering implementing the tuition surcharge over full-time course load. Careful consideration would be given to this fee and its impact, if any, on scholarships. In response to Mr. Brammell's inquiry, Mr. Curtin estimated the drop/add fee would be in the \$20 range.

Chair Bridgeman thanked Mr. Curtin for a thorough presentation.

VI. Report of the President

President Ramsey updated the Committee concerning the state budget and House process. The Appropriations Committee met March 4 and added accountability measures for the additional funds, two are related to academic performance, two to research, and one to diversity goals. The CPE has recommended a \$13 million base funding increase. The Governor recommended a much smaller, \$3.4 million base increase in funding. Dr. Ramsey said the University also worked on House Bill 477, testifying before the House of Representatives Appropriations and Revenue Committee on an initiative aimed at reducing heart disease in citizens throughout Kentucky. House Bill 477, the Cardiovascular Innovation Disease Initiative, is designed to reduce cardiovascular disease, deaths and the healthcare costs associated with treatment of heart disease. Dr. Ramsey said the legislation creates a statewide effort, led by the cardiology programs at U of L and the University of Kentucky, incorporating the education and outreach efforts of the comprehensive universities to combat heart disease, the top killer in the United States. Kentucky has one of the nation's highest rates of heart disease. As part of the program, U of L and UK will do the research, while the regional universities will be involved in data collection and educational programming designed to track and prevent incidences of heart disease through an e-health initiative. Dr. Ramsey expressed the University's appreciation to House Representatives Larry Clark, Harry Moberly and all members of the House Appropriations and Revenue Committee. Chair Bridgeman thanked Dr. Ramsey for the House budget update.

VII. Adjournment

Mr. Brammell made a motion, which Ms. Snowden seconded, to adjourn the meeting at 2:05.m. The motion passed unanimously.