

RECOMMENDATION TO THE BOARD OF TRUSTEES OF THE UNIVERSITY OF LOUISVILLE
REGARDING UNIVERSITY FINANCIAL TRANSACTIONS

Board of Trustees – March 16, 2017

RECOMMENDATION:

The Chair of the Ad Hoc Committee on Board Governance recommends adoption of the following Board policies defining University financial matters that must be brought before the Board of Trustees:

- I. Approval of Annual Budget: The President is responsible under Section 2.1.2 of the Redbook for preparing and recommending to the appropriate Board of Trustees committees and, as appropriate, to the full Board of Trustees an annual University budget for review and approval.

- II. Approval of Financial Transactions: Consistent with the President's responsibility under Section 2.1.2 of the Redbook for recommending major actions to the Board of Trustees for final action, the President is responsible for recommending to the appropriate Board of Trustees committees and, as appropriate, to the full Board of Trustees for review and approval the following financial transactions:
 - (a) Any long-term debt financing transaction.
 - (b) Capital projects that involve University-owned land or which are for the University's use when the estimated cost of acquisition, construction, reconstruction, improvement, or structural maintenance is estimated at \$500,000 or more, regardless of fund source, except in the case of an expenditure determined by the President to be necessary because of an emergency (e.g., natural disaster or unforeseen mechanical, electrical, or structural breakdown that makes a facility or structure unusable.) Expenditures over the \$500,000 threshold that are made in response to an emergency shall be initiated in consultation with the Board Chair, when circumstances make that possible, and shall be reported to the Board at its next meeting.
 - (c) Changes in scope of an approved University capital project that exceed five percent (5%)
 - (d) The acquisition or disposition of property by lease when the transaction involves an annual rental of over \$250,000 per year or a term longer than five (5) years.
 - (e) Disposition of an interest in University real property, other than via lease, for a total amount in excess of \$500,000.
 - (f) The award of any compensation, including base salary; bonuses; housing, car, club or similar allowances or stipends; or deferred compensation to the University President, any Vice President reporting directly to the President, or any Dean reporting directly to the Executive Vice President and Provost.
 - (g) Financial transactions not provided for in the annual operating budget with a value in excess of \$250,000, including loans, guarantees, or fund transfers of any kind from the University to another person or organization, including an affiliated or related entity.

The President or the President's designees shall have the authority to approve all financial transactions not requiring prior approval by the Board of Trustees. Any question about whether a particular transaction requires Board approval should be directed to the Board Chair and the University's General Counsel.

III. Periodic Reporting Regarding Financial Matters: The President or his designee(s) shall report to the appropriate Board of Trustees committees and, as appropriate, to the full Board no less than quarterly on the University's financial status, including a budget-to-actual analysis.

The full Board of Trustees and appropriate Board of Trustees committees shall receive a report annually on: (a) the University's audited annual financial reports; (b) a budget-to-actual analysis; (c) the financial support provided by the University of Louisville Foundation, Inc. and its affiliates; (d) the status of the University's long-term debt obligations; (e) any change in the rating or outlook assigned to the University's debt by any rating agency; (f) the receipt of gifts and pledges; (g) the total compensation (including all fund sources) of the top fifty highest paid employees of the University, excluding faculty members in the School of Medicine; (h) the total compensation (including all fund sources) of: (i) the President, (ii) any Vice President reporting directly to the President, or (iii) any Dean reporting directly to the Executive Vice President and Provost, to the extent such individuals are not already included in the report required by subparagraph (g); (i) the University's strategies for managing cash and short-term investment funds; and (j) the status of those matters approved by the Board pursuant to Section II above during the prior twelve months.

The Board shall request from the Chair of the Foundation Board a report no less than quarterly on: (I) the Foundation's primary activities in support of the University; (II) the Foundation's financial status, (III) a budget-to-actual analysis; and (IV) the Foundation's investment performance.

BACKGROUND: The Board of Trustees is a body corporate, under the name of Board of Trustees of the University of Louisville, with the usual corporate powers, and possessing all the authorities, immunities, rights, privileges, and franchises usually attaching to the governing bodies of Kentucky public higher educational institutions. It may receive, retain and administer, on behalf of the University, subject to the conditions attached, all revenues accruing from endowments, appropriations, allotments, grants or bequests, and all types of property, pursuant to KRS 164.830.

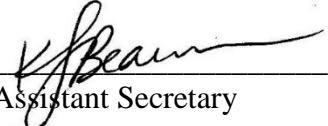
This resolution responds to SACSCOC Core Requirement 2.2 and Comprehensive Standard 3.10.3 and recommendations offered by the Kentucky Auditor of Public Accounts in the December 14, 2016 Report on the Examination of the Governance of the University of Louisville Foundation and its Relationship to the University of Louisville.

Board Action:

Passed: X

Did Not Pass:

Other:


Assistant Secretary