

MINUTES OF THE REGULAR MEETING OF THE
BOARD OF TRUSTEES OF THE
UNIVERSITY OF LOUISVILLE

March 16, 2017

In Open Session

Members of the University of Louisville Board of Trustees met at 1:01 p.m. on March 16, 2017, in the Jefferson Room of Grawemeyer Hall, with members present and absent as follows:

Present: Mr. David Grissom, Chairman Pro Tempore
Mr. William Armstrong
Ms. Bonita Black
Mr. Brian Cromer
Ms. Sandra Frazier
Ms. Diane Medley
Mr. James Rogers
Mr. Nitin Sahney
Mr. John Schnatter
Prof. Enid Trucios-Haynes
Mr. Aaron Vance
Dr. Ron Wright

From the
University: Dr. Greg Postel, Interim President and Interim Exec. VP for Health Affairs
Dr. William Pierce, Executive Vice President for Research and Innovation
Ms. Leslie Strohm, Vice President for Strategy and General Counsel
Mr. Keith Inman, Vice President for University Advancement
Mr. Dan Hall, Vice President for Community Engagement
Mr. David Adams, Interim Chief Administrative Officer
Ms. Susan Howarth, Interim Chief Financial Officer
Mr. Lee Smith, Interim Chief Operations Officer
Dr. Toni Ganzel, Dean, School of Medicine
Dr. Michael Mardis, Dean of Students
Mr. John Drees, Interim Sr. Assoc. VP for Communications and Marketing
Mr. John Karman, Director of Media Relations
Ms. Julie Weber, Director of University Housing
Mr. Vishnu Tirumala, Student Government President-elect
Mr. Jake Beamer, Boards Liaison

From the
Foundation: Mr. Keith Sherman, Interim Executive Director

Outside
Counsel: Mr. Sam Hinkle, Stoll Keenon Ogden

I. Call to Order

Mr. Beamer read the roll. Having determined a quorum present, Chairman Grissom called the meeting to order.

Approval of Minutes, 2-16-2017

Prof. Trucios-Haynes made a motion, which Mr. Armstrong seconded, to approve the minutes of the February 16 meeting. The motion carried.

II. Report of the President

Accreditation Update

President Postel updated the board concerning the university's accreditation, which remains probationary. He noted Senate Bill 107, passed during the short session of the Kentucky General Assembly, was an important step in correcting an issue leading to probation, as determined by the Southern Association of Colleges and Schools (SACS).

The President stated the university responded to additional concerns of SACS with a comprehensive report, and thanked the provost's office for its work in crafting the document. The report is posted at <http://louisville.edu/accreditation>.

Dr. Postel also thanked the Ad Hoc Committee on Board Governance for its work to ensure the university's internal governance documents (board bylaws, policies, Redbook, etc.) are consistent and reflect state laws.

A site visit by SACS representatives will be conducted in the Fall of 2017.

General Updates

The President discussed the transition of Health Sciences Center management from KentuckyOne Health to University Medical Center, noting Ken Marshall was appointed as Interim CEO of UofL Hospital and is actively recruiting a management team. He will start July 1.

Budget Update

Dr. Postel thanked Mr. Adams, Ms. Howarth, Ms. Gentry and their respective teams for their work on the budget planning process. He stated the compressed timeframe makes it a difficult effort, but they are making excellent progress. The President briefed the board using the **attached** presentation.

Mr. Schnatter praised Dr. Postel and his leadership team for lessening the deficit in such a short time.

Assistant Secretary

The President concluded his report by noting Trisha Smith resigned from her position as Assistant Secretary of the Board of Trustees. He recommended Jake Beamer for appointment to this position.

Mr. Rogers made a motion, which Ms. Frazier seconded, to approve the

Interim President's recommendation that the Board of Trustees appoint Jake Beamer as Assistant Secretary to the Board of Trustees.

The motion passed.

III. Report of the Ad Hoc Committee on Board Governance

Chairwoman Black stated the committee held its initial meeting the previous week and addressed the university's accreditation concerns related to Senate Bill 107, revisions to the board bylaws, the financial transactions and spending policy, and a memorandum of understanding between the university and the foundation using best practices as prescribed by the Association of Governing Boards (AGB).

Ms. Black notified the board that the committee, working with the chairman, president, and legal counsel, will propose changes to the bylaws at the April 12 board meeting. A draft of the revised bylaws would be distributed to board members for their review prior to that meeting.

Prof. Trucios-Haynes briefed the board on shared governance using the **attached** presentation, per Ms. Black's request.

Chair Black then distributed a resolution regarding the university's Financial Transactions Policy, and fielded questions from the board. Mr. Grissom noted the Foundation would be proposing a similar resolution.

Prof. Trucios-Haynes made a motion, which Dr. Wright seconded, to approve the

The Chair of the Ad Hoc Committee on Board Governance's recommendation that the Board of Trustees adopt the following 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.

The motion passed.

IV. Report of the Presidential Search Committee

Co-Chair Schnatter briefed the board on the Presidential Search Committee meeting held on March 15, stating the committee created two subcommittees to develop a leadership profile and create a Request for Proposal (RFP) for a search firm.

Co-Chair Grissom indicated the board would be apprised of all decisions made by the committee.

V. Report on Foundation Matters

Ms. Medley reported the Foundation was making progress in the spirit of transparency and cooperativeness, holding its first in-depth orientation, examining gift agreements and investments to ensure they honor the wishes of the donor and benefit the university, and creating a governance committee chaired by Alice Houston. The committee's work is ongoing and will function similarly to the Trustees' Ad Hoc Committee on Board Governance.

Mr. Vance inquired about board composition and reiterated the importance of constituency representatives becoming voting members of the Foundation's board of directors.

Chairman Grissom thanked Ms. Medley for her report.

VI. Action Item: Approve of Master Lease Agreement for Cardinal Towne and University Pointe

Dean Mardis briefed the board on the master lease agreement and fielded questions from trustees.

Mr. Cromer requested, in the future, additional economic data be presented when similar proposals are brought before the board.

Ms. Frazier concurred with Mr. Cromer and requested information regarding national student housing preferences as it relates to demographics.

Prof. Trucios-Haynes asked the presentation also focus on the relationship between student housing and student retention.

Mr. Vance stated his constituency annually requests more on-campus housing for upperclassmen. He hoped the proposed master lease agreement would lower rent costs and the opportunity to offer students nine month leases. Mr. Vance noted if the board did not approve this master lease, it would cause problems for students in the summer and fall of 2017.

Chairman Grissom called for a motion to approve the agreement, with the caveat that additional information regarding student housing be presented to the board at the April 12 meeting.

Mr. Vance made the motion, which Ms. Frazier seconded, to approve the

Interim President recommendation that the Board of Trustees approve the University's entering into the Master Lease/Sublease Agreement for student housing space in the University Pointe and Cardinal Towne buildings, as attached, subject to all necessary authorizations and approvals being granted by the Commonwealth of Kentucky.

The motion passed.

VII. Report of the Chairman

Forensic Audit

Chairman Grissom reported that he and Chairwoman Medley were regularly meeting with the forensic auditing firm, Alvarez & Marsal, as well as outside counsel. Alvarez & Marsal committed to completing its report and making recommendations to the Board of Trustees between May 1 and May 15. However, due to the complex nature of the Foundation's affiliated entities, the scope of the audit was expanded and the cost of the audit doubled. For that reason, the engagement letter with Alvarez & Marsal must be amended.

Chairman Grissom called for a motion to authorize the chairman to negotiate the final amendments of the agreement letter.

Mr. Cromer made a motion, which Mr. Sahney seconded, to approve the following resolution:

RESOLVED, the Board of Trustees authorizes Chairman Pro Tem David Grissom to negotiate the final amendments to the contract with Alvarez and Marsal to conduct a forensic audit of the University of Louisville Foundation, Inc.

The motion passed.

VIII. Executive Session

Ms. Medley made a motion, which Ms. Frazier seconded, to go into Executive Session at 2:29 p.m. to discuss litigation, personnel matters, and a business proposal pursuant to KRS 61.810(1)(c), (f), and (g).

The motion passed.

IX. Open Meeting Reconvenes

The open meeting reconvened at 3:45 p.m. Chairman Grissom reported the board discussed litigation, personnel matters, and a business proposal.

No action was taken.

X. Adjournment

Mr. Cromer made a motion, which Mr. Armstrong seconded, to adjourn.

The meeting adjourned at 3:46 p.m.

Approved by:


Signature on File
Assistant Secretary