

FACULTY SENATE EXECUTIVE COMMITTEE

The Executive Committee of the Faculty Senate met on Wednesday, February 22, 2017, at 3 p.m. in the University Club Boardroom, Senate Chair Enid Trucios-Haynes presiding.

MEMBERS REGISTERING ATTENDANCE:

Rob Barker, Roger Bradshaw, Pam Feldhoff, Karen Hadley, Martin Hall, Terri Holtze, Kurt Metzmeier, J.P. Mohsen, David Owen, Susan Peacock, David Simpson

MEMBERS NOT REGISTERING ATTENDANCE:

Chin Ng, Krista Wallace-Boaz

OTHERS IN ATTENDANCE:

Keith Sherman, Tracy Eells, Ginger Brown, Meredith Cooksey, Susan Jarosi

CALL TO ORDER

REPORT: Faculty Senate Chair – Enid Trucios-Haynes

Chair Trucios-Haynes reported that she had attended a budget meeting last week, where the \$48M shortfall was discussed. The question is what is included in the \$48M? A combination of different things created the shortfall. A presentation made last week to the Board of Trustees said the \$48M represents about 4.1% of the total budget. Board members felt that the 13% annual turnover in faculty and staff positions would help alleviate the problem.

REPORT: UofL Foundation – Keith Sherman

After introductions, the Foundation's Executive Director, Mr. Keith Sherman gave the committee a brief summary of his background. He has lived in Louisville for 20 years, is a labor and employment attorney, and hired by Vencor. After working for Kindred Healthcare, he retired and started a business. That was sold and he moved to the Red Cross in Washington, D.C. He returned to Louisville and was in HR at Thornton's when Dr. Pinto called him about the Foundation. He feels he has the skill set needed to turn the Foundation around: no opinions; no dog in the hunt; fresh eyes; and, the ability to analyze financials. He is here for a one year term.

At this time, Mr. Sherman distributed a handout to facilitate the discussion. The discussion covered various points:

- **Mission:** Any and all Foundation expenditures must further the academic mission of the University.
- **Fundraising:** Mr. Sherman explained that the Foundation does not participate in fundraising. The fundraising is done through the Office of Advancement by Keith Inman and his team. The donations are sent to the Foundation. Asked about the Billion Dollar Campaign, Mr. Sherman said that goal was not reached in actuality. At some point, the President's Office received an extra .48%, which will not happen again. The Foundation paid for salaries, flags, landscaping and other non-academic expenses. These will all be reviewed.
- **Endowment and Investments:** The Foundation investments managed in-house are the real estate assets owned by the Real Estate Foundation, totaling \$193M. Cambridge and Associates, out of Boston, advise the Foundation on its endowment investments and do not manage any money. Because of the endowment's poor performance, his initial thought was to fire Cambridge, but said that without their advice, the performance would have been worse. He said Cambridge is paid on a per cent + growth per cent basis. The true value of the endowment is

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unknown at this point. Currently, its stated value is \$784M, but it is probably about \$100M less. Soon, the Foundation will decide on its real value. This needs to be strategic because of the various consequences, i.e., Standard and Poor and Moody's ratings. Asked about the return on the real estate holdings, Mr. Sherman reported that:

- **Athletic fields** – Purchased by UofL and each pay an annual rent of \$1.00. Some of Athletics' financial obligations paid by the Foundation will return to them.
- **ShelbyHurst** – This property has a good return.
- **Speed School** – There is no money to develop the land behind the Speed School.
- **Nucleus** – That purchase was a bad deal.
- **Tax Increment Financing (TIF)** – This is not producing as expected.
- **Spend Rate:** The Board of Trustees approves the spend rate each year. The stated spend rate had been 7.48%, which is high. The actual spend rate was 9.5%. So many different assets were added to the value to allow for the high spend rate. Though numbers were finessed to increase the spend rate, nothing looks illegal. Asked why overspending was allowed, Mr. Sherman said he was told the reason was to attract donors. Factors to determine a spend rate should be things that will have a return. The national average to spend on endowments is 3.5% - 4.5%. In the current political atmosphere, he believes 3.5% is good.
- **Unspent Carryover:** Mr. Sherman said the unspent carryover is included in the \$48M and is an albatross. Instead of reducing each new fiscal year's budget, based on the actual spend amount from the previous year, the carryover was set aside and has built up over the years. They are obligated to payout the carryover when the units call for it.
- **Units:** Asked if he has met with the deans, Mr. Sherman reported he had met with all of them. He told them that the Foundation is no longer a bank and extreme spending cannot continue. They will have to work with what is and make difficult decisions.
- **Best Practices:** Given the poor decisions made by various University entities over the years, Mr. Sherman would like to engage the Association of Governing Board (AGB). This is a premier organization that boards join for training in best practices for their members.
- **Unintended Consequences:** Mr. Sherman said that making a good financial decision could create another issue. Regarding faculty: when a tenured faculty member retires, and that line is gone from the budget, it is difficult to attract top faculty.
- **Timeframe:** Mr. Sherman said, it is not out of the question, that if the University makes these cuts this year, and is able to hold the line, there could be light at the end of tunnel in 3-5 years. This will happen by campaign growth and not investment growth.

Mr. Sherman said he would report again, as the committee felt necessary. The committee thanked Mr. Sherman for his report.

DISCUSSION:

- Budget and Related Issues
 - After Mr. Sherman left, the committee members agreed that it had been a very informative meeting.
 - The committee continued discussing several topics:
 - Other possible revenue streams should be investigated
 - The UofL Hospital, enrollment growth and Athletics
 - Proposals for Programs, Centers and Institutes

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- There is no desire to stop innovation, but the Faculty Senate should not approve new proposals without an in-depth review of existing/similar programs. Programming must be strategic and not eliminate essentials.
- Hiring Freeze – There are too many outside consultants and legal counsel.
- PAT and salary increase
 - Dr. Tracy Eells reported that he had just reviewed 93 faculty members for tenure and said that he was impressed with the amazing scholarly work they had done. He also said that Interim Provost Billingsley could not guarantee the PAT salary increases.
- Agenda Items for Meeting with President and Provost on 2/28/2017
 - PAT and 10% salary increase

STANDING COMMITTEE REPORTS

Committee reports were not made at this meeting.

OLD BUSINESS

None

NEW BUSINESS

None

ADJOURNMENT

The meeting adjourned at 5:10 p.m.

Respectfully submitted,
Gretchen Henry