

FACULTY SENATE EXECUTIVE COMMITTEE MEETING

The Faculty Senate Executive Committee met on October 25, 2017 at 3 p.m. in the Boardroom of the University Club, Vice Chair Krista Wallace-Boaz presiding.

Voting Members Present:

Krista Wallace-Boaz, Enid Trucios-Haynes, Robert Barker, Roger Bradshaw, David Owen, David Simpson, Chin Ng, Roy Fuller, Kurt Metzmeier

Also Attending:

Reg Bruce, Alan Levitan, Lindsey Ronay, Keith Sherman, Julie Kroger

Voting Members Not Present:

Pam Feldhoff, Terri Holtze, J.P. Mohsen

Call to Order

ACTION ITEM: Approval of the Minutes – Wallace-Boaz

The minutes from September 20 and 27th were unanimously approved as corrected.

REPORT: Student Government – Fuller

REPORT: Staff Senate – Brown

REPORT: Faculty Senate Chair – Trucios-Haynes

The Chair reported on several topics, including:

- Parking – Chair Trucios-Haynes met with Mark Watkins, AVP-Business Services to discuss parking issues. There will be a larger advisory committee in 2018. Plans for the current year include:
 - Elimination of the green permit. About 400 faculty and staff have green permits. Green spaces will go to blue.
 - There will be an additional 900 blue spaces, when the green go to grad students.
 - Fees for yellow permits will increase slightly.
 - Red permits will increase by \$79.
 - Orange permits are for HSC students.
 - Faculty and staff may get a purple permit for stadium parking. Purple permits will not be increased.

Asked how the increases were calculated, the Chair responded that the attempt was to help grad students with little harm to others, and our pricing is about 50-60% of our peers. Concerns were raised about the use of peer information without considering the differences in salaries with those same peer institutions. The Chair stated this was related to the budget crisis. Another concern was for the nearly 600 part-time faculty's parking. The last day to respond to the proposed changes is this Friday.

- Reception for Pam Feldhoff is Friday, November 17th. Invitations will be sent out.

FACULTY SENATE EXECUTIVE COMMITTEE MEETING

- Presidential Search Committee – The letters to the Board of Trustees had an impact. There may be a shift in the search committee. A brief discussion took place on the various ways the search could change. It was noted that the advertisement was in the *Chronicle of Higher Education*. The search committee has not developed a value statement, so the ad is premature and meaningless. The Board of Trustees voted to pay the search firm, and then approved the ad the search firm presented.

REPORT: UofL Foundation – Keith Sherman

After introductions were made, Mr. Sherman gave an update on what has transpired since the attended an Executive Committee meeting in June. A handout was distributed (attached below). He has heard many rumors, and wants to clarify that the only reason the Foundation exists is to support the University – to support UofL into perpetuity and to raise funds consistently. The Foundation manages two financial accounts and real estate. The financial accounts are Current use Gifts and Endowed Funds. The Foundation has been under audit for 884 straight days. He met with the Board of Trustees Audit Committee and Ernst & Ernst gave the Foundation a clean bill of health. The state audit took one and a half years, due to lack of cooperation. After the state audit, the Board of Trustees wanted a more in-depth study, hence the forensic audit. All issues have been addressed.

After a \$38M write-down in July, the current value of the endowment is \$726M. This is a result of removing expenses that were not the Foundation's, restrained spending and good practices. He is often asked why he still uses Cambridge. You cannot grow your endowment if you are spending your returns. That is what happened. It was not Cambridge's fault.

Donations to the Foundation had fallen off, but in September 2017, the Foundation received the most donations since December of last year. We do not fundraise, so it looks like we are coming back.

A new UofL Foundation board was seated in March 2017 and a new Real Estate board was seated in June 2017. Both boards are being oriented – teaching the bylaws, committee structure, financials and fiduciary duties. The Foundation board is very engaged and asks intelligent questions. There are no secrets and we operate with absolute transparency. The bylaws have been revised twice. Though the Foundation board's only focus is financial, all information is shared and it will take on any question. Some changes that have been made include:

- **Separation of Foundation and University** - The President of the University cannot serve as the President of the Foundation. There is an absolute separation. This is a big change.
- **Open records Requests** – there is a new process for this.
- **Presidential Authorization** - Resolutions for the President are now very specific and prescriptive. If there is a material change, it must be reviewed again.
- **Donor Gift Agreements** - The compliance process for the donor gift agreement has changed. Money is donated on a reimbursement basis – the department bills the foundation for reimbursement of funds. The LFO must sign an attestation form stating the funds were used in accordance with the donor agreement.

FACULTY SENATE EXECUTIVE COMMITTEE MEETING

- **Gift Library** – Deans and LFOs will have access to see what the donors’ intentions were for a gift.
 - **Question:** How do you handle old (60 year old) gifts?
 - **Response:** There is a process for each. If the donor is dead, we work with the dean or President’s office, or Board or the state to change the purpose. It is one form with the appropriate signatures.
 - **Question:** The spending policy to units?
 - **Response:** the spend comes from the endowment earnings. It will increase as earnings increase.
- **Gift Carryover** – As of September 30th, the Gift Carryover is at \$0. Current Use Gifts should come out of that account and have no effect on the total endowment.
- **Conflict of Interest Policy** – This has been revised.
- **Foundation Auditor** – A new auditor has been hired.
- **Foundation Legal Representatives** – A new law firm has been hired.
- **Deferred Compensation** – This will no longer be offered.
- **Startup Companies** – The Foundation will no longer invest in start-ups. Investing in start-ups is not the issue. Using endowment funds is the issue. Past investments in start-ups have lost \$10M.
- **Real Estate Foundation** – This was a Foundations spin-off. It holds \$110M in real estate that was purchased with endowed funds. Some of those properties are on the market.
 - **Question:** When those properties sell, does the money return to the Foundation?
 - **Response:** it depends on who paid for it.
 - **Question:** Is any of the real estate revenue-generating?
 - **Response:** It varies.
 - **Question:** Could any of the real estate be used as dorms?
 - **Response:** That is a good question. There is some strategic intent attached to real estate. An example is ShelbyHurst. The area surrounding Belknap is earmarked for campus expansion in the Master Plan. Some real estate is being marketing to groups who want to do business with UofL, and will benefit the University. An announcement on two sales will be made soon.
 - **Question:** For purchases, authorization is now necessary?
 - **Response:** This year’s spend rate is 0.49% out of the units’ carryover. If more is needed, it will come out of the endowment earnings. If the unit needs more spend for a special initiative, it must be requested from the Provost. The spend request is not to offset a budget shortage. Mr. Sherman addressed a rumor that the Foundation is sweeping all carryover by saying the Foundation does not do that. The Foundation invests the carryover into the Foundation. It does not go anywhere else. It is not used to offset the budget short fall. Units get a request form from Susan Howarth for an increase to the 0.49%.

FACULTY SENATE EXECUTIVE COMMITTEE MEETING

- **Question:** Who decided the intent of the carryover? The Law School saved for three years for scholarships.
 - **Response:** If a unit saves to fund scholarships, the money will be given. For a new building, it will have to be proven to be necessary. How do you force people to change how they have been operating? By using drastic measures. You cannot balance the budget and, at the same time, continue to operate the same way. If units want more money to operate, they can make their case with the Board of Trustees. He was told the budget was balanced, but units cannot operate without a loan. How is that balanced?
- **Question:** regarding full transparency, do we know how funds are being spent? Would the Foundation be willing to have a publically-available database of expenditures?
 - **Response:** He can, and is willing to, share what funds were given out, but he cannot get the information of how the units have spent the funds. He does a random review of the attestations and asks for proof of how the money was spent. He can give macro numbers in general categories, but schools would have to give you their details.
- **Question:** Is there a way to let the University community know that there is a new sheriff in town? People seem to be working off the old paradigm.
 - **Response:** It is a message that needs to get out beyond this table. He has spoken with John Drees.
- **Question:** Can you address some of the rumors that are circulating?
 - **Response:** As discussed earlier in this meeting, the big sweep of funds was one. Others are:
 - **Rumor** - The Board of Trustees is going to sue the Foundation to get back money from the miscreants. **Fact** - That situation will never occur again. We must guard against the Foundation getting wrapped up in UofL, because then it becomes a state agency with rules and regulations. It is still a possibility that a claim can be made. He is thoughtfully looking at the steps it would take. He does not want to go through that process and get nothing.
- **Question:** What role does the Research Foundation have?
 - **Response:** It is not part of the UofL Foundation. It is part of UofL. The **ITR?** was put into the Research Foundation because we do not do research. We only invest funds for the University.

OLD BUSINESS:

None

NEW BUSINESS:

None

**FACULTY SENATE
EXECUTIVE COMMITTEE MEETING**

ANNOUNCEMENTS:

- The Executive Committee is scheduled to meet with President Postel on November 7, in the Jefferson Room.
- CFO and COO searches

ADJOURNMENT

The meeting was adjourned at 4:45 p.m.

Respectfully submitted,

Gretchen Henry