

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

March 16, 2023

In Open Session

Members of the Finance Committee of the University of Louisville Board of Trustees met on March 16, 2023, at 2:03 p.m., in the Jefferson Room, Grawemeyer Hall, Belknap Campus, with members present and absent as follows:

Present: Ms. Diane Medley, Chair
Mr. Dorian Brown
Dr. Raymond Burse
Dr. Eugene Mueller

Absent: Mr. Brian Lavin

Other Trustees

Present: Mr. Jerry Abramson
Dr. Larry Benz
Mr. Al Cornish
Ms. Mary Nixon
Ms. Diane Porter
Mr. Jim Rogers
Mr. John Smith
Ms. Sherrill Zimmerman

From the
University: Dr. Kim Schatzel, President
Dr. Lori Gonzalez, Executive Vice President and University Provost
Mr. Dan Durbin, Executive Vice President for Finance and Administration
Dr. Gail DePuy, Senior Vice Provost
Ms. Angela Curry, General Counsel and Vice President for Legal Affairs
Ms. Sandy Russell, Vice President for Risk, Audit, and Compliance
Ms. Mary Elizabeth Miles, Vice President for Human Resources
Dr. Toni Ganzel, Vice President for Academic Medical Affairs
Dr. Michael Mardis, Vice President for Student Affairs, Dean of Students
Ms. Julie Dials, Interim Vice President for University Advancement
Mr. John Drees, Sr. Assoc. Vice President for Communications & Marketing
Ms. Shannon Rickett, Assoc. Vice President for Government Relations
Ms. Beverly Santamouris, Treasurer
Mr. John Karman, Executive Director of Communications
Mr. Robert Goldstein, Vice Provost for Assessment & Univ. Decision Support
Mr. Jim Begany, Vice Provost for Strategic Enrollment Management
Dr. Ryan Quinn, Asst. Dean of Innovation & Strategy, College of Business
Ms. Sarah Lopez, Chief of Staff, Provost's Office
Mr. Chris Wooton, Director of Internal Communications

Dr. Kate Roessler, Director of Planning and Assessment, Student Affairs
Ms. Leslie Harper, Coordinator for Program Approval and Review
Mr. Jake Beamer, Dir. of Governance & Strategic Initiatives & Asst. Secretary

From the UofL

Foundation: Mr. Keith Sherman, Executive Director and COO

I. Call to Order

Chair Medley called the roll and having determined a quorum present, called the meeting to order at 2:03 p.m.

Approval of Minutes, 12-15-2022

Dr. Burse made a motion, which Dr. Mueller seconded, to approve the minutes of the December 15, 2022, meeting.

The motion passed.

II. Action Item: Financing of Network Infrastructure Replacement

Ms. Santamouris explained the recommendation to finance the upgrades and replacement of equipment in the university's network infrastructure, noting it was necessary for the continued and efficient functioning of the university's network services.

Mr. Durbin noted that the source of the down payment and annual lease payment obligations have been identified with the Information Technology annual operating budgets over the life of the financing.

Dr. Burse requested a future presentation regarding the strategic plan for Information Technology.

Mr. Durbin and Ms. Santamouris then answered committee members questions.

Dr. Burse made a motion, which Mr. Brown seconded, to approve the

President's recommendation that the Board of Trustees approve the borrowing of \$3.7 million to fund the upgrade and replacement of network infrastructure.

The motion passed.

III. Report of the Executive Vice President for Finance and Administration

Mr. Durbin briefed the committee on the university's financial activity through January 31, 2023, noting that overall revenues continue to exceed expenses, the net margin is approximately \$25 million less than the prior year, and tuition revenues were \$7 million below budget primarily due to lower than anticipated graduate level enrollments.

Using the **attached** presentation, Mr. Durbin shared an actual-to-budget report, updates regarding dollar amounts of liquid cash, and days of cash on hand.

Mr. Durbin also provided a summary of operating fund investments, per the board's operating funds investment policy. He then fielded questions from the committee.

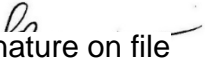
The chair thanked the CFO for his report.

IV. Adjournment

Having no other business to come before the committee, Dr. Burse made a motion, which Mr. Brown seconded, to adjourn.

The motion passed and the meeting adjourned at 2:27 p.m.

Approved by:


Signature on file _____
Assistant Secretary

RECOMMENDATION TO THE
UNIVERSITY OF LOUISVILLE BOARD OF TRUSTEES
REGARDING THE FINANCING OF NETWORK INFRASTRUCTURE REPLACEMENT

Finance Committee – March 16, 2023
Board of Trustees – April 20, 2023

RECOMMENDATION:

The President recommends that the Board of Trustees approve the borrowing of \$3.7 million, to fund the upgrade and replacement of network infrastructure, with a revised term sheet, as [attached](#).

BACKGROUND:

The difference between this recommendation and the recommendation approved by the Finance Committee on March 16, 2023, is on the revised term sheet (**indicated in red**):

- Title of project changed from "IT Infrastructure" to "Network Infrastructure"
- First payment due date changed from 3/30/2023 to 4/30/2023

The proposed financing with Key Government Financing, Inc. will fund the upgrade and replacement of equipment utilized in the university's network infrastructure for connectivity and communications for continued and efficient functioning of network services.

The \$3.7 million financing is for a term of seven years at a rate of 2.99%. There is a down payment of \$1,007,099 and seven annual payments of \$426,907 thereafter.

The source of the down payment and annual lease payment obligations have been identified within the Information Technology annual operating budgets over the life of the financing.

COMMITTEE ACTION:

Passed ✓
Did Not Pass _____
Other _____

Signature on file
Assistant Secretary

BOARD ACTION:

Passed ✓
Did Not Pass _____
Other _____

Signature on file
Assistant Secretary

University of Louisville
Financing Proposal
Upgrade/Replacement of Network Infrastructure

Lessor: Key Government Financing, Inc.

Project: Replacement of **Network infrastructure**, Cisco Systems switches

Amount \$3,709,854.00

Lease Term: 7-years

Lease Rate: 2.99%

Payment Frequency: Down payment at beginning of lease, 7 annual payments

Notes: This is a financing with the title to the equipment passing to lessee. This is a net financing under which Lessee pays all costs, including insurance, maintenance and taxes, for the term of the financing. At the end of the financing term the equipment can be purchased for \$1.

Amortization Schedule:

Annual Payments	Payment Due Date
\$1,007,098.54	*4/30/2023
\$426,907.28	*7/15/2023
\$426,907.28	*7/15/2024
\$426,907.28	*7/15/2025
\$426,907.28	*7/15/2026
\$426,907.28	*7/15/2027
\$426,907.28	*7/15/2028
\$426,907.28	*7/15/2029
\$3,995,449.50	

* anticipated payment date

Original Term Sheet
approved by committee
3/16/2023

University of Louisville
Financing Proposal
Upgrade/Replacement of IT Infrastructure

Lessor: Key Government Financing, Inc.

Project: Replacement of IT infrastructure, Cisco Systems switches

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\$426,907.28	*7/15/2026
\$426,907.28	*7/15/2027
\$426,907.28	*7/15/2028
\$426,907.28	*7/15/2029
\$3,995,449.50	

* anticipated payment date



Actual-to-Budget Comparison FYTD through January 31, 2023

March 16, 2023

Highlights of FYTD January 31 Financial Activity

FYTD activity through January 2023:

Overall revenues continue to exceed expenses (positive margin)

- *General Fund and ULAA maintain FYTD positive margins despite \$7 mill tuition shortfall (from budget).*
- *Research Foundation FYTD margin is slightly negative due to IGT match payment timing of \$10 mill.*
- *Cash and liquidity levels are stable.*
- *Use of Foundation funds is increasing.*

FYTD activity compared to prior year:

Very consistent since October report

Net Margin is approximately \$25 mill less than prior

- *General fund is stable.*
- *ULAA approximately \$6 mill less primarily due to one less home football game, higher aid (Alston), and debt service (Denny Crum Hall).*
- *Research Foundation approximately \$20 mill less due to \$10 mill IGT match payment timing, recognition of \$8 mill CARES revenues in prior year, lower grant activity, including COVID-related awards, and spending from prior period ULH margin share.*
- *Cash and liquidity levels improved.*

Other considerations:




Tuition revenues running \$7 mill below budget primarily due to lower than anticipated graduate level enrollments






















- *Mitigation plans completed to counter shortfalls:*
 - *Met with every dean to confirm plans to balance budgets (align expenses with revised revenues).*
 - *Deploying, if necessary, the 1% contingency.*

Still trending toward approved balanced budget

FYTD Actual-to-Budget Report thru January 2023

FY 2023 vs. FY 2022 (modified-cash basis)

Status Indicators	
Better than Expected	
As Expected	
Worse than Expected	

Revenues	FY 2023				FY 2022	Year-over-Year	
	Annual Budget	YTD January	% Realized	Status	YTD January	\$ Change	
<i>General Funds</i>							
Tuition and Fees	344,928,809	320,134,530	92.8%		314,701,783	5,432,747	Year-over-year improvement but remain below budget expectations
State Appropriations	145,080,400	116,064,300	80.0%		104,103,300	11,961,000	Performance funding increase from state
Transfers In	26,567,934	11,640,127	43.8%		10,927,225	712,901	
Other Revenue	21,897,580	10,967,360	50.1%		6,910,742	4,056,619	Primarily improved investment income
Auxiliaries	15,081,626	16,336,312	108.3%		12,479,128	3,857,184	Primarily housing revenues from new halls; carry associated expenses
Hospital-Related	1,106,473	456,491	41.3%		382,091	74,400	
General Funds Total	554,662,822	475,599,119	85.7%		449,504,269	26,094,850	
<i>Non-General Funds</i>							
UL Research Foundation	693,603,627	404,824,542	58.4%		450,924,720	(46,100,178)	See "Description of Notable Revenue Changes" section
UL Athletic Association	114,800,000	100,129,245	87.2%		93,033,632	7,095,614	See "Description of Notable Revenue Changes" section
UL Foundation	75,442,471	25,799,875	34.2%		21,255,515	4,544,360	See "Description of Notable Revenue Changes" section
Internally Designated	51,758,998	26,313,503	50.8%		22,488,813	3,824,690	Includes transfers across funds and associated offsetting expenses
Non-General Funds Total	935,605,096	557,067,166	59.5%		587,702,680	(30,635,514)	
Total Revenues	\$1,490,267,918	\$1,032,666,285	69.3%		\$1,037,206,948	(\$4,540,664)	
<i>General funds received in prior years</i>	1,300,157						
<i>Non-general funds received in prior years</i>	30,285,503						
Total Funds Available	\$1,521,853,578						
<i>Expenses</i>							
Expenses	FY 2023				FY 2022	Change	
	Annual Budget	YTD January	% of Budget	Status	YTD January	Change	
<i>All Funds</i>							
Salaries and Wages	599,837,826	328,661,148	54.8%		318,015,960	10,645,187	See "Description of Notable Expense Changes" section
Fringe Benefits	159,017,788	86,959,385	54.7%		84,368,133	2,591,253	See "Description of Notable Expense Changes" section
Operating	505,734,281	297,350,412	58.8%		306,392,168	(9,041,756)	See "Description of Notable Expense Changes" section
Financial Aid	160,862,363	145,880,891	90.7%		134,643,878	11,237,013	See "Description of Notable Expense Changes" section
Capital Asset & Debt Service	31,876,576	18,328,088	57.5%		15,656,034	2,672,055	Debt service on 2nd new residence hall and lease/purchase
Asset Preservation	40,943,000	1,471,759	3.6%		n/a	n/a	
Utilities	23,581,744	11,842,255	50.2%		10,268,531	1,573,724	Higher electricity and natural gas costs
Total Expenses	\$1,521,853,578	\$890,493,937	58.5%		\$869,344,704	\$21,149,234	
Revenue Over/(Under) Expenses	\$0	\$142,172,347			\$167,862,245	(\$25,689,897)	

Actual-to-Budget Report thru January 2023

Description of Notable Changes

FY 2023 vs. FY 2022 (modified-cash basis)

Description of Notable Revenue Changes

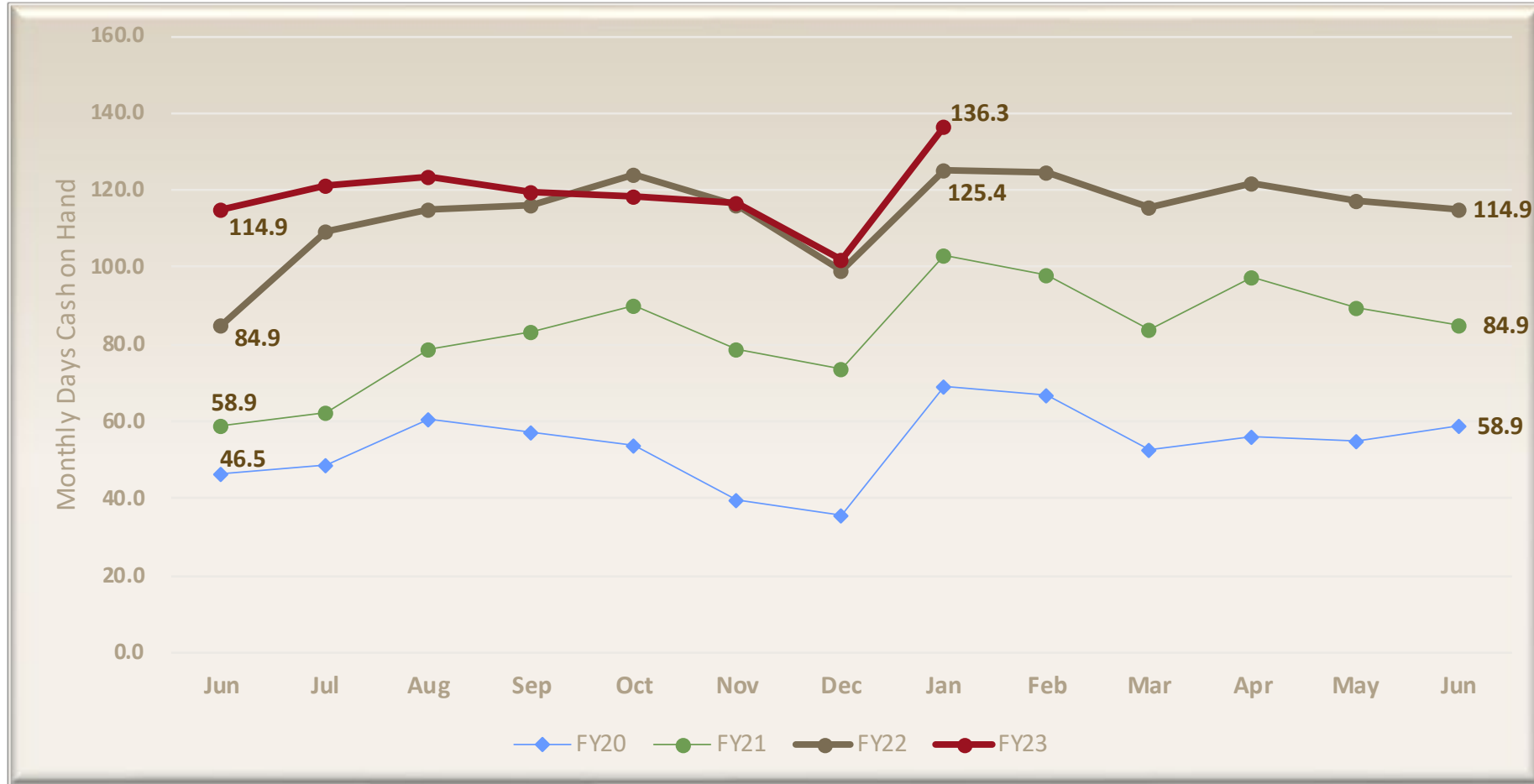
Revenues	Actuals (January)		Change	
	FY 2023	FY 2022		
Tuition and Fees	320,134,530	314,701,783	5,432,747	1.7% YoY increase due to improved retention, tuition rate increases and large freshmen enrollment
State Appropriations	116,064,300	104,103,300	11,961,000	Increased state performance funding
Auxiliaries	16,336,312	12,479,128	3,857,184	Improved housing (new residence halls and higher occupancy) and parking revenues
UL Research Foundation	404,824,542	450,924,720	(46,100,178)	
<i>CARES (excluding financial aid)</i>	-	8,202,054	(8,202,054)	<i>Federal one-time reimbursement of lost tuition revenue in FY 22</i>
<i>Pass-through financial aid</i>	54,650,445	54,318,151	332,295	<i>Pell and state aid increases offset end of CARES</i>
<i>Sponsored Research</i>	87,374,870	94,702,459	(7,327,589)	<i>Due, in part, to less federal COVID research funding: wastewater (-\$5.8M); pharmacology (-\$2.5M)</i>
<i>F&A Recovery</i>	12,368,045	20,863,546	(8,495,501)	<i>Associated with decrease in sponsored research activity</i>
<i>Clinical-related activities</i>	233,448,032	248,681,034	(15,233,002)	<i>Norton revenues; timing of Medicaid Inter-Governmental Transfers (IGT)</i>
<i>All other</i>	16,983,150	24,157,478	(7,174,327)	<i>Primarily due to decrease in grant residuals</i>
UL Athletic Association	100,129,245	93,033,632	7,095,614	Partially due to improved attendance revenues compared to pandemic years
UL Foundation	25,799,875	21,255,515	4,544,360	Higher endowment spend policy along with increased utilization across university

Description of Notable Expense Changes

Expenses	Actuals (January)		Change	
	FY 2023	FY 2022		
Salaries and Wages	328,661,148	318,015,960	10,645,187	Primarily due to 2.5% cost-of-living increase effective July 1, 2022
Fringe Benefits	86,959,385	84,368,133	2,591,253	Increase tied to higher compensation and rising employer health insurance costs
Financial Aid	145,880,891	134,643,878	11,237,013	Mostly timing-related, coupled with +\$3.2M use of Foundation/other funds; +\$1.7M Athletics
Operating	297,350,412	306,392,168	(9,041,756)	
<i>Equipment</i>	5,151,964	7,300,527	(2,148,563)	
<i>Subscriptions</i>	16,564,654	23,154,544	(6,589,889)	<i>Timing of Library subscription payments and one-time FY 22 costs for Chick-fil-A football game against Alabama</i>

Liquid Cash – FY 2020 to FY 2023

Historic Days Cash on Hand Amounts



Summary of Operating Fund Investments

As of January 31, 2023 (in thousands)

Investment Type	Maturity	Total Amount Invested	Average Category Yield
Checking Account, CEFRB, etc.	Current	\$151,000	4.25%
Treasury Bill	Less than 3 Months	\$95,000	4.43%
Agency Discount Notes	Less than 6 Months	\$50,000	4.74%
Municipal Bonds	Less than 3 Years	\$1,010	0.55%
Agency Notes	Less than 3 Years	\$64,214	2.03%
Certificates of Deposit	Less than 3 Years	\$750	3.30%
Municipal Bonds	3 -5 Years	\$6,500	4.00%
Treasury Notes	3 -5 Years	\$21,000	3.36%
Certificates of Deposit	3 -5 Years	\$4,000	3.69%

Total Portfolio *

\$393,474

Total Earnings to Date

\$4,148

* Investments portfolio includes cash in operating bank accounts. Cash held by third party trustees or the state is not included.

Supplemental Schedule

Segment Summary Details Through January 31, 2023 (Current Year)

FY 2023 Actuals Thru January						
	General Funds	Foundation	Internally Designated	UL Research Foundation	Athletics	All Funds
Revenues						
Tuition and Fees	320,134,530					320,134,530
State Funds	116,064,300					116,064,300
Transfers to General Fund	11,640,127					11,640,127
Auxiliaries	16,336,312					16,336,312
Clinical (inclgd Hospital support)	456,491			233,448,032		233,904,523
Sponsored Agreements				87,411,768		87,411,768
Pass Through Financial Aid				54,650,445		54,650,445
Other Revenue	10,967,360	25,799,875	26,313,503	29,314,297	100,129,245	192,524,281
Total Revenues	475,599,119	25,799,875	26,313,503	404,824,542	100,129,245	1,032,666,285
Expenditures						
Salary	155,389,721	12,008,855	2,338,371	134,551,725	24,372,475	328,661,148
Fringe Benefits	47,160,379	2,810,363	557,774	31,769,202	4,661,667	86,959,385
Operating	46,198,648	10,596,397	10,019,073	180,359,995	50,176,299	297,350,412
Scholarships	65,383,902	7,486,756	239,742	59,569,763	13,200,727	145,880,891
Capital Asset plus Debt Service	16,812,781	0	(3,057,331)	0	4,572,638	18,328,088
Asset Preservation	0	0	1,471,759	0	0	1,471,759
Utilities	11,256,233	4,690	95,471	42,851	443,011	11,842,255
Total Expenditures	342,201,665	32,907,060	11,664,860	406,293,536	97,426,817	890,493,937
Revenues less Expenses	133,397,454	(7,107,185)	14,648,644	(1,468,994)	2,702,428	142,172,347

Supplemental Schedule

Segment Summary Activity Through January 31, 2022 (Prior Year)

FY 2022 Actuals Thru January						
	<i>UofL Standalone Entity</i>					
	General Funds	Foundation	Internally Designated	UL Research Foundation	Athletics	All Funds
Revenues						
Tuition and Fees	314,701,783					314,701,783
State Funds	104,103,300					104,103,300
Transfers to General Fund	10,927,225					10,927,225
Auxiliaries	12,479,128					12,479,128
Clinical (inclgd Hospital support)	382,091			231,552,233		231,934,324
Sponsored Agreements				102,904,513		102,904,513
Pass Through Financial Aid				54,318,151		54,318,151
Other Revenue	6,910,742	21,255,515	22,488,813	62,149,823	93,033,632	205,838,525
Total Revenues	449,504,269	21,255,515	22,488,813	450,924,720	93,033,632	1,037,206,948
Expenditures						
Salary	147,643,130	9,898,291	2,295,595	135,610,381	22,568,563	318,015,960
Fringe Benefits	44,626,400	2,411,047	539,905	32,562,928	4,227,852	84,368,133
Operating	48,794,220	8,254,332	2,888,909	201,887,407	44,567,301	306,392,168
Scholarships	55,516,232	5,053,835	411,743	62,107,069	11,554,999	134,643,878
Capital Asset plus Debt Service	16,223,103	0	(1,085,907)	25,721	493,117	15,656,034
Asset Preservation	0	0	0	0	0	0
Utilities	9,597,035	64,119	12,334	49,343	545,701	10,268,531
Total Expenditures	322,400,121	25,681,624	5,062,579	432,242,849	83,957,532	869,344,704
Revenues less Expenses	127,104,148	(4,426,109)	17,426,235	18,681,871	9,076,100	167,862,245

Supplemental Schedule

Overall Variance by Segment from Prior Year (through January)
 FY 23 greater than/(less than) FY 2022

Change FY 2022 to FY 2023 (Thru January)

	General Funds	Foundation	Internally Designated	UL Research Foundation	Athletics	All Funds
Revenues						
Tuition and Fees	5,432,747	0	0	0	0	5,432,747
State Funds	11,961,000	0	0	0	0	11,961,000
Transfers to General Fund	712,901	0	0	0	0	712,901
Auxiliaries	3,857,184	0	0	0	0	3,857,184
Clinical (inclgd Hospital support)	74,400	0	0	1,895,799	0	1,970,198
Sponsored Agreements	0	0	0	(15,492,745)	0	(15,492,745)
Pass Through Financial Aid	0	0	0	332,295	0	332,295
Other Revenue	4,056,619	4,544,360	3,824,690	(32,835,526)	7,095,614	(13,314,244)
Total Revenues	26,094,850	4,544,360	3,824,690	(46,100,178)	7,095,614	(4,540,664)
Expenditures						
Salary	7,746,591	2,110,564	42,777	(1,058,656)	1,803,912	10,645,187
Fringe Benefits	2,533,979	399,316	17,869	(793,726)	433,816	2,591,253
Operating	(2,595,572)	2,342,065	7,130,165	(21,527,412)	5,608,998	(9,041,756)
Scholarships	9,867,670	2,432,921	(172,001)	(2,537,306)	1,645,729	11,237,013
Capital Asset plus Debt Service	589,679	0	(1,971,425)	(25,721)	4,079,522	2,672,055
Asset Preservation	0	0	1,471,759	0	0	1,471,759
Utilities	1,659,197	(59,429)	83,138	(6,492)	(102,691)	1,573,724
Total Expenditures	19,801,544	7,225,437	6,602,281	(25,949,313)	13,469,285	21,149,234
Revenues less Expenses	6,293,307	(2,681,077)	(2,777,591)	(20,150,865)	(6,373,672)	(25,689,897)