

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

In Open Session

Members of the Finance Committee of the University of Louisville Board of Trustees met on Thursday, January 13, 2011, at 1:50 p.m., in the Jefferson Room, Grawemeyer Hall, Belknap Campus, with members present and absent as follows:

Present: Judge Rebecca Jackson, Chair
Dr. William Selvidge, Vice Chair
Ms. Sana Abhari
Mr. Ron Butt
Ms. Augusta Brown Holland
Mr. Frank Minnifield
Ms. Phoebe Wood

Other Trustees

Present: Ms. Marie Abrams
Mr. Owsley Frazier
Mr. Brent Fryrear
Dr. Kevin Cosby
Dr. Salem George
Dr. Robert Curtis Hughes
Dr. Mark Lynn
Ms. Brucie Moore
Mr. J. Chester Porter
Mr. Robert Rounsavall, III
Ms. Debbie Scoppechio
Dr. Robert Staat

Guests: Ms. Vickie Yates Brown, Nucleus
Mr. Mark Carter, Passport
Mr. Jim Host, Arena Authority
Mr. Ben Richmond, President & CEO, Louisville Urban League
Mr. Bill Summers, V, Arena Authority
Mr. Robbie Valentine, KFC Yum! Center
Dr. William Wagner, Passport
Dr. Joseph Wise, III, Greater Louisville Building & Construction Trades Council

From the
University: Dr. James R. Ramsey, President
Dr. Shirley Willihnganz, Executive Vice President and Provost
Dr. William Pierce, Interim Executive Vice President for Research
Ms. Angela D. Koshewa, University Counsel

Mr. Mike Curtin, Vice President for Finance
Mr. Sam Connally, Vice President for Human Resources
Dr. Priscilla Hancock, Vice President for Information Technology
Ms. Susan Howarth, Director of Budgets
Mr. Jason Tomlinson, AVP for Finance
Dr. Mike Mardis, Dean of Students
Ms. Terri Rutledge, Associate VP for Business Affairs
Ms. Anne Rademaker, CPA, Director of Financial Reporting and University Accounting
Mr. John Drees, Assoc. VP, Communications & Marketing
Mr. Mark Hebert, Director, Media Relations
Ms. Carolyn Cochran, Assistant to the Provost
Mrs. Kathleen M. Smith, Assistant Secretary
Ms. Trisha Smith, Director of Special Programs
Ms. Debbie Dougherty, Board Liaison

I. Call to Order

Having determined a quorum present, Chair Jackson called the meeting to order at 1:50 p.m.

Approval of Minutes, October 14, 2010

Mr. Minnifield made a motion, which Ms. Wood seconded, to approve the minutes of October 14, 2010. The motion passed.

II. Information Item: Update from Passport

Chair Jackson reported at the November board meeting, she and Brucie Moore, as chair of the Audit Committee invited the Passport Board of Directors to provide an update to the Board regarding Passport's response to the state auditor's report. While the University has no direct relationship to the governance of Passport, Ms. Moore Chair Jackson noted the University's faculty-physicians participate and oversee in the operation of Passport. Chair Jackson then introduced Mr. Mark Carter, Interim CEO of Passport, and Dr. William Wagner, Interim Board Chair.

Mr. Carter emphasized what an important and unique community asset Passport has been for Kentucky. As an accountable care organization (ACO) established in the mid 1990s, he stressed the board could be confident and proud of the work done on a daily basis by the University faculty to serve vulnerable populations. He provided a map depicting the 16 Kentucky counties serviced, noting there are 170,000 Passport Health Plan members and 9,600 Passport Advantage members. Mr. Carter discussed the partnership organization and operation and the Passport Board of Directors.

Mr. Carter then discussed the recent audit by the Kentucky Auditor of Public Accounts. Subsequent to the audit, the University Health Care, Inc., Board of Directors (d/b/a Passport) met and reviewed the audit findings and recommendations; the board authorized

a number of actions intended to address the audit recommendations. In a letter dated January 6, 2011, Passport outlined an 11-point strategy, including a progress report, regarding the implementation of audit recommendation. Mr. Carter and Dr. Wagner discussed each strategy in detail. Mr. Carter concluded the report by reiterating Passport's commitment to working with the Cabinet for Health and Family Services and with the Auditor's Office to address the concerns raised while simultaneously beginning the process of developing a new relationship under a new contract for the period beginning July 1, 2011.

Dr. George said he has observed Passport's success since its inception and wished to commend the program. He recognized the significant difference between the Bluegrass plan, with UK, and the Passport plan. He took the initiative to consult with all physicians from Marion and Washington counties to recommend they transfer out of the Bluegrass Program and into Passport's program. He praised Passport's performance as credible, and he strongly urged the state's use of managed Medicaid throughout the Commonwealth. Dr. George also praised the exceptional job Dr. Larry Cook has done leading Passport. Under the leadership of Mr. Carter, Dr. George anticipates the program to improve even more. Dr. George thanked Mr. Carter for joining Passport and for his commitment to take the program to the next level.

Dr. Hughes, as a member of the UMC board of directors and praised the impact it had on UofL's medical teaching programs. He echoed Dr. George's comments. He said all of the regions spent millions of dollars trying to get the Bluegrass plan to work. Dr. Hughes spoke of his conversations with Dr. Larry Cook and the significance of Passport to Louisville, the UofL School of Medicine and its residents. Dr. Hughes encouraged its continuation. He commended Mr. Carter and Dr. Wagner for their leadership. Chair Jackson thanked Mr. Carter and Dr. Wagner for their report, which was for information only.

III. Information Item: Report from VP for Finance

Interim Financial Statements through September 30, 2010

Vice President Curtin reviewed the interim financial statements, noting the University had an increase in total assets of \$62 Million during the three months ended September 30, 2010, as compared to a \$58 Million increase for the same period in the prior fiscal year. Vice President Curtin's reported included the following highlights:

- Revenues increased \$21 Million, or 12%, due mainly to an increase in intercollegiate revenue of \$9 Million. This increase was due to a higher number of suites and other seats available for both the basketball and football programs with the upgrades to the facilities. Additionally, clinical revenue increased \$8 Million due primarily to timing of revenue recognized and tuition revenue increased \$6 Million due to increased tuition rates.

- Expenses increased \$13 Million, or 6%, due mainly to increases in instructional expense of \$7 Million and research expense of \$4 Million. These increases reflect the University's use of resources for strategic initiatives.
- State appropriations decreased \$5 Million, or 10%, in accordance with the schedule from the Commonwealth. The budget decrease related to the \$11 Million state fiscal stabilization funds in fiscal year 2010 has the budget cut spread among all four quarters.
- Gifts increased due to additional Cardinal Athletic Fund gifts related to additional seats in the arena and stadium. Capital gifts decreased as two large gifts toward the Papa John's Cardinal Stadium Expansion were received in August 2009.

Vice President Curtin concluded his report stating overall revenues are on budget with 40% of budgeted revenue recognized as of September 30, 2010. This is slightly more than the expected 25% due to the cyclic nature of tuition receipts. Overall expenses match closely with budget as there is 71% of the budget remaining for the remainder of the year. Pointing out this was for information purposes, Chair Jackson thanked Vice Curtin for his report.

Bond Rating

Vice President Curtin presented an update regarding the University's bond rating. Moody's Investor Service was complimentary of UofL. Moody's has assigned a rating of Aa2 to the \$25 Million of General Receipts Bonds, Taxable Build America Bonds 2010 Series A and Taxable Qualified Energy Conservation Bonds 2010 Series B. In its report, Moody's recognized the University and the UofL Foundation will continue to provide a good cushion for debt and operations given favorable operating performance, limited borrowing plans and the University's current comprehensive fundraising campaign. Chair Jackson thanked Vice President Curtin for an excellent report.

IV. Report of the President

Information on Minority Vendor Strategy Related to Construction Projects

President Ramsey introduced Mr. Jim Host, Chair of the Louisville Arena Authority, Inc. Mr. Host introduced members of the Arena Authority. He discussed the Arena Authority's goal to maximize participation for women and minority workers, local workers, and women and minority-owned businesses. Mr. Host said all contractors on the Arena project made a commitment to utilize Minority and Women Business Enterprise (MWBE) firms. The Arena Authority surpassed its goal of 20% minority participation and 5% participation by women-owned businesses. The final project usage was 22.1% to MBE firms and 7.1% to WBE firms. This reflects an overall total of 29.2%, or \$69.4 Million, paid to MWBE firms against the project goal of 25%. The 4.2% differential represents \$10 Million above the goal. The Arena project also tracked Minority/Women and Local Workforce

Participation. Through September, 2010, a total of 1,595,362 work hours have been performed by MWBE companies.

MWBE Participation:

- Includes procurement by Populous, Mortenson, O'Rourke Wrecking, Patriot Engineering, ORI & Boice.net
- \$237.5M+ Procured:
 - MBE Firms \$52.6M
 - WBE Firms \$16.8M

Achievement:	<u>Actual</u>	<u>Goal</u>
• MBE Firms	22.1%	20.0%
• WBE Firms	7.1%	5.0%

Breakdown of the 1,595,362 Hours Worked:

- Minority Hours	361,436	
- Female Hours	85,152	
Achievement:	<u>Actual</u>	<u>Goal</u>
(as % of total hours worked)		
- Minority Utilization	23%	20%
- Female Utilization	5%	5%

The Geographic Breakdown of Workers on Project:

- Louisville SMSA Residents	1,260	
- KY / IN Residents	1,689	
Achievement (as % of total workers) :	<u>Actual</u>	<u>Goal</u>
- Louisville SMSA Residents	63%	60%
- KY / IN Residents	84%	75%

He discussed the Construction Pipeline Project (an Urban League training program for people entering trades)

- 293 Candidates have completed training program
- 119 Candidates have been placed into jobs (including 95 minorities and 12 women)

O'Rourke Demolition utilized two Pipeline participants. Mortenson reported 38 Pipeline and Community Workforce participants were hired. Mr. Host referred the Board to the Arena Authority's website for additional information about the Urban League's Pipeline Construction program.

Mr. Host challenged other state institutions to replicate utilization of MWBE as the Arena Authority has done. The project was completed on target financially and on schedule.

Mr. Host called on Ben Richmond of the Louisville Urban League. Mr. Richmond spoke of the ground-level communications conducted with union workers. Many workers who had left the Commonwealth seeking employment returned because of hope and opportunity.

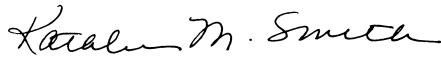
Mr. Host introduced Robbie Valentine as assistant general manger of the Arena.

Dr. Cosby commended President Ramsey for his passion in promoting MWBE advancement. Historically the area where the Arena is located was the hub of slave trade centuries ago. To see MWBE involvement is such an important credit to the building. Mr. Host noted the important role of President Ramsey in the adoption of the Urban League's construction pipeline. Committee members urged the University to adopt a strategy similar to the Arena's. Chair Jackson thanked Mr. Host and his colleagues for an exceptional presentation and a job well done with the Arena.

VIII. Adjournment

Mr. Minnifield made a motion, which Ms. Abhari seconded, to adjourn the meeting at 2:49 p.m. The motion passed.

Approved



Asst. Secretary