

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

In Open Session

The Finance Committee of the University of Louisville Board of Trustees met on Thursday, May 11, 2006, in the Jefferson Room of Grawemeyer Hall, Belknap Campus, with members present and absent as follows

Present: Mr. Ulysses L. Bridgeman, Jr., Chair  
Mr. Kevin Cogan  
Mr. Bill Brammell  
Mr. Steve Poe  
Mr. Bill Stone

Absent: Mr. Owsley B. Frazier  
Ms. Sandy Metts Snowden

Other Trustees

Present: Ms. Marie Abrams  
Ms. Donna Tinsley Denny  
Mr. Bill Forman  
Dr. Salem George  
Mr. Nathaniel Green  
Ms. Margaret Handmaker  
Mr. Grant Helman  
Dr. Robert Curtis Hughes  
Ms. Jessica Loving  
Prof. Bill Pierce  
Mr. J. Chester Porter  
Ms. Beth Worland

From the  
University: Dr. James R. Ramsey, President  
Dr. Shirley Willihnganz, Executive Vice President and Provost  
Dr. Larry Cook, Executive Vice President for Health Affairs  
Dr. Nancy Martin, Senior Vice President for Research  
Ms. Angela D. Koshewa, University Counsel  
Mr. Mike Curtin, Vice President for Finance  
Mr. Larry Owsley, Vice President for Business Affairs  
Dr. David Howarth, Associate University Provost  
Mr. David Barker, Director, Audit Services  
Ms. Susan Howarth, Director, Budget  
Ms. Anne Rademaker, Controller's Office  
Ms. Terri Rutledge, Asst. VP for Business Affairs  
Ms. Carolyn Cochran, Office of the Provost

Mrs. Kathleen M. Smith, Assistant Secretary  
Mrs. Debbie Dougherty, Board Liaison

I. Call to Order

Having determined a quorum present, Chair Bridgeman called the meeting to order at 1:35 p.m.

Approval of Minutes, March 7, 2006

Mr. Cogan made a motion, which Mr. Poe seconded, to approve the minutes of March 7, 2006. The motion passed unanimously.

II. Information Item: Interim Financial Statements as of March 31, 2006

Vice President Curtin reported the University's financial position was a very good and stable one, with assets of \$804.2 million and net assets of \$570.6 million. The University recognized an increase in net assets of \$38.2 million for the first nine months of Fiscal Year 2006, as compared to an \$18.3 million increase for the same period of Fiscal Year 2005. Mr. Curtin stated overall revenues are on budget, with 84% of budgeted revenue recognized as of March 31, 2006. This was slightly more than the expected 75% due to the cyclic nature of tuition revenue. Mr. Curtin explained overall expenses match closely with budget as there is 29% of the budget remaining for the remainder of the year. Chair Bridgeman noted the financial statements were provided as information and no action was required.

IV. Workshop on 2006-07 Operating Budget

Vice President Curtin observed the budget process included campus-wide consultation, which began in early Fall, 2005. The leadership team employed a strategic five-year budget projection model and developed a set of budget values and principles that helped to guide the budget process. The five strategic goals include:

- Educational Experience: Student Success
- Research, Creative and Scholarly Activities
- Accessibility, Diversity, Equity, and Communication
- Partnerships and Collaboration
- Institutional Effectiveness of Programs and Services

The proposed budget represents an implementation for the Challenge for Excellence. The preliminary 2006-07 operating budget for the University supports the commitment of becoming a great Citizen University – a University that is committed to thinking beyond the campus, addressing the direct correlation between advanced education and contributions to the state's tax base, between academic research and entrepreneurial development. UofL will merge this

philosophy into an existing business strategy that will meet the 1997 mandate of the Kentucky General Assembly.

Mr. Curtin reviewed the revenue assumptions. The proposed general fund revenue listed by source follows:

State Appropriation and Other State Funds	\$189,244,800
Tuition and Fees	154,559,700
Transfers from Affiliated Corporations	10,783,500
Sales and Services of Educational Activities	351,000
Organized Activities Related to Instruction	919,900
Other Non-Educational Revenue	7,685,600
Auxiliary Enterprises	3,787,700
University Housing	6,453,600
Service Centers	2,026,700
Hospital-Related Revenue	<u>13,538,700</u>
Total Projected General Fund Revenue	\$389,351,200

Vice President Curtin reported the proposed expenditure budget was based on total general funds available from a carefully-developed projection of revenue. Currently, the University employs several methods of budgeting such as traditional “incremental” budgeting, program budgeting, formula budgeting, and a few elements of Responsibility Center Budgeting (RCB). The University’s “fixed costs” are scheduled to increase approximately \$2.6 million for FY 2006-07. These increases in fixed cost items are typically covered first from new discretionary dollars before other program considerations. Faculty and staff compensation remains a top priority for the University’s leadership team. The following compensation items are included in this proposed budget:

- An average 3.5% salary increase pool for faculty and staff;
- An additional pool totaling \$1.4 million for faculty benchmark salary adjustments;
- An additional pool totaling \$450,000 for staff catch-up salary adjustments;
- 15% increase in health insurance premiums; and
- Additional funding for faculty promotions and staff reclassifications

Beyond additional faculty and staff compensation, the proposed budget incorporates other strategic initiatives totaling approximately \$9.2 million. These initiatives help to advance the University’s strategic plan and CPE Action Agenda goals.

Mr. Curtin observed the largest component of the University’s expenditure budget was faculty and staff compensation – salaries, wages, and fringe benefits. Combined, they comprise approximately 63.4% of the general fund budget. The President and the leadership team continue to place faculty and staff compensation at the top of the list of University priorities. Health care costs continue to escalate across the nation. The University’s Human Resources

department projects that health care premiums will increase approximately 15% for calendar year 2007. A portion of the increase in premiums is directly related to a general rise in health care costs. Another factor influencing the rate increase is the University experienced an unusually high number of expensive claims in the fourth quarter of calendar year 2004 creating a sizable deficit in the University's self-insurance liability program. The University's external auditors have noted this problem, which will require UofL to "pay down" a portion of this deficit. Included in the proposed budget is funding to cover the cost of providing a 15% increase for employee health insurance for calendar year 2007. Fixed and semi-fixed costs are projected to increase in the 2006-07 fiscal year. This budget includes approximately \$2.6 million for increases in budgetary items that are classified as fixed or semi-fixed costs. Mr. Curtin discussed the items which comprised changes in this area. The proposed budget includes an additional \$9.2 million for investment in key strategic initiatives. The President and leadership team made investments in strategic initiatives that are critical to achieving the University's long-term goals. Mr. Curtin said this budget also includes unit-based budget reductions totaling approximately \$1.4 million. The proposed expenditure budget is increased by approximately \$4 million for items directly offset by revenue. The expenditure budget for the University's Auxiliary Enterprises decreased approximately \$18,600 for 2006-07. This small change was a result of minor adjustments in food service operations and the bookstore. The Student Housing Budget is projected to increase by approximately \$12,900 for FY 2006-07. The expenditure budgets for the University's Service Centers are 100% self-supporting and function as stand-alone business enterprises. Their respective expenditure budgets are based entirely on internal charges to other University departments for services rendered or come from externally produced service income. This budget includes an increase in Service Center expenditures of \$422,900. Most of this increase is a direct result of budgeting new service centers on the Health Science Campus and in the J. B. Speed School of Engineering. Chair Bridgeman thanked Vice President Curtin for an excellent presentation.

V. Action Item: Approval of Capital Construction Project: Renovation of Office of Admissions Campus Visit Room

Vice President Owsley explained that due to the increased number of prospective families visiting campus, the Office of Admissions requires larger and more updated facilities. The renovation will enlarge and refurbish the Admissions Campus Visit Room. The space will accommodate 49 visitors and will be used daily when prospective students and parents visit our Campus. Mr. Poe made a motion, which Mr. Cogan seconded, to approve the

**President's recommendation that the following project be approved:**

**PROJECT:                      ESTIMATED COST:                      FUND SOURCE:**

**Renovation of Office of      \$ 137,000                      Plant Funds  
Admissions Campus Visit Room**

The motion passed unanimously.

VII. Other Business

There was no other business.

VIII. Adjournment

Mr. Brammell made a motion, which Mr. Cogan seconded, to adjourn the meeting at 2:14 p.m. The motion passed unanimously.