

**Special Meeting of the Board of Trustees
February 13, 2008**

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UNIVERSITY OF CINCINNATI

Official Proceedings of the

Two Hundred and Seventy-Eighth Meeting of the Board of Trustees

(A Special Meeting)

February 13, 2008

The Two Hundred and Seventy-Eighth Session of the Board of Trustees of the University of Cincinnati was opened at 9:50 a.m. on Wednesday, February 13, 2008, in the Russell C. Myers Alumni Center of the University of Cincinnati. Notice of this meeting was given in accordance with Section 121.22 of the Ohio Revised Code. The proceedings of the Board, when not otherwise provided for by its bylaws, are governed by *Robert's Rules of Order*.

Gary Heiman, Chairperson of the Finance and Administration Committee, presided. Mr. Heiman asked that roll be called.

BOARD MEMBERS PRESENT:

Anant R. Bhati, Gary Heiman,
C. Francis Barrett, Margaret E. Buchanan,
and Robert E. Richardson, Jr.

BOARD MEMBER ABSENT:

Jeffrey L. Wyler, H.C. Buck Niehoff,
Sandra W. Heimann, Thomas H. Humes

ALSO PRESENT:

Nancy L. Zimpher, President;
Anthony J. Perzigian, Senior Vice President
for Academic Affairs and Provost;
Monica Rimai, Senior Vice President for
Administration and Finance;
Michael W. Carroll, Vice President of
Development and Alumni Affairs;
Sandra J. Degen, Vice President for
Research;
Mitchel D. Livingston, Vice President for
Student Affairs and Services;

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James D. Plummer, Vice President for
Finance;
Frederick H. Siff, Vice President and Chief
Information Officer;
David Stern, Vice President for Health
Affairs;
Gregory J. Vehr, Vice President for
Governmental Relations and
University Communications;
Mitchell D. McCrate, Interim General
Counsel;
Greg Hand, University of Cincinnati
Spokesperson
Seth Vensil, Undergraduate Student Trustee;
Stephen Thompson, Alumni Representative
Richard Harknett, Faculty Representative
Heather A. Huff, Executive Assistant to the
Board of Trustees & University
President;
and the public

(Prior to the Board Committee Meetings and the Regular Board Meeting,
Chairman Gary Heiman began the proceedings at approximately 9:34 a.m.)

Mr. Heiman:

Good morning everybody. I will call the meeting to order. First of all, my apologies I am a few minutes late. Without any further words or any further welcome, I appreciate people coming to this special meeting. Before we move directly into our committee meeting, I would like to call upon President Zimpher.

President Zimpher:

Thank you, Gary. I felt that we really just couldn't begin our work today without acknowledging the loss of life on our campus. A young woman died near Sander Hall some time in the night. The investigation is ongoing. We really don't know identity and therefore connection with our campus except that she was found on our campus. So ultimately we will know and we wish to, at this time, extend sympathies to whomever

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may be personally affected by this tragic loss of life. So a young woman, some time in the night, early this morning and I am sure as information becomes available we will share it with you and it will be shared more publicly. Thank you.

Mr. Heiman:

Thank you President Zimpher.

THE BOARD COMMITTEE MEETING

(Proceedings of the board committee meeting are contained in the respective committee meeting minutes, which are on file in the Office of the Board of Trustees).

The committee meeting began at 9:36 a.m. and concluded at 9:50 a.m.

THE SPECIAL MEETING OF THE BOARD OF TRUSTEES

The Special Meeting of the Board of Trustees was convened on February 13, 2008, at 9:50 a.m. and, as noted on the first page (page 149) of these minutes, roll call was taken.

Mr. Heiman:

I would like to call our Special meeting to order. The Two Hundred and Seventy-Eighth Session of the Board of Trustees of the University of Cincinnati will now convene.

Approval of the Items Recommended by the Board Committees

Listed below are the items recommended to the Board of Trustees for approval by the Finance and Administration Committee at their respective meeting held on February 13, 2008, prior to the Special Meeting of the Board of Trustees.

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Finance and Administration Committee Recommendations

08.2.13.01 ESTABLISH A LIQUIDITY RESERVE FUND FROM RESTRUCTURED PRINCIPAL PAYMENTS

Synopsis: Direct the Vice President for Finance to establish a liquidity reserve fund from cash conserved by restructuring the University's near-term principal payments

It is recommended that the Board of Trustees direct the Vice President for Finance to establish a liquidity reserve fund from cash conserved by the restructuring of the University's near-term principal payments on its fixed rate, general receipts debt. It is further recommended that the Board prohibit the University from using the liquidity reserve created by debt restructuring, to balance any aspect of the University's budget or otherwise use the funds for University operations.

The University's operating cash policy requires the average daily operating cash balance to be built to 25% of annual operating budget expenditures. The University's average operating cash balance for December 2007 is \$75 million, compared to the policy target of \$236 million. The university's liquidity will be increased by restructuring the June 1, 2008 and June 1, 2009 general receipts bond principal payments. Refunding general receipts bonds will be issued in March, 2008, to retire \$26.7 million of principal due June 1, 2008 and some form of restructuring will be done to cover the \$26.7 million principal payment due on June 1, 2009, the specifics of which will be driven by market conditions. The restructured principal will be retired in later years, for example fiscal years 2018 through 2030. Restructuring the principal payments will conserve \$26.7 million of university cash in June 2008, and an additional \$26.7 million of university cash in June 2009. In order to build the operating cash balance as required by the cash policy, the cash conserved by the principal restructuring will be used to fund a liquidity reserve, to be accounted for in a separate designated fund in the university's accounting records. The liquidity reserve will be used to retire the restructured principal as it matures. Interest earned on the liquidity reserve will be used to offset interest expense on the new bonds. Addressing the University's liquidity needs through debt restructuring constitutes a financial management tool now available to the institution as a consequence of UC's improved financial condition.

In order to assure that the liquidity reserve is not raided to balance the budget or to pay for other operating expenses, the Vice President for Finance is hereby directed to establish the liquidity reserve fund from cash conserved by restructuring the 2008 and 2009 principal payments.

08.2.13.02 AMEND RULE 3361:20-41-01, INVESTMENTS: POLICY FOR ADMINISTRATION OF INVESTED FUNDS

Synopsis: On June 27, 2006, the Board authorized an increase of the endowment spending policy from 5% to 6% for two years (through fiscal year 2008) by amending rule 3361: 20-41-01. This resolution authorizes a one-year extension, for fiscal year 2009, of the current 6% endowment spending policy with the understanding that the rate will revert back to 5% in fiscal year 2010.

Background: The authorized 1% increase in the spending policy for FY 2007 and 2008, helped facilitate the re-structuring and budget cutting undertaken by a large number of academic units. As a consequence, the Colleges have made great strides toward stabilizing their financial status and have significantly contributed to the improvement in the University's overall cash position. With the continuation of the increased spending rate for one additional year, University units will be in a much better position to make permanent practices that will continue to contribute towards the University's improved financial stability.

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In order to implement this temporary budget bridging strategy, it is recommended that University Rule 20-41-01(A) (3) Investments: Policy for invested funds, spending policy, be amended as follows:

The income distribution for endowment spending in a fiscal year shall be five per cent times the previous twelve-quarter moving average of unit market value. This formula shall be applied to the twelve quarters ending on December thirty-first prior to the fiscal year in question, so that final budget guidance on available income can be issued. For fiscal year 2009, as was done in fiscal years 2007 and 2008, the spending policy will be extended at the 6% rate times the previous twelve-quarter moving average of unit market value.

08.2.13.03 AMENDMENT OF SECTION 3.4 OF THE JOINT OPERATING AGREEMENT AND 4.6 OF THE HEALTH ALLIANCE CODE OF REGULATIONS TO DESIGNATE THE PRESIDENT OR THE PRESIDENT'S DESIGNEE AS AN EX-OFFICIO DIRECTOR TO THE HEALTH ALLIANCE

Synopsis: It is recommended that the Board approve amendments to section 3.4 of the Joint Operating Agreement and 4.6 of the Health Alliance Code of Regulations that substitute the President of the University or the President's designee as the nonvoting ex-officio Director on the Health Alliance Board for the Senior Vice Provost for Health Affairs or the Dean of the College of Medicine

At a January 30, 2008 meeting of the Health Alliance Governance Committee, the Board of Directors of the Health Alliance unanimously approved amendments to section 3.4 of the Third Amended and Restated Joint Operating Agreement and section 4.6 of the Third Amended and Restated Code of Regulations that name the President of the University or the President's designee as a nonvoting ex-officio Director on the Health Alliance Board. Prior to the amendments the Joint Operating Agreement designated the Dean of the College of Medicine or the Senior Vice-President and Provost for Health Affairs as the ex-officio Director. This change is prompted by the recent reorganization of the Academic Health Center that, among other things, eliminated the position of Senior Vice Provost for Health Affairs. Because section 4.17 of the Code of Regulations provide that all amendments to the Code must be approved by each of the Participating Entities, the amendment is being submitted to the Board of Trustees for approval.

A copy of the proposed amendment is attached.*

Action Items

Mr. Heiman:

The trustees were present at the Finance and Administration Committee meeting held today. The items reviewed and recommended by the committee are named in the action items list at your place. We will vote on all items, as I said previously, I will recuse myself on item number 3. May I have a motion to approve all items please?

*Filed in the Office of the Board of Trustees

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Upon motion of Mr. Barrett, seconded by Dr. Bhati, the Board approved the items recommended by the Finance and Administration Committee by the following roll call vote:

Recommendation Nos. 08.2.13.01 through 08.2.13.02

AYE: Dr. Bhati, Mr. Heiman, Mr. Barrett, Mrs. Buchanan,
Mr. Richardson

NAY: None

ABSENT: Mr. Wyler, Mr. Niehoff, Mrs. Heimann, Mr. Humes

Recommendation No. 08.2.13.03

AYE: Dr. Bhati, Mr. Barrett, Mrs. Buchanan,
Mr. Richardson.

NAY: None

ABSENT: Mr. Wyler, Mr. Niehoff, Mrs. Heimann, Mr. Humes

ABSTAIN: Mr. Heiman

Adjournment

Mr. Heiman:

I would like to now move for adjournment of the meeting. This concludes all of our business for today. There being no further business before the Board, may I have a motion to adjourn the meeting.

Upon motion by Mr. Barrett and seconded by Dr. Bhati, the meeting adjourned at 9:54 a.m.

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GARY HEIMAN, CHAIRPERSON

FINANCE AND ADMINISTRATION COMMITTEE OF THE BOARD



ANANT R. BHATI, SECRETARY

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