

**RECOMMENDATION TO THE BOARD OF DIRECTORS
UNIVERSITY OF LOUISVILLE FOUNDATION, INC., CONCERNING
ONE TIME SPENDING CALCULATION MODIFICATION**

**FINANCE COMMITTEE – JUNE 4, 2012
BOARD OF DIRECTORS - JUNE 12, 2012**

BACKGROUND:

The standing spending policy calculation for endowments is based on appropriating 5.5% of the three-year moving average of endowment market value as of December 31st of the three most recent calendar years. For FY13 spending calculations, the years 2009, 2010 and 2011 would be used. The unprecedented market decline in 2008 resulted in a 29.4% decline in the year over year market value as of December 31, 2008. Since then, the spending policy has been modified so that only the two highest market values of the past three years were used in the calculation. Given the recovery of the endowment market value, the Finance Committee believes it prudent to authorize spending more in line with historic levels. This can be achieved by eliminating 2009 from the FY13 calculations and averaging over the remaining two years (2010 and 2011.) This will result in \$1.3 million more being made available to departments for spending as compared to using the standard 3-year average.

RECOMMENDATION:

The Finance Committee recommends that the Board of Directors approve a one-time change to the standing spending policy calculation methodology for Fiscal Year 2013 (FY13). Specifically, the standing three-year rolling average of endowment market values will be replaced by dropping the year with the lowest market value between 2009 and 2011 and averaging over the remaining two years. In addition, no endowment will have a spending policy allocation less than the amount received in FY 2012. Underwater Research Challenge Trust Endowments will not receive spending policy for FY2013. This is a one-time modification applicable to the FY13 budget year only.

Action:

Passed _____

Did Not Pass _____

Other _____

Assistant Secretary