

MINUTES OF THE FINANCE COMMITTEE
University of Kentucky Board of Trustees
January 22, 2008
11:30 AM

Committee Members Present

Stephen Branscum, Chairperson, Dermontti Dawson, Frank Shoop and Billy Joe Miles, Frank Shoop, JoEtta Wickliffe

Approval of Minutes

The minutes of the December 11, 2007, Finance Committee meeting were approved as presented.

Reports (Informational Purposes Only)

Frank A. Butler, Executive Vice President for Finance and Administration, reported on the recent meeting of the University Debt Committee. The committee reviewed the status of the debt capacity of the institution and the proposed lease/purchase acquisitions presented in FCR 4. The Committee reviews various financial ratios such as outstanding debt to equity. The University is in good financial position and has sufficient debt capacity for the foreseeable future.

Marc Mathews presented a preliminary draft of the University's consolidated financial statements for the six months ended December 31, 2007. A final interim financial statement will be brought before the Board for acceptance in March. Marc reported that financial operations are on target and through December 31, the University has realized 54 percent of the revenue estimate, and expended 45 percent of the approved budget. The University's consolidated balance sheet is strong, with assets of \$3.3 billion and liabilities of \$950 million. Fund balances of \$2.2 billion represent a 67 percent equity position in the total assets. Year to date revenues and appropriated fund balances have exceeded expenditures to date by \$176.2 million creating a strong cash position as of December 31.

FCR 1, Authorization for Disposal of Surplus Property

Frank A. Butler presented FCR 1, which requests that the Board authorize the disposal of surplus property consisting of the floor from the 1996 NCAA men's basketball national championship. The method of disposal will be from sealed bids to be received in February 2008. The sale will be made to the highest bid which could exceed \$10,000. Frank Shoop approved the authorization. Dermontti Dawson seconded, and the motion for approval unanimously carried.

FCR 2, Approval of Ground Lease to Kentucky Farmhouse Association for 454 and 456 Rose Lane, Lexington, Kentucky

Frank A. Butler presented FCR 2 which recommends that the Board of Trustees authorize the Executive Vice President for Finance and Administration to negotiate and execute a ground lease

between the University and Kentucky Farmhouse Association, Inc., for 454 and 456 Rose Lane, Lexington, Kentucky. The term of the lease is expected to be 99 years.

The one-half acre property is located within the Greek Park area north of the W.T. Young Library. Farmhouse proposes to construct a new 20,000 square foot fraternity house on this site. This use and construction is consistent with the 2002 Physical Development Plan. Any building constructed on the property must be approved by the University's Design and Review Committee and comply with all applicable zoning, licensing, permitting and certifications as required. Billy Joe Miles approved the authorization. Dermontti Dawson seconded, and the motion for approval unanimously carried.

FCR 3, Capital Projects

Frank A. Butler presented FCR 3 which requests the Board to approve initiation of two capital projects which will be funded by the UK HealthCare Enterprise. Both projects have been authorized by the 2006 Kentucky General Assembly.

- 1) The Renovate Outpatient Clinic project involves 13,300 square feet on the first floor of the main campus Kentucky Clinic and will create outpatient space for the Neurology, Neurosurgery and Physical Medicine and Rehabilitation clinics. This project is expected to cost \$2.93 million.
- 2) The Expand Ophthalmology Clinic project will renovate and expand to approximately 12,500 square feet the Ophthalmology Clinic located in the main campus Kentucky Clinic. The project will provide upgraded and additional space to improve efficiency and customer service. This project is expected to cost \$3.1 million.

JoEtta Wickliffe approved the recommendation. Frank Shoop seconded, and the motion for approval unanimously carried.

FCR 4, Lease/Purchase of Equipment and Information Technology Items

Stephen Branscum, Chairperson, reviewed FCR 4 which requests that the Board approve the acquisition of seven major equipment and information technology items totaling \$26.88 million using a lease/purchase method of procurement. The University's Debt Committee has reviewed these acquisitions and determined that they are consistent with the Debt Policy. The Board of Trustees' University Health Care Committee also reviewed items 1 through 5, as listed below:

- 1) UK HealthCare Enterprise Equipment Lease Pool - \$10 million
- 2) Markey Cancer Center Facility Equipment - \$8 million
- 3) Picture, Archiving and Collection System (PACS) - \$7 million
- 4) Cone Beam CT - \$250,000
- 5) Dental Vacuum System - \$880,000
- 6) Disk Storage - \$350,000
- 7) IBM P-Series Server - \$400,000

A description of each item is provided with the FCR. Frank Shoop approved the request. Dermontti Dawson seconded, and the motion for approval unanimously carried.

FCR 5, Authorization to Convey 15 Acres at Southeast Kentucky Community and Technical College to the Kentucky Community and Technical College System

Frank A. Butler presented FCR 5 which requests that the Board authorize the Executive Vice President for Finance and Administration to convey fifteen acres of unimproved University property at the rear of the Southeast Kentucky Community and Technical College (SKCTC) Cumberland Campus in Harlan County to KCTCS for the development of a Scholar House program.

The Scholar House program is a grant program of the Kentucky Housing Corporation and provides transitional housing for single parents with young children who wish to further their education. SKCTC President Bruce Ayers, the SKCTC Board of Directors, and KCTCS President Michael McCall support the program and request this property donation. This property is now surplus to the needs of the University and this proposed conveyance is in the best interest of the Commonwealth. Frank Shoop approved the authorization. JoEtta Wickliffe seconded, and the motion for approval unanimously carried.

Other Business

Next Meeting

Tuesday, March 4, 2008, 11:30 AM, 18th Floor Patterson Office Tower.

Respectfully submitted,

Barbara Royalty-Tatum