

MINUTES OF THE FINANCE COMMITTEE
University of Kentucky Board of Trustees
February 21, 2012, 11:30 AM
18th Floor Patterson Office Tower, Board Room

Committee Members Present

Keith Gannon, Acting Chairperson, Jo Curriss, Bill Gatton, Pam May, Terry Mobley, Erwin Roberts, and Frank Shoop

Approval of Minutes

The minutes of the December 13, 2011, Finance Committee meeting were approved as presented.

FCR 1, Consent

Keith Gannon asked the Finance committee to approve by consent the extinguishment of the Dale Edward Albers and Doris McNeal Seeley Research Endowment in the College of Social Work and the transfer of the market value of the endowment to the Kay Seeley Hoffman Research Endowment in the College of Social Work.

FCR 2, Authorization to Renew the Lease with the Episcopal Diocese of Lexington for St. Agnes House

Keith Gannon requested that the Finance committee give the Vice President for Financial Operations and Treasurer authorization to negotiate and execute a lease renewal of University property located at 635 Maxwelton Court in Lexington. The University has leased the property to the Episcopal Diocese of Lexington since 1977 for use as a hospitality house for out-patients and patients' families using Lexington hospitals. The lease renewal will be for three years, with a three-year renewal option at an annual rate of \$1. Jo Curriss moved for approval. Frank Shoop seconded, and the motion for approval unanimously carried.

FCR 3, Authorization of Expansion of Lease for Information Technology

Keith Gannon requested that the Finance committee authorize the Vice President for Financial Operations and Treasurer to negotiate and execute a lease between the University and Windstream Communications for space located at 150 North Martin Luther King in Lexington. Pursuant to the governing regulations, the Board of Trustees must approve all leases in excess of \$200,000.

The University currently has a lease with Windstream for 250 square feet of floor space; however due to the increased demand for UK HealthCare's Information Systems, additional floor space is needed. This action will expand the current lease to include an additional 2,000 square feet of data center floor space. The lease will be effective March 1, 2012 to June 30, 2017 at an annual rate is \$300,000 which will be funded from clinical revenues. Pam May asked if the bid was competitive for the square footage, and Mrs. Martin confirmed. Terry Mobley moved for approval. Erwin Roberts seconded, and the motion for approval unanimously carried.

FCR 4, Acceptance of Interim Financial Report for the University of Kentucky for the Six Months ended December 31, 2011

Angie Martin, Vice President for Financial Operations and Treasurer, reported on the financial activities of the University and its affiliated corporations, for the six months ended December 31, 2011. A summary of the financial statements highlights was provided separately. As of December 31, 2011, the University has recognized \$1,207,759,172 of current funds revenue representing 46 percent of the 2011-12 approved budget of \$2,700,609,500. Expenses and transfers total \$1,253,933,675 or 45 percent of the approved budget. Pam May moved for approval. Frank Shoop seconded, and the motion for approval unanimously carried.

FCR 5, Approval of the 2010-11 Endowment Match Program Annual Report

Angie Martin reported that pursuant to the Council on Postsecondary Education's guidelines, the University is required to submit an annual report on the Endowment Match Program approved by the Board of Trustees. The Endowment Match Program, also known as 'Bucks for Brains', is one of several programs created as part of the trust fund. The University has received \$235 million from the state which the University has used for the Endowment Match Program as well as the Capital Research Program. The University has matched all the state dollars with gifts and pledges. Jo Curriss moved for approval. Terry Mobley seconded, and the motion for approval unanimously carried.

FCR 6, Patent Assignment Report

Jim Tracy, Vice President for Research, presented the quarterly patent report for the period of July 1 through September 30, 2011, which includes two applications submitted, five patents issued, and patent receipts totaled \$297,000. Ms. May requested that Vice President Tracy report on the patent legislation pending in congress. Dr. Tracy reported that the legislature has been pushed by several large corporations in software, hardware and pharmaceutical companies. The University is of the opinion that the legislation was not in the best interest of higher education because it allows for large firms to challenge our patents, keep us in litigation, and thereby force us to use scarce resources and eventually give up the rights to these patents. The legislation is now in the hands of the congress and 'we'll have to wait to see what happens'. Erwin Roberts moved for approval. Frank Shoop seconded, and the motion for approval unanimously carried.

FCR 7, Capital Construction Report

Bob Wiseman, Vice President for Facilities Management, reported on capital construction projects for the three months ending September 30, 2011, and the three months ending December 31, 2011. Two quarterly reports were presented at the same meeting because the Board had an abbreviated December meeting. The reports included a total of six new contracts, six completed contracts, four amended contracts, and 30 change orders. Erwin Roberts moved for approval. Jo Curriss seconded, and the motion for approval unanimously carried.

FCR 8, Authorization of Ground Lease for Student Housing

Mrs. Martin gave a presentation on the proposed Student Housing project. The project is needed because:

- only ten percent of the University's current undergraduate beds are modern
- students who live on-campus are retained at a higher rate than those that live off-campus and

- the University housing office turns away over 700 students each year due to lack of space.

FCR 8 would authorize the President to negotiate and execute a ground lease with Education Realty Trust (EdR) to construct and manage a new residence hall consisting of two buildings on Haggin Field. The new residence hall would open in August 2013. The University would provide Student Life programming and services in the new residence hall. This approach would assist the University with three goals: maintain student affordability; limit pressure on debt capacity; and meet an aggressive timeline for the replacement and expansion of student housing.

Keith Gannon recommended that the Committee authorize the President, or his designee, to enter into a long-term ground lease with EdR for purposes of development and potential management of a student housing project. Pam May moved for approval. Terry Mobley seconded, and the motion for approval unanimously carried.

Next Meeting

Tuesday, March 27, 2012, 18th Floor Patterson Office Tower Board Room

Respectfully submitted,

Barbara Royalty-Tatum
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