

MINUTES OF THE FINANCE COMMITTEE
University of Kentucky Board of Trustees
June 19, 2012 – 11:00 AM
18th Floor Patterson Office Tower, Board Room

Committee Members Present

James Stuckert, Chairperson, Jo Curris, Keith Gannon, Bill Gatton, Pam May, Terry Mobley, Erwin Roberts, and Frank Shoop

Approval of Minutes

The minutes of the May 8, 2012, Finance Committee meeting were approved as presented.

FCR 1 – Gift from the Barnstable-Brown Party Diamond Derby Inc. to Replace and Unfulfilled Pledge to the Research Challenge Trust Fund

Mr. Jim Stuckert, Chairperson, recommended acceptance of a \$147,991 gift from the Barnstable-Brown Party Diamond Derby Inc. of Louisville, Kentucky to add to the existing Barnstable-Brown Kentucky Diabetes and Obesity Center Research Fund in the College of Medicine. The gift will replace an unfulfilled pledge which was match by the Research Challenge Trust Fund Endowment Match Program (EMP). Terry Mobley moved for approval. Pam May seconded, and the motion for approval unanimously carried.

FCR 2 – Liz Claiborne Foundation Endowment Name Change

Jim Stuckert recommended approval of a request to change the name of the Liz Claiborne Foundation Fund in the Center for Research on Violence Against Women to the Fifth and Pacific Foundation Endowment. Jo Curris moved for approval. Erwin Roberts seconded, and the motion for approval unanimously carried.

FCR 3 – Acceptance of Interim Financial Report for the University of Kentucky for the Nine Months Ended March 31, 2012

Jim Stuckert recommended acceptance of the University of Kentucky consolidated financial report for the nine months ended March 31, 2012. As of March 31, the University has recognized \$1.9 billion of current funds revenue representing 70 percent of the FY 2011-12 approved budget. Expenses and transfers also total \$1.9 billion. Frank Shoop moved for approval. Bill Gatton seconded, and the motion for approval unanimously carried.

FCR 4 – 2011-12 Budget Revision

Jim Stuckert recommended approval of a revision to the FY 2011-12 budget. The revision will increase the University of Kentucky's total budget by \$2.3 million – from \$2,703,381,800 to \$2,705,681,800. The revenue was generated from unbudgeted ticket sales (\$1.4 million) from the 20th home basketball game at Rupp Arena and additional royalty income (\$900,000) from logo sales. The funds will be used for improvements to Barker Hall for the ROTC Program (\$100,000) and the renovation and upgrade of

the Softball Complex capital project (\$2.2 million) which was approved by the Board on December 13, 2011. Frank Shoop moved for approval. Keith Gannon seconded, and the motion for approval unanimously carried.

FCR 5 – Renovate Academic Facility – University Lofts

Jim Stuckert recommended initiation of the Renovate Academic Facility – University Lofts capital project. The project, authorized by the 2012 Session of the Kentucky General Assembly, will renovate the 110,000 gross square foot apartment building into classrooms, class labs/studios, office and support space for the College of Fine Arts. The improvements will also include necessary upgrades of the building systems such as communications, plumbing, HVAC, electrical, fire safety and security. The scope of the renovation is \$8 million and will be financed using University funds previously identified for the project. Jo Curriss moved for approval. Terry Mobley seconded, and the motion for approval unanimously carried.

FCR 6 – Renovate/Expand Gatton Building

Jim Stuckert recommended initiation of the design phase for the Renovate/Expand Gatton Building capital project. This project is for design only to prepare the necessary plans to renovate and expand the existing 138,400 gross square foot Gatton Building. The Gatton College of Business and Economics is raising private funds for the project. Bill Gatton moved for approval. Terry Mobley seconded, and the motion for approval unanimously carried.

FCR 7 – Campus Security System

Anthony Beatty, Assistant Vice President for Public Safety, presented the recommendation to initiate the Campus Security System capital project. The project includes various security initiatives using a centralized safety response to campus monitored from the Police Department located in the Safety and Security Building. The project will provide the infrastructure necessary to incorporate or replace legacy systems to a single security system. The Campus Security System capital project is scheduled to be completed within thirty-six (36) months from initiation. The project has an estimated scope of \$4.8 million and will be financed with fund balances. After approval by the Board of Trustees, the University will request that the Capital Projects and Bond Oversight Committee combine two separate but related legislative authorizations contained in the biennial budget bill, House Bill 265, which was recently enacted by the 2012 Kentucky General Assembly. Frank Shoop moved for approval to initiate the project. Pam May seconded, and the motion for approval unanimously carried.

FCR 8 – Lease on Behalf of UK HealthCare and Kentucky Medical Services Foundation

Jim Stuckert recommended that the Vice President for Financial Operations and Treasurer be authorized to negotiate and execute a new lease between UK HealthCare and the Kentucky Medical Services Foundation (KMSF). The UK HealthCare Information Technology Department is currently located in multiple, outdated buildings on Regency Road. The proposed space is located at 245 Fountain Court near Blazer Parkway in Lexington, Kentucky, at a cost of \$22.40 per square foot or \$545,000 annually and includes all utilities and common area maintenance charges. Jo Curriss moved for approval. Erwin Roberts seconded, and the motion for approval unanimously carried.

FCR 9 – Lease on Behalf of Nursing Staff Development

Jim Stuckert recommended that the Vice President for Financial Operations and Treasurer be authorized to negotiate and execute a new lease between UK HealthCare and the Kentucky Medical Services Foundation. The Nursing Staff Development Department currently leases space at 191 Lowry Lane which is in need of a major update. The proposed space is located at 2317 Alumni Park Plaza in Lexington, Kentucky. The rental cost will be \$22.40 per square foot or \$131,040 annually and includes all utilities and common area maintenance charges. Erwin Roberts moved for approval. Terry Mobley seconded, and the motion for approval unanimously carried.

FCR 10 – Approval of Ground Lease with Rho Iota House Corporation of Phi Mu International Fraternity, Inc.

Jim Stuckert recommended that the Vice President for Financial Operations and Treasurer be authorized to negotiate and execute a ground lease between the University of Kentucky and the Phi Mu International Fraternity, Inc. Phi Mu proposes to construct, at their own expense, a chapter house of approximately 17,000 square feet on the property. The term of the lease is expected to be 50 years. Frank Shoop moved for approval. Keith Gannon seconded, and the motion for approval unanimously carried.

FCR 11 – Disposal of Personal Property

Jim Stuckert recommended approval of a fiscal year 2012-13 plan for the routine disposal of equipment and other surplus personal property as required by the Kentucky Revised Statutes. The various methods of disposal are listed in the attachment. Erwin Roberts moved for approval. Frank Shoop seconded, and the motion for approval unanimously carried.

FCR 12 – Patent Assignment Report

Jim Stuckert recommended acceptance of the patent assignment report for the period January 1 through March 31, 2012. As of March 31, the University has filed 10 patent applications, 16 patents were issued, and the University has received gross revenue of \$851,031. Terry Mobley moved for approval. Erwin Roberts seconded, and the motion for approval unanimously carried.

FCR 13 – Fiscal Year 2012-2013 Operating and Capital Budget

Dr. Eli Capilouto, President, initiated the discussion on next year's budget by reviewing the goals to improve undergraduate education and the 150 year old campus facilities and the fiscal challenges we face. Angie Martin, Vice President for Financial Operations and Treasurer, presented a summary of the FY 2012-13 operating and capital budget. Ms. Martin acknowledged her staff for an incredible job of completing the budget under difficult circumstances. The operating budget totals \$2.6 billion, a decrease of \$80.4 million compared to the Fiscal Year 2011-2012 revised budget. Frank Shoop moved for approval. Bill Gatton seconded, and the motion for approval unanimously carried.

FCR 14 – Lease of High Performance Research Computer

Jim Stuckert recommended the acquisition of a High Performance Research Computer (Supercomputer) using a lease method of procurement. The current supercomputer lease expires August 31, 2012. A request for proposals for a new supercomputer was issued and a committee of faculty assessed the

technical and financial responses to ensure the chosen equipment will meet the needs of faculty researchers. The cost of the two-year lease/purchase is \$2.6 million (\$1.3 million annually).

The University's Debt Committee supports the lease/purchase method as it is consistent with the University's Debt Policy. The lease payment is included in the University's annual operating budget. Frank Shoop approved the motion. Jo Curriss seconded, and the motion for approval unanimously carried.

Next Meeting

Tuesday, September 11, 2012, 10:30 AM, 18th Floor Patterson Office Tower Board Room.

Respectfully submitted,

Barbara Royalty-Tatum

Barbara Royalty-Tatum