

MINUTES OF THE FINANCE COMMITTEE
University of Kentucky Board of Trustees
June 11, 2013, 11:00 AM
18th Floor Patterson Office Tower, Board Room

Committee Members Present

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

Approval of Minutes

The minutes of the May 14, 2013, Finance Committee meeting were approved as presented.

FCR 1 – The Bill Gatton Foundation Gift and Pledge

Jim Stuckert, Chair, recommended acceptance of a pledge of \$8 million from The Bill Gatton Foundation of Bristol, Tennessee, toward the construction of a new Gatton College of Business and Economics building, of which \$1.9 million has been prepaid. The gift and pledge will be used for a \$65 million redesign and expansion of the existing facilities. The expansion will allow for enrollment growth of more than 50 percent and faculty/staff growth to handle the additional students. Mr. Stuckert thanked Mr. Gatton for his continued support to the University. Pam May moved for approval. Jo Curriss seconded, and the motion for approval unanimously carried. Mr. Gatton abstained from voting.

FCR 2 – Acceptance of Interim Financial Report for the University of Kentucky for the Nine Months Ended March 31, 2013

Jim Stuckert recommended acceptance of the consolidated financial report for the nine months ended March 31, 2013. As of March 31, 2013, the University has recognized \$1.9 billion of current funds revenue representing 74 percent of the 2012-13 approved budget of \$2.6 billion. Expenses and transfers total \$1.8 billion. Frank Shoop moved for approval. Pam May seconded, and the motion for approval unanimously carried.

FCR 3 – 2012-13 Budget Revisions

Jim Stuckert asked the Finance Committee to authorize and approve a revision to the 2012-13 operating budget. The budget revision outlined will increase the University of Kentucky's total budget by \$17.7 million – from \$2,638,469,000 to \$2,656,169,000. As a result of actual student enrollment and the percentage of non-resident undergraduate students exceeding the original estimates, the University has earned over \$13.5 million of tuition revenue in excess of the budgeted amount. The funds will be used to acquire the Lexington Theological Seminary property. Intercollegiate Athletics revenue will increase \$3.0 million from departmental sales and services. These funds will be used to support the football program contractual agreements. Gifts are expected to increase by at least \$1.7 million. A \$500,000 increase in the K Fund gift revenue will be transferred to Intercollege Athletics. The increase in capital gifts (\$1.2 million) will support the Soccer Complex renovation. Jo Curriss moved for approval. Pam May seconded, and the motion for approval unanimously carried.

FCR 4 – Construct UK/Nicholasville Road Flood Mitigation

Jim Stuckert recommended that the Finance Committee approve a scope increase for the Construct UK/Nicholasville Road Flood mitigation project. On December 13, 2011, the Board of Trustees approved the Renovate UK/Nicholasville Road Flood Mitigation capital project. This project will construct improvements to provide 100-year storm (and lesser storm) mitigation for roadway and pedestrian safety. The project was initially approved for a total scope of \$8,015,463 of which 75 percent or \$6,011,597 was a federal grant from the Federal Emergency Management Agency (FEMA) and 25 percent or \$2,003,866 being the estimated in-kind value of 3.6 acres of University of Kentucky land designated for the project. As the actual appraised value of the land is \$966,141 more than originally estimated, FEMA has awarded the University an additional \$2,898,426 in federal funds. Thus, the revised scope of the project is \$11,880,030 of which \$8,910,023 is federal funds and \$2,970,007 is the in-kind value of the University's land designated for the project.

Contingent upon the Board of Trustees' approval, the scope increase will be submitted to the Capital Projects and Bond Oversight Committee. Keith Gannon moved for approval. Frank Shoop seconded, and the motion for approval unanimously carried.

FCR 5 – Easement Authorization for Columbia Gas of Kentucky for a Gas Transmission Line (C.O. Little Research Center, Woodford County, Kentucky)

Jim Stuckert recommended that the Finance Committee authorize the Executive Vice President for Finance and Administration, or his designee, be authorized to convey an easement to Columbia Gas of Kentucky for the construction, operation and maintenance of a transmission line across property owned by the University at the C.O. Little Research Center in Woodford County. The existing gas line runs diagonally across the property and will be replaced using a better route that follows the property lines. Documents to be executed by the University and Columbia Gas of Kentucky include a Memorandum of Agreement and a Grant of Easement. Bill Gatton moved for approval. Jo Curris seconded, and the motion for approval unanimously carried.

FCR 6 – Repair/Upgrade/Improve Building Systems (University of Kentucky HealthCare Good Samaritan Hospital Air Handling Units)

Jim Stuckert recommended that the Finance Committee approve the initiation of the Repair/Upgrade/Improve Building Systems – University of Kentucky HealthCare (Good Samaritan Hospital Air Handling Units) capital project. Replacement of air handling units is needed to insure patient and staff comfort and that air quality meets regulatory requirements. The scope of this project is \$2.8 million, well within the \$10 million legislative authorization and will be funded with clinical revenues. Keith Gannon moved for approval. Terry Mobley seconded, and the motion for approval unanimously carried.

FCR 7 – Patient Care Facility Project (Fit-Up Eight Floor and Central Pharmacy)

Jim Stuckert recommended approval of the initiation of fit-up of space in the new Patient Care Facility including the eight floor for inpatient services and space on the third floor for pharmacy services and increase the existing \$575.6 million scope for the facility by \$31.5 million to \$607.1 million. The estimated increase in scope to \$607.1 million is well within the total legislative authorization of \$700 million and will be funded with clinical revenues. Jo Curris moved for approval. Keith Gannon seconded, and the notion for approval unanimously carried. Pam May abstained from voting.

FCR 8 – 2014-2020 Capital Plan and 2014-2016 Capital Request

Angie Martin, Vice President for Financial Operations and Treasurer, reported that the University is required to submit a six-year capital plan to the Capital Planning Advisory Board by April 15 of each odd-numbered year. Pursuant to the University's administrative regulation, the Capital Plan and the Capital Request are reported to the Board at its April or June meeting. The submission of the Capital Plan is the first-step in obtaining required legislative authorization for any project which costs \$600,000 or more, equipment estimated to cost \$200,000 or more, and leases with an annual value of \$200,000 or more. The Board will continue to approve each capital project prior to initiation. Pam May moved for approval. Keith Gannon seconded, and the motion for approval unanimously carried.

FCR 9 – Patent Assignment Report

Jim Tracy, Vice President for Research, presented the quarterly patent report for the period of January 1 through March 31, 2013. Sixteen applications were submitted, 22 patents were issued, and patent receipts totaled \$4,656,540. There are 26 actual patents receiving income. Keith Gannon moved for approval. Pam May seconded, and the motion for approval unanimously carried.

FCR 10 – Fiscal Year 2013-2014 Operating and Capital Budget

Eric N. Monday, Executive Vice President for Finance and Administration, presented a summary of the FY 2013-14 operating and capital budget. The operating budget totals \$2.7 billion, an increase of \$71 million compared to the Fiscal Year 2012-13 revised budget. Terry Mobley moved for approval. Frank Shoop seconded, and the motion for approval unanimously carried.

Mr. Stuckert said he wished to thank the board members who have attended the educational sessions prior to the board meeting as well as those that work on the preparation of materials for the sessions.

Hearing no further business, Chair Stuckert adjourned the meeting.

Respectfully submitted,

Barbara Royalty-Tatum

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