

MINUTES OF THE FINANCE COMMITTEE
University of Kentucky Board of Trustees
May 14, 2013, 11:00 AM
18th Floor Patterson Office Tower, Board Room

Committee Members Present

James Stuckert, Chairperson, Jo Curris, Keith Gannon, Terry Mobley, and Frank Shoop

Mr. Jim Stuckert acknowledged the retirement of Christine Donahoe, Assistant Controller, after 40 years of service to the University. Mr. Stuckert congratulated Christine on behalf of the board of trustees and wished her well. Mrs. Donahoe will be retiring effective June 3, 2013.

Approval of Minutes

The minutes of the March 19, 2013, Finance Committee meeting were approved as presented.

FCR 1 – Bequests from the Estate of Dr. E. Vernon Smith (Consent)

Jim Stuckert, Chair, recommended acceptance by consent a bequest of \$500,000 from the Estate of E. Vernon Smith to add to the existing Dr. E. Vernon Smith and Eloise C. Smith Nursing Scholarship Endowment in the College of Nursing and a bequest of \$250,000 to add to the Frances Tinsley Smith and E. Vernon Smith Band Scholarship Endowment in the College of Fine Arts. Mr. Stuckert acknowledged the donors for their generous support to the University.

FCR 2 – Resolution for the Designation of an Agent for the Application of FEMA Assistance

Jim Stuckert recommended acceptance a resolution designating the Executive Vice President for Finance and Administration, to be the authorized agent for the University to execute an application with the appropriate Commonwealth of Kentucky office for the purpose of obtaining federal financial assistance under the Disaster Relief Act or otherwise available from the President's Disaster Relief Fund. The document shall be retained on file in the Office of Legal Counsel and shall be updated by the Board on an annual basis. Jo Curris moved for approval. Keith Gannon seconded, and the motion for approval unanimously carried.

FCR 3 – Authorization of Lease for Phase II-B Student Housing and to Submit an Increase in Scope for Phase II to the Capital Projects and Bond Oversight Committee

Eric N. Monday, Executive Vice President for Finance and Administration, recommended the Board of Trustees authorize the President, or his designee, to enter into a long-term lease with an affiliate of Education Realty Trust, Inc. ("EdR") guaranteed by Education Realty Operation Partnership, LP for purposes of development and management of Phase II-B of the student housing project; and that an increase in scope for Phase II to the Capital Projects and Bond Oversight Committee. The 2012 Kentucky General Assembly authorized a \$175 million total scope for Phase II (A and B). The University will request a total legislative authorization increase of \$102 million to \$277 million including up to \$68 million of private funds from EdR and up to \$34 million of University funds. The legislative authorization is simply an upper limit on the expenditure of funds for a project and does not

commit the University or EdR to expend the full amount. The authorization for use of University funds includes estimated costs for site development in Phase II-B and Phase III as well as fit-up of shell space in Phase II-A and Phase II-B. Pursuant to Administrative Regulation 8.2, any capital project with an estimated cost of \$600,000 or more will be submitted to the Board for approval prior to initiation. Pending Board approval, the University will submit an increase in the scope to the Capital Projects and Bond Oversight Committee pursuant to KRS 45.760(6). Terry Mobley moved for approval. Frank Shoop seconded, and the motion for approval unanimously carried.

FCR 4 – Approval of Lease

Jim Stuckert recommended the Board of Trustees authorize the Executive Vice President for Finance and Administration to negotiate and execute a lease between the University of Kentucky and Courtyards University of Kentucky, LLC, for space located at 845 Red Mile Road, Lexington, Kentucky. The University's housing stock currently includes 5,154 undergraduate beds and 816 efficiency one- and two-bedroom apartments for graduate students and family housing. The average age of the residence halls and apartments is 45 years and 49 years, respectively. On-campus land is limited; thus, incremental replacement of undergraduate housing is essential. The planned demolition of the Cooperstown Apartments will displace some graduate students and thus, it is recommended that the University enter into the lease to provide housing for these displaced students. The proposed lease is for 36 beds for the month of June 2013 and 196 beds for July 1, 2013 through June 30, 2014. The 196 beds are part of two and four bedroom apartments. The total cost of the proposed lease is \$1,058,400 and will be funded from the housing auxiliary revenues. Jo Curriss moved for approval. Frank Shoop seconded, and the motion for approval unanimously carried.

FCR 5 – Repair/Upgrade/Improve Mechanical Infrastructure (Replace Woodland Sanitary Sewer)

Jim Stuckert recommended approval for the repair/upgrade/improve mechanical infrastructure of the replacement of the Woodland Sanitary Sewer. The Phase II-A and Phase II-B Housing projects include replacing Cooperstown Apartments with undergraduate student residence halls. The number of students residing in this area will significantly increase, as the 314 graduate and family apartments will be replaced with 2,428 undergraduate beds. As a result, the sanitary sewer main capacity must be increased to handle the effluent discharge from these facilities. This project will replace an aged 8" clay sewer line with a 12" ductile iron line.

The scope of the project is \$1 million, well within the 2012 legislative authorization of \$26 million, and will be financed with non-recurring fund balances. Keith Gannon moved for approval. Terry Mobley seconded, and the motion for approval unanimously carried.

FCR 6 – Repair/Upgrade/Improve Civil/Site Infrastructure (Construct Cooperstown Loop Road)

Jim Stuckert recommended approval of the repair/upgrade/improve civil/site infrastructure (construct Cooperstown Loop Road) capital project. As part of the Phase II-A and Phase II-B Housing projects, the Cooperstown Apartments will be replaced with undergraduate student residence halls. A relocation of Cooperstown Drive is necessary to provide sufficient usable land for the proposed layout and improve traffic flow from Sports Center Drive. The road relocation will be included in the update of the Campus Master Plan currently underway. Frank Shoop moved for approval. Jo Curriss seconded, and the motion for approval unanimously carried.

FCR 7 – Repair/Upgrade/Improve Electrical Infrastructure Central Campus (South Central Electrical Infrastructure)

Jim Stuckert recommended approval of the repair/upgrade/improve electrical infrastructure central campus (south central electrical infrastructure) campus project. The current projects under construction and in various stages of planning will require expanded electrical capacity to meet the power needs of these facilities. This project will construct an underground duct bank and bring 12,000 volts (12kV) feeds from substation #3 to power each facility. The scope of the project is \$3.7 million, and will be financed with non-recurring fund balances. Keith Gannon moved for approval. Frank Shoop seconded, and the motion for approval unanimously carried.

FCR 8 – Renovate Robotics Building

Jim Stuckert recommended approval of an increase of funding for the renovate robotics building capital project. The Center for Biomedical Engineering (CBME) was transferred administratively to the College of Engineering effective July 1, 2010. CBME is currently in the Wenner-Gren Research Lab (completed 1941) and Wenner-Gren Addition (completed 1976). A key component of this transfer is the relocation of the CBME from the Wenner-Gren buildings to the 5th floor of the Center for Robotics and Manufacturing Systems (CRMS). The relocation is needed to take advantage of the many collaborative research opportunities between the CBME faculty and the various other Engineering faculty in and near the CRMS building. The project's objective is to renovate approximately 6,200 SF of laboratory space (includes fume hoods) to provide more contemporary research space for biomedical engineering. The total legislative authorized scope is \$3.8 million. The Board approved initiation of the project on December 11, 2012 using \$1.8 million of accumulated fund balances. At the completion of the programming phase, the construction estimate exceeded the available construction dollars by \$575,000. The Board is requested to increase the current project scope to \$2,375,000 using non-recurring fund balances. Frank Shoop moved for approval. Terry Mobley seconded, and the motion for approval unanimously carried.

FCR 9 – Easement Authorization for Lexington Fayette Urban County Government

Jim Stuckert recommended the Board of Trustees authorize the Executive Vice President for Finance and Administration to convey approximately .10 acre for a bike lane easement to the Lexington Fayette Urban County Government (LFUCG). The bike lane will be constructed by LFUCG along the east side of Rose Street between Euclid Avenue and Rose Lane at the University of Kentucky in Fayette County, Kentucky. The easement terminates and reverts to the University should the bike lane be removed. Terry Mobley moved for approval. Jo Curriss seconded, and the motion for approval unanimously carried.

FCR 10 – Repair/Upgrade/Improve Building Shell Systems Parking Garage Maintenance and Restoration

Jim Stuckert recommended approval of the initiation of the Parking Garage Maintenance and Restoration capital project. The University recently employed an engineering consultant to conduct a detailed condition assessment and structural evaluation of the eight existing campus parking structures. The consultant's report included the development of a preventative maintenance and repair program for the campus parking structures for the next ten years including specific recommendations for each parking garage during 2013. These initial repairs are intended to maintain and extend the useful life of the parking structures and are focused on areas that are the most utilized.

The estimated scope of \$1 million is well within the legislative authorization of \$10 million and will be funded from the parking auxiliary's agency funds. Keith Gannon moved for approval. Frank Shoop seconded, and the motion for approval unanimously carried.

FCR 11 – Repair/Upgrade/Expand Central Plants (Replace Cooling Tower at Medical Center Cooling Plant)

Jim Stuckert recommended approval of an increase in scope for the repair/upgrade/expand central plants (replace cooling tower at medical center cooling plant) capital project. The Medical Center Cooling Plant provides chilled water to the campus loop by operating several water cooled chillers.

The project was submitted to the Board of Trustees on December 11, 2012 with an estimated scope of \$870,000. The project has since been designed and competitive bids for the work were received on February 6, 2013. Accepting the lowest of five responsive bids will put the project \$440,000 over the original estimated amount. The revised scope totals \$1,310,000, well within the total 2012 legislative authorization of \$62 million. The costs of operating and maintaining both of the University's power plants are paid for with general, hospital, and auxiliary funds based upon usage. The project will be financed with such agency funds. Jo Curris moved for approval. Frank Shoop seconded, and the motion for approval unanimously carried.

FCR 12 – Capital Construction Report

Bob Wiseman, Vice President for Facilities Management, reported that during the quarter ending March 31, 2013, there were four new contracts; four change orders; and two contracts completed. Frank Shoop moved for approval. Terry Mobley seconded, and the motion for approval unanimously carried.

FCR 13: Authorization to Acquire the Lexington Theological Seminary

Eric N. Monday, Executive Vice President for Finance and Administration recommended that the Board authorize him to enter into a purchase agreement to acquire the Lexington Theological Seminary located at 631 South Limestone, Lexington, Kentucky, for the price of \$13.5 million. The proposed purchase price is "turnkey" and includes all of the Seminary's fixtures and furnishings with the exception of items of historical or religious significance and certain administrative office equipment.

The University and the Lexington Theological Seminary have held intermittent discussions regarding the purchase of the property for several years. Over this time, the University conducted four separate appraisals. The property is viewed as essential to the University's future growth.

The Lexington Theological Seminary sits on approximately 7.1 acres and the campus includes 131,589 gross square feet of building space including four institutional buildings, forty-four apartments, sixteen townhomes, a maintenance building and a shell building. The property has been developed in stages beginning in 1949. Additionally, the property includes a .08 acre parking lot. The Seminary currently operates as a post-secondary educational institution to prepare students for ordination as clergy.

The University needs the property to provide essential "surge" space for classrooms and offices as it begins interior campus renovations. The first use of the property will likely be surge space for the renovation and expansion of the Carol Martin Gatton Business and Economics Building.

The Lexington Theological Seminary will continue to occupy the property through December 2013 to meet fall semester educational commitments. The Seminary will remain an active educational institution in a different facility and location.

The proposed acquisition will be financed with non-recurring General Funds. Pending Board of Trustees approval, the University will finalize negotiations and enter into a purchase agreement. Frank Shoop moved for approval. Terry Mobley 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 worked 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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