

MINUTES OF THE FINANCE COMMITTEE
University of Kentucky Board of Trustees
September 10, 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 June 11, 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 of two bequests totaling \$4.2 million from the estate of Dr. E. Vernon Smith to add to the existing Dr. E. Vernon Smith and Eloise C. Smith Alzheimer's Research Endowed Chair Fund. A final bequest representing the residual of the estate is expected to be received at a later date.

FCR 2 – Barnstable Brown Foundation Gift (Consent)

Jim Stuckert recommended acceptance of a gift of \$600,000 from the Barnstable Brown Foundation of Louisville, Kentucky, to support the existing Barnstable Brown Kentucky Diabetes and Obesity Center. This gift of \$600,000 to the Barnstable Brown Kentucky Diabetes and Obesity Center will support ongoing core activities of the Center.

FCR 3 – University of Kentucky Chandler Medical Center Endowed Chair Name Change and Permanent Location

Jim Stuckert recommended approval of a request by the Kentucky Medical Services Foundation (KMSF) of Lexington, Kentucky, to change the name of the University of Kentucky Chandler Medical Center Endowed Chair to the Kentucky Medical Services Foundation Chair in Pharmacy in the College of Pharmacy. The original intent of the fund, established in 2002 under the former Medical Center Chancellor's Office, was to provide a rotating endowed chair among the health science colleges. The donor, KMSF, has requested that the endowed chair now reside in the College of Pharmacy in perpetuity. Bill Gatton moved for approval. Frank Shoop seconded, and the motion for approval unanimously carried.

FCR 4 – Dissolution of the Wellington B. Stewart Scholarship Quasi-Endowment Fund

Jim Stuckert recommended that the Finance Committee approve a request by the Board of Directors of the Fund for Advancement of Education and Research in the University of Kentucky Medical Center (The FUND) of Lexington, Kentucky, to dissolve the quasi-endowment entitled the Wellington B. Stewart Scholarship Fund, and spend remaining funds as defined by the original Scholarship guidelines.

The FUND Board of Directors approved the dissolution of the quasi-endowment at its June 2013 meeting. The quasi-endowment had a market value of \$92,067 as of June 2013, and generated spending distributions of \$3,262 in fiscal year 2013. Given the amount of the spending distribution, it no longer has a meaningful impact to medical students. Frank Shoop moved for approval. Terry Mobley seconded, and the motion for approval unanimously carried.

FCR 5 – Patient Assignment Report

Jim Tracy, Vice President for Research, presented the quarterly patent report for the period of April 1 through June 30, 2013. Seventeen applications were submitted, 30 patents were issued, and patent receipts totaled \$4,833,581. Jo Curriss moved for approval. Keith Gannon seconded, and the motion for approval unanimously carried.

FCR 6 – Disposal of Personal Property

Jim Stuckert recommended approval of a fiscal year 2013-14 plan for the routine disposal of equipment and other surplus personal property as required by the Kentucky Revised Statutes. Frank Shoop moved for approval. Bill Gatton seconded, and the motion for approval unanimously carried.

FCR 7 – Capital Construction Report

Bob Wiseman, Vice President for Facilities Management, reported that during the quarter ending June 30, 2013, there were seven new contracts; four change orders; and one contract completed. Mr. Shoop asked Mr. Wiseman to elaborate on the origin of the construction workers for the new residence halls. Mr. Wiseman noted that a large majority of workers are from Kentucky. The Commonwealth is expected to bring in \$7.7 million in state tax revenues on the projects. Mr. Shoop noted that these workers take great pride in working on these projects. Keith Gannon moved for acceptance of the report. Frank Shoop seconded, and the motion for acceptance unanimously carried.

FCR 8 – Repair/Upgrade/Improve Building Shell Systems (W.P. Garrigus Building)

Jim Stuckert recommended the finance committee approve the initiation of the Repair/Upgrade/Improve Building Shell Systems (W.P. Garrigus Building) capital project. The \$985,000 project is well within the \$10 million authorized for this infrastructure pool by the 2012 Session of the Kentucky General Assembly, and will be funded with agency funds. Jo Curriss moved for approval. Bill Gatton seconded, and the motion for approval unanimously carried.

FCR 9 – Acquire/Renovate Academic Facilities – Early Childhood Laboratories

Jim Stuckert recommended the initiation of the Acquire/Renovate Academic Facilities capital project. This project will renovate approximately 10,566 square feet of shelled space in the recently purchased Lexington Theological Seminary facilities to accommodate the College of Education's Early Childhood Laboratory. The Laboratory, currently located in the basement of the Erickson Building, educates children from six weeks of age through pre-school, and provides College of Education students with an excellent opportunity to gain invaluable field experience in early childhood teaching. The program also provides a highly valued on-campus childcare opportunity for faculty and staff.

The project scope is not expected to exceed \$3 million, well within the \$25 million legislative authorization and will be funded with a \$1 million internal loan, private gifts, and general funds. In

accordance with the University's Debt Policy, the Debt Management Committee has reviewed and supports the proposed internal loan and financing plan. Terry Mobley moved for approval. Jo Curris seconded, and the motion for approval unanimously carried.

FCR 10 – Emergency Replacement of Woodford County Feed Mill

Jim Stuckert requested that the finance committee recognize the Replacement of the Woodford County Feed Mill capital project as an emergency project and approve the initiation of the design and reconstruction of the facility.

On May 26, 2013, a fire destroyed the College of Agriculture's feed manufacturing facility located on the C.O. Little Research Center in Woodford County. The cause of the fire was undetermined. This facility was used to create precise diets suitable for research for all poultry at the Coldstream Research Center and all swine and sheep at the C.O. Little Research Center.

Contingent upon approval by the Board of Trustees, the University will report the project to the Capital Projects and Bond Oversight Committee as an emergency capital project. The scope of this project is \$3 million and will be funded from insurance proceeds. Terry Mobley moved for approval. Jo Curris seconded, and the motion for approval unanimously carried.

FCR 11 – Renovate Schmidt Vocal Arts Center

Jim Stuckert recommended the finance committee approve the initiation of the Renovate Schmidt Vocal Arts Center capital project. At its September 2008 meeting, the Board of Trustees approved the upgrade of the electrical and mechanical systems in the building. This project will renovate the rehearsal rooms, teaching studios, practice rooms, music library, and office space for staff and graduate assistants.

The estimated scope of this project is \$1.7 million and will be funded with private gifts and general fund balances. The project is legislatively authorized to be completed with agency funds. Contingent upon approval by the Board of Trustees, the University will submit the project to the Capital Projects and Bond Oversight Committee for authorization to use a combination of private and agency funds. Keith Gannon moved for approval. Frank Shoop seconded, and the motion for approval unanimously carried.

FCR 12 – Renovate Academic Facility – University Lofts

Jim Stuckert recommended approval of the initiation of the Renovate Academic Facility – University Lofts capital project, and grant an exemption from the Commonwealth of Kentucky's High Performance Building Standards pursuant to 200 KAR 6:070 Section 3(c) (Kentucky Administrative Regulation.)

At its June 2011 meeting the Board of Trustees approved the purchase of the 107,578 gross square foot University Lofts facility located at 236 Bolivar Street, Lexington, Kentucky. At that meeting, the Board also discussed needed system upgrades and renovating the facility into classrooms, class labs/studios, and office and support space for the College of Fine Arts at an estimated cost of \$8 million. The College's instructional space is currently housed in Reynolds #1 which was constructed in 1934 as a tobacco warehouse and processing facility.

Since the June 2011 Board meeting, a more detailed assessment and design have revealed that early assumptions about reliance on existing systems are not feasible. While some existing building mechanical and electrical systems will remain in service, more extensive system upgrades are necessary to handle the College's anticipated program loads and needs. The necessary system upgrades have increased the project scope to \$15 million.

The interior renovation of the facility has been designed to maximize sustainability wherever possible, but an exemption from the Commonwealth's High Performance Building Standards (200 KAR 6:070 Section 3(c)) is necessary to preserve the historical integrity of the building.

The project will be funded with accumulated fund balances. Frank Shoop moved for approval. Terry Mobley seconded, and the motion for approval unanimously carried.

FCR 13 – Repair/Upgrade/Improve Building Mechanical Systems – Fine Arts Building

Jim Stuckert recommended approval of the initiation of the Repair/Upgrade/Improve Building Mechanical Systems in the Fine Arts Building capital project. This project will replace and upgrade major mechanical systems in the Fine Arts Building, which includes replacement/upgrade of the air handling units and associated temperature controls, exhaust fans and the reheat coils.

The total scope of this project is \$4.5 million, well within the \$25 million legislative authorization. While the total project and scope is being approved at this time, the work will be phased over the next two years during the summers, and off peak times to minimize the impact to students, faculty and staff. The project will be funded with agency funds. Bill Gatton moved for approval. Jo Curriss seconded, and the motion for approval unanimously carried.

FCR 14 – Patient Care Facility Project: Phase I-E Fit-Up Ground Floor Clinical Decision Unit

Jim Stuckert recommended approval of the planning and design of the fit-up of the Clinical Decision Unit (CDU) of the Patient Care Facility and increase the existing \$607.1 million total project scope by \$500,000 to \$607.6 million.

Since the opening of the first two patient care floors in Pavilion A of the Patient Care Facility in May 2011, UK HealthCare has continued to experience strong inpatient admissions growth. This volume increase has placed substantial capacity constraints on UK inpatient hospital operations. This project will include fitting up existing ground floor shell space for the Clinical Decision Unit (CDU) to provide up to 24 CDU beds to relieve the patient load and increase throughput in the Emergency Department. This request is for design services only with an anticipated cost of \$500,000. Once the design is developed, a request to initiate construction will be submitted to the Board for consideration. The capital project scope is expected to total \$5,000,000.

The Board must approve any increase in the scope of the Patient Care Facility prior to project implementation. The estimated increase in the total project scope to \$607.6 million is well within the total legislative authorization of \$700 million. The project will be funded from UK HealthCare patient care revenues. Jo Curriss moved for approval. Bill Gatton seconded, and the motion for approval unanimously carried.

FCR 15 - University of Kentucky Ground Lease to Shriners Hospitals for Children

Jim Stuckert recommended that the President, or his designee, be authorized to enter into a long-term ground lease with Shriners Hospitals for Children (“SHC”) for the purpose of the construction of a new Shriners Hospital facility.

At the Board of Trustees meeting in September 2012, the Board approved a proposal to authorize the President to finalize a development plan under which SHC would relocate its Lexington hospital (“SHC Lexington”), and its critical children’s health care services, to the University campus.

The parties have agreed upon the key terms of a ground lease by which the University will lease land to SHC Lexington, who will develop a new facility to provide outpatient surgical services, outpatient clinics, physical therapy and other related services. All inpatient care for the children SHC Lexington serves will be provided in the Kentucky Children’s Hospital. Bill Gatton moved for approval. Frank Shoop seconded, and the motion for approval unanimously carried.

Respectfully submitted,

Barbara Royalty-Tatum

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