

MINUTES OF THE FINANCE COMMITTEE
University of Kentucky Board of Trustees
September 5, 2014 – 10:30 AM
18th Floor Patterson Office Tower, Board Room

Committee Members Present

James Stuckert, Chairperson, C.B. Akins, Sr. Jim Booth, Sheila Brothers, Bill Gatton, Kelly Holland, and Terry Mobley

Approval of Minutes

The minutes of the June 10, 2014, Finance Committee meeting were approved as presented.

Trustee Brothers requested that Andrew Blues and his staff, with Facilities Information Services, be commended for the GIS maps they have been providing to inform the board members of the physical changes being made on campus.

FCR 1 – Matthew and Jenna Mitchell Pledge (Consent)

Jim Stuckert recommended acceptance of a pledge of \$1,000,000 from Matthew and Jenna Mitchell of Lexington, Kentucky to fund capital projects in support of the Department of Intercollegiate Athletics. Coach Mitchell is the head coach of the women's basketball team and has become UK's all-time winningest women's basketball coach.

Coach and Mrs. Mitchell made this pledge to support the vision of Athletics Director Mitch Barnhart and provide funding for the Department of Intercollegiate Athletics capital projects. The \$1,000,000 pledge is scheduled to be paid in ten annual installments beginning in 2014.

FCR 2 – Roger L. Nicholson Gift and Pledge (Consent)

Jim Stuckert recommended acceptance of a gift for \$58,196.50 and a pledge of \$850,203.50 from Roger L. Nicholson of Charleston, West Virginia to support the Construct Football Training Facilities and Practice Fields capital project.

Nicholson and his family are passionate about advancing the University of Kentucky and have supported various programs over the years. The total \$908,400 gift and pledge commitment will be used toward the \$45,000,000 capital project. The remaining pledge balance of \$850,203.50 is scheduled to be paid through 2023.

FCR 3 – M. Lynn Parrish Gift and Pledge (Consent)

Jim Stuckert recommended acceptance of a gift of \$75,000 and a pledge of \$725,000 from M. Lynn Parrish of Lexington, Kentucky to fund Department of Intercollegiate Athletics capital projects. The Parrish family is devoted to UK basketball and football and have supported various programs across the University. The remaining pledge of \$725,000 is scheduled to be paid in ten annual installments beginning in 2014.

FCR 4 – L. Stanley Pigman Gift and Pledge (Consent)

Jim Stuckert recommended acceptance of a gift of \$200,000 and a pledge of \$1,220,000 from L. Stanley Pigman of Wilmington, North Carolina to create the L. Stanley Pigman Distinguished Professorship in Power and the L. Stanley Pigman Faculty Fellowship in Power in the College of Engineering.

Mr. Pigman's commitment to energy research is exemplified in his gift of \$1,000,000 to establish a Distinguished Professorship in Power at the University of Kentucky. The initial gift of \$200,000 will be followed with annual installments in 2015 through 2018 to complete the remaining pledge balance of \$800,000. Mr. Pigman further committed \$100,000 to fund the L. Stanley Pigman Faculty Fellowship in Power to be awarded to a non-tenured junior faculty member in the College of Engineering who shows promise in his or her area of interest. Pledged funds will be dispersed in annual installments 2015 through 2019. The remaining pledge balance of \$320,000 will be made in annual installments 2015 through 2020 to supplement available endowment spending distributions.

Should the donor's gifts, together with match funds and/or additional contributions, elevate the contributed value of this fund to the minimum level established by the University to permanently endow a chair position (currently \$2,000,000), the L. Stanley Pigman Distinguished Professorship in Power shall be known as the L. Stanley Pigman Chair in Power.

FCR 5 – Chris T. Sullivan Gift and Pledge (Consent)

Jim Stuckert recommended acceptance of a gift of \$500,000 and a pledge of \$500,000 from Chris T. Sullivan of Tampa, Florida to support the Construct Football Training Facilities and Practice Fields capital project. The total \$1,000,000 gift commitment will be used toward the \$45,000,000 capital project.

Mr. Sullivan is a long-time supporter of programs across the University and is very passionate about the future of the football program. The \$500,000 pledge is expected in 2015.

FCR 6 – The Estate of Maywin S. Lauderdale Gift (Consent)

Jim Stuckert recommended acceptance of a gift of \$666,000 from the Estate of Maywin S. Lauderdale to support the Robert A. and Maywin S. Lauderdale Graduate Fellowship Fund in the College of Engineering.

The gift to the Department of Civil Engineering is to specifically fund a fellowship to a master's degree candidate whose research focus is on city, county or state water supply.

FCR 7 – Approval of Deed of Conveyance to the Commonwealth of Kentucky Transportation Cabinet, Department of Highways for Highway Improvements in Trigg County, Kentucky

Jim Stuckert recommended that authorization be given to the Executive Vice President for Finance and Administration, or his designee, to negotiate and execute a Deed of Conveyance between the University of Kentucky, as Grantor, and the Kentucky Transportation Cabinet, Department of Highways, as Grantee, for the University of Kentucky's one-third interest in 1.47 acres of real property located in Trigg County, Kentucky.

Mr. James Lassiter bequeathed two parcels of real property in Trigg County, Kentucky, to Murray State University (two-thirds interest) and to the University of Kentucky (one-third interest). The Department of Highways desires to purchase these tracts for road improvements and the widening of highways US 68 and KY 80. The Department of Highways desires to enter into a Deed of Conveyance for the two tracts and has offered a total consideration of \$50,925, which will be distributed proportionate to the ownership. C.B. Akins, Sr. moved for approval. James Booth seconded, and the motion for approval carried.

FCR 8 – Authorization to Negotiate, Acquire and Renovate Academic/Administrative Space Capital Project (Employee Wellness Center) 1020 Export Street, Lexington, Kentucky

Jim Stuckert recommended approval to authorize the Executive Vice President for Finance and Administration to negotiate and acquire the building located at 1020 Export Street, Lexington, KY at a price not to exceed \$1,525,000; and, pending acquisition, approve the initiation of the Renovate Academic/Administrative Space Capital Project (Employee Wellness Center).

The proposed acquisition will be funded with a combination of agency funds and an internal loan. The loan is expected to be repaid by the College of Arts and Sciences over a period not to exceed ten years. Pursuant to the University of Kentucky Debt Policy, the Debt Management Committee has reviewed the financing plan and supports the proposed internal loan. The \$2 million renovation project will be funded with agency funds. The acquisition and renovation of the facility has been authorized by the 2014 General Assembly. Sheila Brothers moved for approval. Terry Mobley seconded, and the motion for approval unanimously carried.

FCR 9 – Improve/Upgrade Alumni Drive Capital Project

Jim Stuckert recommended approval of the initiation of the Improve/Upgrade Alumni Drive Capital Project. Alumni Drive runs east-west along the southern portion of the University between Nicholasville and Tates Creek roads. The road has two twelve-foot travel lanes with narrow three-foot shoulders for the majority of the route. Alumni Drive serves both as a local access route for the surrounding campus, and as a cut-through connector route between the two principal arterials of Nicholasville and Tates Creek roads. This capital project will address several hazardous conditions along this thoroughfare.

Currently, the right-of-way for Alumni Drive is on university-owned property. However, it is operated and maintained by the Lexington Fayette Urban County Government (LFUCG). The

University will manage this improvement project in cooperation with the LFUCG and the Kentucky Transportation Cabinet.

The Kentucky Transportation Cabinet included this project in their 2014-16 Biennial Highway Construction Plan which was authorized by the 2014 Kentucky General Assembly. The scope of the project is \$5,000,000 and will be funded with state road funds. Jim Booth moved for approval. C.B. Akins, Sr. seconded, and the motion for approval unanimously carried.

FCR 10 – Renovate/Upgrade Academic Space – Patterson Hall Capital Project

Jim Stuckert recommended approval of the initiation of the Renovate/Upgrade Academic Space – Patterson Hall Capital Project. Patterson Hall opened in 1904 as the first University of Kentucky women’s dorm. The Capital Project will renovate and upgrade this historically significant structure, integrating it into the newly developed north campus. Patterson Hall will be renovated and upgraded for use as classrooms, study areas and gathering spaces for the Living-Learning Programs. Renovations will also include some office space for functions supporting UK students. Additionally, this project will upgrade major building mechanical systems and include exterior repairs to enhance the historical integrity and ensure the longevity of the building.

By saving and rehabilitating this building, the University preserves a significant contribution to the architectural history of the campus; maintaining it for future generations of students, faculty and alumni. Kelly Holland moved for approval. Bill Gatton seconded, and the motion for approval unanimously carried.

FCR 11 – Repair/Upgrade/Expand Central Plants Capital Project (CUP Boiler Feed Water System)

Jim Stuckert recommended approval of the initiation to increase the scope from \$1,000,000 to \$1,400,000 for the Repair/Upgrade/Expand Central Plants (Cup Boiler) Capital Project.

The Central Utility Plant (CUP) on Press Avenue, Lexington, Kentucky, houses three gas boilers that furnish steam to the campus system. The current feed water system was installed when the plant was initially opened and does not have the capacity to support the plant feed water requirements when all three boilers are on-line. This project will replace the existing feed water system with an enhanced higher capacity feed water system. Sheila Brothers moved for approval. Terry Mobley seconded, and the motion for approval unanimously carried.

FCR 12 – Repair/Upgrade/Improve Building Mechanical Systems Capital Project (F. Paul Anderson Tower)

Jim Stuckert recommended approval of the initiation of Repair/Upgrade/Improve Building Mechanical Systems Capital Project (F. Paul Anderson Tower). This capital project will replace and upgrade a three-elevator system in the F. Paul Anderson Tower (Anderson Tower). The Anderson Tower is located in central campus on the engineering quadrangle, connected to the Oliver H. Raymond Civil Engineering Building and the Robotics and Manufacturing Building.

The elevators, original to the building, have had only one minor upgrade since the building's construction in 1966. The Capital Project will add emergency power and replace the existing machines, cables, controls, doors and the interiors. C.B. Akins, Sr. moved for approval. Jim Booth seconded, and the motion for approval carried.

FCR 13 – Upgrade/Renovate Space in Multi-Disciplinary Science Building Capital Project

Jim Stuckert recommended approval of the initiation of the Upgrade/Renovate Space in Multi-Disciplinary Science Building Capital Project. The Capital Project will renovate the fourth floor, or approximately 15,750 square feet, of the Multi-Disciplinary Science Building. The renovation will include reconfigured academic, administrative and support spaces; updated finishes and fixtures; and necessary upgrades to mechanical and electrical components. The renovated space will house several units, including the Disability Resource Center, the Graduate Center for Gerontology and Student Support Services. Kelly Holland moved for approval. Jim Booth seconded, and the motion for approval carried.

FCR 14 – Lease/Purchase of Defibrillator Equipment – UK HealthCare

Jim Stuckert recommended approval of the lease/purchase of defibrillator equipment. The replacement of the fleet of defibrillators is necessary to standardize the equipment to a single platform across the UK HealthCare enterprise and help ensure the highest levels of quality and safety for patients and staff. The capital lease is expected to not exceed \$2,300,000 with zero percent interest over three years.

The University's Debt Committee reviewed the capital lease and assessed the impact on the institutional debt capacity. The Debt Committee has determined that acquisition of these items by lease/purchase is consistent with the University's Debt Policy. Jim Booth moved for approval. Terry Mobley seconded, and the motion for approval carried.

FCR 15 – Construct/Expand/Renovate Ambulatory Care Facility – UK HealthCare Capital Project (Kentucky Clinic Medical Plaza Second Floor)

Jim Stuckert recommended approval of the construct/expand/renovate ambulatory care facility – UK HealthCare Capital Project (Kentucky Clinic Medical Plaza Second Floor). This project will renovate the areas currently occupied by the Department of Medicine and the Department of Urology clinics located in the Kentucky Clinic Medical Plaza Building. The Department of Urology Clinic's patient load has significantly expanded since its last renovation in 2002, thus requiring expanded updated space. While the Department of Medicine Clinics has had some minor renovations and refurbishments, there have not been any major renovations since the original construction in 1983. This renovation and expansion will create more usable exam rooms, enhance patient and staff circulation, improve waiting areas and upgrade the HVAC systems to current standards. These improvements will allow the consolidation of clinical services resulting in more efficient operations necessary to manage the increasing volume of patients. Sheila Brother moved for approval. Bill Gatton seconded, and the motion for approval carried.

FCR 16 – Construct/Expand/Renovate Ambulatory Care Facility – UK HealthCare Capital Project (Pediatric Hematology/Oncology – Pavilion H)

Jim Stuckert recommended approval of the initiation of the Construct/Expand/Renovate Ambulatory Care Facility – UK HealthCare Capital Project (Pediatric Hematology/Oncology Pavilion H). Pediatric Hematology/Oncology services are currently located on the second floor of the Kentucky Clinic. This capital project will renovate space on the fourth floor of Pavilion H to relocate Pediatric Hematology/Oncology services. The renovation will create pediatric exam room space and locate Pediatric Hematology/Oncology services in proximity to other pediatric services also on the fourth floor of Pavilion H, resulting in enhanced overall coordinated care for children. Kelly Holland moved for approval. Jim Booth seconded, and the motion for approval carried.

FCR 17 – Repair/Upgrade/Improve Building Systems – UK HealthCare Capital Project (Good Samaritan Hospital – Replace Electric Switchgear)

Jim Stuckert recommended approval of the initiation of Repair/Upgrade/Improve Building Systems – UK HealthCare Capital Project (Good Samaritan Hospital – Replace Electric Switchgear).

This Capital Project will replace a portion of the electric switchgear located in the Good Samaritan Hospital. The electric switchgear, original to the hospital building, controls the distribution of electricity throughout the facility. A portion of the switchgear is susceptible to failure and replacement is critical to ensure reliable electrical service for patient care and to meet regulatory requirements. The capital project also includes re-circuiting several crucial services to minimize downtime during the switchgear replacement. This project has been authorized by the 2014 Session of the Kentucky General Assembly as part of a \$20,000,000 infrastructure pool for the UK HealthCare facilities. The project scope is \$1,500,000 and will be funded with agency funds. C.B. Akins, Sr. moved for approval. Sheila Brothers seconded, and the motion for approval carried.

FCR 18 – Repair/Upgrade/Improve Building Systems – UK HealthCare Capital Project (Pavilion HA Air Handling Unit #9)

Jim Stuckert recommended approval of the initiation of the Repair/Upgrade/Improve Building Systems – UK HealthCare Capital Project (Pavilion HA Air Handling Unit #9).

This project will replace the air handling unit (AHU) #9 in Pavilion HA of the Chandler Hospital. This AHU is 26 years old and in poor mechanical condition. The project has been authorized by the 2014 Session of the Kentucky General Assembly as part of a \$20,000,000 infrastructure pool for UK HealthCare facilities. The project scope is \$2,000,000 and will be funded with agency funds. Terry Mobley moved for approval. Jim Booth seconded, and the motion for approval carried.

FCR 19 – Repair/Upgrade/Improve Building Systems – UK HealthCare Capital Project (Good Samaritan Hospital Air Handling Units #20 and#22)

Jim Stuckert recommended approval of the initiation of repair/upgrade/improve building systems – UK HealthCare capital project (Good Samaritan Hospital air handling units #20 and #22). Patient areas on the ground and first floors are heated and cooled by air handling unit (AHU) #20, while the first floor kitchen area is serviced by AHU #22. These units are 38 years old, in poor mechanical condition, and do not provide sufficient airflow to meet current code requirements.

This project has been authorized by the 2014 Session of the Kentucky General Assembly as part of a \$20,000,000 infrastructure pool for UK HealthCare facilities. The project cope is \$1,500,000 and will be funded with agency funds. Bill Gatton moved for approval. Jim Booth seconded, and the motion for approval carried.

FCR 20 – Authorization for Disposal of Surplus Equipment

Jim Stuckert recommended approval of authorization for the sale of hospital-owned infusion pump and wound vacuum clinical equipment assets to Universal Hospital Services (UHS), a medical equipment management solutions provider specializing in equipment-based patient care solutions. The method of disposal will be a cash transaction totaling \$4,361,470 which will exceed the net book value of the equipment at the time of disposal.

The assets to be sold to UHS will be used within their Asset360 equipment management program and provided to UK HealthCare. UHS was selected as the provider of the equipment management services via a competitive bid process. The program combines technology, manpower and data to improve patient safety and clinical efficiency with regard to equipment distribution so that clinicians have the required equipment delivered and available for patients in a timely manner. Sheila Brothers moved for approval. Terry Mobley seconded, and the motion for approval carried.

FCR 21 – A Resolution Providing for the Authorization, Issuance and Sale of General Receipts Obligations of the University of Kentucky, Pursuant to the Trust Agreement Dated as of November 1, 2005

Jim Stuckert recommended approval of a resolution authorizing the issuance, in one or more installments, of General Receipts Bonds in an approximate principal amount of \$379 million, and General Receipts Refunding Bonds in the principal amount or respective principal amounts required to accomplish the refunding of the Consolidated Educational Buildings Revenue Bonds, Series U, dated August 23, 2005 (the "Prior Bonds"), to be designated as "University of Kentucky General Receipts Bonds" or "University of Kentucky General Receipts Refunding Bonds," with such series designation that is appropriate to the order of issuance thereof (the "HealthCare Facilities, Student Center and Refunding Obligations"), and to be dated as of a date determined by the Treasurer. Bill Gatton moved for approval. Terry Mobley seconded, and the motion for approval seconded.

FCR 22 – A Resolution Providing for the Authorization to Enter Into an Agreement with PNC Bank to Issue a Standby Letter of Credit for the University of Kentucky on Behalf of Central Kentucky Management Services, Inc. in Favor of Safety National Casualty Corporation

Jim Stuckert recommended the acceptance of a resolution authorizing the Treasurer to enter into an agreement with PNC Bank for a Standby Letter of Credit in the amount of \$250,000, the applicant being The University of Kentucky on behalf of Central Kentucky Management Services, Inc. (“CKMS”), naming Safety National Casualty Corporation (SN) as sole beneficiary and also authorizing the Treasurer to execute the appropriate documents. The Letter of Credit will have a term of a minimum of one (1) year and will be automatically extended (without amendment) on an annual basis.

In June 2014, CKMS employees were included in the University of Kentucky’s self-insured workers’ compensation authorization. Subsequently the Kentucky Department of Workers’ Claims determined that given the use of CKMS employees to staff Eastern State Hospital, the University could not be include the CKMS employees in the University’s self-insured program and CKMS would have to obtain commercial insurance. On August 1, 2014, CKMS selected a large deductible workers’ compensation policy from SN. Pursuant to the policy, SN pays the claims and is then reimbursed by CKMS for the workers’ compensation claims and related expenses. SN requires security for this arrangement in the form of a Standby Letter of Credit with the applicant being the University of Kentucky on behalf of Central Kentucky Management Services, in the amount of \$250,000. Sheila Brothers moved for approval. Jim Booth seconded, and the motion for approval carried.

FCR 23 – Renovate/Replace Playing Field – Commonwealth Stadium Capital Project

Jim Stuckert recommended approval of the initiation of the Renovate/Replace Playing Field – Commonwealth Stadium Capital Project. Commonwealth Stadium’s playing surface has not been completely renovated since 2001. This project will renovate and replace the natural grass playing surface with a synthetic “in-fill” type surface for the Department of Intercollegiate Athletics football program.

The project, in conjunction with the planned football training complex relocation east of the Stadium, will provide a more versatile competition and practice facility. Additionally, the field will be used to support University student-athletes participating in other sports as the new, more durable surface will allow additional events to be scheduled in Commonwealth Stadium which are not possible on the existing playing surface. Terry Mobley moved for approval. C.B. Akins, Sr. seconded, and the motion for approval carried.

FCR 24 – Fiscal Year 2014-15 Budget Revisions

Jim Stuckert recommended approval of the 2014-15 budget revisions. The budget revisions will increase the University’s total budget by \$1,994,300 from \$3,010,837,600 to \$3,012,831,900. Sheila Brothers moved for approval. Kelly Holland seconded, and the motion for approval carried.

FCR 25 – Capital Construction Report

Eric Monday, Executive Vice President for Finance and Administration, introduced the new Vice President for Facilities Management, Mary Vosevich.

Mr. Monday reported that for the three months ending June 30, 2014, there were 13 new contracts, five contracts completed, and twenty change orders. C.B. Akins, Sr. moved for approval. Bill Gatton seconded, and the motion for approval unanimously carried.

FCR 26 – Patent Assignment Report

Dr. Lisa Cassis, Interim Vice President for Research, presented the patent assignment report for the period of April 1 through June 30, 2014. During this period, 23 applications were submitted, 30 patents were issued, and patent receipts totaled \$3,317,184.82. Terry Mobley moved for approval. Sheila Brothers seconded, and the motion for approval unanimously carried.

Hearing no further business, Chair Stuckert adjourned the meeting.

Respectfully submitted,

Barbara Royalty-Tatum

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