

Minutes of the Finance Committee Meeting
University of Kentucky Board of Trustees
June 21, 2019

The Finance Committee of the University of Kentucky Board of Trustees met on Friday, June 21, 2019 in the Lewis Honors College.

A. Meeting Opened

Chair Booth called the meeting to order at 11:25am. Chair Booth asked Ms. Heeter, secretary to the Finance Committee, to call the roll.

B. Roll Call

The following members of the Finance Committee answered the call of the roll: James Booth, Jennifer Barber, Lee Blonder, Michael Christian, Kim McCann, Elizabeth McCoy, Dave Melanson, Derrick Ramsey, and Frank Shoop. Ms. Heeter announced that a quorum was present.

C. Approval of Minutes

Chair Booth asked if there were any corrections to the minutes from the April 30, 2019, meeting which were distributed. Trustee McCoy made a motion to approve the minutes. Trustee Shoop seconded the motion. The motion carried without dissent.

D. Business Items

FCR 1 Pledge from Jim Beam Brands Company

The recommendation seeks acceptance of a pledge of \$5,000,000 from Jim Beam Brands Company. The University will use up to \$4,000,000 of the gift to construct a new building on the University of Kentucky's campus to house the College of Agriculture, Food, and Environment's Institute for Kentucky Spirits. The remaining \$1,000,000 gift and any residual amounts from the construction of the new building will be used to establish an endowed fund named the "James B. Beam Institute for Kentucky Spirits Endowment" to support the operation of the Institute. Trustee Shoop made a motion to accept FCR 1. Trustee Barber seconded the motion. The motion carried without dissent.

FCR 2 Gifts from the Estate of Hazel Clay Arnold

The recommendation seeks acceptance of gifts totaling \$1,139,145 from the estate of Hazel Clay Arnold to support academic scholarships. Hazel Clay Arnold was a native of Franklin County, Kentucky and graduated from the University with a bachelor's degree in Education in 1946. She was an educator in the Franklin County School System where she taught shorthand and business classes until her retirement in 1977. The University was notified of Ms. Arnold's

gifts upon her death. Trustee Christian made a motion to accept FCR 2. Trustee Ramsey seconded the motion. The motion carried without dissent.

FCR 3 Pledge from the Don Jacobs, Sr. Charitable Foundation, Inc.

The recommendation seeks acceptance of a \$1,000,000 pledge from the Don Jacobs Sr. Charitable Foundation, Inc. to establish the endowed distinguished professorship fund named the “Don and Cathy Jacobs Distinguished Professorship in Health Policy Research” in the College of Medicine. In 2016, the Don Jacobs, Sr. Charitable Foundation, Inc. pledged \$8 million to support the College of Arts and Sciences’ Don & Cathy Jacobs Science Building. Don and Cathy Jacobs, together with the Don Jacobs, Sr. Charitable Foundation, Inc. have made over \$21,000,000 in charitable commitments to the University. Trustee McCoy made a motion to accept FCR 3. Trustee Barber seconded the motion. The motion carried without dissent.

FCR 4 Amendment to the Keeneland Professorship in Equine Veterinary Science Fund and New Pledge from Keeneland and Association, Inc.

The recommendation seeks approval of an amendment to the Keeneland Professorship in Equine Veterinary Science fund and acceptance of a new pledge of \$1,300,000 from Keeneland Association, Inc. In 1990, Keeneland Association, Inc. pledged \$1,000,000 to establish the endowed “Keeneland Professorship in Equine Veterinary Science” in what is now the College of Agriculture, Food, and Environment. At its August 1997 meeting, the Board of Trustees approved the reclassification of the professorship to an endowed chair. This amendment renames the fund the “Keeneland Association Chair in Equine Veterinary Science”. Trustee Blonder made a motion to accept FCR 4. Trustee Shoop seconded the motion. The motion carried without dissent.

FCR 5 Pledge from the Joseph W. Craft III Foundation

The recommendation seeks acceptance of a pledge of \$3,000,000 (which includes \$1,000,000 in payments received) from the Joseph W. Craft III Foundation to support the Institute for the Study of Free Enterprise in the Gatton College of Business and Economics. Mr. Craft received a bachelor’s degree in Accounting from the University of Kentucky College of Business and Economics in 1972 and a Juris Doctor from the University of Kentucky College of Law in 1976. He has generously supported the College of Engineering, Kentucky Children’s Hospital, and UK Athletics among other University endeavors. Trustee Barber made a motion to accept FCR 5. Trustee McCoy seconded the motion. The motion carried without dissent.

FCR 6 Establishment of the University of Kentucky Research Foundation Myron and Elaine Jacobson Innovation Quasi-Endowment Fund

The recommendation seeks approval to establish the University of Kentucky Research Foundation Myron and Elaine Jacobson Innovation Quasi-Endowment Fund. Dr. Elaine Jacobson was a faculty member in the University’s College of Health Sciences from 1992 to

2000. Her husband Dr. Myron Jacobson, joined the faculty at the University's College of Pharmacy in 1992 and was Director of the Division of Medicinal Chemistry and Pharmaceutics until 1998. The Jacobsons collaborated on extensive research on niacin and niacin-derived molecules in human health.

University of Kentucky Research Foundation (UKRF), consistent with the practice of other research foundations, desires to use the funds it retains from royalties in the amount of \$600,000 to establish the University of Kentucky Research Foundation Myron and Elaine Jacobson Innovation Quasi-Endowment Fund to support initiatives promoting the commercialization of research, ideas, products, methods, and applications generated by faculty, administration, and professional staff in the College of Health Sciences. At its June 3, 2019 meeting, the UKRF Board of Directors approved the creation of this endowment. Trustee Christian made a motion to accept FCR 6. Trustee Barber seconded the motion. The motion carried without dissent.

FCR 7 Establishment and Liquidation of Quasi-Endowment Funds

The recommendation seeks authorization for the Executive Vice President for Finance and Administration to approve establishment and liquidation of individual quasi-endowment funds valued at less than \$1,000,000. Trustee Shoop made a motion to accept FCR 7. Trustee McCoy seconded the motion. The motion carried without dissent.

FCR 8 Acceptance of Interim Financial Report for the Nine Months Ended March 31, 2019

The recommendation seeks acceptance of the consolidated financial report for the nine months ended March 31, 2019. The University has recognized \$2,861,544,351 of current funds revenue representing 73 percent of the approved budget of \$3,930,787,600. Expenses and transfers total \$2,753,914,933 representing 70 percent of the approved budget. Trustee Ramsey made a motion to accept FCR 8. Trustee Christian seconded the motion. The motion carried without dissent.

FCR 9 A Resolution Providing for the Authorization, Issuance, and Sale of General Receipts Refunding Obligations of the University of Kentucky, Pursuant to the Trust Agreement Dated as of November 1, 2005

The recommendation seeks approval of the issuance of Refunding Obligations for the purpose of refunding Prior Obligations between July 1, 2019 and June 30, 2020 when favorable financial results may be realized through redeeming and refunding the Prior Obligations. The Resolution also approves the offering for sale of the Refunding Obligations in one or more installments, on a date or dates to be determined by the Treasurer of the University, upon the advice of the Financial Advisor to the University. The Resolution further authorizes the acceptance of the bid or bids for the sale of the Refunding Obligations by the Treasurer. Trustee McCoy made a motion to accept FCR 9. Trustee Shoop seconded the motion. The motion carried without dissent.

Before considering FCRs 10 and 11, the floor was yielded to Angie Martin, Vice President for Financial Planning and Chief Budget Officer.

Ms. Martin started by acknowledging all the University employees who have been involved in assembling this budget. Ms. Martin discussed the principles behind the budget development: student access and affordability; competitive pay for faculty and staff; strategic planning to prevent across-the-board cuts; maintain and enhance academic quality; and build a community of belonging. Ms. Martin reviewed the proposed budget and the 2019-2020 Tuition and Mandatory Fees schedule in detail.

FCR 10 Academic Year 2019-20 Tuition and Mandatory Fees Schedule

The recommendation seeks approval of the Academic Year 2019-20 Tuition and Mandatory Fees Schedule and authorizes the President to submit the schedule to the Council on Postsecondary Education. Trustee Melanson made a motion to accept FCR 10. Trustee Barber seconded the motion. The motion carried without dissent.

FCR 11 Fiscal Year 2019-20 Operating and Capital Budget

The recommendation seeks approval of the Fiscal Year 2019-20 Operating and Capital Budget of \$4,190,939,600, an increase of \$262,964,500, or 6.7 percent, compared to the Fiscal Year 2018-19 revised budget. Trustee Ramsey made a motion to accept FCR 11. Trustee Christian seconded the motion. The motion carried without dissent.

FCR 12 Disposal of Personal Property

The recommendation seeks the approval for Fiscal Year 2019-20 authorizing 1) routine disposition of personal property having a value less than \$25,000 to include equipment and machinery; miscellaneous supplies and furnishings; vehicles; library books and material; livestock and other agricultural commodities and products; recyclable materials; items with no possible future use; and equipment acquired as part of the Smart Campus Initiative; and 2) the methods of disposal as listed on the attachment. Trustee Barber made a motion to accept FCR 12. Trustee Shoop seconded the motion. Trustee McCoy abstained from voting. The motion carried without dissent.

FCR 13 Approval of Premises Lease (Alpha Gamma Rho Fraternity)

The recommendation authorizes the Executive Vice President for Finance and Administration to negotiate and execute a ground lease between the University of Kentucky and Alpha Gamma Rho House, Inc. for 470 Rose Lane in the University of Kentucky's Greek Park. The Board of Trustees previously approved the construction of a 21,000 square foot, 42-bed house at it June 19, 2015 meeting and later revised the funding at the May 3, 2016 meeting. The initial term of the lease is 10 years with three renewal options of 30 years each. A house director will oversee the students living in the house. Trustee McCoy made a motion to accept FCR 13. Trustee McCann seconded the motion. The motion carried without dissent.

FCR 14 Acquire Telemedicine/Virtual Intensive Care Unit Information Technology Capital Project

The recommendation seeks approval to initiate the acquisition of the UK Telehealth/Virtual ICU Information Technology Capital Project with an \$8,000,000 project scope. Implementation of this project will allow improved care for UK HealthCare's most critically ill patients, shorter patient length of stay, increased internal capacity, and reduced costs. Trustee Barber made a motion to accept FCR 14. Trustee Ramsey seconded the motion. The motion carried without dissent.

FCR 15 Authorization of Lease for UK HealthCare Specialty Pharmacy

The recommendation seeks authorization for the Executive Vice President for Finance and Administration to negotiate and execute a building lease between the University of Kentucky and Wellington Properties III LLC at 531 Wellington Way in Lexington, Kentucky to be used by UK HealthCare Specialty Pharmacy Services. A specialty pharmacy is a state-licensed pharmacy that solely or largely provides only medications for people with serious health conditions requiring complex therapies. The space at Chandler Hospital Pavilion H can no longer facilitate the 20 percent annual growth rate of the specialty pharmacy. In addition, non-oncology infusion services, which represents a growing subset of specialty pharmacy, will be moved from the Gill Building to the new specialty pharmacy location at 531 Wellington Way. Trustee Christian made a motion to accept FCR 15. Trustee Barber seconded the motion. The motion carried.

FCR 16 Approval of Improvements for the University of Kentucky Center on Drug and Alcohol Research

FCR 16 seeks approval of payment for improvements to leased space at 845 Angliana Avenue in Lexington Kentucky to be used by the UK Center on Drug and Alcohol Research (CDAR). A need has been identified to provide additional space to support the CDAR following its Federal grant award of more than \$87,000,000 to reduce opioid overdose deaths by 40 percent in 16 counties that represent more than a third of Kentucky's population. The lease will, at a minimum, double the size of the current CDAR space and will include administrative, faculty, and clinical outpatient space. Improvements to the space, estimated to be just under \$1,000,000, are necessary to support the profoundly important and ambitious goal of this study. Trustee Barber made a motion to accept FCR 16. Trustee McCoy seconded the motion. The motion carried without dissent.

FCR 17 Renovate Warehouse Space (Phase Two) Capital Project

The recommendation seeks approval of the second phase of the Renovate Warehouse Space Capital project with a scope not to exceed \$1,300,000. The first phase of renovations included life safety and code improvements, security upgrades, roof repairs, data installation, and general maintenance repairs. Multiple groups have been relocated to the space including Stores, Surplus, Trucking and Recycling, UK HealthCare, and others. This next phase will

continue general improvements and fit-up space for relocation of postal services. Trustee Christian made a motion to accept FCR 17. Trustee Ramsey seconded the motion. The motion carried without dissent.

FCR 18 Repair/Upgrade/Expand Central Plant Cooling Plant #1 Tower Replacement

The recommendation seeks approval to initiate the Repair/Upgrade/Expand Central Plant, Cooling Plant #1 Tower Replacement Capital Project, located at 195 Hospital Drive. This utility plant is one of five integrated plants in a shared utility distribution system. As a result, any facility connected to the system can be served by any of these plants. These particular existing cooling towers have deteriorated to the point that the plant cannot achieve its rated capacity. The new towers will improve plant efficiency and reduce energy consumption. The project will be completed in phases over four years ensuring that this chilled water plant is always available. This \$15,000,000 project will be funded with agency funds. Trustee Christian made a motion to accept FCR 18. Trustee McCoy seconded the motion. The motion carried without dissent.

FCR 19 Renew/Modernize Facilities-Scovell Hall (Design Only) Capital Project

FCR 19 seeks approval to initiate the design phase of the Renew/Modernize Facilities-Scovell Hall Capital Project and declare official intent to reimburse the capital expenditures from a future debt obligation. Scovell Hall will be modernized for use by the College of Public Health allowing the College to consolidate from multiple locations on campus and provide needed room for program expansion. Trustee McCoy made a motion to accept FCR 19. Trustee McCann seconded the motion. The motion carried without dissent.

FCR 20 Upgrade/Renovate/Expand Research Labs Capital Project (Lee T. Todd Jr. Building Fifth Floor Laboratory Renovation)

The recommendation seeks approval to initiate the Upgrade/Renovate/Expand Research Labs (Lee T. Todd Jr. Building Fifth Floor Renovation) Capital Project. This Project will renovate laboratories on the west end of the fifth floor of the Lee T. Todd Jr Building to include the installation of up to 12 additional fume hoods. The introduction of medicinal chemistry and pharmaceuticals research into this area results in greater demand for fume hood capacity. The scope of this project is \$1,500,000 and will be funded with agency funds. Trustee Blonder made a motion to accept FCR 14. Trustee Christian seconded the motion. The motion carried without dissent.

FCR 21 Capital Construction Report

The recommendation seeks acceptance of the quarterly Capital Construction Report. The Committee yielded the floor to Mary Vosevich, Vice President for Facilities Management.

Ms. Vosevich reported that for the quarter ending March 31, 2019, there were seven new contracts, one completed project, three amendments, and 11 change orders greater than

\$25,000. Trustee Barber made a motion to accept FCR 21. Trustee Melanson seconded the motion. The motion carried without dissent.

FCR 22 Patent Assignment Report

The recommendation seeks acceptance of the quarterly Patent Assignment Report. The Committee yielded the floor to Dr. Lisa Cassis, Vice President for Research.

Dr. Cassis presented the Report for the period January 1, 2019 to March 31, 2019. During this period, seven full applications were submitted, 10 provisional patent applications were submitted, seven patents were issued, and licensing income totaled \$1,149,705.55. Trustee Barber made a motion to accept FCR 22. Trustee Melanson seconded the motion. The motion carried without dissent.

E. EVPFA Report

The next order of business was a report from the Executive Vice President for Finance and Administration, Dr. Eric Monday.

In accordance with FCR 5, approved at the June 19, 2015 Board meeting, Dr. Monday reviewed the University's active Letters of Credit and stated that the University has four outstanding Letters of Credit related to the insurance coverage for Eastern State Hospital employees, who are employed by Central Kentucky Management Services.

Dr. Monday informed the Committee that FCR 11, approved at the April 30, 2019 Board meeting, granted permission to execute a lease for UK HealthCare IT. A lease has not yet been executed. When the lease is executed, an update will be provided to the Board.

Finally, Dr. Monday acknowledged John Herbst, Executive Director of the Gatton Student Center. Effective July 4, 2019, John will retire from the University after 45 years of dedicated service to the institution. Jim Wims will serve as the Interim Student Center Director. Jim has served the institution in various capacities for nearly 23 years.

F. Other Business

G. Meeting Adjourned

Hearing no further business, the meeting was adjourned at 12:25pm.

Respectfully submitted,



Brenda Heeter
Finance Committee Secretary