

Minutes of the Finance Committee Meeting
University of Kentucky Board of Trustees
September 11, 2020

The Finance Committee of the University of Kentucky Board of Trustees met on Friday, September 11, 2020, via Zoom.

A. Meeting Opened

Chair Kimberly McCann called the meeting to order at 11:45 am. Chair McCann asked Ms. Brenda Heeter, secretary to the Finance Committee, to call the roll.

B. Roll Call

The following members of the Finance Committee were present: Cathy A. Black, Lee X. Blonder, Michael A. Christian, Kimberly McCann, Elizabeth McCoy, Derrick K. Ramsey and C. Frank Shoop. Carol Martin "Bill" Gatton was not in attendance. Ms. Heeter announced that a quorum was present.

C. Approval of Minutes

Chair McCann asked if there were any corrections to the minutes from the June 19, 2020 meeting, which were distributed. Trustee Ramsey made a motion to approve the minutes. Trustee McCoy seconded the motion. The motion carried without dissent.

D. Business Items

FCR 1 TRUST GIFT FROM THE ESTATE OF EMOGENE CARR CARTER

The recommendation seeks acceptance of gifts totaling \$2,397,809.73 from the Emogene Carr Carter Revocable Living Trust to establish and support the "Wilbur E. and Emogene C. Carter Scholarship Fund," an endowed scholarship fund in the university's Office of Academic Scholarships. Emogene Carr Carter (1920-2018) and her husband, Wilbur 'Bill' Carter (1920-1998), lived in Harlan County, Kentucky for many years. Emogene graduated from Eastern Kentucky University and was a teacher in Harlan County, Kentucky until she retired. Bill was a self-taught mining engineer and surveyor. The Carters believed that a good education could enhance quality of life and upward mobility and wished to extend that opportunity to Harlan County, Kentucky students. The "Wilbur E. and Emogene C. Carter Scholarship Fund" will be used to award one or more annual undergraduate, graduate and/or professional scholarships to students at the university who graduated from Harlan County High School in Harlan, Kentucky. Trustee Ramsey made a motion to accept FCR 1. Trustee McCoy seconded the motion. The motion carried without dissent.

FCR 2 PLEDGE FROM INDEPENDENT STAVE COMPANY, LLC

The recommendation seeks acceptance of a \$1,000,000 pledge from Independent Stave Company, LLC. The university will use as much of the gift as is required to construct

a spirits maturation research and barrel storage facility in support of the College of Agriculture, Food and Environment's bourbon whiskey production research and maturation science initiatives at the James B. Beam Institute for Kentucky Spirits. Any residual amounts remaining from the construction of the new barrel storage facility will be used to support the maintenance and operation of the facility. In the event at least \$25,000 of the gift is available or outstanding, an endowed fund named the "Independent Stave Company-Boswell Family Barrel Warehouse Fund" shall be established with the balance, along with any future gift payments, to provide long-term operations and maintenance support for the facility.

The only one of its kind in the United States, the barrel warehouse facility will have a 600-barrel capacity and become an interactive classroom and laboratory where students and scientists can conduct spirits research and engage in hands-on learning experiences. In recognition of Independent Stave Company, LLC's pledge, the university will name the new barrel storage facility the "Independent Stave Company-Boswell Family Barrel Warehouse." Trustee Black made a motion to accept FCR 2. Trustee Shoop seconded the motion. The motion carried without dissent.

FCR 3 Approval of Lease for Barnstable Brown Diabetes Center Clinic

The recommendation seeks authorization for the Executive Vice President for Finance and Administration to negotiate and execute a lease for the Barnstable Brown Diabetes Center Clinic for UK HealthCare (UKHC). UKHC recommends leasing space located at 2195 Harrodsburg Road, Lexington, KY from the Kentucky Medical Services Foundation, Inc.

The Barnstable Brown Diabetes Center Clinic requires suburban space off campus to accommodate their high patient volume, easy access (parking, entryway, check-in) and proximity to lab, pharmacy and radiology in the same building. The leased space will comprise approximately 18,745 square feet with an annual rent not to exceed \$600,000 to be funded with agency funds. Trustee Shoop made a motion to accept FCR 3. Trustee McCoy seconded the motion. The motion carried without dissent.

FCR 4 Approval of Lease for Family and Community

The recommendation seeks authorization for the Executive Vice President for Finance and Administration to negotiate and execute a lease for Family and Community Medicine for UK HealthCare (UKHC). UKHC recommends leasing space located at 2195 Harrodsburg Road, Lexington, KY from the Kentucky Medical Services Foundation, Inc.

The Family and Community Medicine clinic requires suburban space off campus to accommodate their high patient volume, easy access (parking, entryway, check-in) and proximity to lab, pharmacy and radiology in the same building. The leased space will comprise approximately 18,420 square feet with an annual rent not to exceed \$600,000 to be funded with agency funds. Trustee Shoop made a motion to accept FCR 4. Trustee Blonder seconded the motion. The motion carried without dissent.

FCR 5 Approval of Lease for Psychiatry Outpatient Clinic

The recommendation seeks authorization for the Executive Vice President for Finance and Administration to negotiate and execute a lease for the Psychiatry Outpatient Clinic for UK HealthCare (UKHC). UKHC recommends leasing space located at 245 Fountain Court, Lexington, KY from the Kentucky Medical Services Foundation, Inc.

The Psychiatry Outpatient Clinic requires suburban space off campus to accommodate their high patient volume and to provide easy access to the clinic (parking and direct elevator to lobby access). The leased space will comprise approximately 28,331 square feet with an annual rent not to exceed \$860,000 to be funded with agency funds. Trustee Shoop made a motion to accept FCR 5. Trustee McCoy seconded the motion. The motion carried without dissent.

FCR 6 Approval of Lease for Sanders-Brown Center on aging, Alzheimer's Disease Research Center

The recommendation seeks approval to authorize the Executive Vice President for Finance and Administration to negotiate and execute a building lease between the University of Kentucky (UK) and a lessor to be selected for an appropriate location in Lexington, Kentucky, to be used by the UK Sanders-Brown Center on Aging, Alzheimer's Disease Research Center.

For more than 30 years, the Alzheimer's Disease Research Center has developed a vigorous program in the clinical, neuropathological, educational and research aspects of Alzheimer's disease that serves as a critical resource for the university, community, state and nation. The current clinic location is unable to accommodate the continued growth of clinical studies and patient population (60 percent increase over the last two years), or the Center's research funding (230 percent increase over the last two years). New space is needed to meet demand and to provide a convenient location for research volunteers and clinic patients to access services provided by UK HealthCare.

After careful review and consideration of all responses to the university's request for proposal, the university will select the most cost-effective response that is in its best interest. The lease is not expected to exceed 19,000 square feet of administrative, research and outpatient space with an annual cost not to exceed \$600,000. Trustee Shoop made a motion to accept FCR 6. Trustee Ramsey seconded the motion. The motion carried without dissent.

FCR 7 Renovate/improve nursing units – UK Healthcare (Pav H 3rd floor Behavioral Health) Capital Project

The recommendation seeks approval to initiate the Renovate/Improve Nursing Units - UK HealthCare (Pav H 3rd Floor Behavioral Health) Capital Project. This project will relocate Adolescent Behavioral Health from UK Good Samaritan Hospital to Albert B. Chandler Hospital so that it will better align with services available at the Kentucky Children's Hospital (also located within the Albert B. Chandler Hospital). This project will

provide modifications and safety upgrades to a space that was previously used as a behavioral health unit.

This \$6,000,000 project, authorized by the 2020 Kentucky General Assembly, is within the total legislative authority of \$7,000,000 and will be funded with agency funds. Trustee McCoy made a motion to accept FCR 7. Trustee Black seconded the motion. The motion carried without dissent.

FCR 8 Improve Electrical Infrastructure (AG North and South Complex)

The recommendation seeks approval to initiate the Improve Electrical Infrastructure (AG North /South Complex) Capital Project. The Agriculture North and South Complex and surrounding areas need significant high voltage infrastructure upgrades. This project will replace the electrical service utility infrastructure and related electrical distribution equipment associated with the Agriculture Science Complex section of campus that is located along Cooper Drive and Farm Road between Nicholasville Road and University Drive. The related equipment, raceway and cabling equipment must be replaced as it has exceeded its recommended service life. The project will provide additional capacity to support future campus development, and the upgraded electrical infrastructure will conform to the university's current construction standards. Trustee Shoop made a motion to accept FCR 8. Trustee Ramsey seconded the motion. The motion carried without dissent.

FCR 9 Capital Construction Report

This recommendation seeks acceptance of the Capital Construction Report for the three months ended June 30, 2020. The Committee yielded the floor to Mary Vosevich, vice president for facilities management.

Ms. Vosevich reported that from April 1, 2020 to June 30, 2020, there were 13 new contracts, four contracts were completed, six contracts were amended and there were 23 change orders greater than \$25,000 for 10 projects. Trustee Black made a motion to accept FCR 9. Trustee McCoy seconded the motion. The motion carried without dissent.

FCR 10 Patent Assignment Report

The recommendation seeks acceptance of the Patent Assignment Report for the three months ended June 30, 2020. The Committee yielded the floor to Ian McClure, executive director of the office of technology commercialization.

Mr. McClure reported that for the period of April 1, 2020 to June 30, 2020, the university submitted 21 full patent applications and 32 provisional patent applications. In addition, eight patents were issued and licensing income totaling \$32,673.12 was recognized. Trustee Shoop made a motion to accept FCR 10. Trustee Black seconded the motion. The motion carried without dissent.

E. EVPFA Report

The floor was yielded to Dr. Eric Monday, Executive Vice President for Finance and Administration. Dr. Monday updated the committee on four topics. The update on the Cornerstone project included a time lapse video covering the last 18 months. Demolition began March 2019, construction started in July 2019 and the first phase opened August 7, 2020. Additional areas including instructional space, an esports arena and a food court will open over the next several months.

Dr. Monday then provided an update on the Kirwan Blanding Complex demolition project. Seven of the 10 structures on the site have been removed. The remaining two towers are coming down floor by floor – one is at the ninth floor and the other is at the 12th floor. Site restoration will begin in October and the existing allay of trees will be part of the site's re-envisioned green space. The project is on schedule and has had few budget adjustments.

Dr. Monday also updated the committee on the cost of the pandemic. The university's strategy is to focus on keeping our community safe. The Emergency Operation Center has been active and operational since March. Expenses to date, net of available federal and state funding, total \$28.1 million and includes personal protection equipment (PPE), facilities restart, testing, contact tracing, quarantine, technology, student financial aid, housing and dining responses and general expenses. In addition, the loss in tuition revenue for the fall and spring semesters is estimated to total \$11.6 million. The non-healthcare related federal and state funding received to-date totals \$20 million including \$8.9 earmarked for student aid. This financial assistance was distributed to 6,236 students with an average disbursement amount of \$1,435 per student.

Finally, Dr. Monday provided a mid-year budget update. In addition to the aforementioned costs and loss of revenue, the state budget director has requested all state agencies, including public universities, submit plans for addressing an eight percent reduction in state appropriations. For UK, that reduction would total \$21 million. Dr. Monday reminded the committee that during the FY 2020-21 budget development process, UK created a contingency fund to assist with future unknowns. While the contingency fund is not sufficient to fully offset these developing challenges, no action is being taken today. Over the next few months, the university will continue to monitor the situation and will develop and analyze various options for the future.

F. Other Business

Chair McCann asked if there was any other business to come before the committee.

G. Meeting Adjourned

Hearing no further business, the meeting was adjourned at 12:33 pm.

Respectfully submitted,

A handwritten signature in blue ink that reads "Brenda Heeter". The signature is written in a cursive style with a large initial 'B'.

Brenda Heeter
Finance Committee Secretary