

Minutes of the Finance Committee Meeting
University of Kentucky Board of Trustees
December 15, 2020

The Finance Committee of the University of Kentucky Board of Trustees met on Tuesday, December 15, 2020, via Zoom.

A. Meeting Opened

Chair Kimberly McCann called the meeting to order at 11:30 a.m. 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: Lee X. Blonder, Ray A. Daniels, Kimberly Scott McCann, Elizabeth McCoy, Derrick K. Ramsey, C. Frank Shoop and Courtney Wheeler. 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 October 15, 2020 meeting, which were distributed. Trustee Shoop made a motion to approve the minutes. Trustee Blonder seconded the motion. The motion carried without dissent.

D. Business Items

FCR 1 Pledge from L. Stanley Pigman

The recommendation seeks acceptance of a pledge of \$1,250,000 from L. Stanley Pigman to extend his support of the Stanley Pigman Engineering Scholarship Gift Fund in the College of Engineering. This new pledge will begin in 2027 or upon completion of the existing pledge. Trustee McCoy made a motion to accept FCR 1. Trustee Ramsey seconded the motion. The motion carried without dissent.

FCR 2 Pledge from The Saha Foundation and the Naming of the Saha Aortic Center

The recommendation seeks acceptance of a pledge of \$1,000,000 from The Saha Foundation to establish and support a new endowed fund named the "Saha Aortic Center Fund" in the College of Medicine and approve the naming of an associated administrative research space within the university's Biomedical Biological Science Research Building and Kentucky Clinic Building. The Saha Foundation's initial gift of \$100,000 will be made in December 2020. Trustee Ramsey made a motion to accept FCR 2. Trustee Shoop seconded the motion. The motion carried without dissent.

FCR 3 Gift and Pledge from Dr. Rebecca Burchett Liebert and Naming of the Dean's Chair in the College of Engineering

The recommendation seeks acceptance of a cash gift of \$865,783 and related pledge of \$150,000 from Dr. Rebecca Burchett Liebert, for a total gift commitment of \$1,015,783. Additionally, this gift will name the College of Engineering Dean's Chair the "Dr. Rebecca Burchett Liebert Dean's Chair." Trustee Shoop made a motion to accept FCR 3. Trustee McCoy seconded the motion. The motion carried without dissent.

FCR 4 Pledge from Nancy Zink O'Connor

The recommendation seeks acceptance of a pledge of \$1,000,000 from Nancy Zink O'Connor to establish and support a new endowed fund named the "Innovation Scholarship Endowment" and a new non-endowed fund named the "Innovation Scholarship" in the Gatton College of Business and Economics. Ms. O'Connor's initial \$100,000 gift will be made in March 2021. Trustee Ramsey made a motion to accept FCR 4. Trustee Blonder seconded the motion. The motion carried without dissent.

FCR 5 Pledge from Toyota Motor Engineering & Manufacturing North America, Inc.

The recommendation seeks acceptance of a pledge of \$1,750,000 from Toyota Motor Engineering & Manufacturing North America, Inc. to support a new Engineering Technology Program in the College of Engineering, pending approval of the academic program by the University Senate, Board of Trustees and the Kentucky Council on Postsecondary Education. Trustee McCoy made a motion to accept FCR 5. Trustee Shoop seconded the motion. The motion carried without dissent.

FCR 6 Acceptance of 2019-20 Audited Financial Statements and the Independent Auditor's Report of Financial Statements and Required Supplementary Information

The recommendation seeks acceptance of the University of Kentucky Audited Financial Statements for the fiscal year ended June 30, 2020, consisting of the Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, Statements of Cash Flows, Statements of Fiduciary Net Position, Statements of Changes in Fiduciary Net Position, Notes to Financial Statements, Required Supplementary Information and Management's Discussion and Analysis; and the Independent Auditor's Report on Financial Statements and Required Supplementary Information. Trustee Shoop made a motion to accept FCR 6. Trustee Daniels seconded the motion. The motion carried without dissent.

FCR 7 Acceptance of Interim Financial Report for the Three Months Ended September 30, 2020

The recommendation seeks acceptance of the University of Kentucky consolidated financial report for the three months ended September 30, 2020. Trustee Ramsey made a motion to accept FCR 7. Trustee Wheeler seconded the motion. The motion carried

without dissent.

FCR 8 Approval for Administrative Regulation 8:1: Disposition of Personal Property

The recommendation seeks approval of the revisions to Administrative Regulation (AR) 8:1, Disposition of Personal Property, attached as Exhibit 1. The revisions consist of new language relative to the disposal of weapons, service animals, poultry and property acquired with grants. In addition, language has been added to clarify that disposal of certain types of surplus property must be reported to University Financial Services. This Administrative Regulation has otherwise been updated to reflect changes to titles of university officials and offices, as well as edited to conform to new language and other protocols for University Regulations. Trustee Wheeler made a motion to accept FCR 8. Trustee Shoop seconded the motion. The motion carried without dissent.

FCR 9 FY 2020-21 Budget Revisions

The recommendation seeks approval of revisions to the FY 2020-21 budget. The budget revisions will increase the University of Kentucky's current funds budget by \$28,156,000 from \$4,803,248,000 to \$4,831,404,000. Trustee Shoop made a motion to accept FCR 9. Trustee McCoy seconded the motion. The motion carried without dissent.

FCR 10 Proposed 2021-22 Room Rates for University-Constructed Housing

The recommendation seeks approval of the recommended rates for university-constructed housing. The 2021-22 rates for residence hall units constructed and managed by the university's private partner are in compliance with the lease agreements. The rates for both the university-constructed and the private partner's constructed housing reflect a 3.0 percent increase for 2021-22. Break housing and early move-in rates will increase 3.6-3.8 percent. Trustee Shoop made a motion to accept FCR 10. Trustee Daniels seconded the motion. The motion carried without dissent.

FCR 11 Approval to Acquire 612-620 South Broadway

The recommendation seeks authorization for the Executive Vice President for Finance and Administration to enter into a purchase agreement to acquire an office building located at 612-620 South Broadway, Lexington, Kentucky. The University of Kentucky and the Burley Tobacco Growers Cooperative Association have held intermittent discussions regarding the purchase of a site that includes 1.13 acres and approximately 20,250 square feet above grade office space and a 6,750 square foot basement.

This property is located in an area adjacent to UK that is targeted for the long-term development of an innovation corridor that stretches from The Cornerstone building on South Limestone to the former Reynolds buildings at South Broadway and Scott Street. This multi-year project will connect the university to downtown Lexington and serve as a catalyst for innovation, design, entrepreneurship and job creation in the decades to come.

The acquisition price is \$2,137,500 and has been authorized by the 2020 session of the Kentucky General Assembly as part of the Acquire Land (Land Acquisition Pool). Pending Board approval, the university will finalize negotiations and enter into a purchase agreement. The property appraised for \$2,375,000. Trustee McCoy made a motion to accept FCR 11. Trustee Wheeler seconded the motion. The motion carried without dissent.

FCR 12 Approval of Property Disposal – Hall's Prairie

The recommendation seeks approval to declare the 105 acre property, known as Hall's Prairie as surplus to the needs of the university and authorize the Executive Vice President for Finance and Administration to sell the property using the method that produces the highest price. The property is comprised of two adjacent parcels bisected by US Highway 68 in Auburn, Logan County, KY.

This subject property was donated to the University of Kentucky in 1998 for use by the "... College of Agriculture for research and educational purposes to establish a natural prairie development for the attraction of wildlife." Although the property was initially managed in a manner consistent with the donor's intent, it can no longer be maintained in such a way as to meet its intended purpose. The donor agreement allows for the property to be sold with proceeds directed to a "... Hall's Prairie Endowment with earnings used by its College of Agriculture for natural resource and wildlife research and education purposes." The College will use all proceeds from the proposed sale to create such an endowment in support of wildlife research and education by wildlife faculty in the Department of Forestry and Natural Resources. Trustee Daniels made a motion to accept FCR 12. Trustee Ramsey seconded the motion. The motion carried without dissent.

FCR 13 Approval of Lease

The recommendation seeks authorization for the Executive Vice President for Finance and Administration to negotiate and execute a lease between University of Kentucky HealthCare and Kentucky Medical Services Foundation, Inc., for 10,320 square feet of space located at 2195 Harrodsburg Road, Lexington, Kentucky.

At its April 2019 meeting, the Board authorized a lease to expand the University of Kentucky HealthCare's Markey Cancer Center (Markey) medical oncology space to better serve its patients. This previous lease is set to expire and a new location has been identified to allow Markey to continue its services to patients. At an annual cost of \$327,247.20, the new lease reflects a \$6,000 per year increase more than the expiring lease. Trustee Wheeler made a motion to accept FCR 13. Trustee Ramsey seconded the motion. The motion carried without dissent.

FCR 14 Approval of Lease

The recommendation seeks authorization for the Executive Vice President for Finance and Administration to negotiate and execute a lease for the General Pediatrics clinic space for University of Kentucky HealthCare (UKHC). UKHC will lease space located at 2400 Greatstone Point, Kentucky Clinic South, Lexington from the Kentucky

Medical Services Foundation.

The General Pediatrics Clinic requires suburban space off campus to accommodate their high patient volume, easy access (parking, entryway, check-in), and proximity to UKHC Turfland's lab, pharmacy and radiology services. The leased space will comprise approximately 15,000 square feet with an annual rent of \$447,000 to be funded with agency funds. Trustee Shoop made a motion to accept FCR 14. Trustee McCoy seconded the motion. The motion carried without dissent.

FCR 15 Patient Care Facility (Fit-Up Pavilion A Basement and Other Improvements – Phase I-J) Capital Project

The recommendation seeks approval of the initiation of the Patient Care Facility Capital Project (Fit-up Pavilion A Basement and Other Improvements – Phase I-J) and increase the approved scope of the Patient Care Facility Capital Project from \$613,100,000 to \$639,100,000.

Since the opening of the Patient Care Facility (Pavilion A) in May 2011, UK HealthCare (UKHC) has continued to experience strong patient demand for the delivery of its hospital system services. This volume increase has placed substantial capacity and throughput pressures on the hospital system operations, requiring continued fit-out of Pavilion A and to provide adequate facilities for patient care. This capital project includes the following components: fit-up of approximately 13,000 square feet of available shell space; expansion of the Kitchen/Food Service Operations; construction of a Maintenance Shop for the medical center physical plant division; relocation and expansion of Supply and Distribution; rework of Central Sterile decontamination and clean work areas; and expansion of Central Sterile stores and Operating Room Materials management. Trustee Shoop made a motion to accept FCR 15. Trustee Daniels seconded the motion. The motion carried without dissent.

FCR 16 Improve Building Systems – UK HealthCare (Good Samaritan Hospital Emergency Generator Upgrade) Capital Project

The recommendation seeks approval of the initiation of the Improve Building Systems – UK HealthCare (Good Samaritan Hospital Emergency Generator Upgrade) capital project. This project will upgrade the emergency power system in the Good Samaritan Hospital facility to a level required to properly support the current load requirements.

Good Samaritan Hospital presently utilizes two 750 kilowatt diesel generators. These are connected so that each generator supplies approximately one half of the facility load, but each may supply the entire load in the event of a failure. The project will add a new interior 750 kilo-volt-ampere generator and connect in parallel with the existing two. In this configuration, two generators will support the facility. The third generator will be redundant and allow for routine maintenance without compromising the emergency operation of the hospital. Trustee McCoy made a motion to accept FCR 16. Trustee Ramsey seconded the motion. The motion carried without dissent.

FCR 17 Improve University Storage Facility (Fit-up and Other improvements for UK HealthCare at Vaughan Warehouse) Capital Project

The recommendation seeks approval of the initiation of the Improve University Storage Facility (Fit-Up and Other Improvements for UKHC at Vaughan Warehouse) capital project. With a scope of \$5,000,000, this project will fit-up and improve 66,000 square feet of space at the Vaughan Warehouse. Trustee Shoop made a motion to accept FCR 17. Trustee Ramsey seconded the motion. The motion carried without dissent.

FCR 18 Capital Construction Report

The recommendation seeks acceptance of the capital construction report for the three months ending September 30, 2020. Mary Vosevich, vice president for facilities management, presented the capital construction report for the first quarter of the fiscal year. There were five new contracts during this period, five contracts completed, six amendments and 26 change orders greater than \$25,000 on 13 different projects. Trustee Wheeler made a motion to accept FCR 18. Trustee Shoop seconded the motion. The motion carried without dissent.

FCR 19 Patent Assignment Report

The recommendation seeks acceptance of the patent assignment report for the period July 1, 2020 to September 30, 2020. Mr. Ian McClure, executive director for the Office of Technology Commercialization, gave the patent report for the first quarter of the fiscal year. During this period there were 22 full patent applications, 26 provisional applications, eight patents were issued and there was license income of \$810,900.86. Trustee McCoy made a motion to accept FCR 19. Trustee Wheeler seconded the motion. The motion carried without dissent.

E. Research Report

The floor was yielded to Dr. Lisa Cassis, vice president for research, for an update on the university's research enterprise. Dr. Cassis stated that the research mission is to innovate and support scholarships and creative endeavors across the university. Research is supported by extramural grants and contracts to university faculty, staff and students. UK's sponsored grant and contract awards reached \$429 million for FY20, a 2.9 percent increase over the last year.

Dr. Cassis reported that The Office of Research's approach to the pandemic has been to support alliances that bring faculty together across boundaries. The alliances have supported 30 different pilot grants across 11 colleges. UK has been awarded \$11 million for COVID-19 related sponsored projects. Dr. Greenberg, Internal Medicine-Infectious Disease, as the Principle Investigator for a COVID-19 vaccine trial sponsored by Johnson & Johnson." At this time, the UK site is the number one site in the United States for enrolling participants.

Dr. Cassis then provided an update on the Healthy Kentucky Research Building. "The building has wet labs for disparities research in the areas of cardiovascular and

Alzheimer's; cancer; and diabetes and obesity. There are also dry lab areas for disparities research in substance use disorder (SUD); translational data consortium for SUD research; bioinformatics; rural and underserved health research center; center for innovation in population health; health equity cluster; and cancer prevention and control. There are 33 principal investigators in the building representing 36 percent of UK's new recruits."

F. EVPFA Report

The floor was yielded to Dr. Eric Monday, executive vice president for finance and administration. Dr. Monday updated the Committee on refunding options of outstanding university debt obligations. He reported that the university is actively looking for ways to be efficient and effective in the management of cash flow and debt management. The university's external debt advisors and University Financial Services are investigating advanced refunding options for debt issued in 2014.

Dr. Monday shared that the Board has authorized over \$2.7 billion for 177 projects in nine and a half years. Dr. Monday introduced Mary Vosevich, vice president for facilities management, to present a video showing the many projects that have been ongoing throughout the pandemic including the expansion of the Gatton Student Center, the demolition of the Kirwan Blanding complex, the Chemistry Physics building renovation, the PAV A interventional radiology suite, the Healthy Kentucky Research Building, modernization phase I of the Whitehall Classroom Building, Patterson Office Tower, the infrastructure project on Rose Street and the completion of The Cornerstone project.

G. Other Business

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

H. Meeting Adjourned

Hearing no further business, the meeting was adjourned at 12:39 p.m.

Respectfully submitted,



Brenda Heeter
Finance Committee Secretary