

Minutes of the Finance Committee Meeting
University of Kentucky Board of Trustees
June 17, 2021

The Finance Committee of the University of Kentucky Board of Trustees met on Thursday, June 17, 2021, in the Gatton Student Center Harris Ballroom.

A. Meeting Opened

Chair Kimberly McCann called the meeting to order at 11:34 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, 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 May 4, 2021 meeting, which were distributed. Trustee McCoy made a motion to approve the minutes. Trustee Ramsey seconded the motion. The motion carried without dissent.

D. Business Items

FCR 1 GIFT COMMITMENT FROM MICHAEL D. RANKIN, M.D.

The recommendation seeks acceptance of a gift commitment of \$22,000,000 from Michael D. Rankin, M.D. to support construction of the Health Education Building and scholarships in the College of Medicine. Dr. Rankin, of Danville, Kentucky, received his bachelor's degree in electrical engineering from the university in 1971, his medical degree from the university's College of Medicine in 1980 and completed his residency in Family Medicine in 1983. Dr. Rankin's gift commitment includes \$10,000,000 to support the construction of the Health Education Building and a \$12,000,000 estate gift to support the current "Michael Rankin Community Scholarship Endowment." Trustee Ramsey made a motion to accept FCR 1. Trustee Daniels seconded the motion. The motion carried without dissent.

FCR 2 PLEDGE FROM HENRY EUGENE CRAVENS AND JEAN CRAVENS

The recommendation seeks acceptance of a pledge totaling \$1,000,000 from Henry Eugene 'Gene' Cravens and Jean Cravens to establish and support the "Gene and Jean Cravens Distinguished Professorship in Land-Grant Service Fund" in the College of Agriculture, Food and Environment. Mr. Cravens graduated in 1958 with a bachelor's degree from what is now the university's College of Agriculture, Food and Environment.

Mrs. Cravens graduated in 1959 with a bachelor's degree in education. Trustee McCoy made a motion to accept FCR 2. Trustee Ramsey seconded the motion. The motion carried without dissent.

FCR 3 ACCEPTANCE OF INTERIM FINANCIAL REPORT FOR THE NINE MONTHS ENDED MARCH 31, 2021

The recommendation seeks acceptance of the University of Kentucky consolidated financial report for the nine months ended March 31, 2021. As shown in the report, the university has recognized \$3,402,758,152 of current funds revenue representing 70 percent of the FY 2020-21 approved budget of \$4,831,404,000. Expenses and transfers total \$3,096,326,124 or 64 percent of the approved budget. Trustee Shoop made a motion to accept FCR 3. Trustee Ramsey seconded the motion. The motion carried without dissent.

FCR 4 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 requests approval of a Resolution to issue Refunding Obligations that are sold between July 1, 2021 and June 30, 2022 for the purpose of refunding Prior Obligations when favorable financial results may be realized. Trustee McCoy made a motion to accept FCR 4. Trustee Ramsey seconded the motion. The motion carried without dissent.

The floor was yielded to Ms. Angie Martin, vice president for financial planning and chief budget officer, for a presentation prior to considering FCR 5 and FCR 6.

Ms. Martin stated that this budget cycle had been the most challenging she had ever experienced. The 2021-22 tuition recommendation is for a modest 1 percent increase. Regarding state support, the university will receive \$6.1 million of additional funding from the performance funding model. Of the 11 metrics, UK exceeded the average on 10 out of the 11 metrics. With regard to expenses, the FY 2021-22 budget includes eight investments in the university's people:

- Restore retirement match
- Carryover vacation leave for staff
- Modest increase in the cost of health benefits
- Raise the minimum wage to \$15 per hour
- New leave program (Elder / Parental)
- Stipend match pool for graduate assistants
- \$1,000 one-time payment for eligible faculty and staff
- Two percent merit salary increase for eligible faculty and staff

Dr. Monday thanked Ms. Martin, Ms. McLetchie and all the staff that took part in building this \$5.1 billion enterprise budget.

FCR 5 ACADEMIC YEAR 2021-22 TUITION AND MANDATORY FEES SCHEDULE

The recommendation seeks approval of the Academic Year (AY) 2021-22 Tuition and Mandatory Fees Schedule presented in Attachment I. The recommended tuition and mandatory fees reflect a one percent increase for most students and a pricing structure change for undergraduate students. Effective fall 2021, undergraduate certificates and degree programs will be offered on two platforms, UKCampus and UKOnline. Most undergraduate programs will be offered through UKCampus. Fully online certificates and degree programs (i.e., Internet, web-based) will only be offered through UKOnline. For students enrolled in UKCampus programs, tuition will be assessed per credit hour up to 12 hours. Full-time per semester rates (capped rates) will be charged to undergraduate students enrolled for 12 or more credit hours. Class delivery mode (e.g., in-person, fully online, hybrid, etc.) will not impact the tuition assessment. Undergraduate students enrolled only in a UKOnline certificate or degree program will be assessed the UKOnline rate for all credit hours. There is no full-time tuition cap for UKOnline undergraduate certificate and degree programs. The UKOnline rate is the same for resident and non-resident undergraduate students.

The recommended rates comply with the Council on Postsecondary Education's tuition and mandatory fees ceilings and policy. The Council is expected to review and consider the university's AY 2021-22 tuition and mandatory fee rates later that month. Trustee Ramsey made a motion to accept FCR 5. Trustee Shoop seconded the motion. The motion carried without dissent.

FCR 6 FISCAL YEAR 2021-22 OPERATING AND CAPITAL BUDGET

The recommendation seeks approval of the Fiscal Year 2021-22 Operating and Capital Budget and the appropriation and allocation of all fund balances as of June 30, 2021 for future operations. Pursuant to Governing Regulation Part II E.2.d.3, the Finance Committee oversees the budgets of the university by reviewing and recommending the annual operating budget to the Board of Trustees. The university's recommended Fiscal Year 2021-22 Operating and Capital Budget totals \$5,078,502,700, an increase of \$263,098,700, or 5.5 percent, compared to the Fiscal Year 2020-21 revised budget. Trustee Shoop made a motion to accept FCR 6. Trustee McCoy seconded the motion. The motion carried without dissent.

FCR 7 FY 2019-20 ENDOWMENT MATCH PROGRAM ANNUAL REPORT

The recommendation seeks acceptance of the FY 2019-20 Endowment Match Program Annual Report. The Research Challenge Trust Fund (RCTF) was established in 1997 with the passage of House Bill 1, the Kentucky Postsecondary Education

Improvement Act. The RCTF is designed to encourage research activities at the University of Kentucky and the University of Louisville. The Endowment Match Program, also known as 'Bucks for Brains', is one of several programs created as part of the trust fund. Pursuant to the Council on Postsecondary Education's Endowment Match Program Request and Reporting Procedures, the Board of Trustees must review and approve an annual report on UK's participation in the program. Trustee Ramsey made a motion to accept FCR 7. Trustee Daniels seconded the motion. The motion carried without dissent.

FCR 8 DISPOSAL OF PERSONAL PROPERTY

The recommendation seeks approval of a plan for Fiscal Year 2021-22 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 materials; 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 Daniels made a motion to accept FCR 8. Trustee McCoy seconded the motion. The motion carried without dissent.

FCR 9 IMPROVE ACADEMIC/ADMINISTRATIVE SPACE 1 (RENEW/MODERNIZE COOPER HOUSE)

The recommendation seeks approval to initiate the Improve Academic/Administrative Space 1 (Renew /Modernize Cooper House) capital project and an internal loan not to exceed \$5,000,000 to fund the project. In February 2019, the Board approved the initiation of the Renew/Modernize Facilities-Cooper House capital project with a scope of \$4,000,000. When the project was bid on April 30, 2021, the lowest bid received was approximately 29 percent higher than budgeted. Bid pricing is indicative of dramatic increases in construction costs as well as supply shortages caused by heavy demand. The Board is requested to approve the initiation of the project with a revised scope of \$5,000,000. The project will be funded with agency funds including an internal loan not to exceed \$5,000,000. Trustee McCoy made a motion to accept FCR 9. Trustee Ramsey seconded the motion. The motion carried without dissent.

FCR 10 IMPROVE PARKING/TRANSPORTATION SYSTEMS UK HEALTHCARE (PARKING STRUCTURE 8 EXPANSION - DESIGN ONLY)

The recommendation seeks approval to initiate the Improve Parking/Transportation Systems UK HealthCare (Parking Structure 8 Expansion – Design Only) project. Since opening the first two patient care floors in Pavilion A in May 2011, UK HealthCare has continued to experience strong inpatient admissions growth. This increased patient volume has created a need for additional parking. This project will include traffic analysis and design of an expansion west of the existing Parking Structure 8 and associated site work to include stormwater detention systems. Once constructed, the expanded structure will help alleviate current and future parking demands by providing approximately 700 additional parking spaces. This \$5,000,000 design project, authorized

by the 2020 Kentucky General Assembly, will be funded with agency funds. Trustee Ramsey made a motion to accept FCR 10. Trustee McCoy seconded the motion. The motion carried without dissent.

FCR 11 CONSTRUCT FACILITIES SHOPS AND STORAGE FACILITY
(VAUGHAN WAREHOUSE #1 AND #7 REPLACEMENT FOR UK
HEALTHCARE)

The recommendation seeks approval to initiate the Construct Facilities Shops and Storage Facility (Vaughan Warehouse #1 and #7 Replacement for UK HealthCare) capital project. To accommodate increasing patient volume, fit-up of spaces previously dedicated to temporary warehousing within the Patient Care Facility continues. As these spaces are repurposed, additional warehouse storage space is needed. This project will replace two existing warehouses at the Vaughan Warehouse site (Building #1 and Building #7) that have reached the end of their useful service life with a single, approximately 66,000 square feet facility. This \$12,000,000 project, authorized by the 2020 Kentucky General Assembly, will be funded with agency funds. Trustee Ramsey made a motion to accept FCR 11. Trustee Daniels seconded the motion. The motion carried without dissent.

FCR 12 PATENT ASSIGNMENT REPORT

The recommendation seeks acceptance of the patent assignment report for the period January 1, 2021 to March 31, 2021. The floor was yielded to Mr. Ian McClure, associate vice president for office of technology commercialization, to present the report. Patent activities during the period included 25 invention disclosures, 21 full patent applications, 19 provisional patent applications and four patents were issued. The National Academy of Inventors announced that the University of Kentucky made the list of top 100 universities worldwide for patents issued to universities. Trustee Shoop made a motion to accept FCR 12. Trustee Ramsey seconded the motion. The motion carried without dissent.

E. Research Report

The floor was yielded to Dr. Lisa Cassis, vice president for research, for a research report. Dr. Cassis shared that research had continued to grow even while research faculty, students and staff were working remote. FY 2020-21 research awards to date exceed FY 2019-20 by more than 10 percent. From FY 2014-15 through FY 2020-21 to date, research awards at UK are growing at a 7.2 percent annual compounded growth rate.

Dr. Cassis provided an update on the Research Priority Areas. Originally, six areas were chosen because of their importance to Kentucky. A seventh priority had been added – UNITE. The overall goal of the UNITE Research Priority Area is to elevate impactful research on racial equity and increase racial diversity at the university by leveraging existing strengths and forging new relationships.

Dr. Cassis reported that the Office of Research is actively engaged in budget and strategic planning to increase and improve research infrastructure to support research across the institution. Administrative support units make an immense difference for researchers across the university. The Office of Technology Commercialization has been advancing innovation and having a larger impact not just at UK but all of Kentucky and the entire southeast.

F. Philanthropy Report

The floor was yielded to Mr. Mike Richey, vice president for philanthropy, for a report on philanthropy.

Mr. Richey shared that over the last 23 years he has participated in 17 capital campaigns. The first campaign in 1997 was Bucks for Brains. The endowment at that time was \$190 million. The state's addition of \$201 million through the Research Challenge Trust Fund made it possible to double the endowment and increase the campaign to \$800 million. The current campaign which was launched in September 2018 is for \$2.1 billion. All the other SEC schools have recently completed capital campaigns ranging from \$1 billion to \$1.3 billion. UK's \$2.1 billion campaign is presently at \$1.575 billion.

Philanthropy has been instrumental in naming colleges, endowed chairs, professorships and capital projects. The university has almost 143,000 donors with 823,000 gifts acknowledged individually. Six colleges have reached their campaign goals and there are 1,322 new agreements as of the meeting date. The philanthropy team has diligently worked to put in place 907 known expectancies totaling \$386 million in future gifts.

Mr. Richey shared that the campaign will include support for the health education facility and the Markey Cancer Center facilities approved at the May 2021 board meeting.

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 12:59 p.m.

Respectfully submitted,

Brenda Heeter
Finance Committee Secretary