

Minutes of the Finance Committee Meeting
University of Kentucky Board of Trustees
September 10, 2021

The Finance Committee of the University of Kentucky Board of Trustees met on Friday, September 10, 2021, in the Gatton Student Center Harris Ballroom.

A. Meeting Opened

Chair Kimberly McCann called the meeting to order at 11:45 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, Michael Hawse, Kimberly Scott McCann, Elizabeth McCoy, Derrick K. Ramsey and 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 17, 2021 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 CHARITABLE GRANT COMMITMENT FROM KENNY A. TROUTT

The recommendation seeks acceptance of a charitable grant commitment of \$1,000,000, of which \$500,000 has been received, from Kenny A. Troutt, in honor of Ms. Ann Hanley, to establish and support the new non-endowed fund named the "Ann Hanley Neuroscience Research Fund" in the College of Medicine, Department of Neurosurgery.

Kenneth "Kenny" Troutt and Lisa Troutt of Dallas, Texas are making this significant gift in honor and recognition of Ms. Ann Hanley and her courageous battle with Parkinson's Disease. Ms. Hanley has worked tirelessly to raise awareness and financial support for the groundbreaking research and healthcare provided under the direction of Dr. Craig van Horne, Chair of Neurosurgery, along with Dr. Greg Gerhardt, Dr. George Quintero and their talented team of professionals. Ms. Hanley has provided inspiration and comfort to many who have sought treatment for Parkinson's Disease.

This new grant commitment will provide research support for the Brain Restoration Center at the university's Kentucky Neuroscience Institute. Trustee Shoop made a motion to accept FCR 1. Trustee Ramsey seconded the motion. The motion carried without dissent.

FCR 2 PLEDGE FROM KOSAIR CHARITIES

FCR 2 seeks acceptance of a \$2,375,000 pledge, of which \$2,000,000 will establish and support a new capital project fund named the “Kosair Charities Construction Fund” and \$375,000 will be added to the existing “Kosair Charities Pediatric Outreach Gift Fund” in UK HealthCare.

Kosair Charities was established in 1923. Its goal is to grant financial support for health care, research, education, social services and child advocacy across the Commonwealth to enhance the health and well-being of children and help children realize their potential while overcoming obstacles. The \$2,000,000 pledge will provide resources to renovate and/or expand an area on the ground floor of Pavilion A of the Albert B. Chandler Hospital to create a dedicated space for trauma-informed, evidence-based care for Kentucky’s most vulnerable pediatric victims of abuse and neglect. The area will provide a safe and comforting environment with the goal of providing therapeutic services for children and non-offending caregivers in one space for a continuum of care. Kosair Charities’ \$375,000 pledge will be used to expand support for clinical and outreach efforts throughout the Commonwealth to address the rising epidemic of child maltreatment. Trustee McCoy made a motion to accept FCR 2. Trustee Ramsey seconded the motion. The motion carried without dissent.

FCR 3 AMENDMENT TO THE SYMPTOM MANAGEMENT AND PALLIATIVE CARE PROFESSORSHIP ENDOWMENT

This recommendation seeks approval of an amendment to the name and purpose of the “Symptom Management and Palliative Care Professorship” endowment in the College of Medicine. In April 2004, the director of the Lucille P. Markey Cancer Center executed an Internal Endowment Agreement to establish the “Symptom Management and Palliative Care Professorship” in the College of Medicine. Current contributions to this fund equal \$246,246.20 which includes \$120,875 from the Commonwealth of Kentucky Research Challenge Trust Fund (RCTF). To date, the fund has provided \$154,620.36 to support faculty in the College of Medicine.

As the healthcare environment is constantly evolving, the Markey Cancer Center wishes to refocus the fund to address the urgent and emergent need for equity in cancer care and healthcare disparity among populations in the Commonwealth of Kentucky. An Amended and Restated Endowment Agreement, executed in September 2020, addresses this new purpose and changes the name of the fund to the “Research Professorship in Cancer Health Equity.” Pending approval by the Board, the revised amendment will be reported to the Council on Postsecondary Education. Trustee Daniels made a motion to accept FCR 3. Trustee Shoop seconded the motion. The motion carried without dissent.

FCR 4 AMENDMENT TO THE ALBERT AND LORRAINE CLAY VISITING SCHOLARS ENDOWMENT

The recommendation seeks approval of an amendment to the name and purpose of the “Albert and Lorraine Clay Visiting Scholars Endowment” in the College of Agriculture, Food and Environment.

Pursuant to FCR 4 dated April 6, 1999, the Board of Trustees approved distributions from the *Albert G. Clay and Lorraine N. Clay Charitable Annuity Lead Trust* to establish and support the “Albert and Lorraine Clay Visiting Scholars Endowment.” The purpose of the fund was to support the College of Agriculture, Food and Environment, Department of Veterinary Science’s research mission and to facilitate the exchange of scientific personnel between the department and other institutions. Current contributions to this fund equal \$1,500,000 which includes \$750,000 from the Commonwealth of Kentucky Research Challenge Trust Fund (RCTF). To date, the fund has provided \$1,005,810.55 for research to the college.

As research regarding equine sciences continues to evolve, the college wishes to broaden the focus of the fund to support faculty, technology and equipment necessary to accomplish the research mission of the Gluck Equine Research Center. The expanded purpose remains consistent with the Clay Family’s donative intent and vision for the Gluck Center, which includes enhancing its research capacity, expertise and international stature. A revised Internal Endowment Agreement, executed on June 7, 2021, addresses this new purpose and changes the name of the fund to the “Albert and Lorraine Clay Gluck Equine Research Center Support Fund.” Trustee McCoy made a motion to accept FCR 4. Trustee Shoop seconded the motion. The motion carried without dissent.

FCR 5 IMPROVE SANDERS-BROWN CENTER ON AGING/NEUROSCIENCE

The recommendation seeks approval of the initiation of the Improve Sanders-Brown Center on Aging/Neuroscience Facilities capital project and an internal loan not to exceed \$4,000,000 to fund a portion of the project.

This project will improve and modernize two connected four-story buildings occupied by the Sanders-Brown Center on Aging. The original building was completed in 1979, and the later addition was completed in 1998. This project will include an interior renovation of the lower three floors of the original building to provide a welcoming reception area, updated and consolidated administration spaces, and much-needed research space. Exterior improvements will also give the two buildings a refreshed facade and provide a unified appearance. Trustee Shoop made a motion to accept FCR 5. Trustee Blonder seconded the motion. The motion carried without dissent.

FCR 6 REPAIR/UPGRADE/EXPAND CENTRAL PLANTS (EXPAND CENTRAL PLANT – DESIGN ONLY)

The recommendation seeks approval of the initiation of the Repair/Upgrade/Expand Central Plants (Expand Central Plant – Design) capital project.

Several large projects related to both the academic health sciences and UK HealthCare are planned. Expansion of the current utility infrastructure, specifically emergency power generation and steamed and chilled water capacity, is necessary to support these projects. This project will design the needed infrastructure components for the expansion of the central plant. This \$4,000,000 project, authorized by the 2020 Kentucky General Assembly, is within the total legislative authorization of \$112,000,000 and will be funded with agency funds. Trustee Daniels made a motion to accept FCR 6. Trustee Hawse seconded the motion. The motion carried without dissent.

FCR 7 UPGRADE/RENOVATE/EXPAND RESEARCH LABS (BIOSAFETY LAB RENOVATION – HEALTH SCIENCES RESEARCH BUILDING)

The recommendation seeks approval of the initiation of the Upgrade/Renovate/Expand Research Labs (Biosafety Lab Renovation – Health Sciences Research Building) capital project.

The University of Kentucky is home to leaders in the fields of immunology, microbiology and infectious diseases. As the flagship university of the Commonwealth of Kentucky, the university is often called upon to respond to health emergencies. In response to the COVID-19 pandemic, the university has embarked on an ambitious project to expand its research portfolio on emerging and re-emerging pathogens. In support of these research activities, this project will renovate and upgrade the Health Sciences Research Building which was constructed in 1992. This project will retrofit approximately 4,200 square feet and will include reconfiguration of the existing space to accommodate a large, shared laboratory.

This \$2,500,000 project, authorized by the 2020 Kentucky General Assembly, is well within the total legislative authorization of \$50,000,000 and will be funded with agency funds. Trustee McCoy made a motion to accept FCR 7. Trustee Ramsey seconded the motion. The motion carried without dissent.

FCR 8 IMPROVE BUILDING SYSTEMS – UK HEALTHCARE (Pavilion H – Replace AHU S1 and S1A)

The recommendation seeks approval to initiate the Improve Building Systems – UK HealthCare (Pavilion H – Replace AHU S1 and S1A) capital project. In October 2020, the Board of Trustees approved the initiation of the Improve Building Systems – UK HealthCare (Pavilion H – Replace AHU S1 and S1A) capital project with a scope of \$4,000,000. When the project bid on August 19, 2021, the bids received were

approximately 65 percent higher than budgeted. While an extensive value engineering process is ongoing, it is not expected that those efforts will get the project fully back within the original budget. Bid pricing is indicative of increases in construction costs, lack of competition among bidders as well as supply shortages caused by heavy demand.

This project will replace two existing air handling units (AHU's) and their controls. Installed in 1972, these assets have exceeded their useful life. Replacing this equipment will improve the reliability of the systems, improve the temperature and humidity control, and improve energy efficiency in the facility. This project is being designed such that the replacement of the units will have little disruption to operations and patient care.

The Board is requested to approve initiation of this project with a revised scope of \$6,000,000. This project, authorized by the 2020 Kentucky General Assembly, will be funded with agency funds and is within the total legislative authorization of \$50,000,000. Trustee Shoop made a motion to accept FCR 8. Trustee Daniels seconded the motion. The motion carried without dissent.

FCR 9 CAPITAL CONSTRUCTION REPORT

The recommendation seeks acceptance of the capital construction report for the three months ending June 30, 2021. This report refers only to projects that had activity within this quarter. Mary Vosevich, vice president for facilities management, provided highlights of the report stating that there were 10 new projects, nine change orders that were greater than \$25,000, four amendments and five contracts were completed. Trustee McCoy made a motion to accept FCR 9. Trustee Hawse seconded the motion. The motion carried without dissent.

FCR 10 PATENT ASSIGNMENT REPORT

The recommendation seeks acceptance of the patent assignment report for the period April 1, 2021 to June 30, 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 30 invention disclosures, 16 full patent applications, 18 provisional patent applications and two patents were issued. The university collected license income of \$81,934.69. Additionally, seven new licenses and options were executed and one new start-up was created. Trustee McCoy made a motion to accept FCR 10. Trustee Hawse 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 report on research. Dr. Cassis shared that the UK research enterprise had a nine percent increase in extramural grant and contract awards compared to FY 2019-20. A record

breaking \$468 million of awarded grants and contracts in FY 2020-21 reflects a 3.3 percent increase in federal funding, 24.6 percent increase in state contracts and 69.9 percent in industry-sponsored projects. Amongst these projects were over \$40 million in COVID related awards. Many of the university's grants and contracts come from the federal government – which are highly competitive and the best of the best compete for these awards.

The increase in grant awards has moved the university up seven places in the Higher Education Research and Development expenditure survey rankings to 63rd nationally and 42nd among public institutions. Dr. Cassis also reviewed several prestigious programmatic grant renewals and awards.

F. Executive Vice President for Finance and Administration (EVPFA) Report

The floor was yielded to Mary Vosevich, vice president for facilities management. Ms. Vosevich shared information about how capital projects greater than \$1 million are evaluated and processed at the university. Such projects can be classified into three categories: new construction, modernization and renewal/infrastructure. New buildings and utility plants or possibly a large building edition are part of the new construction category.

Modernization projects focus on preserving and extending the useful life of our existing facilities. Creating spaces that are responding to workforce needs, providing a more flexible array of classrooms and other space while preserving the historic structures on campus. Renewal projects typically involve a portion of a building and upgrading existing infrastructure focuses on efficiently managing the repair and maintenance costs of a facility or utility system.

The process for approving a capital project has several steps:

- The first step generally involves a team of individuals working together to determine needs for classroom space, research space, or program needs.
- Vice President Angie Martin's team, the capital construction team and others across campus, work together to develop a list of projects for submission to the Kentucky state legislators for authorization.
- After authorization by the General Assembly is obtained and funding identified, the project is submitted to the Board of Trustees for approval.
- Next, the bidding process begins. Some projects begin with design only while other projects look for a general contractor to work with the architect. If bids are acceptable, the project moves forward.

Since 2011, capital construction projects totaling \$2.8 billion have been initiated to add and renovate nearly 7.5 million square feet of space on campus. These projects have been funded by various sources including federal funds, state funds, university funds, gifts, public-private partnerships and debt.

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 12:31 p.m.

Respectfully submitted,

Brenda Heeter
Finance Committee Secretary