

MINUTES OF THE FINANCE COMMITTEE
University of Kentucky Board of Trustees
June 24, 2016 – 1:00 PM
Patterson Office Tower

Committee Members Present

William Britton, Chairman, Claude A. “Skip” Berry, III, James Booth, Sheila Brothers, Bill Gattton, Kelly Holland, Austin Mullen, Frank Shoop, and Robert Vance.

Approval of Minutes

The minutes of the May 3, 2016, Finance Committee meeting were approved as written.

Executive Vice President for Finance and Administration Report

Dr. Eric Monday, Executive Vice President for Finance and Administration, discussed the dissolution of the Fund for Advancement of Education and Research in the University of Kentucky Medical Center (The Fund). In June 2015, the Board of the Fund voted to dissolve the non-profit corporation effective June 30, 2016. The Fund’s primary purpose was the operation of clinical practice plans and fundraising activities for several of the University’s medical programs including; dentistry, health sciences, and nursing.

Dr. Monday discussed an upcoming Request For Proposal (RFP) that will be issued for a ground lease for mixed use parking structure. The proposed structure will be located on property owned by the University on Jersey Street. Interest has been shown by large retailers for a mixed use structure that would include retail space and add much needed additional parking spaces for north campus.

Angela Martin, Vice President for Planning and Chief Budget Officer, discussed the principles behind our budget development. The 2016-17 consolidated operating budget is \$3,500,000,000. She explained where the money comes from and how it is used by the University. She also discussed our annual debt service as a percent of our adjusted operating budget. Ms. Martin explained that when building the University’s budget, we first identify the total additional funds needed, available resources, and then take a look at our tuition and fee revenue after all other things are considered. Our budget development principles; maintain student access and affordability, competitive pay for faculty and staff, strategically plan to prevent across the board cuts and maintain and enhance academic quality, and enhance diversity and inclusion.

Business Items Presented by: Bill Britton, Chair

FCR 1 Elisabeth M. Goth Pledge

The Committee reviewed FCR 1, a \$1,000,000 pledge from Elisabeth M. Goth of Lexington, KY to fund the University of Kentucky Department of Intercollegiate Athletics capital projects. Ms. Goth’s interest in the Department of Intercollegiate Athletics spans many years, having given more than \$570,000 since 2010.

A motion to accept was made by Trustee Booth and seconded by Trustee Vance. The motion carried without dissent.

FCR 2 Establishment of the University of Kentucky Research Foundation Research Innovation Quasi-Endowment Fund

The Committee reviewed FCR 2, approval to establish a Quasi Endowment of \$5,000,000 from royalties to support and enhance:

- Strategic initiatives within research enterprise
- Internal grants and awards programs;
- Research competitiveness of the faculty, staff, and students
- Operations of the Office of the Vice President for Research

Future unrestricted royalty distributions may be added to this Fund. The UKRF Board of Directors approved the creation of this endowment at its May 2016 meeting.

A motion to accept was made by Trustee Brothers and seconded by Trustee Shoop. The motion carried without dissent.

FCR 3 Establishment of the University of Kentucky Research Foundation College of Pharmacy Innovative Research Quasi-Endowment Fund

The Committee reviewed FCR 3, approval to establish a Quasi-Endowment of \$3,800,000 with royalty income from licensing activities to foster innovative research programs in the College of Pharmacy; and support research centers aligned with the College of Pharmacy, such as the Center for Pharmaceutical Research and Innovation.

The University of Kentucky Research Foundation Board of Directors approved the creation of this endowment at its May 2016 meeting.

A motion to accept was made by Trustee Shoop and seconded by Trustee Holland. The motion carried without dissent.

FCR 4 Acceptance of Interim Financial Report for the Nine Months Ended March 31, 2016

The Committee reviewed FCR 4, acceptance of the Interim Financial Report for the Nine Months Ended March 31, 2016.

A motion to accept was made by Trustee Shoop and seconded by Trustee Booth. The motion carried without dissent.

FCR 5 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 Committee reviewed FCR 5, a resolution that authorizes the Treasurer, upon advice of the Financial Advisor of the University, to refinance the bonds when debt service savings can be realized and interest rates in the bond market are favorable.

A motion to accept was made by Trustee Mullen and seconded by Trustee Shoop. The motion carried without dissent.

FCR 6 Academic Year 2016-17 Tuition and Mandatory Fees Schedule

The Committee reviewed FCR 6, approval of the Academic Year 2016-17 Tuition and Mandatory Fees Schedule and authorize the President to submit the schedule to the Council on Post-Secondary Education. Angela Martin, Vice President for Planning and Chief Budget Officer, reviewed the fee schedule during the EVPFA Report.

A motion to accept was made by Trustee Shoop and seconded by Trustee Vance. The motion carried without dissent.

FCR 7 Proposed 2016-17 Room Rates for University-Owned Housing

The Committee reviewed FCR 7, proposed 2016-17 Room Rates for University-Owned Housing.

Eric Monday discussed FCR 7 and stated that the rates reflected a three percent increase. Two additional residence halls, Limestone Park I and II, are under construction by EdR and are expected to be online August 2016. Dining rates reflect a 3.5 percent increase for both the minimum seven meals per week and the 14 means per week plan. The proposed rates reflect no change for the 10 meals per week and the All You Care to Eat plan.

A motion to accept was made by Trustee Shoop and seconded by Trustee Mullen. The motion carried without dissent.

FCR 8 Fiscal Year 2016-17 Operating and Capital Budget

The Committee reviewed FCR 8, proposed Fiscal Year 2016-17 Operating and Capital Budget.

The proposed budget was reviewed by Vice President Angela Martin during the EVPFA Report.

A motion to accept was made by Trustee Berry and seconded by Trustee Vance. The motion carried without dissent.

FCR 9 Disposal of Personal Property

The Committee reviewed FCR 9, approval for the disposal of personal property. The proposed plan provides an efficient and timely process for the disposition of property having a value of less than \$25,000. A list of anticipated property was listed as an attachment for FCR 9.

A motion to accept was made by Trustee Brothers and seconded by Trustee Holland. The motion carried without dissent.

FCR 10 Authorization of Negotiated Disposition of Personal Property

The Committee reviewed FCR 10, approval for the non-routine disposition of personal property from closed healthcare clinical practices located in Hazard and Harlan, Kentucky. The negotiated sale price of the equipment is \$205,900 to Appalachian Heart Center, P.S.C. A Fair Market Valuation study was conducted by an agreed upon independent third party. A list of the proposed assets was included in the FCR for review by the Committee.

A motion to accept was made by Trustee Shoop and seconded by Trustee Berry. The motion carried without dissent.

FCR 11 Proposed Revision to Governing Regulation: Capital Project and Gift Approval

The Committee reviewed FCR 11, approval for proposed revisions to increase the threshold amount for capital projects requiring Board of Trustee approval from \$600,000 to \$1,000,000 and increases the minimum level of gifts to be accepted by the Board from \$400,000 to \$1,000,000. The last change to the gifts minimum level was at the June 2005 meeting. A revised copy of Governing Regulation II was included in the FCR for review by the Committee.

A motion to accept was made by Trustee Booth and seconded by Trustee Vance. The motion carried without dissent.

FCR 12 Approval of Sublease

The Committee reviewed FCR 12, approval of a sublease for administrative and support space associated with clinical services at UK HealthCare at Turfland. UK HealthCare will sublease space from the Kentucky Medical Services Foundation. The annual rent for the 45,000 square feet of office and clinical space is \$1,181,250. The subleased space will be funded with agency funds.

A motion to accept was made by Trustee Vance and seconded by Trustee Mullen. The motion carried without dissent.

FCR 13 Renovate/Improve Clinical/Ambulatory Services Capital Project (Brachytherapy)

The Committee reviewed FCR 13, approval of a \$3,500,000 capital project to relocated the Brachytherapy treatment space from the basement of the Roach Cancer Care Facility to a new space in the Chandler Hospital. The FCR was reviewed and endorsed by the University Health Care Committee at its annual retreat.

A motion to accept was made by Trustee Holland and seconded by Trustee Brothers. The motion carried without dissent.

FCR 14 Renovate/Improve Clinical/Ambulatory Services Capital Project (Otolaryngology)

The Committee reviewed FCR 14, approval of a \$6,000,000 capital project to relocate the Otolaryngology (ENT) Clinic to the new Shriners building in early Summer 2017. The FCR was reviewed and endorsed by the University Health Care Committee at its annual retreat.

A motion to accept was made by Trustee Brothers and seconded by Trustee Vance. The motion carried without dissent.

FCR 15 Renovate/Upgrade UK HealthCare Facilities (Phase I-I) Capital Project (Fit-Up 12th Floor and Other Improvements)

The Committee reviewed FCR 15, approval of a \$113,600,000 capital project that includes:

- Fit-up of additional patient floor (12th-floor) in Pavilion A.
- Phase 2 Radiology Services in Pavilion A.
- Interventional Services fit-up in Pavilion A and Pavilions H and G.
- Obstetrical Services renovations in Pavilions HA and H.

The FCR was reviewed and endorsed by the University Health Care Committee at its annual retreat.

A motion to accept was made by Trustee Vance and seconded by Trustee Mullen. The motion carried without dissent.

FCR 16 Capital Construction Report

The Committee reviewed FCR 16, approval of the Capital Construction Report. Mary Vosevich, Vice President for Facilities Management, reported seven new contracts, five contract amendments, and 26 change orders for the quarter ending March 31, 2016. Two contracts were completed during this quarter.

A motion to accept was made by Trustee Booth and seconded by Trustee Holland. The motion carried without dissent.

FCR 17 Patent Assignment Report

The Committee reviewed FCR 17, approval of the Patent Assignment Report. Dr. Martha Peterson presented the report for the period of January 1, 2016 to March 31, 2016. During this period, nine applications were submitted, 24 patents were issued, and patent receipts totaled \$6,485,819.32.

A motion to accept was made by Trustee Brothers and seconded by Trustee Shoop. The motion carried without dissent.

Hearing no further business, Chair Britton adjourned the meeting.

Respectfully submitted,
Leigh Bays Donald