

Minutes of the Finance Committee Meeting  
University of Kentucky Board of Trustees  
February 17, 2023

The Finance Committee of the University of Kentucky Board of Trustees met on Friday, February 17, 2023 in the Gatton Student Center Harris Ballroom.

A. Meeting Opened

Chair Kimberly McCann called the meeting to order at 11:01 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: Tom Abell, Todd Case, Andrew Laws, Lance Lucas, Kimberly McCann and Derrick Ramsey. Frank Shoop attended via Zoom. Ms. Heeter announced that a quorum was present.

C. Approval of Minutes

Chair McCann asked if there were any corrections to the minutes from December 13, 2022 meeting, which were distributed. Trustee Ramsey made a motion to approve the minutes. Trustee Abell seconded the motion. The motion carried without dissent.

D. Business Items

FCR 1 Telford Foundation Inc. Grant and Commonwealth of Kentucky Research Challenge Trust Fund and Endowment Match Program

FCR 1 seeks acceptance of a grant of \$1,600,000 from the Telford Foundation Inc. of Naples, Florida (the "Donor") to create and endow a faculty chair position in the UK Markey Cancer Center and submit this grant for matching funds from the Commonwealth of Kentucky Research Challenge Trust Fund (RCTF) and Endowment Match Program. Further, pursuant to guidelines approved by the Council on Postsecondary Education, FCR 1 recommends that the Board of Trustees acknowledges its responsibility for UK's participation in and implementation of the RCTF program and for providing oversight of all university endowment funds.

The 2022 General Assembly of the Commonwealth of Kentucky approved a sixth round of funding for the Research Challenge Trust Fund. State matching funds are available only for new gift commitments made after July 1, 2022. UK will receive \$20,000,000 in matching funds that must be designated for endowments specifically supporting initiatives in the fields of science, technology, engineering, mathematics and health (i.e., STEM+H). Furthermore, the endowments are to support research activities to stimulate business development, increase externally sponsored research, to create better jobs and a higher standard of living, and facilitate Kentucky's transition to a knowledge-based economy. RCTF provides a dollar-for-dollar match *at a minimum*. UK

will use the RCTF to match at a 2:1 ratio. As a result, UK will leverage \$20,000,000 into \$60,000,000.

The Donor has generously made a grant of \$1,600,000 to endow a faculty chair fund named the “John R. VanNagell Endowed Chair in Gynecology Oncology” in the UK Markey Cancer Center. This grant is eligible to receive matching funds.

In recognition of the significance of this grant, and with the consent of the Office of the Vice President for Research, the recommendation was made that the grant be submitted for matching funds at a gift-to-matching funds ratio of 2:1.

Trustee Lucas made a motion to accept FCR 1. Trustee Ramsey seconded the motion. The motion carried without dissent.

FCR 2 Michael and Katherine Ball Gift and Commonwealth of Kentucky Research Challenge Trust Fund and Endowment Match Program

FCR 2 seeks acceptance of a gift of \$1,000,000 from Michael and Katherine Ball of Lexington, Kentucky (the “Donors”) to create and endow a professorship fund in the College of Medicine and submit this gift for matching funds from the Commonwealth of Kentucky Research Challenge Trust Fund (RCTF) and Endowment Match Program. Further, pursuant to guidelines approved by the Council on Postsecondary Education, FCR 2 recommends that the Board of Trustees acknowledges its responsibility for UK’s participation in and implementation of the RCTF program and for providing oversight of all university endowment funds.

The Donors have generously given \$1,000,000 to endow a professorship fund named the “Katherine and Mike Ball Endowed Professor of Transplant” in the College of Medicine. This gift is eligible to receive matching funds.

In recognition of the significance of this gift, and with the consent of the Office of the Vice President for Research, the recommendation was made that the gift be submitted for matching funds at a gift-to-matching funds ratio of 2:1.

Trustee Case made a motion to accept FCR 2. Trustee Ramsey seconded the motion. The motion carried without dissent.

FCR 3 the Coaches for the Kids Foundation Inc. Grant and Commonwealth of Kentucky Research Challenge Trust Fund and Endowment Match Program

FCR 3 seeks acceptance of a grant of \$550,000 from the Coaches for the Kids Foundation Inc. of Lexington, Kentucky (the “Donor”) to create and endow a research professorship fund in the College of Medicine and submit this grant for matching funds from the Commonwealth of Kentucky Research Challenge Trust Fund (RCTF) and Endowment Match Program. Further, pursuant to guidelines approved by the Council on Postsecondary Education, FCR 3 recommends that the Board of Trustees acknowledge its responsibility for UK’s participation in and implementation of the RCTF program and for providing oversight of all university endowment funds.

The Donor has generously made a grant of \$550,000 to endow a research professorship fund named the “Coaches for the Kids Foundation Endowed Research Professorship in Child Abuse Pediatrics” in the College of Medicine, Department of Pediatrics. This grant is eligible to receive matching funds.

In recognition of the significance of this grant, and with the consent of the Office of the Vice President for Research, the recommendation was made that the grant be submitted for matching funds at a gift-to-matching funds ratio of 2:1.

Trustee Lucas made a motion to accept FCR 3. Trustee Ramsey seconded the motion. The motion carried without dissent.

#### FCR 4 Establishment of College of Arts and Sciences Internal Endowment and Commonwealth of Kentucky Research Challenge Trust Fund and Endowment Match Program

FCR 4 seeks acceptance of contributions of \$100,000 from private individuals (the “Donors”) to create and endow a graduate fellowship fund in the College of Arts and Sciences and submit these contributions for matching funds from the Commonwealth of Kentucky Research Challenge Trust Fund (RCTF) and Endowment Match Program. Further, pursuant to guidelines approved by the Council on Postsecondary Education, FCR 4 recommends that the Board of Trustees acknowledges its responsibility for UK’s participation in and implementation of the RCTF program and for providing oversight of all university endowment funds.

The Donors have generously made contributions totaling \$41,450 and pledges totaling \$58,550 (collectively, the “contributions”) to endow a graduate fellowship fund named the “Constance L. Wood Graduate Fellowship in Statistics” in the College of Arts and Sciences, Dr. Bing Zhang Department of Statistics. These contributions are eligible to receive matching funds.

In recognition of the significance of these contributions, and with the consent of the Office of the Vice President for Research, the recommendation was made that these contributions be submitted for matching funds at a gift-to-matching funds ratio of 2:1.

Trustee Lucas made a motion to accept FCR 4. Trustee Abell seconded the motion. The motion carried without dissent.

#### FCR 5 Diamond Derby Inc. Grant and Commonwealth of Kentucky Research Challenge Trust Fund and Endowment Match Program

FCR 5 seeks acceptance of a grant of \$800,000 from Diamond Derby Inc. of Louisville, Kentucky (the “Donor”) to create and endow two funds in the College of Medicine and submit this grant for matching funds from the Commonwealth of Kentucky Research Challenge Trust Fund (RCTF) and Endowment Match Program. Further, pursuant to guidelines approved by the Council on Postsecondary Education, FCR 5 recommends that the Board of Trustees acknowledges its responsibility for UK’s

participation in and implementation of the RCTF program and for providing oversight of all university endowment funds.

The Donor has generously made a grant of \$800,000 to endow a professorship fund named the “Barnstable Brown Diabetes and Obesity Research Endowed Professorship” and a faculty excellence fund named the “Willie Barnstable Endowed Faculty Excellence Fund” in the College of Medicine, supporting the Barnstable Brown Diabetes Center. This grant is eligible to receive matching funds.

In recognition of the significance of this grant, and with the consent of the Office of the Vice President for Research, the recommendation was made that the grant be submitted for matching funds at a gift-to-matching funds ratio of 2:1.

Trustee Ramsey made a motion to accept FCR 5. Trustee Lucas seconded the motion. The motion carried without dissent.

FCR 6 Drs. Lon and Ann Hays Gift and Commonwealth of Kentucky Research Challenge Trust Fund and Endowment Match Program

FCR 6 seeks acceptance of a gift of \$300,000 from Drs. Lon and Ann Hays of Lexington, Kentucky (the “Donors”) to an existing endowed professorship fund in the College of Medicine and submit this gift for matching funds from the Commonwealth of Kentucky Research Challenge Trust Fund (RCTF) and Endowment Match Program. Further, pursuant to guidelines approved by the Council on Postsecondary Education, FCR 6 recommends that the Board of Trustees acknowledges its responsibility for UK’s participation in and implementation of the RCTF program and for providing oversight of all university endowment funds.

The Donors have generously given \$60,000 and pledged \$240,000 (collectively, the “gift”) to provide additional support for the endowed professorship fund named the “Lon R. Hays, M.D. and Ann A. Hays, M.D. Professorship for the Addictions” in the College of Medicine, Department of Psychiatry. This gift is eligible to receive matching funds.

In recognition of the significance of this gift, and with the consent of the Office of the Vice President for Research, the recommendation was made that the gift be submitted for matching funds at a gift-to-matching funds ratio of 2:1.

Trustee Laws made a motion to accept FCR 6. Trustee Case seconded the motion. The motion carried without dissent.

FCR 7 John and Linda Price Gift and Commonwealth of Kentucky Research Challenge Trust Fund and Endowment Match Program

FCR 7 seeks acceptance of a gift of \$50,000 from John and Linda Price of Lexington, Kentucky to create and endow a research fund in the College of Medicine and submit this gift for matching funds from the Commonwealth of Kentucky Research Challenge Trust Fund (RCTF) and Endowment Match Program. Further, pursuant to

guidelines approved by the Council on Postsecondary Education, FCR 7 recommends that the Board of Trustees acknowledges its responsibility for UK's participation in and implementation of the RCTF program and for providing oversight of all university endowment funds.

The Donors have generously given \$50,000 to endow a research fund named the "Price Family Research Endowment for Pediatric Health Equity" in the College of Medicine, Department of Pediatrics. This gift is eligible to receive matching funds.

In recognition of the significance of this gift, and with the consent of the Office of the Vice President for Research, the recommendation was made that the gift be submitted for matching funds at a gift-to-matching funds ratio of 2:1.

Trustee Lucas made a motion to accept FCR 7. Trustee Ramsey seconded the motion. The motion carried without dissent.

#### FCR 8 Approval to Enter into Swap Agreements

FCR 8 seeks authorization for the university or one or more of its affiliated corporations listed below to take all appropriate measures necessary to manage risks associated with variable rate bonds or other debt obligations ("Outstanding Variable Rate Debt") held by the university's affiliated corporations Royal Blue Health LLC and its subsidiaries, including Ashland Hospital Corporation dba King's Daughters Medical Center ("KDMC"), as part of the KDMC Obligated Group (defined below), and assumed by the university as part of the member substitution transaction approved by the Board on October 27, 2022 and effective December 1, 2022.

*Swap Agreements:* Such actions include entering into or modifying an interest rate swap, cap, forward starting swap, option, swaption, rate lock or similar agreement or agreements (collectively, "Swap Agreement") with a counterparty or counterparties to be selected as discussed below. Such Swap Agreement shall provide for payments to the counterparty related to interest on all or a portion of Outstanding Variable Rate Debt, at indexed or market established rates. For clarity, such actions may include, but are not necessarily limited to, entering into an agreement to novate and/or amend an existing interest rate swap agreement between KDMC Obligated Group and Barclays Bank PLC that contains a mandatory early termination date of March 8, 2023, in order to avoid or limit payment of an early termination fee and to minimize increases in interest payments. If necessary, such Swap Agreements may include executing a credit support annex arrangement as collateral.

These Swap Agreements may be entered into by the university in its own name or by one or more of the following affiliated corporations on behalf of the KDMC Obligated Group: Beyond Blue Corporation or Royal Blue Health LLC. The university's treasurer and the KDMC Obligated Group may use a financial advisor with expertise in swap agreements to negotiate with potential counterparties. Documents needed to effectuate these actions may be executed by the Treasurer of the university (if in the university's name) or the Treasurer of Beyond Blue Corporation (if in the name of one of the affiliated corporations).

Trustee Case made a motion to accept FCR 8. Trustee Ramsey seconded the motion. The motion carried without dissent.

#### FCR 9 Approval to Acquire Property Through Eminent Domain

Pursuant to statutory authority under Kentucky Revised Statutes (KRS) Sections 164.260 and 164.410 and the Eminent Domain Act of Kentucky, FCR 9 seeks to (i) authorize and direct the acquisition through condemnation proceedings of properties located at 136, 138 and 144 State Street, and 122, 134, 136, 138 and 141 University Avenue in Lexington, Kentucky (the "Properties"); and (ii) authorize the university's Executive Vice President for Finance and Administration to approve and execute all documents needed to acquire these Properties before or after filing condemnation proceedings. These Properties are essential to the university's purpose and mission in providing healthcare through a new Cancer Treatment Center/Ambulatory Surgery Center Capital Project, for which the Board approved design work on May 4, 2021 and construction on December 13, 2022.

To accommodate expansion of UK HealthCare, including the new cancer treatment center/ambulatory surgery center, the university needs to acquire 41 residential parcels most of which are located in the 100 block of Conn Terrace, State Street, University Avenue and Waller Avenue. To date, the university has acquired 30 of these parcels with three more proceeding to acquisition. The university has already commenced demolition of acquired parcels. To continue with the construction schedule, the university needs possession of the remaining parcels by early summer 2023.

Trustee Shoop made a motion to accept FCR 9. Trustee Lucas seconded the motion. The motion carried without dissent.

#### FCR 10 Internal Loan Enterprise Firewall Agreement

FCR 10 seeks approval for an internal loan to fund a portion of a five-year enterprise firewall agreement.

As cybersecurity threats continue to evolve and become more sophisticated, the need to maintain existing firewall infrastructure is critical for the university. Since 2018, University of Kentucky Information Technology Services has been working to upgrade and standardize the enterprise's platform for network firewalls in an effort to ensure the protection of university data and systems. This initiative has led to the acquisition of several firewall appliances that have been implemented to provide critical security capabilities for the overall university as well as for specific departments and units including University of Kentucky HealthCare.

The total cost of the five-year enterprise agreement will not exceed \$8,204,208.34 and will be funded with agency funds, including an internal loan not to exceed \$4,020,062. The cost will be split 51% University of Kentucky HealthCare and 49% University of Kentucky Information Technology Services where University of Kentucky HealthCare is funding its portion upfront and the portion belonging to University of Kentucky Information Technology Services will be funded through the internal loan. In accordance with the

university's Internal Loan Program Policy, the Debt Management Committee has reviewed and approved this internal loan request.

Trustee Abell made a motion to accept FCR 10. Trustee Case seconded the motion. The motion carried without dissent.

#### FCR 11 Authorization of Negotiated Disposition of Personal Property

FCR 11 seeks authorization for the sale of equipment with a net book value of \$150,226.05 to the University of Cincinnati.

Dr. Jonathan Pham, a departed faculty member, has requested items pertaining to his research be transferred to the University of Cincinnati. The specific items are a Leica TCS SP8 Confocal Laser Scanning Microscope with a net book value of \$54,163.92, a JPK Nanowizard Atomic Force Microscope with a net book value of \$39,434.58, a TA Instruments DHR-2 Discovery Rheometer with a net book value of \$31,257.06 and a Profilm3D Optical Profiler with a net book value of \$25,409.49. These items have become surplus to the needs of the department. The sale request has been approved by the Department Chair, Dean of the College, Vice President for Research and the University Treasurer. To avoid further depreciation, it is recommended that it be sold to the University of Cincinnati as property more suitable for some other use consistent with the public interest in accordance with University of Kentucky Business Procedure E-12-4: Property Disposition Policy.

Trustee Lucas made a motion to accept FCR 11. Trustee Abell seconded the motion. The motion carried without dissent.

#### FCR 12 Approval of Disposal of Real Property (Real Estate and Easement, University of Kentucky Coldstream Research Campus, Lexington, Kentucky)

FCR 12 seeks approval for a portion of land needed for road expansion to six lanes from Aristides Boulevard to New Circle Road, which includes 14,563 square feet of fee simple land, a 29,140 square foot permanent easement and a 15,584 square foot temporary easement located in Lexington, Kentucky, be declared surplus to the needs of the university and that the Executive Vice President for Finance and Administration be authorized to transfer these real property interests through one or more agreements to the Kentucky Transportation Cabinet for an amount determined under the appraisal method set forth in KRS 416.660.

Trustee Case made a motion to accept FCR 12. Trustee Ramsey seconded the motion. The motion carried without dissent.

#### FCR 13 Approval of Improvements to Leased Space (UK Healthcare Bluegrass Care Clinic)

FCR 13 seeks approval of the payment of up to \$995,000 for improvements to leased space for the UK HealthCare Bluegrass Care Clinic located at 3101 Beaumont Centre Circle, Lexington, Kentucky.

The scope of work includes design and construction for an expansion of the clinic to the second floor of the building. The expanded space will include additional general consult rooms and associated workspace for staff. The space will also include dentistry rooms for this patient population, a service that does not exist at the location currently. The clinic will continue to have exam rooms and treatment spaces on the first floor of the same building.

Trustee Shoop made a motion to accept FCR 13. Trustee Case seconded the motion. The motion carried without dissent.

#### FCR 14 Approval of Improvements to Leased Space (UK HealthCare Retail Pharmacy – Beaumont)

FCR 14 seeks approval of the payment of up to \$995,000 for improvements to space to be leased for University of Kentucky HealthCare located at 3101 Beaumont Centre Circle, Lexington, Kentucky.

UK HealthCare (UKHC) retail pharmacy is expanding to better serve the needs of its patients and is in need of space to accommodate this expansion. The relocation of the Bluegrass Care Clinic from space on the first floor of the building located at 3101 Beaumont Centre Circle vacates space which suits the needs of UKHC retail pharmacy. This location will allow UKHC retail pharmacy to provide services for both the Bluegrass Care Clinic patients as well as other patients living and working in the vicinity. The scope of work includes design and construction for an expansion of the retail pharmacy at this location. The landlord is not willing to amortize any fit-up cost into this lease, so upon approval from the Board of Trustees, UK will pay these expenses from agency funds.

Trustee Ramsey made a motion to accept FCR 14. Trustee Lucas seconded the motion. The motion carried without dissent.

#### FCR 15 Approval of Lease

FCR 15 seeks authorization for the Executive Vice President for Finance and Administration to negotiate and execute a building lease for the University of Kentucky at 2195 Harrodsburg Road, Lexington, Kentucky from the Kentucky Medical Services Foundation.

The university has identified a need for space to support the UK HealthCare Plastic and Reconstructive Surgery outpatient program. The leased space will include clinical space, exam rooms, minor procedure spaces, and associated administrative and support space for staff and providers. This clinic will be co-located with other UK HealthCare services necessary to support the clinic and its patients. The leased space will comprise of 8,900 rentable square feet with an annual rent of \$282,219.

Trustee Laws made a motion to accept FCR 15. Trustee Case seconded the motion. The motion carried without dissent.



### FCR 16 Approval of Lease

FCR 16 seeks authorization for the Executive Vice President for Finance and Administration to negotiate and execute a building lease for the University of Kentucky at 202 Bevins Lane, Georgetown, Kentucky from the Kentucky Medical Services Foundation.

A need has been identified to provide space to support UK HealthCare's offsite clinical activities in order to continue to provide general primary care services in the Bluegrass area in more convenient locations for patients. UK Family and Community Medicine offers primary care, preventative services and continuity of care for the entire family. This location includes clinical space, exam rooms and associated administrative and support space for staff and providers. The leased space will comprise 9,000 rentable square feet with an annual rent of \$252,054.

Trustee Ramsey made a motion to accept FCR 16. Trustee Abell seconded the motion. The motion carried without dissent.

### FCR 17 Approval to Acquire - Meadowcrest

FCR 17 seeks authorization for the Executive Vice President for Finance and Administration to enter into a revised purchase agreement and acquire land located at 2550 Winchester Road, Lexington, Kentucky.

UK HealthCare (UKHC) identified a location to expand its ambulatory and hospital facilities. An initial location totaling 26.74 acres for purchase was approved at the June 2022 Board of Trustees meeting. Upon due diligence review, additional acreage in the amount of approximately 14.43 acres is necessary for the university's needs. This brings the total land purchase to approximately 41.17 net acres. An amendment to the initial purchase agreement is under contract contingent on approvals by the UK Board of Trustees, and the secretary of Finance for the Commonwealth of Kentucky.

This property is located in an area that is beneficial to the patients served by UKHC. It has interstate access for patients from outside the Lexington area and is in a high-population location accessible to many current and potential UKHC patients.

The total consideration including the additional acreage is not to exceed \$39,000,000 plus customary due diligence and closing costs and has been authorized by the 2022 Session of the Kentucky General Assembly as part of the Implement Land Use Plan – UKHC (Land Acquisition Pool). Pending Board approval, the university will finalize negotiations and enter into a purchase agreement and acquire the land. The property will be purchased at fair market value with agency funds.

Trustee Ramsey made a motion to accept FCR 17. Trustee Shoop seconded the motion. The motion carried without dissent.

### FCR 18 Renew/Modernize Facilities (Improve Memorial Coliseum) Capital Project

FCR 18 seeks approval to initiate the Renew/Modernize Facilities (Improve Memorial Coliseum) capital project and the use of agency bonds authorized by the 2022 General Assembly to fund a portion of the project. FCR 18 also seeks approval to declare official intent to reimburse capital expenditures from a future debt obligation for the capital project.

In its February 2019 meeting, the Board of Trustees approved the design phase of the Improve Memorial Coliseum capital project. This FCR will initiate the construction phase.

Trustee Abell made a motion to accept FCR 18. Trustee Ramsey seconded the motion. The motion carried without dissent.

### FCR 19 Capital Construction Report

FCR 19 seeks acceptance of the capital construction report for the three months ending December 31, 2022. Ms. Mary Vosevich, vice president for facilities management, provided a summary of the report which included four new contracts, three contracts were completed, seven amendments were made to contracts, and 20 change orders on nine different projects.

Trustee Shoop made a motion to accept FCR 19. Trustee Case seconded the motion. The motion carried without dissent.

### FCR 20 Patent Assignment Report

FCR 20 seeks acceptance of the patent assignment report for the period October 1, 2022 to December 31, 2022. Ms. Taunya Phillips, director of office of technology commercialization, reported that there were 34 invention disclosures, 14 patent applications, 20 provisional patent applications, 6 patents issued, and \$172,263.56 in licensing income during the fourth quarter of 2022.

Trustee Lucas made a motion to accept FCR 20. Trustee Abell seconded the motion. The motion carried without dissent.

### E. EVPFA Report

Eric Monday, executive vice president for finance and administration shared updates on two initiatives related to the university's strategic plan objective Bringing Together Many People, One Community. The Public Art fund initiative is designed to look at our campus through monuments and memorials for learning and cultural reflections. One percent of each new capital project up to \$1,000,000 per project will be identified to be used for public art. The first phase has been to inventory our public art and the next phase will be to begin using the funds that have been set aside.

Dr. Monday introduced Mr. Barry Swanson, chief procurement officer, and Ms. Marilyn Clark, supplier diversity manager, to share the progress that has been made in the area of the Diversity Supplier Initiative. Mr. Swanson shared information about the underlying infrastructure which has been implemented to date. He talked about the supplier diversity impact model which included identifying diverse businesses, measurement and reporting, education, training and certifying to connect diverse businesses to UK. The university is fully compliant with the Kentucky model procurement code.

Ms. Clark discussed sponsored events on campus which allowed UK to promote the diversity program. Evaluation of the program has shown that it is successful with seven contracts awarded at UK and three at Fayette County Public Schools. It is important to continue data collection and growth of diverse businesses. This is meaningful work that has the power to transform the communities the university serves for generations to come.

#### F. Research Report

Dr. Lisa Cassis, vice president for research, presented information about issues of diversity in research and clinical trials.

The Individual Postdoctoral Enrichment Program (IPEP) is designed to diversify the academy of scholars.

The Research Scholars Program (RSP) supports junior faculty at UK who are underrepresented in their field to ensure that they are successful researchers by providing opportunities for professional development, mentorship and scientific/social networking.

The signature diversity research program is the Unite Research Priority Area (RPA). One area of focus is health equity. In an analysis spanning two decades, fewer than 44% of clinical trials report on race/ethnicity data. The Unite RPA includes 300 members representing 16 colleges across campus. The Unite RPA focuses on racial health equity and social and racial justice that will result in impactful scholarly outputs and extramural funding for sustainability. It also develops innovative solutions and establishes best practices focused on the recruitment and retention of racially diverse faculty, staff and students.

#### G. Other Business

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

H. Adjourn

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

Respectfully submitted,

Brenda Heeter  
Finance Committee Secretary