

Minutes of the Finance Committee Meeting
University of Kentucky Board of Trustees
September 15, 2023

The Finance Committee of the University of Kentucky Board of Trustees met on Friday, September 15, 2023 in the Gatton Student Center Harris Ballroom.

A. Meeting Opened

Chair Kimberly McCann called the meeting to order at 10:01 am. 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: Todd Case, Lizzy Hornung, Lance Lucas, Kimberly McCann, Elizabeth McCoy and Frank Shoop. Ms. Heeter announced that a quorum was present.

C. Approval of Minutes

Chair McCann asked if there were any corrections to the minutes from June 16, 2023, which were distributed. Trustee McCoy made a motion to approve the minutes. Trustee Case seconded the motion. The motion carried without dissent.

D. EVPFA Report:

The floor was yielded to Dr. Eric Monday, executive vice president for finance and administration (EVPFA), for the EVPFA Report. Dr. Monday previewed the Finance Committee Recommendations (FCRs) that were before the Finance Committee. The FCRs being considered 1) leverage private gifts and state support to expand the university mission of education, research, service and care 2) continue to support talent with infrastructure that increases access to the care only UK can provide and 3) innovative approaches to improve campus, while holding down costs and increasing access to a distinctive UK education.

RCTF funds are an accelerant to support initiatives in the fields of science, technology, engineering, mathematics and health. With the approval of three gifts, the university will receive gifts and state funds totaling \$9.6 million.

Dr. Monday shared that the recommended capital improvements, acquisition and construction to existing and new health facilities will total nearly \$135 million and will increase access to cancer and ambulatory care, improve clinical space related to psychiatry and nephrology, increase capacity for infusion services and strengthen UK's commitment to family medical care at King's Daughters Medical Center. Dr. Monday shared that the institution would have one of its greatest days in the history of the institution when the President shared an announcement later in the day.

A decade ago, the average age of UK's residence halls was more than 50 years old. Since then, the Board approved investing \$450 million in new residence halls using private equity. Student housing is part of more than \$4 billion invested to date in 8 million square feet of new and renovated construction. These new and renovated projects include improved and expanded academic spaces (35%), quality of life, community and infrastructure (32%), and spaces related to health care (33%).

Student access and affordability is the university's guiding principle for developing the annual budget. The Board has approved \$160 million of institutionally funded financial aid that goes directly to UK students that they do not have to pay back. UK Leads is a nationally award-winning program that targets unmet financial need. Our Smart Campus and iPad programs, through the partnership with Apple, are programs that other institutions want to emulate. The UK Invests program is an opportunity for every student to get a personal investment account for free to build positive holistic wellness habits. UK is are doing good things for the Commonwealth.

Three questions were asked by Board members related to UK Invests:

1. Are all students, including professional and medical students, eligible to be a part of UK Invests? Dr. Monday responded that, yes, all students are eligible.
2. Is there an enrollment period or can they enroll at any time? Students can enroll at any time.
3. Is there a limit on Fidelity's participation – is there a cap? Dr. Monday shared that there is no limit.

E. Business Items:

FCR 1 Acceptance of Charitable Grant from the B. Wayne Hughes Sr. Family Fund and Submission of Grant to the Commonwealth of Kentucky Research Challenge Trust Fund Endowment Match Program

FCR 1 seeks acceptance of a charitable grant of \$5,000,000 from the B. Wayne Hughes Sr. Family Fund (the "Donor") to create two funds to support the University of Kentucky College of Medicine and submit the qualifying portion of the grant for matching funds from the Commonwealth of Kentucky Research Challenge Trust Fund ("RCTF") Endowment Match Program. Further, pursuant to guidelines approved by the Council on Postsecondary Education, FCR 1 recommends that the Board of Trustees acknowledge its responsibility for UK's participation in and implementation of the RCTF Endowment Match Program and for providing oversight of all university endowment funds.

The grant will be used to create and support two funds including (1) an endowed fund named the "B. Wayne Hughes Program for Cardiovascular Innovation Endowment" and (2) a non-endowed fund named the "B. Wayne Hughes Program for Cardiovascular Innovation Non-Endowed Fund". The endowed fund will receive \$4,000,000 of the charitable grant to support one or more distinguished professorships and one or more

research scholars. The non-endowed fund will receive \$1,000,000 of the charitable grant to support faculty, staff and other expenses of the program. The charitable grant supporting the endowed fund is eligible to be matched by the RCTF Endowment Match Program.

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

FCR 2 Acceptance of Disbursement from the Children’s Miracle Network Hospitals and Submission of the Disbursement to the Commonwealth of Kentucky Research Challenge Trust Fund Endowment Match Program

FCR 2 seeks acceptance of a disbursement of \$750,000 from the Children’s Miracle Network Hospitals (the “CMN Hospitals”) to create and endow a fund to support the University of Kentucky College of Medicine and submit this disbursement for matching funds from the Commonwealth of Kentucky Research Challenge Trust Fund (“RCTF”) Endowment Match Program. Further, pursuant to guidelines approved by the Council on Postsecondary Education, FCR 2 recommends that the Board of Trustees acknowledge its responsibility for UK’s participation in and implementation of the RCTF Endowment Match Program and for providing oversight of all university endowment funds.

CMN Hospitals is authorized to raise private charitable funds on behalf of the university for the benefit of Kentucky Children’s Hospital. The CMN Hospitals’ \$750,000 disbursement will be used to create and endow a fund named the “Immune Dysregulation Fund” in the College of Medicine, Department of Pediatrics. This disbursement is eligible to be matched by the RCTF Endowment Match Program.

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

FCR 3 Acceptance of Charitable Grant Pledge from the Encompass Health Corporation and Submission of Pledge to the Commonwealth of Kentucky Research Challenge Trust Fund Endowment Match Program

FCR 3 seeks acceptance of a charitable grant pledge of \$1,000,000 from the Encompass Health Corporation, a Delaware corporation (the “Donor”), to create and endow a fund to support the University of Kentucky College of Medicine and submit this grant for matching funds from the Commonwealth of Kentucky Research Challenge Trust Fund (“RCTF”) 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 Endowment Match Program and for providing oversight of all university endowment funds.

The Donor’s charitable grant pledge of \$1,000,000 will be used to create and endow a fund named the “Encompass Health Research Support Fund” in the College of

Medicine, Department of Physical Medicine and Rehabilitation. This charitable grant pledge is eligible to be matched by the RCTF Endowment Match Program.

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

FCR 4 Acceptance of Gift Commitment from Kenette Sohmer

FCR 4 seeks acceptance of a gift commitment totaling \$1,040,000 (the "Gift") from Kenette Sohmer, with \$1,000,000 of the Gift used to establish and support a new endowed professional scholarship fund named the "Kenette Sohmer Endowed Scholarship" and \$40,000 of the Gift used to establish and support a related non-endowed professional scholarship named the "Kenette Sohmer Scholarship" for the University of Kentucky College of Medicine.

The Gift shall support one or more annual scholarships for professional students pursuing a Doctor of Medicine at the UK College of Medicine and who have demonstrated financial need.

Trustee Case made a motion to accept FCR 4. Trustee Shoop seconded the motion. The motion carried without dissent.

FCR 5 Acceptance of Gift from Brett and Billie Jo Setzer

FCR 5 seeks acceptance of a gift commitment totaling \$2,000,000 (the "Gift") from Brett and Billie Jo Setzer, to provide support for the renovation/expansion, and other related costs, of the indoor practice field at Nutter Field House.

Mr. Brett T. Setzer, Chief Executive Officer of Brett Construction Company in Lexington, Kentucky, has over 40 years of experience in the construction industry. Mrs. Billie Jo Setzer received her undergraduate degree from Transylvania University in 1989 and earned her Master of Arts in Education from the University of Kentucky College of Education in 1993. The Setzers have been donors since 2003, supporting various programs across the university.

Trustee Lucas made a motion to approve FCR 5. Trustee Case seconded the motion. The motion carried without dissent.

FCR 6 FY 2023-24 Budget Revisions

FCR 6 seeks approval of revisions to the FY 2023-24 budget. The recommended budget revisions will increase the University of Kentucky's current funds budget by \$23,050,000 from \$6,780,322,900 to \$6,803,372,900.

Trustee McCoy made a motion to approve FCR 6. Trustee Shoop seconded the motion. The motion carried without dissent.

FCR 7 Authorization of Negotiated Disposition of Personal Property

FCR 7 seeks the authorization for the non-routine disposition of personal property from the University of Kentucky College of Pharmacy of one Procept 4MB Trix Pan Coater with a net book value of \$43,260.16, one Procept Trix Fluid Ber Dryer/Coater and Granulator Coater with a net book value of \$39,553.16 and one Spray Dryer/Spray Chiller coater with a net book value of \$66,135.18.

In accordance with Business Procedure Manual Policy E-12-4, the equipment has been advertised for two weeks on the university's Surplus Property website as available to other university departments. Having received no requests, this equipment is deemed to be surplus to the needs of the university. To avoid further depreciation, it is recommended that the equipment be sold using the disposal methods approved by the Board at its June 2023 meeting.

Trustee Lucas made a motion to approve FCR 7. Trustee Shoop seconded the motion. The motion carried without dissent.

FCR 8 Authorization of Negotiated Disposition of Personal Property

FCR 8 seeks authorization for the non-routine disposition of personal property from the University of Kentucky Albert B. Chandler Hospital Patient Services of one Dishwasher-Conveyor-Champion with a net book value of \$37,059.77. The Dishwasher-Conveyor-Champion is deemed to be inoperable, and the needed repairs determined to be cost prohibitive.

Trustee McCoy made a motion to approve FCR 8. Trustee Lucas seconded the motion. The motion carried without dissent.

FCR 9 Approval of Improvements to Leased Space (UK Fujio Cho Department of Engineering Technology)

FCR 9 seeks approval of the payment of up to \$50,000 for improvements to leased space for the University of Kentucky Stanley and Karen Pigman College of Engineering, Fujio Cho Department of Engineering Technology located at Newton's Attic, 4974 Old Versailles Road, Lexington, Kentucky.

The leased space will be used to house a vehicle donated by Toyota Motor Manufacturing, Kentucky, Inc. for UK engineering students. The vehicle will be used to demonstrate the current state of vehicular computing and networking technology, and modification of the vehicle will allow students to implement their own networking and computing algorithms to alter and improve vehicle capabilities.

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

FCR 10 Approval of Improvements to Leased Space (UK Healthcare Psychiatric and Behavioral Health Care Clinic)

FCR 10 seeks approval of the payment of up to \$550,000 for improvements to leased space for the University of Kentucky HealthCare Psychiatric and Behavioral Health Care Clinic located at 245 Fountain Court, Lexington, Kentucky.

The improvements will create two rooms on the third floor to accommodate the installation of two new Transcranial Magnetic Stimulation (TMS) machines. The improvements will also include necessary changes to reconfigure the space to accommodate patient flow for this activity including an intake space, workroom and other clinical support spaces.

Trustee McCoy made a motion to approve FCR 10. Trustee Hornung seconded the motion. The motion carried without dissent.

FCR 11 Approval of Improvements to Leased Space (UK Healthcare Nephrology, Bone and Mineral Metabolism Clinic)

FCR 11 seeks approval of the payment of up to \$250,000 for improvements to leased space for the University of Kentucky HealthCare Nephrology, Bone and Mineral Metabolism Clinic located in the Professional Arts Center building at 135 Maxwell Street, Lexington, Kentucky.

These improvements will renovate two rooms on the third floor of the Professional Arts Center building to accommodate two new DEXA bone scan machines which measure bone density.

Trustee Case made a motion to approve FCR 11. Trustee Lucas seconded the motion. The motion carried without dissent.

FCR 12 Approval to Acquire (14395 State Route 93, Jackson, Jackson County, Ohio)

FCR 12 seeks authorization for the Chief Executive Officer of UK King's Daughters to enter into a purchase agreement and acquire a building located at 14395 State Route 93, Jackson, Jackson County, Ohio.

UK King's Daughters (UKKD) entered into a lease agreement with the owner for the Medical Office building on February 27, 2009. This property was constructed and modified to accommodate a family care and medical specialties practice which offers x-ray, laboratory services and mobile imaging. In addition to family care services, urology, orthopedics and cardiology specialties are provided to patients regularly at this location.

Trustee Case made a motion to approve FCR 12. Trustee McCoy seconded the motion. The motion carried without dissent.

FCR 13 Construct Retail/Parking Facility 1 and 2 (Cancer/Ambulatory Facility Parking – UK Healthcare) Capital Project

FCR 13 seeks approval to initiate the Construct Retail/Parking Facility 1 and 2 (Cancer/Ambulatory Facility Parking – UK HealthCare) Capital Project and for the Board to authorize the Executive Vice President for Finance and Administration to negotiate and execute all documents necessary to create a viable public-private-partnership (P-3).

At the December 13, 2022, meeting, the Board approved the initiation of the construction phase of the new Cancer Treatment Center/Ambulatory Surgery Center. While the original scope of work included a parking structure to serve the facility, an opportunity has arisen to separate the parking structure from that project to use a P-3 construction delivery method as such would be in the best interest of the university.

Trustee Lucas made a motion to approve FCR 13. Trustee McCoy seconded the motion. The motion carried without dissent.

FCR 14 Improve UK Healthcare Facilities – UK Chandler Hospital (Pavilion H Infusion Center Relocation) Capital Project

FCR 14 seeks approval to initiate the Improve UK HealthCare Facilities – UK Chandler Hospital (Pavilion H Infusion Center Relocation) capital project. This project will relocate an outpatient infusion center from the Gill Heart and Vascular Institute (Pavilion G) to the first floor of the Chandler Medical Center and Hospital (Pavilion H) to create additional capacity for non-oncology infusion services. This project is anticipated to include renovations to create up to eleven private and open bay infusion spaces and associated staff support areas for the outpatient infusion program.

Trustee Shoop made a motion to approve FCR 14. Trustee Lucas seconded the motion. The motion carried without dissent.

FCR 15 Improve Markey Cancer Center Facilities (Ben F. Roach Cancer Care Facility - UK HealthCare) Capital Project

FCR 15 seeks approval to initiate the Improve Markey Cancer Center Facilities (Ben F. Roach Cancer Care Facility – UK HealthCare) capital project. This project will fit up space on the ground floor of the Ben F. Roach Cancer Care Facility (Pavilion CC) to accommodate a new linear accelerator to replace an aging unit which is at the end of its service life.

Trustee Hornung made a motion to approve FCR 15. Trustee McCoy seconded the motion. The motion carried without dissent.

FCR 16 Replace Kroger Field South Tower Roof Emergency Capital Project

FCR 16 seeks the Board of Trustees to confirm the President's approval to replace the Kroger Field South Tower roof as an emergency capital project. On March 3, 2023, sustained high winds of over 75 mph damaged the roof system at the upper level of the south tower of Kroger Field. An extensive review revealed that the existing roof system needed to be replaced due to damage to the membrane fastening system at several locations on the roof and the surrounding parapet. This emergency capital project, which was completed prior to the first home football game on September 2, 2023, replaced the existing roof system with a new roof system with a 20-year warranty.

This \$1,200,000 project, authorized by emergency authority, will be funded with insurance reimbursement proceeds.

Trustee Case made a motion to approve FCR 16. Trustee Lucas seconded the motion. The motion carried without dissent.

FCR 17 Capital Construction Report

FCR 17 seeks acceptance of the capital construction report for the three months ending June 30, 2023. This report refers only to projects that had activity within this quarter.

Trustee McCoy made a motion to approve FCR 17. Trustee Case seconded the motion. The motion carried without dissent.

FCR 18 Patent Assignment Report

FCR 18 seeks approval of the patent assignment report for the three months ending March 31, 2023.

Trustee Shoop made a motion to approve FCR 18. Trustee Lucas seconded the motion. The motion carried without dissent.

F. Philanthropy Report

Jake Lemon, vice president for philanthropy and alumni engagement, reported on the capital campaign. More than 160,000 donors contributed to the \$2.1 billion campaign of which \$500 million was committed to student support. In his first 100 days at the university, Mr. Lemon met with donors, deans, cabinet members and philanthropy team members - making connections and learning the culture. In meetings with team members, core values were identified: collaboration, mutual respect, innovation, transparency, mission driven and communication. Mr. Lemon went on to share that it is the philanthropy team's duty to support the strategic objectives of the university and to support the Commonwealth by strengthening the winning team, enhancing

communication, elevating fundraising success and efficient and effective financial management.

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 10:57 am.

Respectfully submitted,

Brenda Heeter
Finance Committee Secretary