

Minutes of the Finance Committee Meeting
University of Kentucky Board of Trustees
June 22, 2018

The Finance Committee of the University of Kentucky Board of Trustees met on Friday, June 22, 2018, at the Lewis Honors College.

Meeting Opened

James Booth, Chair of the Finance Committee, called the meeting to order at 10:35am. Chair Booth asked Ms. Heeter, Secretary to the Finance Committee, to call the roll.

Roll Call

The following members of the Finance Committee answered the call of the roll: James Booth, Jennifer Barber, Lee Blonder, Michael Christian, Elizabeth McCoy, Dave Melanson, Derrick Ramsey, and Frank Shoop.

Ms. Heeter announced that a quorum was present.

Approval of Minutes

Chair Booth asked if there were any corrections to the minutes of the May 1, 2018 meeting which were distributed. Trustee McCoy made a motion to approve the minutes. Trustee Melanson seconded the motion. The motion carried without dissent.

Business Items

Chair Booth stated the Committee would hear business items.

FCR 1 Approval of Lease

The Committee reviewed FCR 1, requesting approval to execute a lease for UK HealthCare operations. The lease is for 101,264 square feet with an annual rent of \$2,642,990.40 and will be funded with agency funds. This lease was competitively awarded. Trustee Shoop made a motion to accept FCR 1. Trustee McCoy seconded the motion. The motion carried without dissent.

FCR 2 Approval of Lease

The Committee reviewed FCR 2, requesting approval to execute a lease for 11,199 square feet with an annual rent of \$207,181.50 to be funded with agency funds. The UK Center for Trauma and Children has occupied this space since 2000. During the request for proposal process, the landlord requested a rent increase of \$5,823.50 per year. The University determined this response to be the most cost-effective alternative and in the best interest of the University. Trustee Melanson made a motion to accept FCR 2. Trustee Christian seconded the motion. The motion carried without dissent.

FCR 3 Approval of Memorandum of Agreement (UK College of Medicine-Northern Kentucky Campus)

The Committee reviewed FCR 3, requesting approval of a Memorandum of Agreement (MOA) between the University of Kentucky and Northern Kentucky University. The MOA will establish a Northern Kentucky satellite campus of the UK College of Medicine. The regional campus will allow for an approximately 21 percent increase in the College's class size. The space will be 22,500 square feet for administrative and academic purposes. The fit up costs are not expected to exceed \$2.9 million. The estimated annual rent is \$365,000 with a 1.5 percent increase every year starting in Fiscal Year 2022. The lease will be funded with agency funds. Trustee Ramsey made a motion to accept FCR 3. Trustee Barber seconded the motion. The motion carried without dissent.

FCR 4 Approval of the Dissolution of UK HealthCare/Norton Healthcare Strategic Health Alliance, Inc.

The Committee reviewed FCR 4, requesting approval to dissolve the UK Healthcare/Norton Healthcare Strategic Health Alliance, Inc., originally incorporated in 2012. Before fully operationalizing and funding the corporation, however, UK HealthCare and Norton Healthcare decided to join other hospital systems in forming a new Kentucky Health Collaboration Limited Liability Corporation. Both parties, UK HealthCare and Norton Healthcare, have agreed to this dissolution. Trustee Shoop made a motion to accept FCR 4. Trustee Melanson seconded the motion. The motion carried without dissent.

FCR 5 Improve Good Samaritan Hospital Facilities Capital Project

The Committee reviewed FCR 5, requesting approval of a capital project to address expansion of clinical services available at the UK Healthcare Good Samaritan campus by renovating an area in the main facility and installing up to two Magnetic Resonance Imaging (MRI) machines. The \$8,000,000 project would be funded with agency funds. This FCR was approved by the UK HealthCare Committee. Trustee Christian made a motion to accept FCR 5. Trustee Ramsey seconded the motion. The motion carried without dissent.

FCR 6 Improve Clinical/Ambulatory Service Pool Capital Project

The Committee reviewed FCR 6, requesting approval for a Capital Project which will expand clinical services. The \$15,000,000 project will provide additional outpatient service space and create a permanent location for Positron Emission Tomography (PET) Scanning. Trustee McCoy made a motion to accept FCR 6. Trustee Melanson seconded the motion. The motion carried without dissent.

FCR 7 Refunding Resolution

The Committee reviewed FCR 7, a resolution providing for the authorization, issuance, and sale of general receipts refunding obligations of the University of Kentucky pursuant to the 2005 Trust Agreement. The resolution would allow the University to take advantage of opportunities during the next Fiscal Year where favorable financial results can be achieved through redeeming and

refunding prior obligations. Trustee McCoy made a motion to accept FCR 7. Trustee Ramsey seconded the motion. The motion carried without dissent.

FCR 8 Acceptance of Interim Financial Report for the Nine Months Ended March 31, 2018

The Committee reviewed FCR 8, requesting acceptance of the Consolidated Interim Financial Report for the nine months ended March 31, 2018. As of the end of the third quarter, the University has recognized 74 percent of the budgeted current funds revenues. Trustee Christian made a motion to accept FCR 8. Trustee Barber seconded the motion. The motion carried without dissent.

FCR 9 Academic Year 2018-2019 Tuition and Mandatory Fees Schedule

FCR 10 Fiscal Year 2018-19 Operating and Capital Budget

Before considering FCR 9 and FCR 10, the floor was yielded to Angela Martin, Vice President for Financial Planning and Chief Budget Officer.

Ms. Martin started by acknowledging all of the university employees who have been involved in putting together this budget. Ms. Martin discussed the principles behind the budget development: student access and affordability; competitive pay for faculty and staff; the strategic planning to prevent across-the-board cuts; maintain and enhance academic quality; and build a community of belonging.

Ms. Martin reviewed the proposed budget and the 2018-2019 Tuition and Mandatory Fees Schedule in detail.

Trustee Barber made a motion to accept FCR 9, Academic Year 2018-2019 Tuition and Mandatory Fees Schedule. Trustee Ramsey seconded the motion. Chair Booth asked if there were any discussion or comments.

Trustee Childress addressed the Committee, as a representative of the student body, stating that he would not be able to endorse the tuition increase. While it is admirable the administration is working to limit the cost on students given the dwindling state support, he could not support any increase in the cost to students.

Discussion took place by Committee members relating to concerns about affordability and reduction of state support

President Capilouto thanked all of the Trustees for their comments. "The administration is taking access and affordability to this University seriously."

Chair Booth called for a vote on FCR 9. The motion carried without dissent.

Chair Booth asked if there was a motion to accept FCR 10, Fiscal Year 2018-2019 Operating and Capital Budget. Trustee Barber made a motion to accept FCR 10. Trustee Ramsey seconded the motion.

Trustee Blonder requested clarification on the 1.5 percent raise pool in Fiscal Year 2019. Dr. Monday responded that in the past there has been a merit pool which gave flexibility to the colleges

to determine raise amount per employee. However, the 1.5 percent will be given as long as the employee performance review is satisfactory.

Trustee Grossman inquired about the funding for tenure promotions. Dr. Monday responded that tenure promotions are funded separately.

Chair Booth called for a vote on FCR 10. The motion carried without dissent.

FCR 11 2018 Disposition of Personal Property

The Committee reviewed FCR 11, authorizing the routine disposition of personal property to include equipment and machinery; vehicles; library books and material; livestock, and other agricultural commodities products, and recyclable materials having a value less than \$25,000. Trustee Barber made a motion to accept FCR 11. Trustee Ramsey seconded the motion. The motion carried without dissent.

FCR 12 Capital Construction Report

The Committee yielded the floor to Mary Vosevich, Vice President for Facilities Management for the Capital Construction Report. Ms. Vosevich reported that for the quarter ending March 31, 2018, there were seven new contracts, four contracts were completed, seven amendments, and 42 change order greater than \$25,000.

Trustee Grossman asked if there were other projects that would be started having to do with modernization and renewal given that there is an additional \$125 million of authorization, and if so, what is the timeline.

Ms. Vosevich responded that evaluation of next projects is underway. Dr. Monday stated that that he and the Provost have been discussing the future projects and they will likely be brought to the Board in the Fall.

Trustee Christian made a motion to accept FCR 12. Trustee Barber seconded the motion. The motion carried without dissent.

FCR 13 Patent Assignment Report

The floor was yielded to Lisa Cassis, Vice President for Research, for the Patent Report.

Dr. Cassis presented the report for the period January 1, 2018 to March 31, 2018. During this period, four full applications were submitted, six provisional patent applications were submitted, eight patents were issued, and licensing income totaled \$713,137.81. Trustee Melanson made a motion to accept FCR 13. Trustee Barber seconded the motion. The motion carried without dissent.

EVPPFA Report

The next order of business was a report from the Executive Vice President for Finance and Administration, Dr. Eric Monday.

In accordance with FCR 5, approved at the June 19, 2015 Board meeting, Dr. Monday reviewed the University's active Letters of Credit and stated that the University has four outstanding Letters of Credit related to the insurance coverage for Eastern State Hospital employees, who are employed by Central Kentucky Management Services.

Dr. Monday informed the Committee that the University would be conducting a Request For Proposal (RFP) for retirement plan administration. The University wants to ensure the best options are in place for employees.

Finally, Dr. Monday gave an update on the land swap. He recently met with the city officials regarding the land swap of 50 acres at the Coldstream Research Campus for Rose Street and other streets; and in four years, another 200 acres for the other roads that are part of the Main Campus. An independent appraiser has valued each at almost identical amounts. The purpose of the swap is not financial, it is for the safety of students, faculty, staff, fans, visitors, patients; and economic development.

Meeting Adjourned

Hearing no further business, the meeting was adjourned at 12:00pm

Respectfully submitted,



Brenda Heeter