

MINUTES OF THE FINANCE COMMITTEE
University of Kentucky Board of Trustees
June 16, 2017 – 1:00 PM
Patterson Office Tower

Committee Members Present

Jennifer Barber, James Booth, Mike Christian, Kelly Holland, Dave Melanson, Rowan Reid, Frank Shoop, and Robert Vance

Approval of Minutes

The minutes of the May 2, 2017 Finance Committee meeting were approved as written.

Business Items Presented by: Britt Brockman, Chairman

FCR 1 Pledge from the William E. Seale Family Foundation

The Committee reviewed FCR 1, acceptance of a pledge for \$2, 240,000, which included \$240,000 in payments already received, from the William E. Seale Family Foundation of Annapolis, Maryland to establish and endow the “William E. Seale Endowed Chair in Business” in the Gatton College of Business and Economics.

The Foundation’s total impact on the University of Kentucky, including this new gift, is over \$12,000,000. Prior gifts include a \$10,000,000 gift in 2014 to support the Gatton College Capital Campaign.

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

FCR 2 Acceptance of Interim Financial Report for the Nine Months Ended March 31, 2017

The Committee reviewed FCR 2, acceptance of the consolidated financial report for the nine months ended March 31, 2017. As of March 31, 2017, the University has recognized \$2,626,221,961 of current funds revenue representing 73 percent of the 2016-17 approved budget of \$3,573,528,900. Expenses and transfers total \$2,452,167,148 or 69 percent of the approved budget. Chair Brockman yielded the floor to Susan Krauss, Treasurer, for questions. Seeing none, Chair Brockman moved for a vote on FCR 2.

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

FCR 3 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 3, approval of a resolution authorizing the Treasurer of the University, upon the advice of the Financial Advisor to the University, to issue refunding obligations for the purpose of refunding prior obligations when favorable financial results may be realized through redeeming and refunding the prior obligations. Chair Brockman yielded the floor to Susan Krauss, Treasurer, for questions. Seeing none, Chair Brockman moved for a vote on FCR 3.

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

FCR 4 Fiscal Year 2017-18 Operating and Capital Budget

The Committee reviewed FCR 4, approval of Fiscal Year 2017-18 Operating and Capital Budget. Chair Brockman yielded the floor to Angela Martin, Vice President for Financial Planning and Chief Budget Officer for a presentation. Vice President Martin presented the University of Kentucky's budget of \$3,700,000,000. She reviewed the sources of revenue for the University and how it is used.

A motion to approve was made by Trustee Booth and seconded by Trustee Melanson. The motion carried without dissent.

FCR 5 Disposal of Personal Property

The Committee reviewed FCR 5, approval of a routine disposition of property brought before the Board on an annual basis. The proposed plan will 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 provided as an attachment.

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

FCR 6 Approval of Lease (GF Vaughan Tobacco Company Warehouse and Storage Space

The Committee reviewed FCR 6, approval for the Executive Vice President for Finance and Administration to negotiate and execute a building lease between the University of Kentucky and GF Vaughan Tobacco Company for warehouse and storage space located at 1247 Versailles Road/554-558 South Forbes Road, Lexington, Kentucky. All leases in excess of \$200,000 annually must be approved by the Board of Trustees. The approved lease will be funded with agency funds and a map of the property was attached for the Board's reference.

A motion to approve was made by Trustee Holland and seconded by Trustee Christian. The motion carried without dissent.

FCR 7 Authorization to Acquire Property (Scott Street and Adjacent Property)

The Committee reviewed FCR 7, authorization for the Executive Vice President for Finance and Administration to acquire the properties located at 322, 324, and 328 Scott Street, Lexington, Kentucky and an assignment of lease for the adjacent land owned by Norfolk Southern Railroad

The anticipated cost of \$1,150,000 was based upon appraisals and will be acquired using agency funds. A map of the property was attached for the Boards reference.

A motion to approve was made by Trustee Booth and seconded by Trustee Barber. The motion carried without dissent.

FCR 8 Real Estate Exchange (Greek Park-Chesney)

The Committee reviewed FCR 8, authorization to exchange deeds with Timothy D. Chesney for his property located at 414 Pennsylvania Court, Lexington Kentucky for property owned by the University located at 544 Columbia Avenue, Lexington, Kentucky. The property at 414 Pennsylvania Court is one of three remaining properties necessary to complete Greek Park. The exchange is based upon appraisals satisfactory to both Mr. Chesney and the University. A map of the properties was attached for the Board reference.

A motion to approve was made by Trustee Vance and seconded by Trustee Holland. The motion carried without dissent.

FCR 9 Repair/Upgrade/Improve Building Systems-UK HealthCare Capital Project (Pavilion HA Air Handling Unit #8)

The Committee reviewed FCR 9, a \$2,000,000 capital project to replace air handling unit #8 on the sixth floor of Chandler Hospital. The replacement of air handling unit #9 was approved b the Board at its September 2014 meeting. This will complete air handling unit replacements for the sixth floor. FCR 9 was brought before the University Health Care Committee and recommended for approval.

A motion to approve was made by Trustee Christian and seconded by Trustee Melanson. The motion carried without dissent.

FCR 10 Renovate/Expand Clinical Services Capital Project-William R. Willard Medical Education Building (college of Medicine Support Space-Phase II)

The Committee reviewed FCR 10, approval of a \$4,000,000 capital project to renovate space in the William R. Willard Medical Education Building. At its February 2016 meeting, the Board approved \$5,000,000 for the first phase of renovations to the William R. Willard Medical Education Building. This capital project will continue renovations of the College of Medicine support space and will include faculty and staff offices, study spaces, and meeting rooms. Additional phases of the project may follow. Authorized by the 2016 Kentucky General Assembly, this project will be funded with agency funds. FCR 10 was brought before the University Health Care Committee and recommended for approval.

A motion to approve was made by Trustee Vance and seconded by Trustee Melanson. The motion carried without dissent.

FCR 11 Construct/Expand/Renovate Ambulatory Care-UK HealthCare Capital Project (Department of Medicine Clinics)

The Committee reviewed FCR 11, approval of a \$12,000,000 capital project to renovate the Department of Medicine Clinics located in the Kentucky Clinic Medical Plaza. The planned renovation and expansion will create more useable exam rooms; enhance patient and staff circulation; improve waiting areas; and upgrade the HVAC systems to current standards. Renovations will result in more efficient operations necessary to manage the increasing volume of patients and complexity of care. FCR 11 was brought before the University Health Care Committee and recommended for approval.

A motion to approve was made by Trustee Melanson and seconded by Trustee Booth. The motion carried without dissent.

FCR 12 Capital Construction Report

The Committee reviewed FCR 12, acceptance of the Capital Construction Report. Mary Vosevich, Vice President for Facilities Management, reported five new contracts, four contract amendments, and 60 change orders for the quarter ending March 31, 2017. Four contracts also were completed during this quarter.

A motion to approve was made by Trustee Booth and seconded by Trustee Barber. The motion carried without dissent.

FCR 13 Patent Assignment Report

The Committee reviewed FCR 13, acceptance of the Patent Assignment Report. Dr. Lisa Cassis presented the report for the period of January 1, 2017 to March 31, 2017. For the nine months of the fiscal year, 10 patent applications and 33 patents were issued. Patent income totaled \$1,361,006.99.

A motion to approve was made by Trustee Melanson and seconded by Trustee Barber. The motion carried without dissent.

FCR 14 Real Estate Exchange (Core Campus Investment Partners, LLC)

The Committee reviewed FCR 14, approval to acquire from Core Campus Investment Partners, LLC the properties located contiguous to the University of Kentucky campus at 401 S. Limestone, 405 S. Limestone, 407 S. Limestone, 120 Winslow St., 108 Winslow St., and 130 Winslow St., Lexington, Kentucky 40508 in exchange for properties owned by the University located at 519 Jersey Street, 500-530 South Upper Street, 119 Virginia Ave., 121 Virginia Ave., 123 Virginia Ave., 131 Virginia Ave., 665 S. Limestone, 685 S. Limestone, and 693 S. Limestone, Lexington, Kentucky 40508, as well as property which the University is negotiating the purchase of at 662 Maxwelton, Lexington Kentucky 40508, and authorize the Executive Vice President for

Finance and Administration to negotiate and execute all documents necessary to complete this real property exchange. Chair Brockman yielded the floor to Executive Vice President for Finance and Administration, Dr. Eric Monday who discussed that the University-owned property at these locations is surplus to the needs of the University and the proposed exchange of these properties for the Core properties listed is in the best interest of the University. The properties to be acquired from Core Campus Investment Partners, LLC (“Core properties”) are contiguous to University property and are in close proximity to the new student center, the north campus residence halls, Memorial Coliseum, and the Singletary Center for the Arts. This exchange, authorized by the 2016 Session of the Kentucky General Assembly, will require a cash payment in addition to the property exchange. The payment will be funded with agency funds equal to the negotiated purchase price of 662 Maxwellton.

A motion to approve was made by Trustee Christian and seconded by Trustee Vance. The motion carried without dissent.

Executive Vice President for Finance and Administration Report

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

Dr. Monday yielded the floor to Vice President Martin to review postsecondary education performance funding. Vice President Martin discussed Senate Bill 153, An Act Relating to Postsecondary Funding. Kentucky General Assembly may appropriate funds to the fund including up to 100% of existing adjusted base appropriations and new state funds. She discussed that monies placed in the performance fund will be distributed to the institutions based on competitive performance using 11 metrics. Each metric is weighted to recognize differences in missions and cost structures between the research universities and the comprehensive universities based on FY 2016-17 funding levels. In addition, each metric is measured by averaging the most recent three years of finalized data. Vice President Martin discussed the metrics and FY 2017-18 model results.

Hearing no further business, Chair Brockman adjourned the meeting.

Respectfully submitted,
Leigh Bays Donald