

Minutes of the Finance Committee Meeting
University of Kentucky Board of Trustees
April 25, 2024

The Finance Committee of the University of Kentucky Board of Trustees met on Thursday, April 25, 2024, in the Gatton Student Center Harris Ballroom.

A. Meeting Opened

Chair Kimberly McCann called the meeting to order at 5:00 p.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: Alex Boone, Todd Case, Janie Greer, Lizzy Hornung, Lance Lucas, Kimberly McCann, Elizabeth McCoy, Dave Melanson, Frank Shoop and Robert Vance. Ms. Heeter announced that a quorum was present.

C. Approval of Minutes

Chair McCann asked if there were any corrections to the minutes from February 23, 2024, meeting which were distributed. Trustee McCoy made a motion to approve the minutes. Trustee Melanson 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) and co-executive vice president for health affairs, for the EVPFA Report. Dr. Monday previewed the Finance Committee Recommendations (FCRs) that were before the Finance Committee. Gifts, partnerships and projects that are considered at this meeting will show the commitment to improving the lives of Kentuckians.

“Over the past months, this Board has approved several FCRs related to the Commonwealth’s Endowment Match Program. With the FCRs you will consider today, we will have matched almost \$19.5 million of our allocated \$20 million of state funds at a rate of two to one. An update on the University’s continued progress for our students with the Apple iPad initiative will be provided. Additionally, a request for your consideration of several parking and transportation projects that will lead to campus improvements for our staff and students. Lastly, the Committee will be asked to consider a new research building for the Martin-Gatton College of Agriculture, Food and Environment as it moves from design to construction. This \$285 million project will be funded with \$200 million from the Commonwealth and \$85 million from UK HealthCare as this is an enabling project for the expansion of the Chandler Hospital.”

Dr. Monday introduced Heath Price, associate vice president for partnerships, to provide an update on the Apple iPad initiative. Mr. Price thanked the Board of Trustees

for their continued commitment to the Smart Campus iPad initiative. “The FCR that will be presented today will provide incoming students with the 5th generation iPad air, pencil and keyboard. This will be the sixth year for the program. Over the life of the initiative, more than 32,000 kits have been deployed to students and 965 to faculty. The University does have the largest higher education partnership with Apple.” Mr. Price presented a video created by Apple which illustrated the importance of the partnership with the University.

EVPFA Monday introduced co-facilitators Dr. Nancy Cox, vice president for land-grant engagement and dean of the Martin-Gatton College of Agriculture, Food and Environment, and Dr. Rob Edwards, vice president and chief strategy and growth officer for UK HealthCare, to provide an update on Project Accelerate Work Group 3: More Partnerships. Dr. Edwards shared that their charge is to expand the University’s impact through partnerships, acquisitions and new initiatives with schools, governments, non-profits, industry and corporations that enhance UK’s ability to meet the state’s needs. The group is not working toward just new partnerships but making current partnerships deeper and richer.

Dr. Cox shared that, in collaboration with work groups 1 and 2, the University is going to modernize and deepen collaboration with the Kentucky Community and Technical College System (KCTCS). “We are looking at the general education transfer opportunities for KCTCS students and how to improve the process. The University will also collaborate with KCTCS on its ambitious workforce development efforts. In addition, we plan to refresh the University’s agreements with KCTCS.”

Dr. Cox continued, “The University will also assist KCTCS with grant management opportunities and we will leverage our county extension programs with KCTCS. Finally, the University and KCTCS plan to jointly market academic programs so that high school students can see available pathways for growth.”

Dr. Edwards continued by sharing that the work group is also identifying career ladders for high school students with Ashland Community and Technical College and Bluegrass Community and Technical College, in conjunction with the University’s Vice President for Human Resources and Chief Human Resources Officer, Melissa Frederick. The work group is designing a scholarship program for high school students to attend a community and technical college to obtain a two-year healthcare related degree and have a guaranteed job with UK HealthCare or UK King’s Daughters Medical Center. The students could then further their careers using employee educational benefits to obtain a bachelor’s degree and advanced degrees.

Dr. Edwards continued his report presenting quantitative research which shows significant improvements after a community hospital partners with an academic medical system. The data demonstrates that acquisition by an academic medical system is good for patients and the community. “We interviewed leaders at various other hospitals about these types of partnerships and found that there are clear benefits after such mergers such as improved occupancy at the community hospital. The partnerships also expand workforce interest and participation. The consolidation of academic medical centers with

community hospitals is a newer trend and we will continue with interviews of leaders of other academic medical centers and community hospitals.”

Dr. Edwards concluded the presentation by stating that the work group’s charge also includes addressing local challenges such as housing and childcare. The work group has decided to engage the local community by having conversations with organizations such as Commerce Lexington and Lexington-Fayette Urban County Government.

Trustee McCoy asked about the transferability problem of academic credit earned by students at postsecondary education institutions, especially in the southwest part of the Commonwealth. Dean Cox agreed that these issues should be solvable. As an example, Dr. Cox stated that KCTCS classes often do not have a lab component that is required by four-year institutions. UK is currently considering how to offer the required lab component to transfer students in lieu of requiring the student to repeat the course.

Trustee Swanson asked Dr. Edwards if the cost to the patient is being considered as part of the acquisition evaluation. Dr. Edwards said that it had not but that he would look at what data is publicly available.

Trustee Melanson asked Dr. Edwards that as part of the local challenges, the work group be reminded that many staff live outside of Fayette County, some of the growth must be regional. Dr. Edwards said he will do so.

E. Business Items

FCR 1 Acceptance of Charitable Gift from Roger L. Nicholson and Submission of Gift to the Commonwealth of Kentucky Research Challenge Trust Fund Endowment Match Program

FCR 1 seeks acceptance of a charitable gift and gift commitment totaling \$1,500,000 from Roger L. Nicholson (the “Donor”) to create two funds to support the University of Kentucky College of Medicine and submit the gift 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, 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 has generously made a gift and gift commitment totaling \$1,500,000 to create and endow two funds that are eligible to receive state matching funds. The first fund, named the “Roger L. Nicholson Endowed Research Professorship in Adolescent Medicine” in the College of Medicine, Department of Pediatrics, Division of Adolescent Medicine, will receive \$500,000 of the gift and gift commitment. The second fund, named the “Roger L. Nicholson Endowed Pediatric Behavioral Health Innovation Research Award” in the College of Medicine, Department of Psychiatry, will receive \$1,000,000 of the gift and gift commitment.

In recognition of the significance of this gift and gift commitment, and with the consent of the Office of the Vice President for Research, it is recommended that they be submitted for matching funds at a gift to matching funds ratio of 2:1. As a result, the “Roger L. Nicholson Endowed Research Professorship in Adolescent Medicine” will eventually receive \$750,000 including \$500,000 from the gift and gift commitment and \$250,000 from the RCTF Endowment Match Program. In addition, the “Roger L. Nicholson Endowed Pediatric Behavioral Health Innovation Research Award” will eventually receive \$1,500,000 including \$1,000,000 from the gift and gift commitment and \$500,000 from the RCTF Endowment Match Program.

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

FCR 2 Acceptance of Charitable Grant from the Spray Foundation Inc. and Submission of Grant to the Commonwealth of Kentucky Research Challenge Trust Fund Endowment Match Program

FCR 2 seeks acceptance of a charitable grant of \$250,000 from The Spray Foundation Inc. (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, 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 of \$250,000 will be used to create and endow a fund named the “Harriet Bradley Endowed Research Fund for Pediatric Behavioral Health” in the College of Medicine, Department of Psychiatry. This charitable grant is eligible to be matched by the RCTF Endowment Match Program.

In recognition of the significance of this grant, and with the consent of the Office of the Vice President for Research, it is recommended that the charitable grant pledge be submitted for state matching funds at a ratio of 2:1. As a result, the “Harriet Bradley Endowed Research Fund for Pediatric Behavioral Health” will be initially endowed with \$375,000 including \$250,000 from the grant and \$125,000 from the RCTF Endowment Match Program.

Trustee Boone made a motion to accept FCR 2. Trustee Vance seconded the motion. The motion carried without dissent.

FCR 3 Amendment to the Easterseals Bluegrass (Formerly Known as Cardinal Hill Rehabilitation Hospital) Faculty Endowments

FCR 3 seeks the amendment of the designation and names of three endowments in the College of Medicine including the “Cardinal Hill Rehabilitation Hospital Chair in Neurorehabilitation,” the “Cardinal Hill Rehabilitation Hospital Professorship in Traumatic

Brain Injury Fund” and the “Cardinal Hill Rehabilitation Hospital Professorship in Spinal Cord Injury Rehabilitation Fund”.

On June 6, 1999, the Cardinal Hill Rehabilitation Hospital, now known as the Kentucky Easter Seals Society d/b/a Easterseals Bluegrass, entered into an endowment agreement with the University to establish three endowed faculty support funds (the “Funds”) to advance research efforts by the College of Medicine. Thereafter, the Donor’s original gift was matched with state funds from the Commonwealth of Kentucky Research Challenge Trust Fund (“RCTF”) and Endowment Match Program.

To meet the emergent need for research across patients’ lifespans, the Donor wishes to redesignate the Funds to create a talent pipeline in the College of Medicine, departments of Pediatrics and Physical Medicine. In addition, the Donor wishes to elevate the professorship Funds to distinguished professorships and account for the Donor’s name change since the execution of the original agreement. As a result, the Donor requests the Board rename the three existing Funds as follows:

Names of Endowed Funds Per Original Agreement	Recommended Names of Endowed Funds
Cardinal Hill Rehabilitation Hospital Chair in Neurorehabilitation	Easterseals Bluegrass Chair in Developmental Pediatric Research Fund
Cardinal Hill Rehabilitation Hospital Professorship in Traumatic Brain Injury	Easterseals Bluegrass Distinguished Professorship in Pediatric NICU Graduate/Infant Complex Care Research Fund
Cardinal Hill Rehabilitation Hospital Professorship in Spinal Cord Injury Rehabilitation	Easterseals Bluegrass Distinguished Professorship in Pediatric Physical Medicine and Rehabilitation Research Fund

Pending the Board of Trustees approval, the amended and restated endowment agreement will be reported to the Council on Postsecondary Education per the RCTF Endowment Match Program Guidelines.

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

FCR 4 Approval of the 2022-23 Endowment Match Program Annual Report

FCR 4 seeks acceptance of the 2022-23 Endowment Match Program Annual Report.

The Research Challenge Trust Fund (RCTF) was established in 1997 with the passage of House Bill 1, the *Kentucky Postsecondary Education Improvement Act*. The RCTF is designed to encourage research activities at the University of Kentucky and the

University of Louisville. The Endowment Match Program, also known as 'Bucks for Brains', is one of several programs created as part of the trust fund.

Pursuant to the Council on Postsecondary Education's (CPE) Endowment Match Program Request and Reporting Procedures, the Board of Trustees must review and approve a report, submitted biennially to CPE, on UK's participation in the program.

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

FCR 5 Lease/Purchase of Equipment for the Smart Campus Initiative

FCR 5 seeks the approval of the lease/purchase of equipment for continuation of the Smart Campus iPad Initiative.

At its September 2007 meeting, the Board of Trustees delegated to the Executive Vice President for Finance and Administration (EVPFA) the responsibility for managing University debt related to the lease/purchase of equipment and information technology items costing less than \$200,000. Acquisitions of major equipment and information technology items costing \$200,000 or more and where the method of procurement involves debt, including capitalized lease obligations, will be submitted to the Board for approval.

Through the Smart Campus Initiative, a comprehensive, campus-wide approach to using technology, the University will continue the partnership with Apple by purchasing another year of iPad technology aimed to:

- Refine and optimize student recruitment, retention, and graduation efforts;
- Improve and enhance pedagogy for both in-class and online learning for students and faculty;
- Better prepare and equip all students for college;
- Increase safety and mental health and well-being among students, faculty and staff that could be scaled to other audiences and for other uses beyond the campus;
- Leverage access to financial wellness and online learning to increase opportunity for life-long success; and
- Assist interventions and programs in healthcare.

The sixth phase of the iPad initiative and Apple partnership will continue to level the technological playing field for all students; enhance pedagogy and innovative learning; and help build skills that set our students up for future success. For this phase, the University will lease/purchase approximately 7,750 iPad kits (iPad Air, pencil and keyboard) at an estimated cost not to exceed \$1,800,000 per year. The fund source will be agency funds.

For Fiscal Year 2024-25, the University will continue to pay the lease on the iPads that were distributed to freshmen and faculty in Fall 2021, Fall 2022 and Fall 2023 at a

total cost of \$4,366,711. The University's Debt Committee reviewed this lease-purchase recommendation, assessed its impact on the institution's debt capacity and determined that acquisition of these items by lease/purchase is consistent with the University's Debt Policy.

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

FCR 6 Expansion of the Permitted Uses of the Coldstream Research Campus Quasi-Endowment Fund

FCR 6 seeks approval of an expansion of the permitted use of the Coldstream Research Campus Quasi-Endowment Fund to support the University's economic development and business engagement activities.

On May 9, 2014, the University of Kentucky Board of Trustees established the Coldstream Research Campus (CRC) Quasi-Endowment Fund. At that time, the CRC requested that \$800,000 of its current fund balance be used to establish a quasi-endowment fund. The quasi-endowment's annual spending distributions may be used for CRC's future capital projects and infrastructure improvements. In addition, the CRC was granted the following authority regarding the quasi-endowment:

1. The option to reinvest distributions from the quasi-endowment not spent in any particular year;
2. The option to invest future positive cash flow from operations of the CRC into the quasi-endowment; and
3. The option to withdraw up to 20 percent or \$400,000, whichever is greater, of the current balance of the quasi-endowment to fund an unforeseen capital need. Any withdrawal under this provision, however, shall not reduce the market value of the quasi-endowment to less than \$500,000 without prior approval from the Board of Trustees.

Given the growth in the current market value of the quasi-endowment to \$2,489,368 and the CRC's leadership role in coordinating and supporting the University's expanding economic development and business engagement activities, it is recommended that the permitted uses of the annual spending distributions be expanded to support the University's economic development and business engagement activities, including priorities identified by the UK Economic Development Collaborative's Core Committee, and for other needs of the CRC at the discretion of the CRC quasi-endowment administrator.

Trustee McCoy made a motion to accept FCR 6. Trustee Boone seconded the motion. The motion carried without dissent.

FCR 7 Acceptance of Interim Financial Report for the Six Months ended December 31, 2023

FCR 7 seeks acceptance of the University of Kentucky consolidated financial report for the six months ended December 31, 2023.

The consolidated financial report includes the financial activities of the University of Kentucky and its affiliated corporations:

- University of Kentucky Research Foundation
- University of Kentucky Gluck Equine Research Foundation, Inc.
- University of Kentucky Humanities Foundation, Inc.
- University of Kentucky Mining Engineering Foundation, Inc.
- Central Kentucky Management Services, Inc.
- Beyond Blue Corporation and its non-profit subsidiary Royal Blue Health LLC

As of December 31, 2023, the University has recognized \$3,516,522,813 of current funds revenue representing 51 percent of the 2023-24 approved budget of \$6,890,210,400. Expenses and transfers total \$3,159,687,805 or 46 percent of the approved budget.

Trustee Greer made a motion to accept FCR 7. Trustee Case seconded the motion. The motion carried without dissent.

FCR 8 Approval of Improvements to Leased Space

FCR 8 seeks approval of the payment of up to \$120,000 for improvements to space leased for the University of Kentucky College of Social Work (CoSW) located at 1648 McGrathiana Parkway, Lexington, Kentucky.

The leased space will be used to house an array of academic activities and services connected to the CoSW's centers and labs such as the Kentucky Kinship Resource Center and the Child and Family Wellbeing Institute. The externally funded services will include support for workforce development, foster parents and mental health clinicians, among others.

Trustee Shoop made a motion to accept FCR 8. Trustee Lucas seconded the motion. The motion carried without dissent.

FCR 9 Improve Campus Parking and Transportation Systems (Wildcat Wheels)

FCR 9 seeks approval of the initiation of the Improve Campus Parking and Transportation Systems (Wildcat Wheels) capital project.

The Wildcat Wheels Bicycle Shop will replace the existing facility located in the basement of old Blazer Hall on North Campus. The replacement facility will expand bicycle rental and repair services through purposeful design, more workstations, and a higher visibility location. This effort will assist in the University's goal of reducing vehicle dependency and traffic congestion on campus, support the University's sustainability goals, and continue the University's drive to become a platinum-level Bicycle Friendly University. Adding this program into the Sports Center Garage will provide a more efficient and effective use of the existing garage space and transition it from a strictly car storage facility into a more integrated and activated space.

Trustee Hornung made a motion to accept FCR 9. Trustee Vance seconded the motion. The motion carried without dissent.

FCR 10 Improve Campus Parking and Transportation Systems 2024 Maintenance Capital Project

FCR 10 seeks approval of the initiation of the Improve Campus Parking and Transportation Systems – 2024 Maintenance capital project.

This project will update and continue the maintenance and repairs of the eight parking structures on the Lexington campus. In 2023 a study was undertaken to complete a condition assessment, evaluation and development of a master maintenance plan for the campus parking facilities consisting of a detailed preventative maintenance and repair program. The purpose of the study was to assess the condition of the facilities and develop a maintenance master plan designed to alleviate existing deterioration, provide long-term durability and extend the useful life of each parking facility. Using the results of the 2023 study, the ongoing ten-year plan for the continuing maintenance of the parking garage inventory was developed.

This project will address the needs outlined in the second year of the 2023 study. Work on the various parking structures will include repairing concrete and masonry, installing surface coatings, painting as required, maintaining roofs and other miscellaneous work that will extend the life and serviceability of the structures.

Trustee Boone made a motion to accept FCR 10. Trustee Shoop seconded the motion. The motion carried without dissent.

FCR 11 Construct Agriculture Research Facility 1 and Construct/Relocate/ Replace Greenhouses (construction phase) Capital Project

FCR 11 seeks approval of the initiation of the construction phase of the Construct Agriculture Research Facility 1 and Construct/Relocate/Replace Greenhouses capital project.

This project will construct an approximately 230,000 gross square feet research facility for the Martin-Gatton College of Agriculture, Food and Environment that will include research labs, greenhouses for both teaching and research, and administrative,

office and support space. This new research facility will replace the existing program space which must be vacated to accommodate the expansion of the UK HealthCare patient care facility.

In June 2023, the Board of Trustees approved the initiation of the design phase and the pursuit of legislative authority from the Commonwealth of Kentucky for the construction phase of this project.

Trustee Case made a motion to accept FCR 11. Trustee Melanson seconded the motion. The motion carried without dissent.

FCR 12 Approval to Acquire -1000 Ashland Drive, Ashland, KY

FCR 12 seeks the authorization for the CEO of UK King's Daughters to enter into a purchase agreement and acquire a building located at 1000 Ashland Drive, Ashland, Kentucky.

UK King's Daughters (UKKD) currently leases five separate medical office spaces from WB Bellefonte, LLC which are located at 1000 Ashland Drive, Ashland, Kentucky. After careful consideration and review, it is deemed to be in the University's best interest to acquire the facility.

Originally constructed for office space, the facility has since been partially modified to accommodate medical offices. The five UKKD leases currently encompass 29,208 square feet and house UKKD's Occupational Medicine, Sleep Medicine, Pediatrics and Family Care, Pulmonology, and Podiatry clinics. Additionally, there are six other entities leasing approximately 25,701 square feet, which is used as both office and medical office space, and 62,221 square feet of vacant office space.

Trustee Boone made a motion to accept FCR 12. Trustee Vance seconded the motion. The motion carried without dissent.

FCR 13 Approval to Acquire – Precision Cancer Center, Ashland, KY

FCR 13 seeks the authorization for the CEO of UK King's Daughters to enter into a purchase agreement and acquire real property located at 122 St. Christopher Drive, Ashland, Greenup County, Kentucky, as part of an acquisition of a physician practice's assets.

To better serve its patients, UK King's Daughters (UKKD) deems it to be in the University's best interest to acquire the assets of Precision Cancer Centers, Dr. Kirti Jain, including the building at 122 St. Christopher Drive, Ashland, Greenup County, Kentucky.

The building currently serves as a Radiation Oncology practice and would continue to serve the patients of Boyd and Greenup Counties. As part of the overall asset acquisition, UKKD would acquire radiology and other equipment at the St. Christopher Drive location and another satellite location of the practice. UKKD would employ three

physicians and two nurse practitioners to serve the patients in the Boyd and Greenup Counties.

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

FCR 14 Capital Construction Report

FCR 14 seeks acceptance of the capital construction report for the three months ending March 31, 2024. This report refers only to projects that had activity within this quarter.

Ms. Mary Vosevich, vice president for facilities management shared that there were twelve new projects, five completed projects, five amendments and 27 change orders greater than \$25,000 during this quarter.

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

F. Research Report

The floor was yielded to Dr. Lisa Cassis, vice president for research, for the research report. Dr. Cassis presented results from required training in the Responsible Conduct of Research (RCR). It is our responsibility to prevent misconduct and protect researchers by educating them on ethical conduct. Research misconduct is defined as intentional falsification of data, fabrication of data, or plagiarism – it is not honest error. Unfortunately, when rare, intentional research misconduct occurs, all research is scrutinized, and public trust is eroded. A task force was developed to benchmark us against other institutions for approaches to improve RCR. The task force recommended a series of mandatory training requirements to prevent research misconduct. To our knowledge, UK is the only institution of higher education to require mandatory RCR training.

In addition to mandatory training, the task force recommended tracking training compliance and the development of systems for the storage of data. Dashboards have been made available to identify the number of researchers trained by college. Unit leaders receive monthly reports on the progress of training. Over 14,200 researchers and researcher-eligible personnel have been trained. The remarkable level of compliance at the University is due to the work of many. Most importantly, no significant research misconduct cases have come to light since 2022.

Dr. Cassis and the research team are committed to ethical and responsible conduct of research at the University of Kentucky.

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 5:54 p.m.

Respectfully submitted,

Brenda Heeter
Finance Committee Secretary