

MINUTES OF THE FINANCE COMMITTEE
University of Kentucky Board of Trustees
January 31, 2014, 11:15 AM
18th Floor Patterson Office Tower, Board Room

Committee Members Present

James Stuckert, Chairperson, C. B. Akins, Sr., James Booth, Sheila Brothers, Jo Curris, Bill Gattton, Kelly Holland, Terry Mobley, and Frank Shoop

Approval of Minutes

The minutes of the December 17, 2013, Finance Committee meeting were approved as presented.

FCR 1 – T.W. Lewis Foundation Scholarship (Consent)

Jim Stuckert, Chair, recommended acceptance of a pledge of \$1 million from the T.W. Lewis Foundation to create and endow the T.W. Lewis Scholarship Fund in support of the University of Kentucky Honors Program. Dr. Capilouto thanked Mike Richey and Terry Mobley for their efforts in working with Mr. Lewis in obtaining this pledge.

FCR 2 – Patient Care Facility Project: Phase I-E (Fit-Up Clinical Decision Unit)

Jim Stuckert recommended approval of the initiation of the fit-up of the Clinical Decision Unit (CDU) capital project and to increase the existing scope of the Patient Care Facility: Phase I-E project from \$607.7 million to \$613.1 million. This project will fit-up shell space for a new 24 bed CDU to relieve growing patient load, improve the quality of patient care, improve the efficiency of patient flow, and increase throughput in the Emergency Department. Jo Curris moved for approval. Terry Mobley seconded and the motion for approval was unanimously carried.

FCR 3 – Construct Football Training Facilities and Practice Fields

Jim Stuckert recommended approval of the initiation of the Construct Football Training Facilities and Practice Fields capital project. The project will provide a comprehensive complex to support the entire football operation including Commonwealth Stadium and the Nutter Field House. In addition, space in the Nutter Training Center currently used for the football program will be available to serve University student-athletes participating in other sports. The scope of the project is \$45 million and will be funded with private funds. More than fifty percent of the funds have already been raised from private donors. Trustee Irina Voro asked when the remaining funds will be raised. Mr. Stuckert stated that under the administration of Dr. Capilouto, Athletics and Development are confident they will raise the remaining funds in a timely manner. Frank

Shoop moved for approval. C.B. Akins, Sr. seconded and the motion for approval was unanimously carried.

FCR 4 – Approval of Property Transfer to Related Party

Jim Stuckert recommended approval to transfer three fume hoods to Kentucky Technology, Inc. (KTI). The fume hoods were purchased for the Advanced Science and Technology Commercialization Center (ASTeCC) building's central exhaust system but were not compatible with the building's central exhaust system. The fume hoods are needed by a tenant in the Coldstream Center and will be transferred to that property. KTI will reimburse the University at the original cost. Finance committee member Sheila Brothers asked who was the tenant and Eric Monday, Executive Vice President for Finance and Administration, responded that it was the 3H Company. Frank Shoop moved for approval. Kelly Holland seconded, and the motion for approval was unanimously carried.

FCR 5 – Repair/Upgrade/Improve Civil/Site Infrastructure (Scott Street Parking Lot)

Jim Stuckert recommended approval of the initiation of the Repair/Upgrade/Improve Civil/Site Infrastructure (Scott Street Parking Lot) capital project. This project will create approximately 265 parking spaces at 313-347 Scott Street. The scope of the project is \$1.9 million, including \$1.1 million for construction and \$800,000 for initial site preparation, and will be funded with fund balances. Irina Voro asked if transportation shuttle buses will be provided... Eric Monday responded that consultants are reviewing the inter-campus flow to determine if shuttle buses or larger buses are needed. C.B. Akins moved for approval. Jim Booth seconded, and the motion for approval was unanimously carried.

FCR 6 – Authorization of Lease for Phase II-C Student Housing and to Submit an Increase in Scope for Phase II to the Capital Projects and Bond Oversight Committee

Eric Monday presented the recommendation for the Board of Trustees to authorize the President, or his designee, to enter into a long-term lease with an affiliate of Education Realty Trust, Inc. ("EdR") guaranteed by Education Realty Operation Partnership, LP for purposes of development and management of Phase II-C of the student housing project; and that an increase in scope for Phase II be submitted to the Capital Projects and Bond Oversight Committee. Pursuant to Administrative Regulation 8.2, any capital project with an estimated cost of \$600,000 or more will be submitted to the Board for approval prior to initiation.

Trustee Bill Gatton expressed concerned with the rental rates and the impact of CPI over the term of the lease. Eric Monday noted that EdR will be responsible for all operating costs including utilities. Irina Voro and Trustee Sheila Brothers asked about the revenue the University would receive from Phase II-C. Eric Monday stated the University would receive 8.1 percent of total revenues, which would be used for RA's and hall directors, as well as common areas of maintenance exterior to the building. When EdR achieves a nine percent internal rate of return, the University will also receive 25 percent of net income.

Trustee Jo Curriss asked if the 8.1 percent return was based on net revenue or gross revenue. Mr. Monday responded that it was total gross revenue.

Trustee Keith Gannon referenced the historical significance of some of the buildings that are to be demolished. Bob Wiseman, Vice President of Facilities Management, stated that he had great respect for the University's history and the Bluegrass Trust for Historic Preservation. Mr. Wiseman also stated, "There have been over seventy meetings discussing the campus growth. We met with colleges, faculty and staff and discussed how historical properties were treated on a very tight campus core. Each building is analyzed differently. We've looked at the symbolic value of north campus, it is the early history of women on our campus and we pushed hard to protect it with the preservation of Patterson Hall. I met with architects in the community and they were asked to put in writing what they would like to see done with the buildings, we then shared these with the design team for the new buildings. We looked at options, we looked at opportunities, and ultimately we decided those weren't feasible. We had a full year of open and transparent process. We have great respect for our historical properties. The Main Building is an example where we did something extremely well-done. We added onto the iconic Memorial Coliseum in a very appropriate manner, we restored Miller Hall; we've hired an architect to study the preservation of Lafferty Hall. I think we have a history of working well with historical preservationists."

Mr. Gatton congratulated Dr. Capilouto, Mr. Monday, and Mr. Wiseman and his staff "for getting things done". He stated he was glad to see the new residence halls but had reservations about the long-term future and would abstain from voting.

Terry Mobley moved for approval. James Booth seconded, and the motion for approval carried with one abstention.

FCR 7 – Design Phase of the Renovate/Expand Student Center

Jim Stuckert recommended approval for the Design Phase of the Renovate/Expand Student Center capital project and declare official intent to reimburse the capital expenditures from a future debt obligation. The University's Student Center was originally constructed in 1938 and expanded in 1963 and 1982. The Center is heavily used by the University community with almost two million visitors annually. The facility is no longer able to fully meet the needs of students, faculty, staff and other constituents in terms of quantity and quality of space.

The cost of the Design Phase is not expected to exceed \$17 million and will be initially financed with agency funds using the current legislative authorization. The University is seeking a \$175 million authorization for the project from the 2014 Kentucky General Assembly (\$160 million agency bonds and \$15 million agency and private funds.)

The renovation and expansion of the Student Center is part of a broader plan to enhance student life across campus. Improvements will likely include updated student activity and study spaces, dining and retail operations, parking, bookstore and other amenities that support student success.

Dr. Capilouto said, “As you look at the way student centers are evolving, ‘student’ may be a limited adjective when it comes to a center. I think centers are now the hub for faculty, students, alumni and community members. It becomes a public space where people congregate. It is a place where ideas are going to flourish. As I will quote later today, that place where serendipitous encounters that mean so much in life”. Kelly Holland moved for approval. Bill Gatton seconded, and the motion for approval unanimously carried.

Mr. Stuckert wanted the minutes to reflect that as chair of the finance committee he would like to request that Bob Wiseman stay on at the University longer.

Committee member Sheila Brothers asked if the University had the \$8 million to start the project. Eric Monday responded that we have \$9.1 million in fund balances and we expect it to be at least \$10 million by the end of this fiscal year.

Irina Voro asked why the design phase was so expensive. Eric Monday responded that typically 10 percent is set-aside for the designed phase.

Trustee Frank Shoop thanked Mike Richey, Terry Mobley, and the Development team for their behind-the-scene efforts in obtaining these large contributions for the University. He also noted that during a tour, he was amazed at how outdated our dorms were and how proud he was of Dr. Capilouto and his team for taking on the Housing project. Mr. Shoop asked if there were numbers on what the impact of this project was on jobs and income for this area. Dr. Capilouto responded that “all approved phases will generate approximately 9,400 jobs and we predict that 75 percent of those will be filled with Kentucky residents. The project will also generate over \$10 million in state and local tax revenue. These projects will spend \$230 to \$240 million in Kentucky and will have a substantial economic impact for our community.”

Hearing no further business, Chair Stuckert adjourned the meeting.

Respectfully submitted,

Barbara Royalty-Tatum

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