

Minutes of the Finance Committee Meeting
University of Kentucky Board of Trustees
December 13, 2022

The Finance Committee of the University of Kentucky Board of Trustees met on Tuesday, December 13, 2022, in the Gatton Student Center Harris Ballroom.

A. Meeting Opened

Chair Kimberly McCann called the meeting to order at 11:00 a.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: Tom Abell, Todd Case, Andrew Laws, Lance Lucas, Kimberly McCann, Derrick Ramsey 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 September 16, 2022 meeting, which were distributed. Trustee Lucas made a motion to approve the minutes. Trustee Abell seconded the motion. The motion carried without dissent.

D. Business Items

FCR 1 Acceptance of Gift and Pledge from Alltech, Inc. in Support of the College of Agriculture, Food and Environment

FCR 1 seeks acceptance of a gift and pledge totaling \$2,000,000 to be made in annual installments of \$200,000 (the "Gift") from Alltech, Inc. The university received the first installment of \$200,000 on September 9, 2022, leaving \$1,800,000 of the pledge outstanding.

Trustee Case made a motion to accept FCR 1. Trustee Shoop seconded the motion. The motion carried without dissent.

FCR 2 FY 2022-23 Budget Revisions

FCR 2 seeks authorization and approval of revisions to the FY 2022-23 budget. The budget revisions outlined will increase the University of Kentucky's current funds budget by \$623,771,900 from \$5,611,692,500 to \$6,235,464,400.

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

FCR 3 Acceptance of the Interim Financial Report for the Three Months Ended September 30, 2022

FCR 3 requests acceptance of the interim financial report as of September 30, 2022. The university has recognized \$1,537,959,932 of current funds revenue representing 27 percent of the 2022-23 approved budget of \$5,611,692,500. Expenses and transfers total \$1,305,297,088 or 23 percent of the approved budget.

Trustee Case made a motion to accept FCR 3. Trustee Ramsey seconded the motion. The motion carried without dissent.

FCR 4 Proposed 2023-24 Room Rates for University-Constructed Housing

FCR 4 seeks adoption of the 2023-24 room rates for university-constructed housing. The recommended rates for university-constructed housing are necessary to generate revenue to fund anticipated operating costs.

The housing and dining rates established by the university's private housing and dining partners are provided for informational purposes. The 2023-24 rates for all residence hall units reflect a cumulative 4.0 percent increase. Break housing and early move-in rates will also increase 4.0 percent.

All students living in undergraduate residence halls are required to purchase a dining plan, with the exception of University Flats. The dining rates and plans are based on the agreement with the university's dining partner. The 2023-24 dining rates reflect an average increase of 8.9 percent.

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

FCR 5 Approval of Amended and Restated Articles of Incorporation of University of Kentucky Gluck Equine Research Foundation, Inc.

FCR 5 seeks approval of the Amended and Restated Articles of Incorporation of the University of Kentucky Gluck Equine Research Foundation, Inc. dated August 25, 2022 (the "Amended Articles of Incorporation"). The Amended Articles of Incorporation increase the number of Gluck Foundation Board Directors from thirty to thirty-one and increase the number of University of Kentucky representatives serving as *ex officio* members of the Gluck Foundation Board of Directors by two to include the Treasurer and the Vice President for Philanthropy and Alumni Engagement. These amended Articles were initially approved by the Gluck Foundation Board in 2018 but for various reasons were not finalized until earlier this year. University of Kentucky Board of Trustees approval is required to amend the Gluck Foundation's articles of incorporation.

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

FCR 6 Approval of Disposal (J.M. Feltner 4-H Camp - Staff Trailer)

FCR 6 seeks approval for the J.M. Feltner 4-H Camp - staff trailer, located at 380 J.M. Feltner Road, London, Kentucky be declared surplus to the needs of the university and that the Executive Vice President for Finance and Administration be authorized to sell and remove the property using the method that produces the highest price.

Trustee Lucas made a motion to accept FCR 6. Trustee Case seconded the motion. The motion carried without dissent.

FCR 7 Approval of Disposal of Real Property (Real Estate and Easement, University of Kentucky Coldstream Research Campus, Lexington, KY)

FCR 7 seeks approval for a portion of land needed for road expansion to six lanes from Aristides Boulevard to New Circle Road, which includes 10,126 square feet of fee simple land, a 29,140 square foot permanent easement and a 20,022 square foot temporary easement located in Lexington, Kentucky, be declared surplus to the needs of the university and that the Executive Vice President for Finance and Administration be authorized to transfer these real property interests through one or more agreements to the Kentucky Transportation Cabinet for an amount determined under the appraisal method set forth in KRS 416.660.

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

FCR 8 Approval of Ground Lease (United States of America, United States Department of Agriculture, Agricultural Research Service)

FCR 8 seeks authorization for the Executive Vice President for Finance and Administration to negotiate and execute a ground lease between the University of Kentucky, as Lessor, and the United States of America, United States Department of Agriculture (USDA), Agricultural Research Service (ARS) as Lessee, for up to 3.63 acres of land located on the University of Kentucky, Lexington campus and up to 2.2 acres of land located on the C. Oran Little Research Center farm (LRC) in Woodford County, Kentucky.

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

FCR 9 Replace Princeton Ancillary Buildings Emergency Capital Project

FCR 9 seeks approval of the initiation of the Replace Princeton Ancillary Buildings as an emergency capital project. On December 10, 2021, the Princeton Research Farm (UKREC) received a direct hit from an EF 4 tornado with sustained winds of an estimated 190 miles per hour. The devastation included the destruction of most of the research

facilities including several ancillary buildings and several small houses used for visiting staff, a farm shop and a field processing building. The project consolidates operations and services into three new buildings which will include a residence hall, farm shop, and a field processing building. The residence hall will be approximately 4,700 square feet. The farm shop will be approximately 7,700 square feet and will provide a workspace for the maintenance and repair of fleet vehicles, farm machinery and research equipment. The field processing building will be approximately 18,300 square feet and will provide a workspace for processing field samples and storage of research equipment, fertilizer and seed.

Trustee Lucas made a motion to accept FCR 9. Trustee Case seconded the motion. The motion carried without dissent.

FCR 10 Construct/Improve Swimming Pools 4-H Camps Capital Project

FCR 10 seeks approval of the initiation of the Construct/Improve Swimming Pools 4-H Camps capital project. Kentucky 4-H Summer Camp is organized by the university's local county extension offices with four camping locations serving 25,000 guests annually. To better serve the Commonwealth and 4-H guests, this project will improve or replace aging swimming pools at all four of the 4-H camps throughout the Commonwealth.

Trustee Ramsey made a motion to accept FCR 10. Trustee Abell seconded the motion. The motion carried without dissent.

FCR 11 Construct/Improve Greek Housing (Delta Gamma) Capital Project

FCR 11 seeks approval of the initiation of the Construct/Improve Greek Housing (Delta Gamma) capital project.

The Delta Gamma fraternity organization has been a part of the University of Kentucky for 59 years. The chapter currently has 262 active members and approximately 1,700 living alumnae. At its February 19, 2021, meeting the Board of Trustees approved the renovation and expansion of the current Delta Gamma facility. However, the planning and design process revealed that such an expansion and renovation of the existing facility is cost prohibitive at over \$8,750,000 and the more economical approach is to raze the current house and construct a new one. Thus, the site preparation will include razing the current house located at 450 Pennsylvania Avenue and construction of a new 13,000 square foot house. The new facility will house members in two-to four-person suites including an ADA-accessible suite. In addition, the facility will include living and dining areas, a commercial kitchen, laundry area, study room, housemother's apartment and a sunroom. The facility will be leased to the fraternity in a structured arrangement whereby the fraternity will be responsible for the development costs to improve the facility.

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

FCR 12 Improve W. T Young Facility (Modernize Four Elevators) Capital Project

FCR 12 seeks approval to initiate the Improve W.T. Young Facility (Modernize Four Elevators) capital project.

This project will upgrade and modernize four independent elevators located in the W.T. Young Facility and will include installation of new equipment, controls and safety devices. The project will also refurbish the elevator cabs.

Trustee Ramsey made a motion to accept FCR 12. Trustee Abell seconded the motion. The motion carried without dissent.

FCR 13 Construct Ambulatory Facility – UK HealthCare and Construct State Street Medical Facilities UK HealthCare (Cancer Treatment Center/Ambulatory Outpatient Center) Construction Phase Capital Project

FCR 13 seeks approval of the initiation of the Construct Ambulatory Facility-UK HealthCare and Construct State Street Medical Facilities – UK HealthCare (Cancer Treatment Center/Ambulatory Surgery Center) Construction Phase capital project.

To better serve the Commonwealth, UK HealthCare has identified a need for a Cancer and Advanced Ambulatory Complex. On May 4, 2021, the Board approved the initiation of the design phase of this project. The design phase is underway, and it is now appropriate to begin the next phase and move forward with construction. The Cancer Treatment Center/Ambulatory Surgery Center project will include multiple clinical care buildings and structured parking with an anchor of approximately 260,000 square feet for cancer-specific services. Other services targeted for this location may include, but are not limited to, outpatient operating rooms, minor procedures, endoscopy, diagnostics and imaging services, pharmacy, retail, outpatient clinics, meeting spaces and necessary support spaces.

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

FCR 14 Acquire/Improve Elevator Systems – UK HealthCare (Modernize Elevators at Kentucky Clinic) Capital Project

FCR 14 seeks approval of the initiation of the Acquire/Improve Elevator Systems – UK HealthCare (Modernize Elevators at Kentucky Clinic) capital project.

This project will upgrade and modernize two existing traction elevators within the Kentucky Clinic Building and will include the installation of new equipment, controls and safety devices. The project will also refurbish the elevator cabs.

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

FCR 15 Improve Building Systems – UK HealthCare (Replace AHU 3 at Pavilion WH) Capital Project

FCR 15 seeks approval of the initiation of the Improve Building Systems – UK HealthCare (Replace AHU 3 at Pavilion WH) capital project.

This project will replace the existing air handling unit (AHU) #3 at Pavilion WH (Marylou Whitney and John Hendrickson Cancer Facility for Women). This project will improve the reliability of the systems, temperature and humidity control, and energy efficiency. This planned replacement will cause minimal disruption to patient care and normal operations.

Trustee Lucas made a motion to accept FCR 15. Trustee Shoop seconded the motion. The motion carried without dissent.

FCR 16 Improve Parking/Transportation Systems 1 – UK HealthCare (Expand Parking Structure 8 – Construction Phase) Capital Project

FCR 16 seeks approval of the initiation of the Improve Parking/Transportation Systems 1 - UK HealthCare (Expand Parking Structure 8 - Construction Phase) capital project.

UK HealthCare continues to experience strong inpatient admissions growth. This increased volume has placed substantial capacity constraints on UK inpatient hospital operations. This increased patient volume has created a need for additional parking.

At its June 17, 2021, meeting the Board approved the design phase of an expansion of Parking Structure 8. The design phase is underway, and it is now appropriate to begin the next phase and move forward with construction. This project will expand to the west of the existing Parking Structure 8 and will include associated site work and stormwater detention systems. Once constructed, the expanded structure will help alleviate current and future parking demands by providing approximately 700 additional parking spaces. Additionally, the project may provide approximately 37,000 square feet of shelled office space to support future needs due to UK HealthCare expansion in the area.

Trustee Case made a motion to accept FCR 16. Trustee Abell seconded the motion. The motion carried without dissent.

FCR 17 Improve Building Systems – UK HealthCare (Good Samaritan Hospital Emergency Generator) Capital Project

FCR 17 seeks approval of the initiation of the Improve Building Systems - UK HealthCare (Good Samaritan Hospital Emergency Generator) capital project. At its December 14, 2020 meeting, the Board of Trustees approved the Good Samaritan Hospital Emergency Generator project at a scope of \$1,900,000. Good Samaritan Hospital presently operates two 750kW diesel generators. This project will add a new

interior 750kVA generator and connect it in parallel with the existing two. In this configuration, the two generators will better support the facility, while the third generator will be redundant and allow for routine maintenance without compromising the emergency operation of the hospital.

The project was initially bid in September 2021. The bids received were considerably higher than estimated. At that time, the decision was made to purchase only the equipment needed for the project (emergency generator, switchgear and transfer switches) and to bid the installation after delivery of the equipment. Due to long lead times and supply shortages, the equipment was only recently received on site and is ready for installation.

Trustee Shoop made a motion to accept FCR 17. Trustee Ramsey seconded the motion. The motion carried without dissent.

FCR 18 Acquire/Improve Elevator Systems – UK HealthCare (Modernize Three Elevators at Pavilion WH) Capital Project

FCR 18 seeks approval of the initiation of the Acquire/Improve Elevator Systems – UK HealthCare (Modernize Three Elevators at Pavilion WH) capital project. This project will improve and modernize three existing elevators located in Pavilion WH (Marylou Whitney and John Hendrickson Cancer Facility for Women). The project includes new machines, operational controls, door equipment, signal fixtures, cab interior fixtures and connection to the existing building automation system.

Trustee Shoop made a motion to accept FCR 18. Trustee Laws seconded the motion. The motion carried without dissent.

FCR 19 Capital Construction Report

FCR 19 seeks acceptance of the capital construction report for the three months ending September 30, 2022.

Trustee Case made a motion to accept FCR 19. Trustee Shoop seconded the motion. The motion carried without dissent.

FCR 20 Patent Assignment Report

FCR 20 seeks acceptance of the patent assignment report for the period July 1, 2022 to September 30, 2022.

Trustee Case made a motion to accept FCR 20. Trustee Abell seconded the motion. The motion carried without dissent.

FCR 21 Pledge from John Maze Stewart

FCR 21 seeks acceptance of a pledge totaling \$10,000,000 from John Maze Stewart, of Lexington, Kentucky, to support the Gatton College of Business and

Economics (the “College”), Department of Finance and Quantitative Methods (the “Department”). This gift will endow undergraduate and graduate scholarships and provide support for mentorship(s), career counseling, leadership development, speaker(s)/lecturer(s), events, programs and other initiatives led by the Department to recruit, support and retain the best and brightest finance students. Additionally, a portion of the gift will be used to create an endowed professorship for a faculty member within the Department.

Trustee Ramsey made a motion to accept FCR 21. Trustee Shoop seconded the motion. The motion carried without dissent.

E. Research Report

Dr. Lisa Cassis, vice president for research, presented on the university research mission and the federal funding landscape in STEM+H areas of research. Additionally, the office for research has worked to align research commitments across campus and use finite resources efficiently and effectively by asking leaders to use faculty cluster hiring to catapult areas. The team is focusing on growth around infrastructure and use of the Research Challenge Trust Fund and has retooled emerging themes of research within the research leadership. The ongoing efforts include focusing on material science and working toward complex grant mechanisms. All types of research are supported across all colleges and financial support is provided for start-up costs. Dr. Cassis explained that every college assigns a faculty member to the role of associate dean for research to assist and support all researchers. Some of the other efforts that have been instituted include: revised undergraduate research on campus; dedicated financial support for summer salary for 9-month faculty and a standing committee to inventory research outputs, monitor and quantify their progress and help to highlight and communicate research outputs internally and externally.

Dr. Cassis continued by highlighting some research work from the colleges of Education, Arts and Sciences, Social Work and Law.

In conclusion, Dr. Cassis provided information regarding the Endowment Match Program. Through the Research Challenge Trust Fund (RCTF), the University of Kentucky received \$20 million from the Commonwealth of Kentucky for the sixth round of RCTF funding. The Kentucky General Assembly legislated the criteria for eligibility to be limited to STEM+H areas to stimulate business development, increase externally sponsored research, create better jobs and facilitate transition to a knowledge-based economy. Funds can be used to support chairs, professorships, research scholars and staff, graduate fellowships, research infrastructure and mission support. Since 1998 UK has used the Endowment Match Program to create and expand 575 endowed funds, supporting 98 chairs, 217 endowed professors and 260 fellowships, with a market value, of almost \$700 million as of June 30, 2021. The university plans to use the new state investment to again move towards excellence in STEM+H research across campus.

F. Other Business

Chair McCann asked if there was any other business to come before the Finance Committee.

G. Adjourn

Hearing no further business, the meeting was adjourned at 11:56 am.

Respectfully submitted,

Brenda Heeter
Finance Committee Secretary