

MINUTES OF THE FINANCE COMMITTEE
University of Kentucky Board of Trustees
September 9, 2016 – 11:00 AM
Augenstein Alumni Center
Bowling Green, KY

Committee Members Present

William Britton, Chairman, Claude A. “Skip” Berry, III, James Booth, Bill Gatton, Kelly Holland, Frank Shoop, and Robert Vance.

Approval of Minutes

The minutes of the June 24, 2016, Finance Committee meeting were approved as written.

Business Items Presented by: Bill Britton, Chair

FCR 1 Charitable Grant Commitment from the Don Jacobs, Sr. Foundation and Naming of a Building

The Committee reviewed FCR 1, a charitable gift of \$8,000,000 from the Don Jacobs, Sr. Charitable Foundation of Lexington, KY toward the construction of the Academic Science Building that opened in August for the Fall 2016 semester.

In addition to the charitable gift, FCR 1 approved the official naming of the Academic Science Building as the “Don and Cathy Jacobs Science Building”.

The Committee on Naming University Buildings found the recommended name to be in compliance with AR 9:5 and recommended approval.

Vice President Richey discussed the Jacobs’ significant history of philanthropy to the University.

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

FCR 2 Gift in Kind from Operation Technology, Inc.

The Committee reviewed FCR 2, acceptance of a gift in kind valued at \$814,546 from Operation Technology, Inc. of Irvine, California, to the College of Engineering Department of Electrical and Computer Engineering.

Operation Technology, Inc., has donated a 25 concurrent user network LAN version of the ETAP simulation software. This software provides students the opportunity to learn and apply essential power system concepts utilizing a sophisticated electrical engineering software package.

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

FCR 3 Pledge from Marguerite Pelissier

The Committee reviewed FCR 3, acceptance of a \$450,000 pledge (which includes \$150,000 in payments received to date) from Marguerite Pelissier of Annapolis, Maryland. The pledge will establish the Marguerite Pelissier Fund for Teaching Excellence in Finance in the Gatton College of Business and Economics Department of Finance.

A motion to accept was made by Trustee Shoop and seconded by Trustee Berry. The motion carried without dissent.

FCR 4 Establishment of the David Pettus Scholarship Quasi-Endowment Fund

The Committee reviewed FCR 4, approval to use a \$75,000 gift received by Mr. David Pettus in 2013 for the College of Agriculture, Food and Environment to establish the David Pettus Scholarship Quasi-Endowment Fund. The gift is to be used at the Dean's discretion.

The Fund will provide annual scholarships to students enrolled in the College of Agriculture, Food and Environment with first preference to be given to students in Agriculture-related majors.

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

FCR 5 Charitable Grant Commitment from Vanguard Charitable Endowment Fund

The Committee reviewed FCR 5, acceptance of a charitable grant commitment of \$1,000,000 from Vanguard Charitable Endowment Fund (Vanguard Charitable) on behalf of an anonymous donor to establish and endow the Fiftieth Anniversary Computer Science Faculty Fellowship Fund (\$500,000) and to establish and endow the Fiftieth Anniversary Computer Science Scholarship and Graduate Fellowship Fund (\$500,000). The University has received payment of the full grant commitment.

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

FCR 6 Authorization of Negotiated Disposition of Personal Property

The Committee reviewed FCR 6, approval for non-routine disposition of personal property from the University of Kentucky Imaging Facility Department (Office of the Vice President for Research). The equipment includes one AMT XR-16M Active VU Mid-Mount High Definition CCD Camera for a transmission electron microscope (TEM) with a net book value of \$53,443.75.

The equipment was surplus to the needs of the Imaging Facility Department and having received no requests for the property on the University's Surplus Property website, the department requests that the property be sold to avoid further depreciation and loss of value.

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

FCR 7 Repair/Upgrade/Improve Building Mechanical Systems Capital Project (Dickey Hall)

The Committee reviewed FCR 7, approval of a \$4,000,000 capital project to replace the entire HVAC system, add sprinklers, provide energy efficient LED lighting, and install a new acoustical ceiling tile and grid system in Dickey Hall.

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

FCR 8 Renovate/Upgrade/Improve Eagle Building Capital Project

The Committee reviewed FCR 8, approval of a \$1,500,000 capital project to renovate and upgrade the facility located at 2640 Spurr Road in Lexington KY. The capital project will accommodate the relocation of WUKY operations from McVey Hall to the Eagle Building.

At its September 2015 meeting, the Board accepted the gift of land and facility designated as 2640 Spurr Road in Lexington KY. The approximate 7,840 square foot, 13-year-old facility was originally used as a recording studio.

The renovation project was authorized by the 2015 Session of the Kentucky General Assembly and will be funded with agency funds.

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

FCR 9 Upgrade/Renovate/Expand Grain Center of Excellence Capital Project

The Committee reviewed FCR 9, approval of a \$15,000,000 capital project to renovate and expand the UK Research and Education Center at Princeton, KY for the new Grain Center of Excellence. The capital project will renovate the approximate 20,000 square foot facility and add an additional 20,000 square feet.

The 2016 Session of the Kentucky General Assembly provided a special appropriation to the Agricultural Development Fund for agricultural initiatives. The Agricultural Development Board awarded \$15,000,000 to the University for the project.

The project was authorized by the 2016 Session of the Kentucky General Funds as part of the Upgrade/Renovate/Expand Research Labs pool project which has a total scope of up to \$33,500,000.

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

FCR 10 Renovate/Improve UK Good Samaritan Hospital Facilities Capital Project (Replace Air Handling Units)

The Committee reviewed FCR 10, approval of a \$1,500,000 capital project to replace air handling units #24 and #54 at The UK Good Samaritan Hospital. The units are 33 years old and need to be replaced to ensure patient safety and comfort.

This project will be funded with agency funds and is well within the \$25,000,000 authorization enacted by the 2016 Session of the Kentucky General Assembly.

FCR 10 was reviewed by the University HealthCare Committee and recommended for approval.

A motion to approve was made by Trustee Shoop and seconded by Trustee Berry. The motion carried without dissent.

FCR 11 Improve Clinical/Ambulatory Services Capital Project (Radiation Medicine Linear Accelerator/Brachytherapy)

The Committee reviewed FCR 11. At its June 2016 meeting, the Board approved the Renovate/Improve Clinical/Ambulatory Services Capital Project (Brachytherapy) with a scope of \$3,500,000.

FCR 11 requested approval of a \$14,000,000 capital project to expand the basement area between Pavilion H and Pavilion CC to provide space for an additional linear accelerator unit, and a connection into the recently approved Brachytherapy Suite Capital Project. As part of this action, the two projects will be combined for internal reporting purposes

Both projects have been authorized by the 2016 Session of the Kentucky General Assembly as part of the \$50,000,000 Improve Clinical/Ambulatory Services pool project.

FCR 11 was recommended for approval by the University HealthCare Committee.

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

FCR 12 Proposed Revision to Governing Regulation: Capital Project and Gift Approval

The Committee reviewed FCR 12, approval of a proposed revision to Governing Regulation (GR) II. FCR 12 was the second reading of the proposed revision. The preliminary consideration came before the Board as FCR 11 at its June 2016 meeting. The proposed revision included the following changes:

- Increase the threshold amount for capital projects requiring Board approval from \$600,000 to \$1,000,000.
- Increase the minimum level of gifts to be accepted by the Board from \$400,000 to \$1,000,000.

The last time the Board increased the gifts minimum level was at the June 2005 meeting. A revised copy of GR II was attached. Proposed additions were underlined and proposed deletions were lined through. The proposed revision was reviewed by the University Senate, Staff Senate, and Student Government Association.

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

FCR 13 Proposed Revision to Administrative Regulation: Approval of University Capital Projects

The Committee reviewed FCR 13, approval for a parallel proposed revision to the relevant Administration Regulation (AR 8:2). The proposed revision included the following changes:

- Increase the threshold amount for capital projects requiring Board of Trustee approval from \$600,000 to \$1,000,000.
- Increase the minimum level of gifts to be accepted by the Board of Trustees from \$400,000 to \$1,000,000.
- In addition, the revision updated the procedures whereby University colleges and departments request university capital projects by:
 - Adding a statement that all debt financing transactions for capital projects must comply with the University Debt Policy
 - Removing language that duplicates regulations of the Kentucky Council on Postsecondary Education (CPE)
 - Clarifying procedures for requesting approval of university capital projects
 - Adding new procedures for requesting approval of emergency capital projects

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

FCR 14 Capital Construction Report

The Committee reviewed FCR 14, acceptance of the Capital Construction Report. Mary Vosevich, Vice President for Facilities Management, reported 13 new contracts, two contract amendments,

and 47 change orders for the quarter ending June 30, 2016. Two contracts also were completed during this quarter.

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

FCR 15 Patent Assignment Report

The Committee reviewed FCR 15, acceptance of the Patent Assignment Report. Dr. Lisa Cassis presented the report for the period of April 1, 2016 to June 30, 2016. During this period, 17 applications were submitted and 30 patents were issued. Patent gross revenues for the fiscal year totaled \$6,563,189.55.

Trustee Shoop noted and commended the University for success with their patents.

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

Executive Vice President for Finance and Administration Report

Dr. Eric Monday, Executive Vice President for Finance and Administration, introduced Brian Nichols, the University's new Chief Information Officer (CIO). Mr. Nichols has nearly 20-years of experience in a variety of leadership positions in higher education. He most recently served as the CIO at Louisiana State University. Dr. Monday reviewed the University's Letter of Credit Annual Report and stated that the University currently has two outstanding Letters of Credit.

Vice President Vosevich joined Dr. Monday and shared pictures of the new facilities that opened in the Fall 2016 which continue the incredible transformation of the University of Kentucky's campus.

Hearing no further business, Chair Britton adjourned the meeting.

Respectfully submitted,
Leigh Bays Donald