

Minutes of the Finance Committee Meeting
University of Kentucky Board of Trustees
June 16, 2023

The Finance Committee of the University of Kentucky Board of Trustees met on Friday, June 16, 2023 in the Gatton Student Center Harris Ballroom.

A. Meeting Opened

Chair Kimberly McCann called the meeting to order at 9:46 am. 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: Todd Case, Andrew Laws, Lance Lucas, Kimberly McCann, Elizabeth McCoy, 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 April 23, 2023, which were distributed. Trustee Ramsey made a motion to approve the minutes. Trustee Case 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 for the EVPFA Report. Dr. Monday shared that there are three key events that are helping the university to continue its amazing momentum. These events include the largest gift in the history of the institution, the construction of the health education building which is funded in part with the largest single capital investment from the Commonwealth, and the implementation of the largest budget in the history of the institution which represents our ability to do more for the Commonwealth. The Fiscal Year (FY) 2023-24 budget reflects the largest increase from one year to the next. This increase is driven by UK HealthCare business development.

Dr. Monday introduced Ms. Angie Martin, vice president for financial planning and chief budget officer, for the Fiscal Year 2023-24 Tuition and Mandatory Fees and Budget presentation. Dr. Monday thanked Ms. Martin, Ms. Roxanne McLetchie, Mr. Brad West and all the staff that took part in building the budget that the Committee and the Board were asked to consider during today's meetings.

Ms. Martin shared that the FY 2023-24 budget totals \$6.8 billion with UK HealthCare comprising almost 60 percent of the consolidated budget. Overall, the recommended FY 2023-24 consolidated budget totals \$1.2 billion more than the prior

year budget, an increase of 20.8 percent. Undesignated General Funds, which include state appropriations and tuition revenue, account for 14.4 percent of the budget.

The FY 2023-24 budget reflects a slight increase in state appropriations from the Postsecondary Education Performance Fund. Tuition and mandatory fee increases of 2.75 percent for resident students and 3.5 percent for non-resident students are recommended, respectively. In addition, the university is expecting its largest undergraduate first-time cohort of 6,400 students for the Fall 2023 semester.

Regarding the use of additional funds, the FY 2023-24 budget includes a salary increase for eligible faculty and staff, more funding for institutional scholarships, and an additional \$17.8 million to be allocated to the colleges based upon performance using the Financial Allocation Models. The budget also includes funding for unavoidable cost increases.

E. Business Items:

FCR 1 Pledge from the Bill Gatton Foundation and Commonwealth of Kentucky Research Challenge Trust Fund and Endowment Match Program

FCR 1 seeks acceptance of a pledge of \$100,000,000 (\$11,400,000 of which has already been received), including \$10,000,000 of Commonwealth of Kentucky Research Challenge Trust Fund (RCTF) and Endowment Match Program eligible grants, from the Bill Gatton Foundation of Bristol, Tennessee to support the University of Kentucky's College of Agriculture, Food and Environment.

With the pledge, the Donor intends to establish and support scholarships and other initiatives for student success, a companion animal program, capital projects and other initiatives consistent with the university's strategic plan, and a faculty research and innovation fund called the "Innovation Fund in the College of Agriculture, Food and Environment," which is eligible to receive RCTF matching funds. The RCTF eligible funds will be submitted at a grant to RCTF matching funds ratio of 2:1.

Trustee McCoy made a motion to accept FCR 1. Trustee Ramsey seconded the motion. The motion carried without dissent.

FCR 2 Gift from the Estate of Dr. Helen Thacker Hill

FCR 2 seeks acceptance of initial gifts totaling \$1,043,152.60 from the Estate of Dr. Helen Thacker Hill, formerly of Pikeville, Kentucky, to support five of her existing endowed funds supporting the College of Education.

Dr. Helen Thacker Hill (1923-2020) earned her bachelor's and master's degrees from the University of Kentucky and a doctorate from Oklahoma State University. As a generous supporter of the College of Education, her gift will be added to the following endowed funds: the "Arvle and Ellen Turner Thacker Endowment Fund," the "Della Marie Johnson Endowed Research Fund," the "James Arvle Thacker Fund," the "Wallace Charles Hill Graduate Fellowship in Administration and Supervision," and the "Wallace Charles Hill Professorship in Rehabilitation Counseling in the Department of

Special Education and Rehabilitation Counseling.”

Trustee Case made a motion to accept FCR 2. Trustee McCoy seconded the motion. The motion carried without dissent.

FCR 3 Acceptance of Interim Financial Report for the Nine Months Ending March 31, 2023

FCR 3 seeks acceptance of the University of Kentucky consolidated financial report for the nine months ended March 31, 2023. As of March 31, 2023, the university recognized \$5,163,891,624 of current funds revenue representing 83 percent of the fiscal year 2022-23 approved budget of \$6,235,464,400. Expenses and transfers totaled \$4,097,886,242 or 66 percent of the approved budget.

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

FCR 4 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.

FCR 4 seeks approval of a resolution authorizing the issuance, in one or more installments, of General Receipts Refunding Bonds (“Bonds”) or entering into a General Receipts Lease or Leases (“Lease”), or any combination thereof (the “Refunding Obligations”) in the principal amounts or respective principal amounts required to accomplish the refunding of certain outstanding General Receipts Obligations under the Trust Agreement (collectively, the “Prior Bonds”) or certain obligations issued by the City of Ashland, Kentucky, for the benefit of the Ashland Hospital Corporation (collectively, the “Ashland Prior Obligations”), to be designated as “University of Kentucky General Receipts Refunding Bonds” or “General Receipts Lease,” and shall bear such further series designations that is appropriate to the order of issuance thereof, and to be dated as of a date determined by the treasurer.

The resolution approves the issuance of Refunding Obligations that are sold between July 1, 2023 and June 30, 2024 for the purpose of refunding the Prior Bonds or Ashland Prior Obligations when favorable financial results may be realized through redeeming and refunding the Prior Bonds or Ashland Prior Obligations.

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

FCR 5 Academic Year 2023-24 Tuition and Mandatory Fees Schedule

FCR 5 seeks acceptance of the recommended Academic Year (AY) 2023-24 Tuition and Mandatory Fees Schedule. On March 31, 2023, the Council on Postsecondary Education adopted resident undergraduate tuition and mandatory fee ceilings for academic years 2023-24 and 2024-25 with a maximum rate increase of no more than 5.0 percent over the two years and a maximum increase of no more than 3.0 percent in any one year. The recommended tuition and mandatory fees reflect a 2.75

percent increase for most resident students and a 3.5 percent increase for most nonresident students. The recommended rates comply with the Council's tuition and mandatory fees ceilings and policy.

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

FCR 6 Fiscal Year 2023-24 Operating and Capital Budget

FCR 6 seeks approval of the Fiscal Year 2023-24 Operating and Capital Budget as presented and:

1. Approval of the appropriation and allocation of all fund balances as of June 30, 2023, for future operations.
2. Order that the Fiscal Year 2023-24 Operating and Capital Budget be recorded as an integral part of the university's financial system with the necessary fiscal control being exercised for the recognition and collection of income and the expenditure of funds, including the allocation of expenditure authority to departments, in accordance with established fiscal policies and procedures.
3. Acceptance of the Fiscal Year 2023-24 Operating and Capital Budget as the basis of the maximum expenditure of current funds, subject to item number one above and subsequent Board approved budget revisions.

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

FCR 7 Disposal of Personal Property

FCR 7 seeks approval of a plan for Fiscal Year 2023-24 authorizing: (1) routine disposition of personal property having a value less than \$25,000 to include equipment and machinery; miscellaneous supplies and furnishings; vehicles; library books and materials; livestock and other agricultural commodities and products; recyclable materials; items with no possible future use; and equipment acquired as part of the Smart Campus Initiative; and (2) the methods of disposal as listed on the attachment.

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

FCR 8 Approval of Improvements to Subleased Space (UK Equine Analytical Chemistry Laboratory)

FCR 8 seeks approval of the payment of up to \$999,900 for improvements to space to be subleased for the University of Kentucky Equine Analytical Chemistry Laboratory (EACL) located at 824 Bull Lea Run, Lexington, Kentucky. The scope of work includes design and construction for an expansion of the EACL laboratory space at this location. Upon approval by the Board of Trustees, UK will pay these expenses with agency funds, including an internal loan not to exceed \$600,000.

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

FCR 9 Construct Agriculture Research Facility 1 (Design Phase) Capital Project

FCR 9 seeks approval to initiate the Construct Agriculture Research Facility 1 - Design Phase capital project. This project will design an approximate 190,000 gross square feet research facility for the College of Agriculture, Food and Environment that will include research wet labs and office and support space. This new research facility will replace existing program space that must be relocated to accommodate the expansion of the UK HealthCare patient care facility on the north side of Cooper Drive.

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

FCR 10 Construct Health Education Building Capital Project

FCR 10 seeks approval to initiate the construction phase of the Construct Health Education Building capital project and for the Board to declare its official intent to reimburse capital expenditures from a future debt obligation for the capital project. The design phase was approved by the Board in May 2021. This new facility is planned to include approximately 450,000 square feet for classrooms, simulation suites, seminar rooms, conference rooms and faculty and staff workplace suites.

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

FCR 11 Funding Revision (Various Capital Projects)

For the capital projects listed below, FCR 11 seeks approval to use both agency funds and agency bonds which were authorized by the 2022 General Assembly and for which the declarations of intent to reimburse capital expenditures from a future debt obligation were approved by the Board in February 2019 and June 2022.

By this action, the fund source for the capital projects noted below will be changed to agency bonds and agency funds, including an internal loan for the Cooper House project. The project scopes will not change with this action.

Date of Board Approval	Capital Project	Scope	Original Funding Source
June 2021	Improve Academic/ Administrative Space 1 (Renew/Modernize Cooper House)	\$5,000,000	Agency funds (internal loan)
June 2019	Repair/Upgrade/Expand Central Plant Cooling Plant #1 Tower Replacement	\$15,000,000	Agency funds
February 2021	Repair/Upgrade/Expand Central Plants – Deaerators	\$6,000,000	Agency funds
December 2021	Improve Building Shell Systems (Peterson Service Building Window Replacement)	\$1,500,000	Agency funds

Trustee Ramsey made a motion to accept FCR 11. Trustee McCoy seconded the motion. The motion carried without dissent.

FCR 12 Approval of Disposal (North Farm - Barn 7 and Barn 11)

FCR 12 seeks that Barn 7 and Barn 11, UK building numbers 3227 and 3217, located on North Farm at 2275 Turner Place, Lexington, Kentucky be declared surplus to the needs of the university and that the Executive Vice President for Finance and Administration be authorized to dispose of the structures and remove the property using the method that produces the highest price.

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

FCR 13 Approval of Disposal (Oran Little Research Center - Tobacco Barn 2)

FCR 13 seeks that Tobacco Barn 2, UK building number 3786, located on Oran Little Research Center (LRC) at 1171 Midway Road, Versailles, Kentucky be declared surplus to the needs of the university and that the Executive Vice President for Finance and Administration be authorized to dispose of the structure and remove the property using the method that produces the highest price.

Trustee McCoy a motion to accept FCR 13. Trustee Ramsey seconded the motion. The motion carried without dissent.

FCR 14 Patent Assignment Report

FCR 14 seeks approval of the patent assignment report for the three months ending March 31, 2023.

Trustee Laws 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 stated that the research mission is built on the foundations of trust, transparency and accountability. To support Responsible Conduct of Research (RCR), the university has mandatory training for all research-eligible personnel. Training is provided online and in-person. More than 14,000 individuals, including graduate and undergraduate students participating in research, are required to complete RCR training each year.

The university also provides researchers access to an online electronic research notebook subscription from LabArchives. The system helps investigators with access to their work, collaboration with workgroups, and compliance with UK's data retention policy.

Dr. Cassis also discussed the university's plagiarism prevention software, iThenticate. Researchers can upload documents such as manuscripts and grant applications to search for possible instances of plagiarism against more than 217 million articles, books, conference proceedings and more than 90 billion current and archived web pages.

Dr. Swanson asked about team science and how much funding comes from team science versus individual work. Dr. Cassis responded that a fair percentage is from shared work and collaboration is incentivized.

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 11:57am.

Respectfully submitted,

Brenda Heeter
Finance Committee Secretary