

MINUTES OF THE FINANCE COMMITTEE
University of Kentucky Board of Trustees
Tuesday, December 12, 2017
Patterson Office Tower

Committee Members Present

Jennifer Barber, James Booth, Mike Christen, Elizabeth McCoy, Dave Melanson, Derrick Ramsey, and Frank Shoop

Approval of Minutes

The minutes of the September 15, 2017 Finance Committee meeting were approved as written.

Executive Vice President for Finance and Administration Report

The committee heard a report from Dr. Eric Monday, Executive Vice President for Finance and Administration. Dr. Monday gave an update on the Fiscal Year 17 External Audit. We are very proud to report that we received unmodified opinions on our FY17 audits which is the terminology for a clean audit. The University is prudently funding the OPEB plans and having a defined contribution pension plan contributes to our sound financial condition.

Over \$2 billion has been invested in our campus transformation since July 2011. We are planning to sell bonds in the first quarter of 2018. University of Kentucky is rated Aa2 (Stable), and will undergo another bond review next week. UK is planning to issue \$231 million of agency bonds for three projects: \$150 million for UK Healthcare renovation and upgrade; \$60 million for facilities renewal, modernization and deferred maintenance; and \$21 million to expand/renovate/upgrade law building.

Dr. Monday shared some financial planning efforts taking place by University Administration for short to mid- range planning, and long term planning. We have looked back six years to see what the budget gap has been including state appropriations reductions and tuition rate increases. We are now evaluating new strategies to overcome future funding gaps.

Business Items Presented by: James Booth, Chairman

FCR1 Pledge from Toyota Motor Engineering & Manufacturing North America, Inc.

The committee reviewed FCR 1, acceptance of a pledge of \$1,250,000 from Toyota Motor Engineering & Manufacturing North America, Inc. to support the Automotive Production Engineering Certificate Program and to create and endow a faculty fellowship within the University of Kentucky's College of Engineering.

A motion to accept was made by Trustee Melanson and seconded by Trustee Ramsey. The motion carried without dissent.

FCR 2 Acceptance of 2016-17 Audited Financial Statements and the Independent Auditor's Report on Financial Statements and Required Supplementary Information.

The committee reviewed FCR 2, acceptance of 2016-2017 audited financial statements and independent auditor's report.

A motion to accept was made by Trustee McCoy and seconded by Trustee Barber. The motion carried without dissent.

FCR 3 Acceptance of Interim Financial Report for the Three Months Ended September 30, 2017

The committee reviewed FCR 3, acceptance of interim financial report for the three months ended September 30, 2017.

A motion to accept FCR 3 was made by Trustee Barber and seconded by Trustee Melanson. The motion carried without dissent.

FCR 4 Proposed 2018-19 Room Rates for University-Constructed Housing

The committee reviewed FCR 4, proposed room rates for the 2018-2019 academic year. The 2018-19 rates for residence hall units constructed and managed by the University's private partner are in compliance with the lease agreements. These housing rates reflect a 3.0 percent increase for 2018-19.

The 2018-2019 proposed rates for University-constructed housing reflect a zero percent increase for the residence halls constructed in 2005, a 3.0 percent increase for graduate apartments and Greek housing, and a range of zero to 3.0 percent for specialty apartments.

A motion to approve FCR 4 was made by Trustee Shoop and seconded by Trustee Christian. The motion carried without dissent.

FCR 5 Budget Revisions

The committee reviewed FCR 5, revisions to the 2017-2018 budget. The budget revisions will increase the University of Kentucky's total budget by \$46,689,500 – from \$3,660,727,400 to \$3,707,416,900.

A motion to approve FCR 5 was made by Trustee McCoy and seconded by Trustee Barber. The motion carried without dissent.

The floor was yielded to Penny Cox, Associate Vice President for Administration for a presentation on FCR 6 and FCR 7. Ms. Cox provided an update on the housing transformation including the current condition of the Kirwan-Blanding complex and scenarios to mothball,

renovate or demolish the complex. The presentation included graduate/family housing supply and demand and the data relative to Commonwealth Village being sold.

FCR 6 Approval to Declare as Surplus University Property and Initiate Capital Project Located at Kirwan-Blanding Resident Housing Complex and Dining Commons

The committee reviewed FCR 6, authorizing the Executive Vice President for Finance and Administration to proceed with design and demolition of the Kirwan-Blanding Resident Housing Complex and Dining commons.

A motion to approve FCR 6 was made by Trustee Christian and seconded by Trustee Shoop. The motion carried without dissent.

FCR 7 Approval to Dispose of University Property (Commonwealth Village-Graduate Housing)

The committee reviewed FCR 7, authorizing the Executive Vice President for Finance and Administration to sell Commonwealth Village for the highest price and to create a graduate housing replacement fund from the proceeds.

A motion to approve FCR 7 was made by Trustee Christian and seconded by Trustee Ramsey. The motion carried without dissent.

FCR 8 Authorization of Negotiated Disposition of Personal Property

The committee reviewed FCR 8, authorizing the non-routine disposition of personal property from the University of Kentucky Clinical Engineering Department a Radiographic Mobile Digital X-Ray which is deemed obsolete.

A motion to approve FCR 8 was made by Trustee McCoy and seconded by Trustee Melanson. The motion carried without dissent.

The floor was yielded to Eric Monday, Executive Vice President of Finance and Administration to present information relative to FCR 9, approval of a real property exchange with the Lexington Fayette Urban Count Government (LFUCG). Dr. Monday presented the justifications for FCR 9:

- Partner with LFUCG to provide over 200 acres of economic development land.
- Deepen the economic development partnership between UK and LFUCG and help the entire Commonwealth.
- Create more opportunities for student career success.
- Accelerate growth at the Coldstream Research Campus.
- Improve campus transportation and pedestrian safety.
- State approval has been granted.

FCR 9 Approval of Real Property Exchange (Lexington Fayette Urban County Government)

The committee reviewed FCR 9, approval for the University to acquire city streets within the University's main campus from LFUCG in exchange for properties owned by the University located within the Coldstream Research Campus and the adjoining farmland.

A motion to approve FCR 9 was made by Trustee Shoop and seconded by Trustee Christian. The motion carried without dissent.

FCR 10 Renovate/Improve UK Good Samaritan Hospital Facilities Capital Project (Scope Increase to Consolidate Units)

The committee reviewed FCR 10, approval of an increase in scope to Renovate/Improve UK Good Samaritan Hospitals Facilities Capital Project (Air Handling Units).

At its September meeting the Board approved replacing air handling units # 24 and #54 at the Good Samaritan Hospital for a total scope of \$1,500,000.

During design it was determined that an additional existing air handling unit (#23) could be included in the replacement of the other units by purchasing larger units. The design provides for reduced operating and maintenance cost as well as reducing the cost of future replacement.

The total revised project would be \$2,000,000. The additional \$500,000 needed to complete the revised project will be funded with agency funds.

FCR 10 was recommended for approval by the University Health Care Committee at its meeting held yesterday.

A motion to approve FCR 10 was made by Trustee McCoy and seconded by Trustee Barber. The motion carried without dissent.

FCR 11 Improve UK Healthcare Facilities – UK Chandler Hospital Capital Project (Gill Heart and Vascular Institute Catheterization)

The committee reviewed FCR 11, approval to add an additional catheterization lab within the Gill Heart and Vascular Institute.

The cardiac catheterization lab in the Gill Heart and Vascular Institute was originally constructed in 2004 with four outfitted labs and two additional shelved labs for future growth. Over the last 13 years, the volume in the catheterization labs have grown commensurate with the UK HealthCare enterprise and the additional catheterization labs will address the needs associated with the growth.

The Project will include updates to the Structural Heart Interventional Program; the re-initiation of the Pediatric Interventional Cardiology Program in conjunction with the Pediatric Cardiothoracic program; growth in Electrophysiology with the recent recruitment of various

specialists in this area; and continued high volumes within the Cardiac Transplant program, which include a significant volume increase of heart biopsies.

FCR 11 was recommended for approval by the University Health Care Committee at its meeting held yesterday.

A motion to approve FCR 11 was made by Trustee Christian and seconded by Trustee Ramsey. The motion carried without dissent.

FCR 12 Funding Revision to Renovate/Upgrade UK HealthCare Facilities (Phase I-F, I-G, I-H, and I-I) Capital Project

The committee reviewed FCR 12, approve the use of agency bonds authorized by the 2016 General Assembly to fund projects in Phases I-F, I-G, I-H, and I-I of the Renovate/Upgrade UK HealthCare Facilities Capital Project for which the declaration of intent to reimburse capital expenditures from future debt obligation for these Capital Projects was approved in June 2014.

FCR 12 was recommended for approval by the University Health Care Committee at its meeting held yesterday.

A motion to approve FCR 12 was made by Trustee Barber and seconded by Trustee Melanson. The motion carried without dissent.

FCR 13 Capital Construction Report

The committee reviewed FCR 13, acceptance of the Capital Construction Report. Dall Clark, Capital Construction Manager reported four new contracts, three contracts closed, three contract amendments, and 44 change orders for the quarter ending September 30, 2017.

A motion to approve FCR 13 was made by Trustee Barber and seconded by Trustee Shoop. The motion carried without dissent.

FCR 14 Patent Assignment Report

The committee reviewed FCR 14, acceptance of the Patent Assignment Report. Lisa Cassis, Vice President for Research, presented the report for the period July 1, 2017 to September 30, 2017. During this period, 13 patents were issued and patent gross revenues totaled \$906,686.

A motion to accept FCR 14 was made by Trustee Barber and seconded by Trustee Ramsey. The motion carried without dissent.

Chair Booth asked if there was any further business to come before the committee. Hearing no further business, Chair Booth adjourned the meeting.

Respectfully Submitted:
Brenda Heeter