

Minutes of the Finance Committee Meeting
University of Kentucky Board of Trustees
December 2, 2025

The Finance Committee of the University of Kentucky Board of Trustees met on Tuesday, December 2, in the Gatton Student Center, Harris Ballroom.

A. Meeting Opened

Chair Todd Case called the meeting to order at 11:16 a.m. Chair Case 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: Alex Boone, Todd Case, McKenna Dowell, Ron Geoghegan, Jim Gray, Janie Greer, Karen Petrone, Frank Shoop, Zachary Stacy and Robert Vance. Ms. Heeter announced that a quorum was present.

C. Approval of Minutes

Chair Case asked if there were any corrections to the minutes from the September 12, 2025, meeting which were distributed. Trustee Geoghegan made a motion to approve the minutes. Trustee Greer seconded the motion. The motion carried without dissent.

D. Executive Vice President for Finance and Administration Report

Vice President of Innovation for UK HealthCare and Associate Vice President for Research, Ian McClure, Associate Vice President for Partnerships, Heath Price and Associate Chief Information Officer and Enterprise Chief Technology Officer, Adam Recktenwald were introduced to present on a recent University initiative related to artificial intelligence.

Mr. Price thanked the Chair for the introduction and expressed appreciation for the opportunity to begin a dialogue on artificial intelligence, noting its long-term impact on higher education, healthcare, research and operations.

Mr. Price provided historical context, describing major technological shifts over the past several decades, including the rise of the internet, the proliferation of smartphones and global data access, and the widespread adoption of cloud computing. He explained that these developments set the stage for artificial intelligence, particularly the emergence of large language models. He highlighted the launch of ChatGPT on November 30, 2022, noting its unprecedented adoption, rapid growth in active users, and extraordinary levels of engagement, which have reshaped how individuals and institutions interact with technology. He emphasized that this transformation is already influencing how the University approaches its mission.

Drawing on benchmarking and conversations across higher education and the technology sector, Mr. Price noted that while enthusiasm for artificial intelligence is increasing, it is tempered by appropriate caution. He shared that only a small percentage of institutions are currently pursuing an enterprise-wide, institutionally coordinated approach to artificial intelligence. He emphasized the importance of the University taking a unified, strategic approach that brings together stakeholders across campus. He outlined guiding questions used in developing the strategy, including how artificial intelligence will affect student learning, healthcare delivery, staff operations, research acceleration and the broader University community and Commonwealth.

Mr. McClure then discussed the development of the Commonwealth AI Transdisciplinary Strategy (CATS), which was initiated at the request of the President. A task group spent nearly a year developing the strategy, which envisions a future in which artificial intelligence expands human potential, accelerates economic progress, and improves health outcomes across Kentucky. The mission of the strategy is to position the University as a partner of choice in advancing artificial intelligence through responsible adoption, expanded access to tools and skills, and coordinated innovation across the University and the Commonwealth.

Mr. McClure outlined several core principles that emerged from benchmarking and stakeholder engagement. These included strong governance and responsible oversight to balance innovation with risk; democratized and secure access to artificial intelligence tools and resources for faculty, staff and students; a focus on training, skills development and cultural readiness; and broad adoption informed by the needs of external partners and workforce demands.

Mr. McClure further explained that the strategy is intended to serve multiple constituencies, including students preparing for an evolving workforce, faculty competing for research funding that increasingly requires advanced computational resources, and the Commonwealth's economy as it adapts to artificial intelligence-driven growth. He noted that the framework includes subcommittees aligned with education, research, healthcare, administration and student experience, supported by a leadership council and a dedicated CATS AI team responsible for coordination, partnership and responsible execution.

Mr. Recktenwald then addressed the University's partnership with Microsoft as a key component of the artificial intelligence strategy. He explained that Microsoft was selected due to its long-standing leadership in artificial intelligence, significant investment in research and engineering, commitment to responsible and ethical deployment and the University's existing relationship with the company. He noted that Microsoft's partnerships with organizations such as OpenAI provide access to state-of-the-art large language models, enabling the University to build advanced tools while maintaining enterprise-scale security and compliance. He emphasized that this partnership supports innovation tailored to Kentucky's needs.

During the discussion period, a trustee asked about data privacy and the extent to which Microsoft would have access to University data. Mr. Recktenwald clarified that University data is securely stored within Microsoft's environment, and is not used by Microsoft to train models or develop products. A follow-up question regarding the ability to opt out of certain artificial intelligence features, such as Copilot, was raised, and Mr. Recktenwald indicated he would follow up with additional information.

Another trustee raised concerns regarding the educational use of artificial intelligence, emphasizing the need for strong guardrails to prevent misuse that could undermine critical thinking, writing and reading skills. The trustee noted challenges faculty face in detecting inappropriate use of artificial intelligence in coursework. A discussion followed acknowledging that similar concerns have accompanied past technologies, such as calculators and study aids. It was suggested that educators from diverse disciplines be included on relevant committees to address discipline-specific impacts, and Mr. McClure agreed, noting the intent for the committees to be transdisciplinary.

E. Business Items

FCR 1 Patent Assignment Report

FCR 1 seeks acceptance of the patent assignment report for the period July 1, 2025 to September 30, 2025.

The patent assignment report for the quarter was presented by Matt Upton, Director of Technology Commercialization. Mr. Upton reported that during the quarter, 42 invention disclosures were received, 19 full patent applications and 28 provisional applications were filed, 12 patents were issued, \$551,786.05 in revenue was received, and 11 new licenses or options were executed. He highlighted several notable inventions, including advances in conductive fiber technology, organic electrochemical transistors, and methods for detecting and treating fatty liver disease. No questions were raised following the report.

Trustee Boone made a motion to accept FCR 1. Trustee Vance seconded the motion. The motion carried without dissent.

FCR 2 Acceptance of Charitable Gift Commitment from W. Nelson McMakin to Benefit the Martin-Gatton College of Agriculture, Food and Environment

FCR 2 seeks acceptance of a charitable gift commitment totaling \$1,036,545 from W. Nelson McMakin to support the construction, renovation and/or expansion of two buildings on the University's North Farm to benefit the Martin-Gatton College of Agriculture, Food and Environment's Department of Animal and Food Science Equine Program. Specifically, the gift would provide funding for a student housing facility, a barn and general program support for the Equine Program.

W. Nelson McMakin earned his BS in Agriculture in 1955 and his MS in Agriculture in 1958. He is a prominent Lexington, Kentucky-based businessman known for his dual careers in the fast-food industry as a long-standing McDonald's owner/operator, and in the thoroughbred horse racing world as an owner and breeder.

Trustee Petrone made a motion to accept FCR 2. Trustee Dowell seconded the motion. The motion carried without dissent.

FCR 3 Acceptance of FY 2024-25 Audited Financial Statements and the Independent Auditor's Report on Financial Statements and required Supplementary Information

FCR 3 seeks acceptance of the (1) the University of Kentucky Audited Financial Statements for the fiscal year ended June 30, 2025, consisting of the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows, Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, Notes to Financial Statements, Required Supplementary Information and Management's Discussion and Analysis; and (2) the Independent Auditor's Report on Financial Statements and Required Supplementary Information.

The Audit and Compliance Committee has reviewed the University's financial statements for the fiscal year ended June 30, 2025, audited by Forvis Mazars LLP, Certified Public Accountants.

The financial statements of the University include its operations and its affiliated non-profit corporations, i.e., entities for which the University is financially accountable as defined by GASB Statement No. 14 and amended by GASB Statement No. 39, No. 61 and No. 80 and which meet the definition of an affiliated corporation under Kentucky Revised Statutes (KRS) section 164A.550.

Trustee Greer made a motion to accept FCR 3. Trustee Boone seconded the motion. The motion carried without dissent.

FCR 4 Acceptance of Interim Financial Report for the Three Months Ended September 30, 2025

FCR 4 seeks acceptance of the University of Kentucky consolidated financial report for the three months ended September 30, 2025.

The consolidated financial report includes the financial activities of the University of Kentucky and its affiliated corporations:

- University of Kentucky Research Foundation
- University of Kentucky Gluck Equine Research Foundation, Inc.
- University of Kentucky Humanities Foundation, Inc.
- University of Kentucky Mining Engineering Foundation, Inc.
- Central Kentucky Management Services, Inc.

- Beyond Blue Corporation and its non-profit subsidiaries Royal Blue Health LLC, Claire Blue Health LLC and Champions Blue LLC

As of September 30, 2025, the University has recognized \$2,348,254,354 of current funds revenue representing 27 percent of the 2025-26 approved budget of \$8,621,830,300. Expenses and transfers total \$2,098,993,628 or 24 percent of the approved budget.

Trustee Dowell made a motion to accept FCR 4. Trustee Greer seconded the motion. The motion carried without dissent.

FCR 5 FY 2025-26 Budget Revisions

FCR 5 seeks authorization and approval of revisions to the FY 2025-26 budget. The budget revisions will increase the University of Kentucky's current funds budget by a net \$91,940,700, from \$8,621,830,300 to \$8,713,771,000.

Trustee Geoghegan made a motion to accept FCR 5. Trustee Vance seconded the motion. The motion carried without dissent.

FCR 6 Proposed 026-27 Room Rates for University-Constructed Housing

FCR 6 seeks the adoption of the attached 2026-27 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 also presented for informational purposes only.

The recommended 2026-27 rates for university-constructed undergraduate residence halls reflect an increase of 3.0 percent. The 2026-27 proposed rates for university-constructed graduate and apartment housing generally reflect a 2.0 percent increase excluding Greg Page and Shawneetown which generally reflect a 1.0 percent increase.

All students living in undergraduate residence halls are required to purchase a dining plan, except for students living in University Flats. The dining rates and plans are based on the agreement with the University's dining partner. The 2026-27 dining rates reflect an increase of 3.4 percent.

Trustee Vance made a motion to accept FCR 6. Trustee Greer seconded the motion. The motion carried without dissent.

FCR 7 Approval to Declare as Surplus Acquired University Residential Property Located in UK Healthcare Expansion Area

The properties located in the following described area are part of the University of Kentucky HealthCare (UKHC) expansion area in Lexington, Kentucky: the 200 blocks of Waller Avenue, University Avenue, State Street, Conn Terrace and Transcript Avenue, the 900 block of Journal Avenue and the 800 block of Press Avenue. The University, from time to time, purchases properties in this area from willing sellers because the land is adjacent to other UKHC developments including the new Cancer and Advanced Ambulatory Building currently under construction and is needed as UKHC operations continue to grow. Most, if not all, of these acquisitions are less than the \$1,000,000 threshold requiring Board of Trustees' approval.

As property in this area is acquired, the buildings on those properties will be evaluated for continued use by the University. For those buildings determined to be unsuitable for use by the University or for which another use for the land by the University would be more suitable consistent with the public interest, the buildings would be declared surplus to the University's needs and demolished.

Trustee Stacy made a motion to accept FCR 7. Trustee Greer seconded the motion. The motion carried without dissent.

FCR 8 Approval of Disposal of Real Property (Real Estate and Easement, University of Kentucky North Farm, Lexington, KY)

FCR 8 seeks approval to declare as surplus to the needs of the University a portion of land needed to reconstruct/widen US 25 from Kearney Road to Ironworks Road, which includes 9.741 acres of fee simple land, a 3,033 square foot permanent easement and a 8,459 square foot temporary easement located in Lexington, Kentucky, 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.

The property interests are deemed to be surplus to the needs of the University and the proposed sale to the Kentucky Transportation Cabinet is in the best interest of the Commonwealth. In accordance with the appraisal method set forth in KRS §416.660, the total consideration that will be paid to the University is \$273,200.00.

Trustee Petrone made a motion to accept FCR 8. Trustee Stacy seconded the motion. The motion carried without dissent.

FCR 9 Approval of Lease-Purchase

FCR 9 seeks authorization for the Executive Vice President for Finance and Administration to negotiate and execute a lease-purchase agreement between the University of Kentucky St. Claire Health (UKSC) and the Rowan County Board of Education to acquire the real property and improvements located at 415 West Sun Street, Morehead, Kentucky.

UKSC and the Rowan County Board of Education have held discussions regarding the lease-purchase of the property and improvements which include an 85,000 square foot building. Pursuant to Kentucky Revised Statute §56.806, the rent paid during the term of the lease-purchase agreement will amortize the fair market value of the leased property as of the time the lease-purchase is entered. The appraised value of the property is \$6,700,000. The total rent payments are equal to the agreed purchase price of \$6,402,400. Customary due diligence and the costs of appraisals, land surveys, closing fees and other capitalized costs of acquisition will also be paid.

The potential purchase was reported at the September 25, 2025, meeting of the Board of Governors for Claire Blue Health, LLC, at which the Board of Governors agreed to recommend approval of the purchase to the UK Board of Trustees.

Trustee Vance made a motion to accept FCR 9. Trustee Boone seconded the motion. The motion carried without dissent.

FCR 10 Approval to Acquire 2301 Lexington Avenue Condo 220, Ashland, KY/Conflict of Interest

FCR 10 seeks acceptance of an exception to Kentucky Revised Statutes (KRS) 164.131(7), pursuant to KRS 164.367, and authorize the Executive Vice President for Finance and Administration to acquire real property and improvements located at 2301 Lexington Avenue Condo 220, Ashland, Kentucky, for the use and benefit of UK King's Daughters (UKKD).

The University of Kentucky and the sellers, Jamal Merhy, M.D. Properties, L.L.C., have held intermittent discussions regarding the purchase of the property, which includes approximately 1,873 square feet of clinical space. This property is located within the Ashland Medical Arts Building on the UKKD campus and is one of three condos not currently owned by UKKD.

The total consideration for the acquisition will not exceed \$270,000, the fair market value of the parcel, plus customary due diligence and the cost of appraisals, land surveys, closing fees and other capitalized costs of acquisition. While the consideration amount is less than that requiring Board of Trustee approval, the current owner of the property is a University of Kentucky HealthCare physician in Lexington, Kentucky, thus raising a potential conflict of interest under KRS §164.131(7) and UK/UKKD policies.

KRS 164.131(7) prohibits an employee from having an interest in a contract with the University, unless approved by the Board as permitted by KRS 164.367. The recommendation to approve the purchase as an exception to KRS 164.131(7) is based on a finding that the purchase is in the best interest of the University, UKKD and the Commonwealth.

The potential purchase and conflict were reported at the November 2025 meeting of the Board of Governors for Royal Blue Health, LLC, at which the Board of Governors agreed to recommend a waiver of the conflict and approval of the purchase to the UK Board of Trustees. This proposed purchase was also reviewed by the University's General Counsel and Chief Accountability Officer and Audit Executive, both of whom recommend a waiver of conflict and approval of the purchase.

The recommendation to approve the purchase as an exception to KRS 164.131(7) is based on a finding that the purchase is in the best interest of the University, UKKD and the Commonwealth, and that the employee's interest in the property was fully disclosed.

Trustee Greer made a motion to accept FCR 10. Trustee Boone seconded the motion. The motion carried without dissent.

FCR 11 Approval to Acquire 1279 Old Abbott Mountain Road, Prestonsburg, Kentucky

FCR 11 seeks authorization for the Executive Vice President for Finance and Administration to acquire a medical office building located at 1297 Old Abbott Mountain Road, Prestonsburg, Kentucky. Since its construction in 2012, UK King's Daughters (UKKD) has leased this location. The 15,587 square foot medical office building is situated on 3.48 acres, serves Prestonsburg and the surrounding areas, and houses a multitude of services including family and specialty care as well as imaging services.

The property has appraised for \$5,850,000. The total consideration for the property acquisition will not exceed \$5,500,000 plus customary due diligence and the costs of appraisals, land surveys, closing fees and other capitalized costs of acquisition.

The potential purchase was reported at the November 2025 meeting of the Board of Governors for Royal Blue Health, LLC, at which the Board of Governors agreed to recommend approval of the purchase to the UK Board of Trustees.

Trustee Stacy made a motion to accept FCR 11. Trustee Greer seconded the motion. The motion carried without dissent.

FCR 12 Improve Clinical/Ambulatory Services Facilities

FCR 12 seeks approval of the initiation of the Improve Clinical/Ambulatory Services Facilities (Pediatric ENT Clinic) capital project.

This \$10,000,000 project will renovate approximately 11,000 square feet of space in the Warren Wright Medical Plaza to support the expansion of Pediatric ENT services. The renovation will include, but is not limited to, the design and construction of exam rooms, procedure rooms, audiology booths and associated support spaces.

Trustee Petrone made a motion to accept FCR 12. Trustee Dowell seconded the motion. The motion carried without dissent.

FCR 13 Improve Campus Parking and Transportation System (2026 Maintenance) Capital Project

FCR 13 seeks approval to initiate the Improve Campus Parking and Transportation System (2026 Maintenance) capital project, which will continue the implementation of the master maintenance plan for the University's eight parking structures. The master maintenance plan is designed to alleviate existing deterioration, provide long-term durability and extend the useful life of each parking facility and includes a detailed preventative maintenance and repair program for the University's parking structures.

This project will address the needs outlined in the fourth year of the updated study. Work on the various parking structures will include repairing concrete and masonry, installing surface coatings, painting, maintaining roofs and other miscellaneous work that will extend the life and serviceability of the structures.

Trustee Dowell made a motion to accept FCR 13. Trustee Greer seconded the motion. The motion carried without dissent.

FCR 14 Acquire/Improve Service Core Systems – UK Healthcare (Replace Five Elevators at Pavilion H) Capital Project

FCR 14 seeks approval to initiate the Acquire/Improve Service Core Systems – UK Healthcare (Replace Five Elevators at Pavilion H) capital project.

On February 23, 2024, the Board approved the initiation of the Acquire/Improve Elevator Systems – UK HealthCare (Replace Four Elevators at Pavilion H) capital project for \$3,000,000. That planned project included replacing four existing elevators in Pavilion H. A study conducted by a vertical transportation consultant as part of the project design concluded that the four passenger elevators share controls with a freight elevator and recommended replacement of the shared controls for all five elevators and inclusion of the freight elevator in the scope of replacement.

The revised scope of work, with an estimated cost of \$5,000,000, will replace the five existing elevators (1, 2, 3, 9 and 10) within Pavilion H, which have exceeded their useful life and need to be replaced.

Trustee Geoghegan made a motion to accept FCR 14. Trustee Vance seconded the motion. The motion carried without dissent.

FCR 15 Expand Arboretum Visitor Center – Design Phase Capital Project

FCR 15 seeks approval to initiate the Expand Arboretum Visitor Center - Design Phase capital project.

This project will initiate the design phase of the expansion of the existing Dorothea Smith Oatts Visitor Center located at the Arboretum, State Botanical Garden of Kentucky for the Martin–Gatton College of Agriculture, Food and the Environment. This project will expand the multi-purpose space, renovate restrooms, improve wayfinding and make site improvements adjacent to the existing building, all of which will enhance and improve the visitor experience. The project will also include upgrades to the mechanical, electrical and fire safety systems.

The design phase will also address other improvements to the Arboretum, including but not limited to pedestrian access and safety enhancements, expanded parking areas, improved operations and maintenance facilities, an education center and overall improvements to the Walk Across Kentucky trail system.

Trustee Stacy made a motion to accept FCR 15. Trustee Petrone seconded the motion. The motion carried without dissent.

FCR 16 Construct/Improve Innovation Complex (Arts and Innovation Complex Design Phase) Capital Project

FCR 16 seeks approval to initiate the Construct/ Improve Innovation Complex (Arts and Innovation Complex – Design Phase) capital project.

The new Arts and Innovation Complex, approximately 170,000 square feet, will be central to the creation of a new Arts and Innovation District serving and enriching the University, the community and the Commonwealth. The facility will house spaces for the College of Fine Arts, adjacent to the new Gray Design Building and the School of Arts and Visual Studies. The complex will bring together programs in music, theatre and dance under one roof for the first time. This complex will also feature state-of-the-art performance venues, including a proscenium theatre, recital halls and a black box theatre.

Trustee Dowell made a motion to accept FCR 16. Trustee Geoghegan seconded the motion. The motion carried without dissent.

FCR 17 Capital Construction Report

FCR 17 seeks approval of the capital construction report for the three months ending September 30, 2025. Barry Swanson, Interim Vice President for Facilities Management, presented the report highlighting that there were 16 new contracts awarded, six contracts completed, four contract amendments issued, and 60 change orders exceeding \$25,000, noting that some change orders resulted in cost decreases.

Trustee Boone made a motion to accept FCR 17. Trustee Greer seconded the motion. The motion carried without dissent.

F. Research Report

Acting Vice President for Research, Dr. Ilhem Messaoudi presented the research highlights celebrating University researchers and their accomplishments over the past fiscal year. She shared several examples illustrating the breadth of research activity, including the use of drones to manage fungal infections in cornfields, zebrafish models to study pediatric cancers, research on the impacts of universal free school meals, energy research converting coal into critical materials, studies on colorectal cancer disparities in Appalachian Kentucky, and discoveries related to Alzheimer's disease published in a leading neuroscience journal.

Dr. Messaoudi reported that the University achieved another record year in research awards, with a 1.7 percent increase over the prior year and continued strong federal support, particularly from the National Institutes of Health. Year-to-date awards totaled nearly \$324 million, representing a 2.7 percent increase over the previous year. Additional highlights included a record number of proposal submissions, the restoration of grants supporting the Kentucky Geological Survey, and the achievement of the full complement of Centers for Biomedical Research Excellence (COBRE) grants, including a new diabetes prevention COBRE and renewed funding for translational chemical biology.

The Chair thanked Dr. Messaoudi for the report and recognized the research leadership as a significant asset to the University.

G. Other business

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

H. Adjourn

Hearing no further business, the meeting was adjourned at 12:12 p.m.

Respectfully submitted,

Brenda Heeter
Finance Committee Secretary