

MINUTES OF THE FINANCE COMMITTEE
University of Kentucky Board of Trustees
February 17, 2016 – 1:00 PM
Patterson Office Tower

Committee Members Present

William Britton, Chairman, Jennifer Barber, James Booth, Mike Christian, Kelly Holland, Dave Melanson, Rowan Reid, Frank Shoop, & Robert Vance

Approval of Minutes

The minutes of the December 13, 2016 Finance Committee meeting were approved as written.

Business Items Presented by: Bill Britton, Chair

FCR 1 Charitable Grant Recommendation

The Committee reviewed FCR 1, acceptance of a charitable grant recommendation totaling \$1,500,000 from the Mr. Davis L. Marksbury III of Lexington, KY to support the Renovate/Improve Athletics Facility Capital Project (Joe Craft Center Locker Room).

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

FCR 2 Pledge from L. Stanley Pigman

The Committee reviewed FCR 2, acceptance of a \$2,500,000 pledge from Mr. L. Stanley Pigman of Wilmington, North Carolina, to provide need-based scholarships for undergraduate engineering students.

This pledge will provide \$250,000 annually for 10 years for need-based scholarships for undergraduate engineering students. This gift aligns with the University's major strategic priority of increasing need-based financial aid to improve student retention and graduation rates [the UK Leveraging Economic Affordability for Developing Success (LEADS) initiative]. The University agreed to match Mr. Pigman's annual support of \$250,000 for 10 years beginning Fall 2017 by reallocating funds from its merit-based scholarship pool to the L. Stanley Pigman Scholarship program.

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

FCR 3 Pledge from John Pirri, Jr. and Naming of a Building

The Committee reviewed FCR 3, acceptance of a pledge of \$6,862,667.95 from John Pirri, Jr., of Donald, South Carolina, to support the Equine Teaching Pavilion located in Lexington, Kentucky on the University of Kentucky's Maine Chance Equine Campus. FCR 3 also requested approval to officially name the Equine Teaching Pavilion as the "Pirri Equine Teaching Pavilion."

The University received a gift of \$350,000 from Dr. Pirri on December 29, 2016. Dr. Pirri also irrevocably pledged to the University additional payments totaling \$6,512,667.95 over the next 33 years (2017-2049). Thus, the total impact of this gift and pledge is \$6,862,667.95.

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

FCR 4 Change Purpose and Name of Neurology Research Chair (Endowed Chair in Child Neurology)

The Committee reviewed FCR 4, approval for modifications to the Endowed Neurology Research Chair in College of Medicine to change the purpose from supporting neurology research to supporting child neurology and change the name to the "Endowed Chair in Child Neurology."

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

FCR 5 Change Name of Endowed Chair in Neurosurgery (Byron and Judy Young Endowed Chair in Brain Tumor Research)

The Committee reviewed FCR 5, approval to change the name of the "Endowed Chair in Neurosurgery" in the College of Medicine to the "Byron and Judy Young Endowed Chair in Brain Tumor Research".

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

FCR 6 Approval of the 2015-16 Endowment Match Program Annual Report

The Committee reviewed FCR 6, approval of the 2015-16 Endowment Match Program Annual Report. The Endowment Match Program, also known as "Bucks for Brains", is one of several programs created as part of the Research Challenge Trust Fund (RCTF). Since its creation, the University has received and matched on a dollar-for-dollar basis \$213,597,359 in state funds for the Endowment Match Program.

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

FCR 7 Approval of Ground Lease (Alpha Chi Omega Fraternity)

The Committee reviewed FCR 7, authorization for the Executive Vice President for Finance and Administration to negotiate and execute a ground lease between the University of Kentucky and Alpha Chi Omega National Housing Corporation for land located at 411 Pennsylvania Court, Lexington, KY 40508 in the University of Kentucky Greek Park.

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

FCR 8 Approval of Ground Lease (Beta Theta Pi Fraternity)

The Committee reviewed FCR 8, authorization for the Executive Vice President for Finance and Administration to negotiate and execute a ground lease between the University of Kentucky and Epsilon Omicron Chapter House Corporation of Beta Theta Pi Fraternity for land located at 440 Pennsylvania Court, Lexington KY 40508 in the University of Kentucky Greek Park.

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

FCR 9 Approval of Sublease (110 Conn Terrace, Lexington, KY 40508)

The Committee reviewed FCR 9, authorization for the Executive Vice President for Finance and Administration to negotiate and execute a building sublease between the University of Kentucky and Kentucky Medical Services Foundation, Inc. Lexington, KY for office space located at 110 Conn Terrace, Lexington, KY 40508. The subleased space will consist of 10,177 square feet of office space with an annual rent of \$388,252.55.

The proposed sublease will provide office, meeting, and training spaces for the University of Kentucky Department of Ophthalmology and Visual Science.

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

FCR 10 Renovate/Improve Athletics Facility Capital Project (Joe Craft Center Locker Room)

The Committee reviewed FCR 10, approval to initiate the Renovate/Improve Athletics Facility Capital Project (Joe Craft Center Locker Room).

The project will renovate and improve the existing player locker and shower space, lounge area, and team meeting room into one multi-functional space. The improvements also will include a supplemental and nutrition fueling station, as well as a hydration station. It is anticipated that other

renovations will occur in the near future in this and other facilities, benefitting student-athletes across a variety of sports. The scope of this project is not expected to exceed \$5,000,000 and will be funded with private funds. The project has been authorized by 2016 Session of the Kentucky General Assembly.

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

FCR 11 Disaster Recovery and Business Continuity Information Technology Capital Project

The Committee reviewed FCR 11, approval to initiate the UK HealthCare Disaster Recovery and Business Continuity Information Technology Capital Project.

This \$12,000,000 project, authorized by the 2016 Session of the Kentucky General Assembly and funded with agency funds, will allow clinicians to continue providing care and senior management to continue operating the health care enterprise in the event of catastrophic event. The Health Insurance Portability and Accountability Act (HIPAA) regulations and the Joint Commission accreditation standards require electronic systems and electronic medical records restoration as well as recovery capabilities. As a result of this project, UK HealthCare will rebuild critical core systems to improve existing business continuity/disaster recovery capabilities and enhance restoration of those systems to normal operations in the event of the catastrophic event. The project will include investments in infrastructure to maintain and enhance business continuity and disaster recovery capabilities.

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

FCR 12 Capital Construction Report

The Committee reviewed FCR 12, acceptance of the Capital Construction Report. Mary Vosevich, Vice President for Facilities Management, reported four new contracts, five contract amendments, and 19 change orders for the quarter ending December 31, 2016. Five contracts also were completed during this quarter.

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

FCR 13 Patent Assignment Report

The Committee reviewed FCR 13, acceptance of the Patent Assignment Report. Dr. Lisa Cassis presented the report for the period of October 1, 2016 to December 31, 2016. For the first six months of the fiscal year, 25 patents were issued and realized patent income totaled \$1,300,284.

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

Executive Vice President for Finance and Administration Report

Dr. Monday gave a report to the Committee on the new Rupp Arena agreement, January's bond refunding, and an updated debt capacity study.

The new 15-year Rupp Arena agreement begins in 2018 and expires in 2033. As part of the new agreement, club and premium services will be created. Management of multimedia rights, souvenir sales, and parking will be transferred to the University. The name will remain Rupp Arena.

The University sold approximately \$37,000,000 of refunding bonds on January 18, 2017. Twelve underwriters submitted bids for one or both series and the result was a total interest cost of 1.7% on the refunding bonds. These lower rates will produce net present value savings of approximately \$2,800,000 or 7%. Over 80% of the savings will accrue to housing and dining. The demand and price were very positive news, particularly on top of S&P and Moody's both affirming their previous ratings of AA Stable and Aa2 Stable, respectively.

Kaufman Hall performed an updated debt capacity study in 2016 as part of a consolidated financial planning engagement. The study estimates additional debt capacity of approximately \$350,000,000 to \$450,000,000 at the current rating levels (Moody's Aa2/Stable) (S&P AA/Stable).

Hearing no further business, Chair Britton adjourned the meeting.

Respectfully submitted,
Leigh Bays Donald