

Minutes of the Finance Committee Meeting
University of Kentucky Board of Trustees
May 4, 2021

The Finance Committee of the University of Kentucky Board of Trustees met on Wednesday, May 4, 2021 via Zoom.

A. Meeting Opened

Chair Kimberly McCann called the meeting to order at 10:31 a.m. 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: Lee X. Blonder, Ray A. Daniels, Kimberly Scott McCann, Elizabeth McCoy, Derrick K. Ramsey, Frank Shoop and Courtney Wheeler. Carol Martin "Bill" Gatton was not in attendance. Ms. Heeter announced that a quorum was present.

C. Approval of Minutes

Chair McCann asked if there were any corrections to the minutes from the February 19, 2021 meeting, which were distributed. Trustee Ramsey made a motion to approve the minutes. Trustee Wheeler seconded the motion. The motion carried without dissent.

D. Business Items

FCR 1 GIFTS FROM THE ESTATE OF HENRY C. VICKERS

The recommendation seeks acceptance of initial gifts totaling \$1,034,664.61 from the estate of Henry C. Vickers to support the existing "Henry C. Vickers Endowed Scholarship Fund" in the College of Engineering.

Henry Clay Vickers was born in McLean County, Kentucky. He graduated from the university with a bachelor's degree in civil engineering in 1959 and a master's degree in civil engineering from the Massachusetts Institute of Technology in 1965. Mr. Vickers was a dedicated public servant and spent his entire career with the U.S. Army Corps of Engineers where he held several positions. His work took him to the Midwest and eastern United States, and he collaborated on many difficult engineering projects. Mr. Vickers retired from the U.S. Army Corps of Engineers and lived in Evansville, Indiana until his death. Additional gifts of approximately \$1,300,000.00 are expected from Mr. Vickers' estate in 2021, for a total anticipated gift of \$2,334,664.61. Trustee Ramsey made a motion to accept FCR 1. Trustee Wheeler seconded the motion. The motion carried without dissent.

FCR 2 Pledge from the Tempur Sealy Foundation

The recommendation seeks acceptance of a pledge of \$2,000,000 from the Tempur Sealy Foundation to support a capital project for a pediatric sleep center in the Albert B. Chandler Hospital, Kentucky Children's Hospital.

Tempur Sealy International, Inc. is a publicly traded company founded in 1989. Its headquarters is in Lexington, Kentucky and situated on the university's Coldstream Research Campus. This pledge will support the work of Kentucky Children's Hospital through the construction of the new pediatric sleep center and related equipment and technology.

Including this new pledge, Tempur Sealy International, Inc.'s contributions to the university exceed \$2,184,000. Trustee Wheeler made a motion to accept FCR 2. Trustee Shoop seconded the motion. The motion carried without dissent.

FCR 3 Pledge from Toyota Motor Engineering & Manufacturing North America, Inc.

The recommendation seeks acceptance of a pledge of \$1,130,000 from Toyota Motor Engineering & Manufacturing North America, Inc. to support diversity scholarships for students in the new Engineering Technology Program in the College of Engineering, pending approval of the academic program by the University Senate, Board of Trustees and the Council on Postsecondary Education.

Toyota Motor Engineering & Manufacturing North America, Inc., located in Georgetown, Kentucky, is an automobile manufacturing and research and development company owned by Toyota Motor Company.

Toyota and the university have a long history of collaboration and partnership. The newest effort is the development of an Engineering Technology program in the College of Engineering and a joint partnership with Bluegrass Community and Technical College. This program will introduce students to engineering technology core processes through hands-on, project-based learning and includes the creation of two new undergraduate degrees in the College of Engineering; a Bachelor of Science in Lean Systems Engineering Technology and a Bachelor of Science in Computer Engineering Technology.

Toyota's gift will be used to establish and support a new non-endowed scholarship fund named the Toyota Engineering Technology Diversity Scholarship Fund, which will provide annual scholarships for undergraduate students in the Engineering Technology Program who are Kentucky residents and have demonstrated unmet financial need. Preference will be given to students whose ethnic, racial, gender, or background would enhance the diversity of the College of Engineering; however, every student who is enrolled in the program, is a Kentucky resident, and has unmet financial need shall have an opportunity to compete for this scholarship. Including this new pledge, Toyota Motor Engineering & Manufacturing North America, Inc.'s philanthropic impact on the university

exceeds \$8,000,000. Trustee Ramsey made a motion to accept FCR 3. Trustee Blonder seconded the motion. The motion carried without dissent.

FCR 4 Acceptance of Interim Financial Report for the Six Months Ended December 31, 2020

The recommendation seeks acceptance of the University of Kentucky consolidated financial report for the six months ended December 31, 2020. As of December 31, 2020, the university has recognized \$2,167,179,217 of current funds revenue representing 49 percent of the Fiscal Year 2020-21 approved budget of \$4,429,389,500. Expenses and transfers total \$1,956,941,346 or 44 percent of the approved budget. Trustee Shoop made a motion to accept FCR 4. Trustee Daniels seconded the motion. The motion carried without dissent.

FCR 5 Approval of Lease (Hand Center)

The recommendation seeks authorization for the Executive Vice President for Finance and Administration to negotiate and execute a lease for clinical space for the Hand Center. University of Kentucky HealthCare (UKHC) will lease space located at 2195 Harrodsburg Road, Lexington, Kentucky from the Kentucky Medical Services Foundation.

The leased space will comprise 8,121 square feet with an annual rent of \$257,517.00 and will be funded with agency funds. Trustee Daniels made a motion to accept FCR 5. Trustee McCoy seconded the motion. The motion carried without dissent.

FCR 6 Approval of Lease (Physical Medicine and Rehabilitation)

The recommendation seeks authorization for the Executive Vice President for Finance and Administration to negotiate and execute a building lease between the university and Encompass Health Rehabilitation Hospital of Cardinal Hill, Inc., LLC (Cardinal Hill) to be used by UK Physical Medicine and Rehabilitation (PM&R).

The university desires to expand and relocate the Good Samaritan outpatient PM&R Clinic and consolidate it with outpatient therapy currently offered at Cardinal Hill. This lease will create a “one-stop-shop” for UK patients once they are transferred from UK to Cardinal Hill inpatient.

The space will be divided into two leases: PM&R Clinic, 13,835 square feet at an annual cost not to exceed \$325,000, and Outpatient Therapy, 19,457 square feet at an annual cost not to exceed \$450,000. Trustee McCoy made a motion to accept FCR 6. Trustee Shoop seconded the motion. The motion carried without dissent.

FCR 7 Approval of Lease (Center for Children and Trauma)

The recommendation seeks authorization for the Executive Vice President for Finance and Administration to renegotiate and execute a lease renewal between the university and Blazer Parkway Venture, Lexington, Kentucky, for space located at 3470 Blazer Parkway, Lexington, Kentucky.

The Center for Children and Trauma, in the College of Social Work, has occupied the space at this location since 2002. The Center conducts research and provides counseling services to traumatized children. The lease of 11,199 square feet will be renewed effective July 1, 2021, at the current annual rent of \$207,181.50. Trustee McCoy made a motion to accept FCR 7. Trustee Blonder seconded the motion. The motion carried without dissent.

FCR 8 Approval of Disposal (Dairy Research Barn)

The recommendation seeks approval for the Dairy Research Barn located at 2810 Georgetown Road, Lexington, Kentucky be declared surplus to the needs of the university and that the Executive Vice President for Finance and Administration be authorized to sell and remove the property using the method that produces the highest price or is the most cost effective.

The facility, constructed in 2015, is located on property at Coldstream Farm that is included in the land swap agreement between the university and the Lexington-Fayette Urban County Government (LFUCG). A buyer will be sought to purchase and remove the Dairy Research Barn. If this is unsuccessful, the building will be part of a demolition project to remove all buildings at the Coldstream Farm site prior to the final conveyance to LFUCG in the land swap. Trustee Daniels made a motion to accept FCR 8. Trustee McCoy seconded the motion. The motion carried without dissent.

FCR 9 Improve Coldstream Research Campus (Public Infrastructure) Capital Project

The recommendation seeks approval of a scope increase for the Improve Coldstream Research Campus (Public Infrastructure) Capital Project.

On May 5, 2020, the Board of Trustees approved initiating this project, with a cost not to exceed \$1,600,000 and to be funded with an internal loan. The final detailed drawings were bid in January and revealed a need for increased earthwork, paving, storm sewers, water distribution lines and site electrical. The last year has also seen tremendous cost volatility in the construction industry. As a result, the project scope needs to be increased to an amount not to exceed \$2,200,000, which remains well within the total \$50,000,000 legislative authorization by the 2020 Kentucky General Assembly. The additional \$600,000 will be funded with agency funds.

Trustee Shoop made a motion to accept FCR 9. Trustee Wheeler seconded the motion. The motion carried without dissent.

FCR 10 Construct Beam Institute II (Construct Maturation Building) Capital Project

The recommendation seeks approval to initiate the Construct Beam Institute II (Construct Maturation Building) Capital Project. At its September 11, 2020 meeting, the Board accepted a \$1,000,000 pledge from Independent Stave Company in support of the construction of a Spirits Maturation Research and Barrel Storage facility.

The Maturation Building will be part of the James B. Beam Institute for Kentucky Spirits in the heart of the College of Agriculture, Food and Environment district, adjacent to the Cooper House and Barnhart Building. Trustee McCoy made a motion to accept FCR 10. Trustee Wheeler seconded the motion. The motion carried without dissent.

FCR 11 Construct/Expand/Renovate Ambulatory Care – UK HealthCare (Pavilion HA Forensics/Pediatric Sleep Study) Capital Project

The recommendation seeks approval to initiate the Construct/Expand/Renovate Ambulatory Care - UK HealthCare (Pavilion HA Forensics/Pediatric Sleep Study) Capital Project.

This \$4,400,000 capital project will renovate and improve approximately 7,000 square feet on the ground level of Pavilion HA to provide a “pediatric friendly” sleep study space. Trustee Ramsey made a motion to accept FCR 11. Trustee Wheeler seconded the motion. The motion carried without dissent.

FCR 12 Construct Ambulatory Facility – UK HealthCare (Cancer Treatment Center/Ambulatory Surgery Center) Capital Project (Design Only)

The recommendation seeks approval to initiate the design phase only of the Construct Ambulatory Facility - UK HealthCare (Cancer Treatment Center/Ambulatory Surgery Center) Capital Project.

UK HealthCare has identified a need for a Cancer and Advanced Ambulatory Complex. The site will include multiple clinical care buildings and structured parking with an anchor of approximately 260,000 square feet for cancer-specific services.

The design phase is not expected to exceed \$30,000,000. Additional Board approval will be required to initiate the bid and construction phases. Trustee Shoop made a motion to accept FCR 12. Trustee Daniels seconded the motion. The motion carried without dissent.

FCR 13 Construct College of Medicine Building (Design Only) Capital Project

The recommendation seeks approval to initiate the design phase only of the Construct College of Medicine Building Capital Project. The project is planned to include approximately 380,000 square feet for classrooms, simulation suites, conference rooms and office and support space for the College of Medicine and potentially other healthcare colleges.

The design phase is not expected to exceed \$30,000,000. Additional Board approval will be required to initiate the bid and construction phases. Trustee Ramsey made a motion to accept FCR 13. Trustee McCoy seconded the motion. The motion carried without dissent.

FCR 14 Capital Construction Report

The recommendation seeks acceptance of the capital construction report for the three months ending March 31, 2021. Ms. Mary Vosevich, vice president for facilities,

reported that there were six new contracts, three contracts completed, two amendments and 13 change orders. Trustee McCoy made a motion to accept FCR 14. Trustee Wheeler seconded the motion. The motion carried without dissent.

E. Research Report

The floor was yielded to Mr. Ian McClure, associate vice president for the office of technology commercialization, for a research report. Over the last five years, commercialization and entrepreneurship metrics have increased every year. The Office of Technology and Commercialization reports the highest numbers ever achieved for annual inventions, patents filed, commercialization agreements and startups created. UK Research has increased over 30 percent over the last two years.

To further this growth, Mr. McClure announced a new innovation and entrepreneurship umbrella. The University of Florida, University of North Carolina and Michigan State University have similar umbrellas. The new innovation and entrepreneurship umbrella will drive economic and social impact from research using three pillars: Innovation Economic Development, Innovation and Entrepreneurship Training, and Social Innovation. The innovation economic development pillar will focus on community-engaged research building projects and programs aligned with the state economic development and industry priorities. It will increase an innovation-based economy throughout Kentucky and at sister institutions.

Innovation and entrepreneurship training will be offered throughout the state, developing entrepreneurship coaching and mentorship through partnerships and grants. The final pillar, social innovation, will focus on social impact, social sciences, arts, education and humanities with inclusive economic impact and creating access for diversity of innovators.

Finally, Mr. McClure shared that the new umbrella organization will report to Dr. Lisa Cassis, vice president for research.

F. Executive Vice President for Finance and Administration (EVPFA) Report

Chair McCann yielded the floor to Eric Monday, executive vice president for finance and administration. Dr. Monday shared that the EVPFA report would provide two important updates. In March, the president announced that the university would return to as close to normal operations as possible with guidance from the Screening, Testing and Tracing, to Accelerate Restart and Transition (START) team led by Dean DiPaola. A team of employees led by Ms. Kim Wilson, vice president for human resources, and Dr. Erika Chambers, director for employee engagement and work-life, are working with post-pandemic strategy workgroup and will provide a plan for returning to normal operations. The plan for the fall includes normal housing and dining operations for students.

Dr. Monday shared Covid testing and vaccination information. The university has administered 58,214 Covid tests to students during the spring semester. Of those tests, there were 603 positive tests. Currently, UKHC has twenty active cases and no students are in isolation in the campus isolation facilities. More than 238,000 vaccine doses have

been administered to the campus and community. Over 60 percent of students have been vaccinated, 70 percent of staff have been vaccinated, over 80 percent of faculty have been vaccinated and over 90 percent of UK HealthCare employees have been vaccinated. Vaccine demand has declined therefore the Kroger Field clinic site will be demobilized and vaccination will return to a normal clinic operation within UK HealthCare.

Next, Dr. Monday introduced Mr. George Ward, executive director of Coldstream Research Campus, to give an update on the Economic Development Collaborative (EDC). The 34-member core committee, made up of administrative and academic leaders, was created to proactively grow economic prosperity in the commonwealth by focusing on the areas of talent, innovation, place and partnership across the university. Specifically, the EDC is to promote economic development and advocate for resources, develop incentive plans and determine how economic development would fit within the university's strategic plan.

The EDC has coalesced around three bold ideas: 1) business engagement, 2) a future innovation district and 3) research hubs and consortia. The goals outlined for the bold ideas are to create jobs and get UK students job-ready; coordinate efforts across the entire campus; increase the exposure of activities of the EDC engagement areas, development of physical structure at the Coldstream Research Campus and the main campus that increase economic development; and leverage UK's investment with government and business partners.

Mr. Ward added that recently a fourth bold idea has emerged and is being developed to support the university's Diversity, Equity and Inclusion efforts. This effort will include ways to enhance recruitment and retention of diverse people in Lexington, support internships and micro internships, community programming and cultivating underrepresented minorities, and persons with disabilities.

In conclusion, the last major effort of the EDC will be to join with 70 other universities which are certified by the Association of Public & Land-Grant Universities as an innovation and economic development university. This will be a two-year process.

G. Other Business

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

H. Meeting Adjourned

Hearing no further business, the meeting was adjourned at 11:36 a.m.

Respectfully submitted,

Brenda Heeter
Finance Committee Secretary