

Minutes of the Finance Committee Meeting
University of Kentucky Board of Trustees
April 29, 2022

The Finance Committee of the University of Kentucky Board of Trustees met on Friday, April 29, 2022, in the Gatton Student Center Harris Ballroom.

A. Meeting Opened

Chair Kimberly McCann called the meeting to order at 11:30 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, E. Britt Brockman, Ray A. Daniels, Michael Hawse, Kimberly Scott McCann, Elizabeth McCoy 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 the February 18, 2022 meeting, which were distributed. Trustee McCoy made a motion to approve the minutes. Trustee Hawse seconded the motion. The motion carried without dissent.

D. Business Items

FCR 1 Pledge from Gray, Inc.

The recommendation seeks acceptance of a pledge of \$5,250,000 from Gray, Inc. to provide support for the renovation/expansion, and other related costs, of the Reynolds Building #1 and the College of Design's Design-Build Program and approve the renaming of the Reynolds Building #1 the "Gray Design Building" in honor of the Gray family.

Gray Construction, Inc. was founded in the 1960s as a family-owned construction business. It is now owned by the donor, Gray, Inc., a holding company. The Gray Construction company quickly grew and its reputation for honesty, integrity, discipline and hard work established Gray Construction, Inc. as a highly respected national and international service provider. Their success stories include building Hitachi's first U.S.-based automotive parts plant in Harrodsburg, Kentucky, and building the plastics building for Toyota Motor Manufacturing, U.S.A. in Georgetown, Kentucky. The construction of both buildings brought many jobs to the Commonwealth of Kentucky. Today, Gray Construction, Inc. is a fully integrated global service provider specializing in engineering, design, construction, smart manufacturing and equipment manufacturing, which serves domestic and international customers across its core markets of food and beverage, manufacturing, automotive, distribution, mission critical and commercial.

Of the total \$5,250,000 pledge, \$4,550,000 will be used to establish and support a non-endowed capital project fund named the “Gray Capital Project Fund” to be used for the renovation/expansion of the Reynolds Building #1 on the university’s campus, and \$700,000 will be used to establish and support a non-endowed fund named the “Gray Design-Build Program Fund” to elevate and strengthen the College of Design’s Design-Build Program. Trustee Brockman made a motion to approve FCR 1. Trustee McCoy seconded the motion. The motion carried without dissent.

FCR 2 Pledge from Dr. Xiangming Cheng

The recommendation seeks acceptance of a pledge of \$1,000,000 from Dr. Xiangming ‘Jack’ Cheng to establish and support a non-endowed capital project fund named the “Jack Cheng Funkhouser Renovation Fund” in the College of Engineering to provide for the renovation/expansion of the university’s W.D. Funkhouser Building on the university’s campus.

Dr. Jack Cheng of Windermere, Florida, received his first Ph.D. in Physical Chemistry in Metallurgy from the Central Iron and Steel Research Institute in China, and later obtained a Master of Business Administration and his second Ph.D. in Materials Science and Engineering from the University of Kentucky. During his time at the University of Kentucky, Dr. Cheng worked as a Senior Research Associate at the Center for Aluminum Technology. In 2003, Dr. Cheng founded AA Metals at his home office in Lexington, Kentucky with \$600 savings in the bank. His vision and leadership created one of the fastest growing and largest North American master distributors of aluminum and stainless steel products, and AA Metals has twice been recognized by *Inc.* magazine as one of the fastest growing companies in the United States. AA Metals now serves over 500 customers across the world, with a global supply network in Asia, South America, Europe and the Middle East. Additionally, Dr. Cheng owns multiple aluminum manufacturing and processing facilities in the United States, Turkey, and Colombia and operation centers in China and Germany, with over 400 employees and \$1.2 billion in revenues. In 2019, Dr. Cheng was recognized by Ernst & Young with the Entrepreneur of the Year® 2019 Award in the commercial services category in Florida and as a National Finalist of Ernst & Young Entrepreneur of the Year® U.S. Trustee McCoy made a motion to approve FCR 2. Trustee Brockman seconded the motion. The motion carried without dissent.

FCR 3 Acceptance of Interim Financial Report for the Six Months ended December 31, 2021

The recommendation seeks acceptance of the University of Kentucky consolidated financial report for the six months ended December 31, 2021. As of December 31, 2021, the university has recognized \$2,545,673,635 of current funds revenue representing 50 percent of the 2021-22 approved budget of \$5,073,865,200. Expenses and transfers total \$2,273,245,856 or 45 percent of the approved budget. Trustee Shoop made a motion to accept FCR 3. Trustee Hawse seconded the motion. The motion carried without dissent.

FCR 4 2021-22 Budget Revisions

The recommendation seeks authorization and approval of a revision to increase the University of Kentucky's total budget by \$5,873,100 – from \$5,073,865,200 to \$5,079,738,300. Trustee McCoy made a motion to accept FCR 4. Trustee Brockman seconded the motion. The motion carried without dissent.

FCR 5 Authorization of Negotiated Disposition of Personal Property

The recommendation seeks authorization for the non-routine disposition of personal property from the University of Kentucky Center for Environmental and Systems Biochemistry Department of one Thermo Orbitrap Fusion Mass Spectrometer System with a net book value of \$174,992.32.

The equipment, which was purchased new, with an original purchase price of \$999,956.35 in 2013, has become surplus as the equipment was deemed inoperable. The unit retains a net book value of \$174,992.32 and is in need of repair which is cost prohibitive. The department has other equipment to perform this work, so the loss of this equipment will have no operational impact. In accordance with Business Procedure Manual Policy E-12-4, the subject equipment has been advertised for two weeks on the University's Surplus Property website to determine if it was needed by any other unit within the university. Having received no request, this equipment is deemed to be surplus to the needs of the university. To avoid further depreciation, it is recommended that it be sold using the disposal method approved by the Board at its next meeting. Trustee Shoop made a motion to accept FCR 5. Trustee Hawse seconded the motion. The motion carried without dissent.

FCR 6 Approval of Improvements for the College of Social Work Training Resource Center

The recommendation seeks approval of the payment of up to \$85,000.00 for improvements to leased space for the College of Social Work Training Resource Center to be located at 1648 McGrathiana Parkway, Suite 130, Lexington, Kentucky.

The College of Social Work Training Resource Center is required to move due to the termination of their current lease as their landlord needs the space for another user. The university plans to lease 5,921 square feet of space in the 1648 McGrathiana Parkway building on the Coldstream Research Campus. The new space requires improvements to allow for functionality associated with research, service, engagement and outreach activities. The cost of these improvements is estimated to be up to \$85,000.00 which will be paid with agency funds. Trustee McCoy made a motion to accept FCR 6. Trustee Shoop seconded the motion. The motion carried without dissent.

FCR 7 Approval of Lease

The recommendation seeks authorization for the Executive Vice President for Finance and Administration to renegotiate and execute a lease for the University of Kentucky College of Dentistry (UKCD) space located at 2195 Harrodsburg Road, Lexington, KY 40504 from the Kentucky Medical Services Foundation (KMSF).

The leased space will comprise 13,458 square feet with an annual rent of \$450,000 to be funded with agency funds. Kentucky Revised Statute (KRS) § 164A.575 (7)(a) states, "Notwithstanding KRS 56.806, the governing board may renegotiate the cost of a lease after the expiration of the lease term and any renewal terms provided in the lease prior to any renewal not provided for in the terms of the lease." Trustee Brockman made a motion to accept FCR 7. Trustee Shoop seconded the motion. The motion carried without dissent.

FCR 8 Approval to Acquire 640 South Broadway

The recommendation seeks authorization for the Executive Vice President for Finance and Administration to enter into a purchase agreement and acquire an office building located at 640 South Broadway, Lexington, Kentucky.

The University of Kentucky and the Central Kentucky FLCA have held intermittent discussions regarding the purchase of the property located at 640 South Broadway which includes .99 acres and an office building thereon of approximately 16,742 square feet above grade and a 6,696 square foot basement. This property is located adjacent to UK within the area planned for the future development of an innovation corridor that stretches from The Cornerstone building on South Limestone to the former Reynolds buildings at Broadway and Scott Street. This multi-year project will help connect the university to downtown Lexington and serve as a catalyst for innovation, design, entrepreneurship and job creation in the decades to come. The price of this acquisition, authorized by the 2020 Session of the Kentucky General Assembly as part of the Acquire Land pool, is \$2,450,000 and will be funded with agency funds. The property appraised for \$2,450,000. Trustee McCoy made a motion to accept FCR 8. Trustee Shoop seconded the motion. The motion carried without dissent.

FCR 9 Emergency Replacement of the Grain and Forage Center of Excellence (Design Only) Capital Project

The recommendation seeks approval of the initiation of the design phase only of The Grain and Forage Center of Excellence as an emergency project. On December 10, 2021, the Grain and Forage Center of Excellence and Princeton Research Farm (UKREC) received a direct hit from an EF-4 tornado with sustained winds of an estimated 190 MPH. The devastation included the destruction of most of the research facilities the Grain and Forage Center building which was completed in February 2020. The loss of facilities impacted 11 academic departments/administrative units and more than 70 full and part-time employees. The planned new facility will replace the demolished building. The replacement facility will allow the University to continue research on

intensive agricultural practices, study water quality issues and help define the environmental footprint of intensive agriculture. This ultimately benefits Kentucky producers by providing new applications and technologies resulting in increased yields, reduced inputs and higher economic returns. The project is planned to include approximately 64,000 square feet for administrative, conference, learning, laboratory and office areas. Trustee McCoy made a motion to accept FCR 9. Trustee Brockman seconded the motion. The motion carried without dissent.

FCR 10 Capital Construction Report

The recommendation seeks acceptance of the capital construction report for the three months ending March 31, 2022. This report refers only to projects that had activity within this quarter. Mary Vosevich, vice president for facilities management, reported that there were seven new contracts, three contracts were completed, two amendments and eight change orders. Trustee Brockman made a motion to accept FCR 10. Trustee Shoop seconded the motion. The motion carried without dissent.

E. Research Report

The floor was yielded to Dr. Lisa Cassis, vice president for research, for a report on research. Dr. Cassis shared an update on the realignment of research administration units and how the realignments enable growth and innovation, supporting a successful research ecosystem. Dr. Cassis talked about two units, the Proposal Development Office and the Office of Technology Commercialization where both units have been successful in the areas of supporting and fostering innovation and obtaining external funding to facilitate entrepreneurship training of university faculty, staff and students. The Proposal Development Office assisted with the development of over half of UK's top ten awarded federal grants and contracts. The realignment strategies for the Office of Technology Commercialization have increased invention disclosures, intellectual property applications, increases in licenses and successfully secured more than \$16 million in grant funding. The process continues with evaluation of the organizational structure, positions and responsibilities, processes and electronic data management to improve efficiencies and overall administrative operations.

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

The floor was yielded to Mary Vosevich, vice president for facilities management for the executive vice president for finance and administration report. Ms. Vosevich spoke about the faces of facilities and how they support the university's mission. Ms. Vosevich shared that there are nearly 700 employees supporting the campus through custodial services, grounds maintenance, trucking, building maintenance, construction and renovation, medical center operations, utilities and energy management, sustainability, recycling and waste management, and garage services. The facilities teams also provide critical support to a wide variety of campus events and activities, including commencement, move-in, game days, concerts and much more. Facilities Management operates 24 hours a day, 7 days a week, 365 days a year. The employees on the facilities management team have a combined years of service of 8,199 years. There are 21 million

square feet of building space, 270 campus buildings, 900 acres, and 75 miles of sidewalks, and the facilities team provides foundational support for graduating students, cutting-edge research and world-class healthcare. Ms. Vosevich shared that the hard work and dedication to the university by the employees is greatly appreciated.

Trustee Brockman offered his thanks to Ms. Vosevich and her team for all that they do.

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 12:15 p.m.

Respectfully submitted,

Brenda Heeter
Finance Committee Secretary