

Minutes of the Finance Committee Meeting  
University of Kentucky Board of Trustees  
December 14, 2021

The Finance Committee of the University of Kentucky Board of Trustees met on Tuesday, December 14, 2021, 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, Derrick K. Ramsey and Frank Shoop. 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 September 10, 2021 meeting, which were distributed. Trustee McCoy made a motion to approve the minutes. Trustee Ramsey seconded the motion. The motion carried without dissent.

D. Business Items

FCR 1 PLEDGE FROM JAMES F. HARDYMON

The recommendation seeks acceptance of a pledge of \$3,000,000 from James F. Hardymon to establish and support a capital project fund named the "James Hardymon Capital Project Fund for Emerging Undergraduate Programs" in the College of Engineering.

The "James Hardymon Capital Project Fund for Emerging Undergraduate Programs" will support the construction, renovation and/or expansion of laboratory spaces in the university's Grehan Building, the Robotics and Manufacturing Building, and the Ralph G. Anderson complex, to accommodate the College of Engineering's biomedical engineering program, the engineering technology program and the aerospace engineering program, respectively. Trustee Shoop made a motion to approve FCR 1. Trustee McCoy seconded the motion. The motion carried without dissent.

## FCR 2 GIFT FROM THE DR. PAUL E. POTTER IRREVOCABLE TRUST F/B/O THE KENTUCKY GEOLOGICAL SURVEY RESIDUARY SUB-TRUST

The recommendation seeks acceptance of a gift of \$1,050,773.15 from The Dr. Paul E. Potter Irrevocable Trust f/b/o The Kentucky Geological Survey Residuary Sub-Trust to establish and support the non-endowed “Paul Edwin Potter Internship” fund in UK Research, to benefit the Kentucky Geological Survey.

The “Paul Edwin Potter Internship” will support summer internships for worthy and deserving geology students and other persons involved in high school, college, or post-graduate masters (excluding PhD candidates) education in the field of geology, with work focused on geologic problems linked to Kentucky. The students may be from any state or country, with preference to students in the United States, as long as this preference is narrowly tailored to the university’s achievement in obtaining the educational benefits of a diverse student body. However, every student who meets the criteria described above shall have an opportunity to be considered for an internship.

Additional quarterly distributions are expected from the sub-trust and will be added to the “Paul Edwin Potter Internship” fund. Trustee Ramsey made a motion to approve FCR 2. Trustee Hawse seconded the motion. The motion carried without dissent.

## FCR 3 PLEDGE FROM EDWARD L. DOHENY, II AND KIMBERLY CALVERT DOHENY

The recommendation seeks acceptance of a pledge of \$1,000,000 from Edward L. “Ted” Doheny, II and Kimberly Calvert Doheny to establish and support the “Edward and Kimberly Calvert Doheny Head Cheerleading Coach Endowment” in UK Athletics.

The “Edward and Kimberly Calvert Doheny Head Cheerleading Coach Endowment” will provide funding for recruitment, travel, the head coach’s salary, and other expenses to develop, expand and support the UK Cheerleading Program. Trustee McCoy made a motion to accept FCR 3. Trustee Ramsey seconded the motion. The motion carried without dissent.

## FCR 4 REALLOCATION OF \$111,928.49 IN RESEARCH CHALLENGE TRUST FUND CONTRIBUTIONS

The recommendation seeks approval of the reallocation of \$111,928.49 in Research Challenge Trust Fund (RCTF) contributions from the “Office for Policy Studies on Violence Against Women Endowment” to the endowed “Ashley T. Judd Distinguished Graduate Fellowship” fund in the College of Arts and Sciences’ Office for Policy Studies on Violence Against Women (OPSVAW).

The university previously received gifts totaling \$138,072.50 from multiple donors to create a distinguished graduate fellowship fund in honor of actress and human rights activist, Ashley Judd. OPSVAW requests that \$111,928.49 in RCTF contributions from its general endowment named the “Office for Policy Studies on Violence Against Women

Endowment” be transferred to the “Ashley T. Judd Distinguished Graduate Fellowship” to further support the fund. The “Ashley T. Judd Distinguished Graduate Fellowship” will support one or more annual fellowships for students pursuing graduate studies related to violence against women, social justice and related areas. The transfer will be reported to the Council on Postsecondary Education per RCTF Guidelines. Trustee Shoop made a motion to accept FCR 4. Trustee McCoy seconded the motion. The motion carried without dissent.

#### FCR 5 ACCEPTANCE OF INTERIM FINANCIAL REPORT FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021

The recommendation seeks acceptance of the University of Kentucky consolidated financial report for the three months ended September 30, 2021. As of September 30, 2021, the university has recognized \$1,416,469,169 of current funds revenue representing 28 percent of the FY 2021-22 approved budget of \$5,078,502,700. Expenses and transfers total \$1,193,612,110 or 24 percent of the approved budget. Trustee McCoy made a motion to accept FCR 5. Trustee Daniels seconded the motion. The motion carried without dissent.

#### FCR 6 ACCEPTANCE OF FY 2020-21 AUDITED FINANCIAL STATEMENTS AND THE INDEPENDENT AUDITOR’S REPORT ON FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION

The recommendation seeks acceptance of (1) the University of Kentucky Audited Financial Statements for the fiscal year ended June 30, 2021, consisting of the Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, Statements of Cash Flows, Statements of Fiduciary Net Position, Statements 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. Trustee McCoy made a motion to accept FCR 6. Trustee Ramsey seconded the motion. The motion carried without dissent.

#### FCR 7 FY 2021-22 BUDGET REVISIONS

The recommendation seeks authorization and approval of budget revisions to the FY 2021-22 budget. The budget revisions will decrease the University of Kentucky’s current funds budget by \$4,637,500 from \$5,078,502,700 to \$5,073,865,200. Trustee Shoop made a motion to accept FCR 7. Trustee Daniels seconded the motion. The motion carried without dissent.

## FCR 8 APPROVAL OF THE 2020-21 ENDOWMENT MATCH PROGRAM ANNUAL REPORT

The recommendation seeks acceptance of the 2020-21 Endowment Match Program Annual Report. The Report is provided as a separate document. The Research Challenge Trust Fund (RCTF) was established in 1997 with the passage of House Bill 1, the *Kentucky Postsecondary Education Improvement Act*. The RCTF is designed to encourage research activities at the University of Kentucky and the University of Louisville. The Endowment Match Program, also known as 'Bucks for Brains', is one of several programs created as part of the trust fund. Pursuant to the Council on Postsecondary Education's Endowment Match Program Request and Reporting Procedures, the Board of Trustees must review and approve the annual report on UK's participation in the program. Trustee McCoy made a motion to accept FCR 8. Trustee Ramsey seconded the motion. The motion carried without dissent.

## FCR 9 PROPOSED 2022-23 ROOM RATES FOR UNIVERSITY-CONSTRUCTED HOUSING

The recommendation seeks the adoption of the attached 2022-23 room rates for university-constructed housing. The proposed rates for university-constructed undergraduate housing reflect a 0-2.0 percent increase. Break housing and early move-in rates will increase 3.4-3.7 percent. The 2022-23 proposed rates for university-constructed graduate and apartment housing reflect a 2.0 percent increase. All students living in undergraduate residence halls are required to purchase a dining plan, with the exception of University Flats. The 2022-23 dining rates reflect an average increase of 3.9 percent. Trustee Shoop made a motion to accept FCR 9. Trustee McCoy seconded the motion. The motion carried without dissent.

## FCR 10 AUTHORIZATION OF NEGOTIATED DISPOSITION OF PERSONAL PROPERTY

The recommendation seeks authorization for the non-routine disposition of personal property from the University of Kentucky Department of Biosystems and Agricultural Engineering of its CP3S 2<sup>nd</sup> Stage Tobacco Cleaning System (property tag A875204) with a net book value of \$60,233 along with a Cured Plant Segmenting/Separator (property tag A774530) with a net book value of \$22,111. Both pieces of equipment were designed and fabricated as part of a research project aimed at improving labor efficiency in the area of burley tobacco production. The Cured Plant Segmenting/Separator System had an original purchase price of \$132,661 in June 2013, has become surplus as the equipment is antiquated based on the department's needs, but still retains a net book value of \$22,111. The CP3S 2<sup>nd</sup> Stage Tobacco Cleaning System, with an original purchase price of \$87,084 in September 2018, has become surplus as the equipment is antiquated based on the department's needs, but still retains a net book value of \$60,233 and it performs a secondary cleaning function behind the Cured Plant Segmenting/Separator System. Both pieces of equipment will be disposed of together. Trustee Ramsey made a motion to accept FCR 10. Trustee Shoop seconded the motion. The motion carried without dissent.

### FCR 11 APPROVAL OF LEASE (UK EQUINE ANALYTICAL CHEMISTRY LABORATORY)

The recommendation seeks authorization for the Executive Vice President for Finance and Administration to negotiate and execute a lease with Kentucky Technology, Inc. for the UK Equine Analytical Chemistry Laboratory (EACL) for space located at 824 Bull Lea Run, Lexington, Kentucky. The EACL requires off-campus space close to overnight shipping vendors with quick access to the Kentucky Horse Park, Keeneland Racecourse and horse farms in central Kentucky to accommodate their high volume of testing for sport horses and thoroughbreds. The leased space will comprise approximately 7,700 square feet of office and laboratory space with an annual rent not to exceed \$255,000 to be funded with agency funds. Trustee McCoy made a motion to accept FCR 11. Trustee Daniels seconded the motion. The motion carried without dissent.

### FCR 12 APPROVAL TO ACQUIRE CHESNEY PROPERTIES

The recommendation seeks authorization for the Executive Vice President for Finance and Administration to enter into a purchase agreement to acquire residential parcels owned by the Chesney family located at the following addresses: 114 State Street, 116 State Street, 115 University Avenue, 119 University Avenue, 123 University Avenue, 135 University Avenue, 205 Conn Terrace, 901 Journal Avenue, 903 Journal Avenue, 907 Journal Avenue and 911 Journal Avenue in Lexington Kentucky. To accommodate the expansion of UK HealthCare, including a new cancer center, UK will be acquiring 41 residential parcels primarily located in the 100 block of Conn Terrace, State Street, University Avenue and Waller Avenue. The acquisition price is \$6,964,125 and has been authorized by the 2020 Session of the Kentucky General Assembly as part of the Acquire Land (Land Acquisition Pool) legislative authorization. Pending Board approval, the university will finalize negotiations and enter into a purchase agreement. Trustee McCoy made a motion to accept FCR 12. Trustee Shoop seconded the motion. The motion carried without dissent.

Trustee Blonder asked if the current renters would have to vacate their apartments. Dr. Monday explained that the leases would be honored until the end of the terms through a lease back option with the seller.

### FCR 13 IMPROVE CAMPUS PARKING AND TRANSPORTATION SYSTEM – 2022 MAINTENANCE CAPITAL PROJECT

The recommendation seeks approval of the Improve Campus Parking and Transportation System – 2022 Maintenance capital project. This project will continue the maintenance and repairs of the eight parking structures on the Lexington campus. In 2018 a study was undertaken to complete a condition assessment, evaluation and development of a master maintenance plan for the campus parking facilities consisting of a detailed preventative maintenance and repair program. This project will serve to complete the fifth year of the masterplan. The scope of this project is \$1,500,000 and

will be funded with agency funds. Trustee Daniels made a motion to accept FCR 13. Trustee Ramsey seconded the motion. The motion carried without dissent.

#### FCR 14 IMPROVE BUILDING SHELL SYSTEMS (PETERSON SERVICE BUILDING WINDOW REPLACEMENT) CAPITAL PROJECT

The recommendation seeks approval of the Improve Building Shell Systems (Peterson Service Building Window Replacement) capital project. This project will replace the single pane, failing and inoperable windows in the Peterson Service Building with more weather-tight, durable and functional energy-efficient windows. The work will be completed in two phases with the first phase estimated at \$800,000 and the second phase estimated at \$550,000. Trustee Ramsey made a motion to accept FCR 14. Trustee McCoy seconded the motion. The motion carried without dissent.

#### FCR 15 IMPROVE BUILDING SHELL SYSTEMS (WILLIAM T. YOUNG LIBRARY ROOF REPLACEMENT) CAPITAL PROJECT

The recommendation seeks approval of the Improve Building Shell Systems (William T. Young Library Roof Replacement) capital project. William T. Young Library officially opened to the public in April 1998. The original roof, constructed in 1994, is well past its useful life and needs replacement. This project will replace the roof and construct a platform that will allow for future maintenance of the cupola from the exterior of the building. Trustee Shoop made a motion to accept FCR 15. Trustee McCoy seconded the motion. The motion carried without dissent.

#### FCR 16 CAPITAL CONSTRUCTION REPORT

The recommendation seeks acceptance of the capital construction report for the three months ending September 30, 2021. This report refers only to projects that had activity within this quarter. Trustee Shoop made a motion to accept FCR 16. Trustee McCoy seconded the motion. The motion carried without dissent.

#### FCR 17 PATENT ASSIGNMENT REPORT

The recommendation seeks acceptance of the Patent Report for the period of July 1, 2021 to September 30, 2021. Trustee Daniels made a motion to accept FCR 17. Trustee Ramsey 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 external grants and contracts received at the University of Kentucky through October 31<sup>st</sup> for the last 7 years. The growth trend continues with a 9 percent year-over-year increase for FY 2020-21.

The diversity of funding contributes to a marked increase in FY 2020-21 Research and Development expenditures. The FY 2020-21 total was \$466.5 million, up 33 percent. Investigators continue to make great strides in research.

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

The floor was yielded to Penny Cox, treasurer, for the executive vice president for finance and administration report. Ms. Cox shared information about debt capacity, debt management and liquidity management.

Ms. Cox reported over the last ten years, the Board of Trustees has authorized \$944 million of debt financing and the university has issued \$884 million. The university bond rating by Standards and Poor was increased to AA+ and the Moody's rating to AA2. In the credit position observation, it was noted that the university has best-in-class management and governance. The University of Kentucky is rated one notch above the Commonwealth. There is \$1.2 billion outstanding debt as of June 30, 2021. Approximately \$414 million will amortize over the next seven years – meaning that the university has capacity for debt.

Eric Monday updated the Board on a matter that had occurred in the previous 24 hours. Kronos (workforce management and human capital management cloud provider) has had a ransomware attack on its cloud-based product. Dr. Monday emphasized that it was not a ransomware attack for the university. The attack was on Kronos' Time Keeping System – time and attendance software. This does not impact UK's payroll system and no personal data was involved.

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 12:27 p.m.

Respectfully submitted,

Brenda Heeter  
Finance Committee Secretary