

Minutes of the Finance Committee Meeting
University of Kentucky Board of Trustees
September 16, 2022

The Finance Committee of the University of Kentucky Board of Trustees met on Friday, September 16, 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: E. Britt Brockman, Todd Case, Kimberly Scott McCann 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 June 17, 2022 meeting, which were distributed. Trustee Case made a motion to approve the minutes. Trustee Shoop seconded the motion. The motion carried without dissent.

D. Business Items

FCR 1 Pledge from Joseph W. Craft, III and Ambassador Kelly Craft to Support the Football and Track and Field Programs Capital Project

The recommendation seeks acceptance of a pledge of \$7,500,000 from Joseph W. Craft, III and Ambassador Kelly Craft to support the football and track and field programs with the renovation of Nutter Field House (the indoor practice facility of the Kentucky Football program) and the construction of a new indoor track and field center on the university's campus, as stated in the Gift Agreement between the donors and the university dated September 3, 2022.

Trustee Case made a motion to accept FCR 1. Trustee Shoop seconded the motion. The motion carried without dissent.

FCR 2 Acceptance of Gift from Janice L. Brannon in Support of the College of Agriculture, Food and Environment

The recommendation seeks acceptance of a gift totaling approximately \$3,100,000 (the "Gift") from Janice L. Brannon, with \$100,000 of the Gift used to establish and support a new non-endowed research fund named the "Douglas and Jane Leach Equine Research Honorary Fund" in the College of Agriculture, Food and Environment and the remainder of the Gift (currently estimated at \$3,000,000) to establish and support a new endowed fund named the "Endowment for Promoting International Agricultural

Awareness and Involvement: A Memorial to Russell H. Brannon and Daughter Paula” in the College of Agriculture, Food and Environment, Department of Agricultural Economics, or its successor department/area.

The “Douglas and Jane Leach Equine Research Honorary Fund” will support research on equine safety and the welfare of the horse. The “Endowment for Promoting International Agricultural Awareness and Involvement: A Memorial to Russell H. Brannon and Daughter Paula” will provide Department of Agricultural Economics faculty, staff, and graduate and undergraduate students with resources needed to develop and foster international relationships, enhance research, create curriculum and encourage participation in extension and education abroad opportunities.

Trustee Shoop made a motion to accept FCR 2. Trustee Brockman seconded the motion. The motion carried without dissent.

FCR 3 Request to Amend the Ewa Marciniak, MD Chair in Medicine Selection Criteria

The recommendation seeks approval of a request from the College of Medicine, Department of Internal Medicine, Division of Hematology and Markey Cancer Center (collectively referred to herein as the “College”) to amend the selection criteria of the Ewa Marciniak, MD Chair in Medicine endowment to expand the scope of the Chairholder’s research, teaching and clinical purpose to include oncology. The Chair will be housed within the College’s Internal Medicine, Hematology, or Oncology Divisions within the Department of Internal Medicine and be selected by the Dean of the College of Medicine in conjunction with the Chair of Internal Medicine in collaboration with the Director of the Markey Cancer Center.

In 2011, Dr. Ewa Marciniak and the University entered a Charitable Gift Agreement (the “Agreement”) to establish the parameters of the Dr. Ewa Marciniak, MD Chair in Medicine endowment (the “Chair”). The Agreement contained selection criteria limiting the Chairholder’s academic and clinical focus to benign hematology and assisting with managing adult patients with bleeding. Dr. Marciniak designated a gift through her estate to fund the Chair. Following her death on December 2, 2015, and consistent with the authority conferred by the Agreement, the Board of Trustees (the “Board”) approved the establishment of the Chair without any changes to the selection criteria set forth in the Agreement and accepted the gift by FCR 4 dated May 3, 2016.

The Chair selection criteria approved by the Board now imposes a hardship on the College. The College requests the Board approve an amendment to the Chair selection criteria. Specifically, the College requests an expansion of the selection criteria allowing the Chairholder to have an academic, research and clinical concentration in hematology and oncology, and assist with managing adult patients in the area of blood related cancers. This amendment better addresses the status of hematologic research in the United States, will enable the College to recruit a preeminent scholar to chair the Hematology and Oncology Divisions at the university and support the critical expansion of the Markey Cancer Center. Furthermore, this amendment will allow Dr. Marciniak’s gift

to continue the tremendous impact in service to Kentuckians and advancements to the cutting-edge science of which she had devoted her esteemed medical practice.

Trustee Case made a motion to approve FCR 3. Trustee Brockman seconded the motion. The motion carried without dissent.

FCR 4 Purchase/Construct Carbon Dioxide Capture Process Plant Capital Project

The recommendation seeks approval of the initiation of the Purchase/Construct Carbon Dioxide (CO₂) Capture Process Plant capital project. The university's Center for Applied Energy Research (CAER) has received an award from the U.S. Department of Energy National Energy Technology Laboratory (US DOE NETL) to further research the transformative technologies previously developed and proven at the bench scale using the existing Department of Energy-funded pilot CO₂ capture system. This project will relocate the pilot CO₂ capture system to the Nucor Steel Gallatin Plant (NSG) and expand it by treating evolved gas from a steel galvanizing line. The existing system which is located at Kentucky Utilities E.W. Brown Generating Station will be reconfigured, simplified and relocated to NSG. Once this pilot, 1/1000 of its full scale, is complete, Nucor and UK will have a better understanding of the costs and effectiveness of CO₂ capture technology for flue gas with low CO₂ content and the feasibility of scaling up treatment of the entire flue gas stream.

Trustee Shoop made a motion to approve FCR 4. Trustee Case seconded the motion. The motion carried without dissent.

FCR 5 Approval of Improvements to Leased Space (UK HealthCare Fountain Court – Primary Care)

The recommendation seeks approval of the payment of up to \$995,000 for improvements to leased space for the University of Kentucky HealthCare Primary Care Clinic located at 245 Fountain Court, Lexington, Kentucky. The scope of work includes the design and construction of a primary care clinic consisting of clinical exam rooms and associated workspace, along with a retail pharmacy to support the clinic. Trustee Brockman made a motion to approve FCR 5. Trustee Shoop seconded the motion. The motion carried without dissent.

FCR 6 Approval of Lease

The recommendation seeks authorization for the Executive Vice President for Finance and Administration to negotiate and execute a lease for the University of Kentucky for space located at 1900 Richmond Road, Lexington, Kentucky with the Easter Seals Society.

A need has been identified to provide space that supports UK HealthCare's (UKHC) Pediatrics outpatient programs including a complex care clinic, developmental pediatrics and the Neonatal Intensive Care Unit (NICU) graduate clinic. UKHC is partnering with Easter Seals on a new comprehensive model of multidisciplinary care for children with special health care needs. Currently, families struggle with the logistics of

caring for their children as there is not a model in Kentucky where these services are provided in one location. Families must go to multiple sites to obtain the appropriate care for their children. The children who will be served have multiple medical and social needs and bringing these services together will ease the burden on families. This partnership will increase patient access to these services and will create programmatic synergy to better serve the children. This co-location will also create opportunities for community partners to work together to pool resources.

The leased space will comprise 25,017 square feet with an annual base rent of \$550,374 plus amortized rent of \$438,555 as repayment of fit up costs to be funded with agency funds and Children's Miracle Network donations.

Trustee Case made a motion to approve FCR 6. Trustee Shoop seconded the motion. The motion carried without dissent.

FCR 7 Approval to Acquire Property Through Eminent Domain

The recommendation requests that the Board of Trustees, acting pursuant to its statutory authority under Kentucky Revised Statutes (KRS) Sections 164.260 and 164.410 and the Eminent Domain Act of Kentucky, authorize and direct the acquisition through condemnation proceedings of property located at 136 State Street in Lexington, Kentucky. This property is essential to the university's purpose and mission in providing healthcare through a new Cancer Treatment Center/ Ambulatory Surgery Center Capital Project, for which the Board approved design work for on May 4, 2021.

To accommodate the expansion of UK HealthCare, including the new cancer center/ambulatory surgery center, the university needs to acquire 41 residential parcels most of which are located in the 100 block of Conn Terrace, State Street, University Avenue and Waller Avenue. To date, the university has acquired 23 of these parcels. To comply with the cancer center construction schedule, the university needs possession of all 41 properties by December 31, 2022.

The property listed above (136 State Street) is a rental property. The university has obtained appraisals of the property by two appraisers on Kentucky's prequalified appraiser list. The university has offered to purchase the property for fair market value based on those appraisals. The property owner has rejected this offer and made a counteroffer at a price that the secretary of the Finance and Administration Cabinet will not approve without a supporting appraisal.

The university has explained the requirements of KRS §164A.575(6) to the parcel owner. The university encouraged the parcel owner to get its own appraisal(s) from an appraiser licensed or certified in Kentucky that could be considered when determining an acceptable fair market value. The parcel owner, through counsel, has stated that it does not intend to get such an appraisal.

KRS §164.260 states in the relevant part that "When unable to contract with the owner of land or other property or material necessary for the purposes of the university, it may acquire the same by condemnation proceedings in the manner provided in the

Eminent Domain Act of Kentucky.” Because the parcel owner has refused to negotiate in the manner required by KRS §164A.575(6), the eminent domain procedure will be required to determine the value.

Given this property is crucial to this project and the proposed schedule for construction, and the good faith efforts of the university to this point, the university administration recommends that the Board of Trustees authorize condemnation. Additional efforts will be made to reach an agreement with the property owner prior to filing the formal condemnation proceedings.

Trustee Brockman made a motion to approve FCR 7. Trustee Case seconded the motion. The motion carried without dissent.

FCR 8 Improve Campus Parking and Transportation Systems (Parking Structure 2 Renovations) Capital Project

The recommendation seeks approval for the initiation of the Improve Campus Parking and Transportation System – Parking Structure 2 capital project and an internal loan to fund a portion of the project. The project includes façade repairs, stair tower expansion, elevator upgrades and other improvements to the garage. Clay tile in the existing structure is deteriorating and requires repairs to extend the life of the garage. In addition, this project will further enhance the Rose Street pedestrian corridor.

Trustee Shoop made a motion to approve FCR 8. Trustee Brockman seconded the motion. The motion carried without dissent.

FCR 9 Upgrade, Renovate and Expand Research Labs (Educelab) Capital Project

The recommendation seeks approval of the initiation of the Upgrade, Renovate and Expand Research Labs (Educelab) capital project and an internal loan to fund a portion of the project. The project includes the reconfiguration of approximately 14,400 square feet of space within the William S. Webb Museum to accommodate the newly established Educelab program which focuses on a highly specialized heritage science laboratory to provide digital restoration processes as they relate to the study of cultural heritage.

Trustee Case made a motion to approve FCR 9. Trustee Brockman seconded the motion. The motion carried without dissent.

FCR 10 Improve Margaret I. King Library (Replace Substation and Electrical Upgrades) Capital Project

The recommendation seeks approval of the initiation of the Improve Margaret I. King Library (Replace Substation and Electrical Upgrades) capital project. This project will replace the substation, transformer and switchboard and provide refeed from a newly installed pad-mounted switch. A smaller transformer and switchboard will be installed which will reduce both energy cost and equipment footprint. A switch will also be removed

and replaced with a pad-mounted four-way switch that is safer and easier to operate and maintain.

Trustee Brockman made a motion to approve FCR 10. Trustee Case seconded the motion. The motion carried without dissent.

FCR 11 Acquire/Improve Elevator Systems-UKHC (Parking Structure 8) Capital Project

The recommendation seeks approval of the initiation of the Acquire/Improve Elevator Systems-UKHC (Parking Structure 8) capital project. Parking Structure 8, which is attached to the Chandler Hospital building via a bridge connection, was originally constructed with one shell shaft to add an additional elevator for patient/visitor transport within the structure. Since the building opened UK HealthCare has seen a steady increase in volume at this parking structure which has put stress on the existing elevators. This project will outfit the vacant shaft with a new elevator to help with the vertical flow within the garage, thus reducing wait times and providing coverage when one of the others may be in need of service.

Trustee Shoop made a motion to approve FCR 11. Trustee Brockman seconded the motion. The motion carried without dissent.

FCR 12 Capital Construction Report

The recommendation seeks acceptance of the capital construction report for the three months ending June 30, 2022. This report refers only to projects that had activity within this quarter.

Mary Vosevich, vice president for facilities management and chief facilities officer, shared that there were eight new contracts this quarter, and one contract was completed. There were eight amendments and nine change orders.

Trustee Shoop made a motion to accept FCR 12. Trustee Case seconded the motion. The motion carried without dissent.

FCR 13 Patent Assignment Report

The recommendation seeks acceptance of the patent assignment report for the period April 1, 2022 to June 30, 2022. Ms. Taunya Philips, director of the Office of Technology Commercialization, provided the patent assignment report which included 33 invention disclosures, 12 full patent applications, 16 provisional patent applications, six patents issued and licensing income of \$91,141.90. Ten licenses were executed, and one new startup company was formed.

Trustee Case made a motion to accept FCR 13. Trustee Shoop seconded the motion. The motion carried without dissent.

G. Research Report

The floor was yielded to Chad Risko, faculty director, office of undergraduate research; associate professor of chemistry, for the report on research. The Office of Undergraduate Research is interested in developing programming to help transform the student experience. The goal is to give all students an opportunity to develop skills that they might not be able to develop such as leadership and critical thinking through mentored research. The office started by building a partnership with every college across campus and working to develop quantifiable metrics. Last year there were 23 undergraduate research ambassadors, a record number. This year there are 22 research ambassadors. In closing, Dr. Risko shared that the office created the Commonwealth Undergraduate Research Experience Fellowship and continues to work with groups across campus such as UK Philanthropy, colleges, faculty and staff to find new avenues to fund research experiences for undergraduate students.

H. EVPFA Report

The floor was yielded to Eric Monday, executive vice president for finance and administration (EVPFA) for the EVPFA report. Dr. Monday shared information regarding the bond sale that occurred last month. The university is rated by Standard & Poor and Moody's with good ratings and a stable outlook by both. There were 22 bidders and this bond sale was awarded to a bidder that afforded the university to save over nine million dollars in interest payments over the next twenty years.

Next Dr. Monday shared information about the UK Invests program. This initiative has garnered national attention and a lot of positive feedback. The EVPFA introduced Dr. Kirsten Turner, vice president of student success, to provide additional information about the project and how it became a reality.

Dr. Turner explained that the opportunity to assist students in creating lives of meaning and purpose is at the core of the program. The program leads to long-term financial wellness based on incentivizing students to try both intrinsic and extrinsic behaviors. In conjunction with how we make it affordable for students to come to the University of Kentucky, the program helps them while they are here so they don't have to work multiple jobs. "We know that students need to be mentally and physically well and feel like they have belonging and community. We are encouraging our students to invest in themselves by doing things that allow them to understand financial literacy, financial education and develop the related skill set that they need to succeed."

After due diligence with existing University of Kentucky partners, the university selected Fidelity and they are launching a new product called Bloom. This product for student investment accounts will be launched in the coming months to the first cohort of student athletes. Additional cohorts will be added in the spring of 2023. In the fall of 2023, this voluntary program will roll out to all students and employees. This is a voluntary product.

The university will invest over \$1,000,000 in the program using private funds and philanthropic funds. This does not include the academic achievement money coming from

athletics. The university is dedicated to helping our students lead lives of meaning and purpose which includes a commitment to their intellectual, physical and mental well-being fostering a sense of belonging and financial wellness.

I. Other Business

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

J. Meeting Adjourned

Hearing no further business, the meeting was adjourned at 12:37 p.m.

Respectfully submitted,

Brenda Heeter
Finance Committee Secretary