Minutes of the Finance Committee Meeting
University of Kentucky Board of Trustees
June 30, 2026

The Finance Committee of the University of Kentucky Board of Trustees met on Tuesday, June 30, in the Longship Club at Kroger Field.

A. Meeting Opened

Chair Todd Case called the meeting to order at 10:31 a.m. Chair Case 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: Alex Boone, Todd Case, McKenna Dowell, Ron Geoghegan, Jim Gray, Janie Greer, Karen Petrone, Frank Shoop, Zachary Stacy and Robert Vance. Ms. Heeter announced that a quorum was present.

C. Approval of Minutes

Chair Case asked if there were any corrections to the minutes from the April 23, 2026, meeting which were distributed. Trustee Gray made a motion to approve the minutes. Trustee Vance seconded the motion. The motion carried without dissent.

D. Executive Vice President for Finance and Administration Report

Dr. Eric Monday, executive vice president for finance and administration, introduced Angie Martin and recognized her upcoming retirement as Vice President and her final Board meeting. He expressed appreciation for Martin's more than 14 years of service to the University, highlighting her leadership in the University's public-private partnership program and her ability to communicate complex financial matters clearly. He noted that the University's housing public-private partnership began with two projects totaling 601 beds and less than $30 million and has grown to 15 buildings with more than half a billion dollars in investment from the University's partner in the Commonwealth of Kentucky. Dr. Monday also noted that Martin will continue assisting the President and University leadership over the coming months as the state's performance funding formula is reviewed. Martin expressed appreciation for the recognition and acknowledged the significance of delivering her final budget presentation.

Ms. Martin presented the fiscal year 2026–27 budget and explained that the budget development process is guided by principles that have been used since President Capilouto joined the institution. She described the University's approximately $9.6 billion budget as a complex structure that can be viewed from multiple perspectives. The budget encompasses the University's higher education operations, athletics and health care enterprise, including UK Chandler, King's Daughters and St. Clair. The higher education component includes instruction, research and public service while athletics is separately identified because of its prominence in the University's identity and reputation. Martin emphasized the unique nature of the University's organizational structure and noted that among 64 public universities classified as land-grant or flagship research institutions that offer undergraduate, graduate and professional degrees, 20 have both a medical school and hospital presence and only eight have agriculture, engineering, medicine and pharmacy on a single campus. She explained that the University's legal and organizational structure functions as an umbrella encompassing these various components and that the budget reflects all of these entities.

Ms. Martin explained that the University's financial structure is also complex because it operates as a public higher education and medical enterprise subject to fund accounting requirements. Each fund source must balance in accordance with the Kentucky Constitution and the University must present a balanced budget. Tuition and state appropriations account for approximately $1.2 billion or 12% of the fiscal year 2026–27 budget. Undesignated general funds are managed centrally with decisions made by senior leadership and recommendations presented to the Board while designated general funds operate under a decentralized model in which individual units and enterprises manage both revenues and expenses. The largest component of designated general funds is patient care within the hospital system. The consolidated budget combines all components of the institution and eliminates transfers between entities so that individual dollars are approved only once. Restricted funds primarily consist of grants and contracts that are generally restricted by the federal or state governments. Auxiliary funds support self-sustaining enterprises with athletics representing the largest component. Fund balances are non-recurring resources that function similarly to a savings account and the proposed budget requests authority for the University to use those resources if necessary.

Vice President (VP) Martin reviewed the five-year history of state appropriations and tuition. State appropriations and tuition are projected to total approximately $1.2 billion in fiscal year 2026–27 with state appropriations declining from $364 million to $343 million, a net reduction of $21.1 million. The University primarily uses an incremental budget model for undesignated general funds in which colleges and units generally retain their existing base allocations while changes are evaluated and expense authority is redistributed as appropriate. Tuition revenue is expected to increase by approximately $43 million or 6.3%. The tuition rate itself is increasing by approximately 1.94% with the additional revenue primarily resulting from projected enrollment growth. The University expects to serve more undergraduate students, and the projected enrollment increase appears to include a greater proportion of non-resident students who generate additional revenue because their tuition rate is approximately twice the resident rate. The projected enrollment changes result in a net increase of approximately $24.6 million.

VP Martin reviewed the longer-term history of state appropriations beginning in 2009–10. She noted that base state funding declined from approximately $290 million to $247 million in 2019–20, representing a decrease of more than 17%. Although funding has since increased, the overall growth has remained relatively flat over the longer period. Performance funding began in 2017–18 and remains an important component of state funding. The performance funding model is evaluated every three years and is currently under review. A work group consisting of the presidents of the public universities and Kentucky Community and Technical College System (KCTCS) is expected to submit recommendations to the General Assembly by December 1. Martin emphasized that performance funding presents a degree of financial risk because institutions must earn the funding each year and the allocation is considered non-recurring.

The presentation also addressed appropriations from the state's Budget Reserve Trust Fund, commonly referred to as the Rainy-Day Fund. The University received substantial funding from this source in fiscal years 2024–25 and 2025–26, including $20 million annually for the Center for Applied Energy Research and funding for the Markey Cancer Center. These funds will end beginning with the new fiscal year. Martin noted that the University anticipated the expiration of these funds and treated them as non-recurring resources, so their conclusion does not represent an unexpected budget stressor.

Martin further discussed the state performance funding model, which is based on 11 metrics and emphasizes continuous improvement. Institutions must improve at a rate that exceeds the average for a given metric to receive additional funding. The University exceeded the average on eight of the 11 metrics and tied with Eastern Kentucky University. Martin noted that the model is volume-based and that while the University continues to achieve growth there may eventually be diminishing returns as it becomes increasingly difficult to improve performance across the metrics. The University's additional performance funding reflects its success under the current model.

Regarding tuition, Martin noted that incoming Kentucky undergraduate students for fall 2026 will pay $7,088.50 per semester, representing an increase of approximately 1.9%. The Board approved the tuition rates at its April meeting. The University also monitors the average annual tuition increase over a four-year period and the current rolling average is approximately 2.5%. The 1.9% increase represents the lowest tuition increase in five years.

On the expense side, Martin explained that the University identified approximately $62.5 million in new expenses that needed to be funded through undesignated general funds. Because changes in revenue created a funding gap, the University identified approximately $13 million in reallocations to fully support the planned expenses. The primary source of the reallocation is the Division of Facilities, reflecting significant state investment in asset preservation. The state has invested more than $300 million in University asset preservation over the past six years, including projects such as Whitehall Classroom Building, and another $34 million has been appropriated for the upcoming biennium. Based on these investments and the University's current priorities, the proposed budget reallocates $10 million from Facilities to support people, college financial allocation models and other identified priorities.

Ms. Martin highlighted investments in employees and noted that $19 million in undesignated general funds is being directed toward expenses associated with the University's workforce. The largest component is a 3% across-the-board salary increase with a minimum increase of $1,500 for each eligible full-time employee. This structure provides a proportionally larger increase for lower-paid employees. Martin noted that this represents the 13th salary increase the University has provided in 14 years. She also discussed health benefits, noting that more than 22,500 active employees are enrolled in the University's health benefit plans representing more than 44,000 covered lives when family members are included. The University's health credit contribution is increasing by 6.7% for fiscal year 2026–27 following an 11.6% increase the prior year. The total enterprise-wide increase is approximately $18.8 million with nearly $4 million funded through undesignated general funds.

Angie Martin also reviewed the University's financial allocation models, which are designed to incentivize colleges to grow and support institutional priorities. The three models are net tuition revenue, which shares tuition revenue with colleges generating additional student credit hours; the college productivity model, which considers measures such as degrees per faculty member and the performance funding allocation model, which aligns with the state's performance funding structure. These models were first implemented in fiscal year 2020–21 and the University has invested a total of $176 million in the colleges through the three models. Funding for the models is included in the fiscal year 2026–27 budget and the initiative will continue.

The presentation also highlighted institutional student financial aid as an important University investment. Institutional financial aid funded through undesignated general funds consists of unrestricted tuition and state appropriation dollars that are returned to students to help make attendance more affordable. Martin noted that this investment is considered alongside overall enrollment growth and demonstrates the University's continued focus on supporting students.

Finally, Ms. Martin explained that the budget process includes a review of proposed investments against the University's strategic plan. The University evaluates whether the investments included in the proposed budget align with its strategic priorities and the principles that have guided the budget development process. Martin concluded the presentation by respectfully requesting that the Finance Committee recommend the fiscal year 2026–27 budget to the full Board for approval.

E. Business Items

FCR 1 Acceptance of Capital Gift Commitment from Nancy Zink O'Connor to Benefit the Gatton College of Business and Economics

FCR 1 seeks acceptance of a $1,000,000 capital gift commitment from Nancy Zink O'Connor to provide support for the construction, renovation, and/or expansion of the Carol Martin Gatton Business and Economics Building.

Nancy Zink O'Connor, a native of Louisville, Kentucky, is a philanthropist and business leader currently residing in Santa Rosa Beach, Florida. She earned a Bachelor of Business Administration from the University of Kentucky's Gatton College of Business and Economics in 1982. Ms. O'Connor was involved with O'Connor Venture, LLC and served as a director of DoubleClick, a pioneering digital advertising technology company that helped shape the modern internet economy.

Today, Ms. O'Connor is dedicated to philanthropy and educational advancement. Through her support of the Gatton College of Business and Economics, she seeks to help attract exceptional students, encourage innovation and entrepreneurship and expand opportunities for future business leaders.

Trustee Greer made a motion to accept FCR 1. Trustee Stacy seconded the motion. The motion carried without dissent.

FCR 2 Acceptance of Charitable Grant Commitment from Kentucky Medical Service Foundation, Inc. to Benefit the College of Medicine

FCR 2 seeks acceptance of a $1,000,000 charitable grant commitment from Kentucky Medical Services Foundation, Inc. to support the construction, renovation and/or expansion of the Michael D. Rankin MD Health Education Building in the College of Medicine. In recognition of the Donor's charitable contribution, the University agrees that a classroom in the building shall bear the name and inscription "Classroom provided by the generosity of the Department of Internal Medicine, 2026."

The University is committed to helping the Commonwealth overcome the health challenges that are barriers to quality of life and prosperity. A critical step toward this goal is the construction, renovation and/or expansion of the Michael D. Rankin MD Health Education Building on the University's campus. This project will bring four health care colleges and the Center for Interprofessional and Community Health Education together in one building to learn, collaborate and solve the health problems which impede economic growth and personal prosperity. This building will enhance training capacity by approximately 1,200 students, empowering them to tackle pressing health challenges with the skills to innovate how we improve the overall well-being and economic stability of communities and create a healthier, more work-ready Kentucky.

The Kentucky Medical Services Foundation, Inc. was founded in 1978 with two primary missions that have guided its activities and focus for more than 40 years: to bolster efforts to recruit and retain the best clinicians to ensure the provision of high-quality health care for the region and the Commonwealth; and to serve as a charitable organization to support the education, research, service and patient care missions of the University of Kentucky and UK HealthCare.

Trustee Boone made a motion to accept FCR 2. Trustee Petrone seconded the motion. The motion carried without dissent.

FCR 3 Acceptance of Interim Financial Report for the Nine Months Ended March 31, 2026

FCR 3 seeks acceptance of the University of Kentucky consolidated financial report for the nine months ended March 31, 2026.

The consolidated financial report includes the financial activities of the University of Kentucky and its affiliated corporations:

- University of Kentucky Research Foundation
- University of Kentucky Gluck Equine Research Foundation, Inc.
- University of Kentucky Humanities Foundation, Inc.
- University of Kentucky Mining Engineering Foundation, Inc.
- Central Kentucky Management Services, Inc.
- Beyond Blue Corporation and its non-profit subsidiaries Royal Blue Health LLC and Claire Blue Health LLC

As of March 31, 2026, the University has recognized $6,636,891,245 of current funds revenue representing 76 percent of the 2025-26 approved budget of $8,713,771,000. Expenses and transfers total $6,128,104,371 or 70 percent of the approved budget.

Trustee Vance made a motion to accept FCR 3. Trustee Boone seconded the motion. The motion carried without dissent.

FCR 4 Fiscal Year 2026-27 Operating and Capital Budget

FCR 4 seeks approval of the following:

1. Approve the Fiscal Year 2026-27 Operating and Capital Budget.

2. Approve the appropriation and allocation of all fund balances as of June 30, 2026, for future operations. The actual balances may be different than the estimates incorporated in the proposed budget. Since the books of account for the University of Kentucky are maintained on a full accrual basis, this action will provide the authorization to expend accumulated fund balances as necessary to maintain a sound financial position during the fiscal year ending June 30, 2027.

3. Order that the Fiscal Year 2026-27 Operating and Capital Budget be recorded as an integral part of the University's financial system with the necessary fiscal control being exercised for the recognition and collection of income and the expenditure of funds, including the allocation of expenditure authority to departments, in accordance with established fiscal policies and procedures.

4. Accept the Fiscal Year 2026-27 Operating and Capital Budget as the basis of the maximum expenditure of current funds, subject to item number two above and subsequent Board approved budget revisions.

Pursuant to Governing Regulation Part II G.3, the Finance Committee is responsible for overseeing the budgets of the University by reviewing and recommending the annual operating budget to the Board of Trustees. The University's recommended Fiscal Year 2026-27 Operating and Capital Budget totals $9,620,181,700, an increase of $998,351,400 or 11.6 percent, compared to the Fiscal Year 2025-26 original budget. A summary of the recommended Fiscal Year 2026-27 Operating and Capital Budget is provided as a Finance Committee supplemental document and available online at http://www.uky.edu/ubo. Pending approval by the Board, a comprehensive budget will be available prior to the September 18, 2026, meeting.

Trustee Vance made a motion to accept FCR 4. Trustee Greer seconded the motion. The motion carried without dissent.

<u>FCR 5 A Resolution Providing for the Authorization, Issuance and Sale of General Receipts Refunding Obligations of the University of Kentucky, Pursuant to the Trust Agreement Dated as of November 1, 2005</u>

FCR 5 seeks approval of a resolution authorizing the issuance, in one or more installments, of General Receipts Refunding Bonds ("Bonds") or entering into a General Receipts Lease or Leases ("Lease"), or any combination thereof (the "Refunding Obligations") in the principal amounts or respective principal amounts required to accomplish the refunding of certain outstanding General Receipts Obligations under the Trust Agreement (collectively, the "Prior Bonds") or certain obligations issued by the City of Ashland Kentucky, for the benefit of the Ashland Hospital Corporation (collectively, the "Ashland Prior Obligations"), to be designated as "University of Kentucky General Receipts Refunding Bonds" or "General Receipts Lease," and shall bear such further series designations that is appropriate to the order of issuance thereof, and to be dated as of a date determined by the treasurer.

The resolution approves the issuance of Refunding Obligations that are sold between July 1, 2026 and June 30, 2027 for the purpose of refunding the Prior Bonds or Ashland Prior Obligations when favorable financial results may be realized through redeeming and refunding the Prior Bonds or Ashland Prior Obligations.

The resolution also approves the offering for sale of the Refunding Obligations in one or more installments, on a date or dates to be determined by the Treasurer of the University, upon the advice of the financial advisor to the university. The resolution further authorizes the acceptance of the bid or bids for the sale of the Refunding Obligations by the treasurer. The exact principal amount of Refunding Obligations to be sold will be determined on the date or dates of sale as the amount required to (i) refund the Prior Bonds or Ashland Prior Obligations, and (ii) pay the costs of issuing the Refunding Obligations.

There may be opportunities where favorable financial results can be achieved through redeeming and refunding the Prior Bonds or Ashland Prior Obligations. The Refunding Obligations issued to refund the Prior Bonds or Ashland Prior Obligations may be sold as separate series and may be sold at different times, depending on market conditions.

The Board adopted a resolution approving a Trust Agreement dated as of November 1, 2005 (the “Trust Agreement”) authorizing the issuance, from time to time, of Obligations (as defined in the Trust Agreement) to finance and refinance capital projects. The Refunding Obligations will be issued under the Trust Agreement. The resolution authorizes the issuance of the Refunding Obligations, establishes certain specific terms of the Refunding Obligations, provides for a competitive sale of Bonds or solicitation of proposals for Leases, including approval of the forms of a Notice of Bond Sale, Official Terms and Conditions of Bond Sale, Official Bid Form, Official Statement and Request for Proposal, and authorizes Supplemental Trust Agreements, Escrow Agreements and Continuing Disclosure Agreements related to the Refunding Obligations.

On October 27, 2022, in PR 1, the Board of Trustees authorized the acquisition of all membership interests in Royal Blue Health, LLC, and designated Royal Blue Health, LLC and all of its wholly owned subsidiaries to be affiliated corporations of the University to assist in carrying out its programs, missions or other functions. Effective December 1, 2022, Beyond Blue Corporation, a subsidiary of the University of Kentucky became the owner of 100% of the interests in Royal Blue Health LLC.

As part of the acquisition, the Board authorized the assumption of all leases, debt instruments, and liabilities of Royal Blue Health LLC, and its wholly owned subsidiaries. As part of this assumption, and consistent with the member substitution documents, the University’s affiliated corporation Beyond Blue Corporation became a member of the Obligated Group under a Master Trust Indenture dated March 1, 2010 among King’s Daughters Medical Center, Royal Blue Health LLC and other related entities, and U.S. Bank Trust Company National Association, as amended from time to time.

The General Assembly, at its 2022 Regular Session, authorized the University’s assumption of all leases, debt instruments, and liabilities of Royal Blue Health LLC, and authorized the university to refinance such obligations.

Trustee Boone made a motion to accept FCR 5. Trustee Stacy seconded the motion. The motion carried without dissent.

<u>FCR 6 Internal Loan for Improve Central Plants and Construct/Improve Utilities Infrastructure UK HealthCare (University Utilities Expansion and Upgrades) Capital Project</u>

FCR 6 seeks approval of an internal loan to fund a portion of the Improve Central Plants and Construct/Improve Utilities Infrastructure UK HealthCare (University Utilities Expansion and Upgrades) capital project.

Pursuant to the University’s Internal Loan Program Policy, any internal loan for capital purposes greater than $1,000,000 must be approved by the Board.

In September 2024, the Board approved the initiation of the Improve Central Plants and Construct/Improve Utilities Infrastructure UK HealthCare (University Utilities Expansion and Upgrades) public-private partnership (P3) capital project. The initial approved scope of the project was not to exceed $400,000,000. The project would be funded with third-party financing under KRS Chapter 45A and agency funds.

After conducting a lengthy, multi-phased competitive procurement process, the University identified a preferred respondent developer team able to design, construct, finance, operate and maintain both a new central utility plant (CUP) providing chilled water for cooling and steam for heating more efficiently as well as assist with campus-wide supply modernization and optimization to reduce annual spending needed for district cooling. The scope of the project had increased since the September 2024 approval, and in April 2026, the Board of Trustees approved an increase in scope not to exceed $600,000,000. The project would be funded with third-party financing from the P3 partner group under KRS Chapter 45A and agency funds provided by the University.

The requested internal loan, which will be repaid with agency funds, will partially fund the campus-wide supply modernization and optimization portion of the P3 project. This scope of work includes installation of three new chillers and related upgrades at Central Plant #2, full campus-wide automation upgrades and implementation of Central Plant Optimization software for predictive, campus-wide optimization. The campus-wide supply modernization and optimization portion of the project is projected to result in an approximately 25% reduction in annual energy needed for district cooling.

The Board is requested to approve an internal loan not to exceed $25,000,000 for a portion of the project. The remaining $575,000,000 will be funded with third-party financing from the P3 partner group under KRS Chapter 45A and agency funds. Pursuant to the University's Internal Loan Program Policy, the Debt Management Committee has reviewed and approved this internal loan recommendation.

Trustee Boone made a motion to accept FCR 6. Trustee Vance seconded the motion. The motion carried without dissent.

<u>FCR 7 Disposal of Personal Property</u>

FCR 7 seeks approval of a plan for Fiscal Year 2026-27 authorizing: (1) routine disposition of personal property having a value less than $25,000 to include equipment and machinery; miscellaneous supplies and furnishings; vehicles; library books and materials; livestock and other agricultural commodities and products; recyclable materials; items with no possible future use; and equipment acquired as part of the Smart Campus Initiative; and (2) the methods of disposal as listed on the attachment.

Kentucky Revised Statute §164A.575 requires that the Board of Trustees approves disposition of equipment and other property. The specific policies and procedures for the routine disposition of property are set forth in the University's administrative regulations. This proposed plan will provide an efficient and timely process for the disposition of such property having a value of less than $25,000. Non-routine dispositions require specific approval of the Board of Trustees.

Trustee Stacy made a motion to accept FCR 7. Trustee Vance seconded the motion. The motion carried without dissent.

FCR 8 Approval of Disposal and Demolition (North Farm Houses)

FCR 8 seeks approval to declare surplus North Farm Houses, UK building numbers 3319, 3322, 3323, 3324, 3325, 3326 and 3327 (collectively, “the Houses”), located on North Farm at 2799, 2829, 2839 and 2849 Spindletop Way, Lexington, Kentucky and that the Executive Vice President for Finance and Administration be authorized to dispose of the structures.

KRS §164A.575(8) states, “The governing board shall sell or otherwise dispose of all real or personal property of the institution which is not needed or has become unsuitable for public use or would be more suitable consistent with the public interest for some other use, as determined by the board.”

The Houses, constructed prior to 1960, were part of the original land acquisition by the University. Due to structure-wide age-related decay, the Houses are not habitable or useful. Consequently, the Houses are now surplus to the needs of the University, and the proposed demolition is in the best interest of the University and the Commonwealth.

Trustee Boone made a motion to accept FCR 8. Trustee Greer seconded the motion. The motion carried without dissent.

FCR 9 Approval of Disposal and Demolition (UK Buildings #4472 and #4473 Frenchburg, Kentucky)

FCR 9 seeks approval to declare the block buildings (#4472 and #4473) at 816 Ky Hwy 36 Frenchburg, Kentucky surplus to the needs of the University.

KRS §164A.575(8) states, “The governing board shall sell or otherwise dispose of all real or personal property of the institution which is not needed or has become unsuitable for public use or would be more suitable consistent with the public interest for some other use, as determined by the board.”

The block building’s age is unknown and has not been historically used by UK St. Claire Healthcare (UKSC). Gifted to UKSC over 30 years ago, it was used by the Menifee County school system for many years for storage and adult education classes. However, due to its deteriorating condition the school system chose to no longer use the building. As the building has exceeded its useful life and repair or repurposing is cost prohibitive, demolition is the most economical solution.

As the building is not needed by the University, this property is now surplus to the needs of the University and the proposed demolition is in the best interest of the University and the Commonwealth.

Trustee Vance made a motion to accept FCR 9. Trustee Gray seconded the motion. The motion carried without dissent.

FCR 10 Approval to Declare as Surplus and Dispose of University Property (245 Bolivar Street, Lexington, Kentucky)

FCR 10 seeks approval for the Executive Vice President for Finance and Administration, or his designee, be authorized to sell - using the method that produces the best value – a University of Kentucky owned surface parking lot located at 245 Bolivar Street, Lexington, Kentucky.

Kentucky Revised Statute §164A.575(8) states "The governing board shall sell or otherwise dispose of all real or personal property of the institution which is not needed or has become unsuitable for public use or would be more suitable consistent with the public interest for some other use, as determined by the board." It further states that "Unless the board deems it in the best interest of the institution to proceed otherwise, all such real or personal property shall be sold either by invitation of sealed bids or by public auction; provided, however, that the selling price of any interest in real property shall not be less than the fair market value thereof as determined by the Finance and Administration Cabinet or the Transportation Cabinet for such requirements of that department."

At its June 14, 2011 meeting, the Board approved the acquisition of 236 Bolivar Street, Lexington, Kentucky, formerly known as University Lofts. This is now home to the School of Arts and Visual Studies within the College of Fine Arts. As part of the acquisition, UK also acquired 245 Bolivar Street, a .7-acre surface parking lot. While the property at 245 Bolivar Street is in a desirable location, the property is not strategically sized for the University's needs, and the University has no further need for the property. It is recommended that the property be declared surplus to the University's needs and sold by whatever method produces the best value. The proposed sale is in the best interest of the University and the Commonwealth. The Board of Trustees can deem it is in the best interest of the Commonwealth to use alternative methods to sell real property to achieve the best possible value.

Trustee Boone made a motion to accept FCR 10. Trustee Stacy seconded the motion. The motion carried without dissent.

FCR 11 Approval to Acquire – 8750 Ohio River Road, Wheelersburg, Ohio

FCR 11 seeks authorization for the_CEO of UK King's Daughters to enter into a purchase agreement and acquire a building located at 8750 Ohio River Road, Wheelersburg, Ohio.

This 12,000 square foot building constructed in 2009, is located in the Wheelersburg, Ohio community at 8750 Ohio River Road. The building was constructed to King's Daughters' specifications and has housed a Family Care Center since construction was completed.

The property has appraised for $2,400,000. The acquisition price is not to exceed $2,200,000 plus customary due diligence and the costs of appraisals, land surveys, closing fees and other capitalized costs of acquisition. This acquisition, authorized by the 2026 Kentucky General Assembly as part of the Implement Land Use Plan 2 - UK HealthCare, is well within the total legislative authorization of $150,000,000 and will be funded with agency funds.

Kentucky Revised Statute §164A.575 states that upon the approval of the secretary of the Finance and Administration Cabinet, the governing board may purchase or otherwise acquire all real property determined to be needed for the institution's use. Pending Board and Cabinet approval, the University will finalize negotiations and enter into all agreements necessary to complete acquisition.

Trustee Vance made a motion to accept FCR 11. Trustee Greer seconded the motion. The motion carried without dissent.

FCR 12 Approval to Acquire 716 West Main Street, Morehead, Kentucky/Conflict of Interest

FCR 12 seeks approval of an exception to Kentucky Revised Statutes (KRS) §164.131(7), pursuant to KRS §164.367, and authorize the Executive Vice President for Finance and Administration to acquire real property and improvements located at 716 West Main Street, Morehead, Kentucky for the use and benefit of UK St. Claire Healthcare (UKSC).

The University of Kentucky (UK) and the sellers, Verity Holdings LLC, have held intermittent discussions regarding the purchase of the property located at 716 West Main Street, Morehead, Kentucky which includes approximately 3,740 square feet of clinical space on .721 acres of land. This property is located a half mile from the UKSC Regional Medical Center and provides clinical space for pediatric services. There are no other alternative parcels in the immediate vicinity that would serve the same purpose without requiring a greater investment of funds to locate other properties and prepare the land for the intended use. Purchasing the property for the appraised value is in the best interest of the University, UKSC and the Commonwealth.

UKSC engaged an appraisal reviewer qualified by the Commonwealth of Kentucky and appearing on the pre-approved appraiser list. This appraiser rendered an opinion that the fair market value of the parcel is $820,000. The total consideration for the acquisition will not exceed $820,000 plus customary due diligence and the costs of appraisals, land surveys, closing fees, and other capitalized costs of acquisition. While the consideration amount is less than that requiring Board of Trustee approval, the current owner of 50% of the property is Travis Bailey, an UKSC administrator, thus raising a potential conflict of interest under KRS §164.131(7) and UK/UKKD policies. The administrator did not take part in any conversation with UK during the negotiation process or during internal conversations about the property.

KRS §164.131(7) prohibits an employee from having an interest in a contract with the University, unless approved by the Board as permitted in KRS §164.367. The recommendation to approve the purchase as an exception to KRS §164.131(7) is based on a finding that the purchase is in the best interest of the University, UKSC and the Commonwealth, and the employee's interest in the property was fully disclosed.

The potential purchase and conflict were reported at the June 15 meeting of the Claire Blue Health Executive Committee. That Committee agreed to recommend a waiver of the conflict and approval of the purchase to the UK Board of Trustees. This proposed purchase was also reviewed by the University's General Counsel and Chief Accountability Officer and Audit Executive, both of whom recommend waiver of conflict and approval of the purchase.

Trustee Boone made a motion to accept FCR 12. Trustee Petrone seconded the motion. The motion carried without dissent.

FCR 13 Improvements to Leased Property

FCR 13 seeks approval for improvements to leased property initiated during Fiscal Year 2026-27 which cost less than $1,000,000, are not funded by state General Funds or debt, and have been deemed necessary by the Executive Vice President for Finance and Administration.

Kentucky Revised Statute (KRS) §164A.575(7)(d) permits a public university to pay for improvements to leased property costing more than $10,000 but less than $1,000,000 in a lump sum using fund sources other than State General Funds and debt upon approval by its board. This recommendation to approve leased property improvements for Fiscal Year 2026-27 will satisfy the approval requirements of KRS §164A.575(7)(d) while also providing an efficient and timely process for such improvements. The Finance Committee will continue to review and recommend to the Board of Trustees on all capital projects exceeding $1,000,000 annually pursuant to University regulations.

Trustee Boone made a motion to accept FCR 13. Trustee Greer seconded the motion. The motion carried without dissent.

FCR 14 Approval of Premises Lease

FCR 14 seeks authorization for the Executive Vice President for Finance and Administration to negotiate and execute a premises lease between St. Claire Medical Center, Inc., d/b/a UK St. Claire Healthcare (UK St. Claire), as Lessor, and Life Learning Center Morehead Real Estate LLC ("Life Learning Center"), as Lessee, for a building located at 135 North Hargis, Morehead, Kentucky, and an adjacent vacant lot located at

209 West Second Street, Morehead, Kentucky, collectively, the “Leased Premises”.

The Life Learning Center is a teaching center helping people to overcome life’s challenges and giving them support to find a new direction, secure and sustain stable employment, and build a better life for themselves and their families. UK St. Claire owns the Leased Premises and is interested in leasing them to Life Learning Center.

Any buildings renovated on UK property, including facilities leased to other parties, must be approved by the University’s Facilities Management Division and comply with all applicable zoning, licensing, permitting and certifications required by any governmental authority having jurisdictions over the construction or property.

Trustee Vance made a motion to accept FCR 14. Trustee Stacy seconded the motion. The motion carried without dissent.

<u>FCR 15 Construct/Modernize/Improve Facilities and Construct /Improve Dining Facilities Capital Projects</u>

FCR 15 seeks approval of the initiation of Construct/Modernize/Improve Facilities and Construct/Improve Dining Facilities capital projects and authorize the Executive Vice President for Finance and Administration to negotiate and execute all documents necessary to create a viable Public-Private Partnership (P3) for the various facilities capital projects including but not limited to dining capital projects.

In December 2025, the University requested proposals through an RFP process (RFP) for a partner to enhance quality, improve support across the entire University enterprise for services including Facilities Maintenance and Grounds (both campus and healthcare), Campus Custodial, Hospitality (dining), HealthCare Food and Nutrition Services, Environmental Services (healthcare custodial), In-Patient Transport and In-Patient Sitting. This enterprise-wide approach to critical support services includes the higher education campus, UK Chandler Hospital, Golisano Children’s at UK, UK Good Samaritan, UK King’s Daughters Hospital, UK St. Claire Hospital and other University of Kentucky properties.

After careful review of the responses the University selected Compass Group North America (“Compass”) as the preferred finalist, signed a letter of intent and began negotiating a long-form agreement. As a component of the new enterprise-wide agreement, Compass is proposing the funding of various facilities improvements, renovations and upgrades across the University including but not limited to dining facility improvements, renovations and upgrades including at least one new facility for the University community where students, employees, and visitors can gather over food. The dining component will include all dining and food services, concessions, cafeteria and residential dining facilities and retail dining and food services across all areas of the University including academic, research, healthcare and athletics. The locations and scope of the facilities improvements and any new facilities will be determined through a planning process involving university-community stakeholders.

The first capital project will be the construction of a new dining facility with a scope not to exceed $95,000,000. Future capital projects with an estimated scope of $1,000,000 or more will be presented to the Board for approval prior to initiation. The various capital projects, authorized by the 2026 Session of the General Assembly, are not expected to exceed $220,000,000, and will be funded with third-party financing as a Public-Private Partnership pursuant to KRS Chapter 45A and agency funds. Pending Board approval, the University will report the combination of the legislative authorizations to the Capital Projects and Bond Oversight Committee.

Trustee Vance made a motion to accept FCR 15. Trustee Boone seconded the motion. The motion carried without dissent.

FCR 16 Construct/Improve Medical/Administrative Facility 3 Phase 2 (Expand Patient Care Facility – Construction Phase 2) Capital Project

FCR 16 seeks approval for the initiation of the Construct/Improve Medical/Administrative Facility 3 Phase 2 (Expand Patient Care Facility – Construction Phase 2) capital project.

Since opening the first three patient care floors in Pavilion A of the Albert B. Chandler Hospital in May 2011, UK HealthCare (UKHC) has experienced strong, consistent growth in inpatient admissions. The fit-out of the last shelled patient floor in Pavilion A was completed in 2023, and these beds are fully utilized. This consistent growth in patient volumes led to the initiation of planning activities for the expansion of the Chandler campus to ensure the future needs of the Commonwealth are met. This expansion will provide additional inpatient beds and clinical support services at the Chandler campus.

- The initiation of the $180,000,000 design phase of this expansion, funded with agency funds, was approved at the Board's April 2023 meeting.
- The initiation of the $200,000,000 first phase of construction of this expansion, funded with agency funds and agency bonds, was approved at the Board's September 2025 meeting.

A multi-phased approach to the Chandler expansion project is needed to provide maximum flexibility, given the magnitude, scale, and anticipated overall construction schedule. This project will initiate the second of several construction phases and will include the procurement of long-lead equipment, the construction of new utilities, and the initiation of construction of the diagnostic and treatment podium portion of the facility, as well as components of the core-and-shell tower and associated mechanical, electrical and plumbing equipment.

The scope of this second construction phase is $1,200,000,000 and will be funded with agency funds and agency bonds. This phase brings the total approved project scope to $1,580,000,000, including design and the first phase of construction, which is well within the total authorization of $4,000,000,000 authorized by the 2024 and 2026 Sessions of the Kentucky General Assembly. Pending Board approval, the University will report the combination of Construct/Improve Medical/Administrative Facility 3 and Construct/Improve Medical/Administrative Facility 3 Phase 2 authorizations to the Capital Projects and Bond Oversight Committee.

The United States Department of Treasury regulations related to the use of proceeds of tax-exempt bonds or notes require that borrowers make a Declaration of Official Intent to reimburse itself for capital expenditures made prior to the issuance of the debt (also known as a “Reimbursement Resolution”) if the issuer intends to reimburse itself from tax exempt debt proceeds. This recommendation includes such a Declaration of Official
Intent.

Pursuant to the University of Kentucky Debt Policy, the Debt Management Committee
has reviewed the financing plan and supports the proposed recommendation.

Trustee Greer made a motion to accept FCR 16. Trustee Boone seconded the motion. The motion carried without dissent.

<u>FCR 17 Approval to Declare as Surplus and Demolish University Property Parking Garage #1</u>

FCR 17 seeks approval to declare surplus Parking Garage #1 located at 1290 Veterans Drive, Lexington, Kentucky and that the Executive Vice President for Finance and Administration be authorized to demolish this structure.

Constructed in 1968 Parking Garage #1 provides 789 parking spaces. While this garage has been well-maintained, maintenance costs are increasing as the facility ages. Additionally, the site occupied by the garage is under consideration for the new 2,300 parking space structure needed to accommodate the Chander Expansion Patient Care Facility, which was approved by the Board at its June 2025 meeting.

Consequently, Parking Garage #1 should be considered surplus to the needs of the University, and its proposed demolition is in the best interests of the University and the Commonwealth.

Trustee Dowell made a motion to accept FCR 17. Trustee Stacy seconded the motion. The motion carried without dissent.

<u>FCR 18 Approval to Declare as Surplus and Demolish University Property Greenhouses 1 through 12, Head House and Seed House</u>

FCR 18 seeks approval to declare surplus Greenhouses 1 through 12, the Head House and the Seed House, located at 150 Hospital Drive, Lexington, Kentucky and that the Executive Vice President for Finance and Administration be authorized to demolish these structures.

Greenhouses 1 through 12, the Head House and the Seed House are in poor condition and have exceeded their useful lives. Additionally, the site occupied by these structures is needed for the Chandler Expansion Patient Care Facility, which was approved by the Board at its June 2025 meeting.

Consequently, these 14 structures should be considered surplus to the needs of the University, and their proposed demolition is in the best interests of the University and the Commonwealth.

Trustee Boone made a motion to accept FCR 1. Trustee Stacy seconded the motion. The motion carried without dissent.

FCR 19 Improve Medical Facility 4 (UK King's Daughters Medical Center EmPATH Unit Capital Project

FCR 19 seeks approval of the initiation of the Improve Medical Facility 4 (UK King's Daughters Medical Center EmPATH Unit) capital project.

This project will renovate UK King's Daughters' space in Ashland to create an Emergency Psychiatric Assessment, Treatment and Healing (EmPATH) unit. An EmPATH unit is needed to provide rapid, compassionate stabilization and treatment for patients experiencing behavioral health emergencies, thereby reducing prolonged Emergency Department stays and improving patient outcomes. The space for this new unit is adjacent to the main campus and will provide separate, onsite parking to facilitate faster and easier access for patients, but still in close proximity to the Medical Center.

This $5,500,000 project, authorized by the 2026 Kentucky General Assembly, is within the total legislative authorization of $30,000,000 and will be funded with agency funds.

Trustee Dowell made a motion to accept FCR 19. Trustee Boone seconded the motion. The motion carried without dissent.

FCR 20 Improve State Street Medical Facilities (Exterior Improvements to Waller Healthcare Annex #1) Capital Project

FCR 20 seeks approval of the initiation of the Improve State Street Medical Facilities (Exterior Improvements to Waller Healthcare Annex #1) capital project.

This project will make exterior improvements to the existing Waller Healthcare Annex #1 building, which was originally constructed in 1998 as a three-story, approximately 44,000-square-foot hotel and is now used to house various UK HealthCare administrative units. Improvements will help prolong the building's exterior envelope and make it more aesthetically aligned with the adjacent new Cancer/Ambulatory Building.

This $10,000,000 project, authorized by the 2026 Kentucky General Assembly, is well within the total legislative authorization of $100,000,000 and will be funded with agency funds.

Trustee Vance made a motion to accept FCR 20. Trustee Greer seconded the motion. The motion carried without dissent.

FCR 21 Approval of Withdrawals of Funds from the Center for Applied Energy Research Quasi-Endowment

FCR 21 seeks approval of the withdrawals of up to $25,000,000 from the Center for Applied Energy Research (CAER) quasi-endowment to support the activities of the Energy Planning and Inventory Commission (EPIC) and the Kentucky Nuclear Energy Development Authority (KNEDA) Grant Program established by the Kentucky General Assembly.

The 2024 Kentucky General Assembly created KNEDA and EPIC and attached both to the University's CAER for administrative purposes (KRS §§164.2802 and 164.2807). In support, the 2024 Kentucky General Assembly appropriated $40,000,000 to the University to be invested as a quasi-endowment with the interest earned on the investment used for CAER's administration and support of KNEDA and EPIC.

In March 2025, the Kentucky General Assembly enacted Senate Bill 179 (SB 179) which created the KNEDA Grant Program (KRS §164.2803). SB 179 directed that $8,000,000 of the CAER quasi-endowment may be used to support the Grant Program. Additionally, SB 179 dedicated $2,000,000 from the quasi-endowment to a laser and photonics technology program for the Stanley and Karen Pigman College of Engineering at the Paducah campus.

In April 2026, the Kentucky General Assembly enacted House Bill 500 directing $15,000,000 of the quasi-endowment to EPIC to be used as needed to carry out its mandated mission. The 2026 Kentucky General Assembly further authorized these funds for EPIC's sole use in Senate Bill 100.

After careful evaluation and consideration, the withdrawals of up to $25,000,000 have been deemed consistent with legislative directives and the University's Endowment Investment Policy. Further, the recommended withdrawals are consistent with institutional fiduciary responsibilities and represent a strategically justified use of the CAER quasi-endowment.

Trustee Boone made a motion to accept FCR 21. Trustee Vance seconded the motion. The motion carried without dissent.

FCR 22 Improve Coldstream Research Campus (Public Infrastructure) Capital Project

FCR 22 seeks acceptance of the initiation of the Improve Coldstream Research Campus (Public Infrastructure) capital project for the purpose of improving public infrastructure in preparation of future development.

The University plans to improve the public infrastructure of select building lots at the Coldstream Research Campus by constructing a sanitary sewer line that will serve an additional 60 acres.

This project, with a cost not to exceed $1,600,000 and authorized by the 2026 Kentucky General Assembly, is well within the total legislative authorization of $120,000,000 and will be funded with agency funds.

Trustee Greer made a motion to accept FCR 22. Trustee Boone seconded the motion. The motion carried without dissent.

FCR 23 Patent Assignment Report

FCR 23 seeks acceptance of the patent assignment report for the period January 1, 2026 to March 31, 2026.

At its March 1997 meeting, the Board of Trustees authorized the University of Kentucky Research Foundation to conduct all future copyright and patent filings and prosecutions. Quarterly reports on patent and copyright applications are to be submitted to the Finance Committee of the Board.

Trustee Boone made a motion to accept FCR 23. Trustee Vance seconded the motion. The motion carried without dissent.

F. Research Report

Dr. Messaoudi, acting vice president for research highlighted the outstanding research taking place across the University and noted that University researchers are addressing challenges ranging from the frontiers of space to issues affecting the soil beneath our feet. She emphasized that the University's research enterprise is focused on translating bold ideas into real-world breakthroughs that improve lives, strengthen communities and position Kentucky as a national leader in discovery and innovation. She noted that every investment in research helps fuel the next generation of solutions.

Dr. Messaoudi highlighted several examples of research from the Stanley and Karen Pigman College of Engineering. Following the Artemis I test flight, NASA identified heat shield failures that occurred during re-entry and launched a nationwide effort to identify solutions. University engineers developed a device to measure how gases move through microscopic pores in heat shield materials and created an advanced 3D imaging method. This work provided NASA with data needed to help ensure the safe return of the Artemis II crew and represented a significant contribution to the mission.

She also discussed research focused on converting bourbon production waste into high-performance superconductor components for energy storage. University researchers are using stillage, a byproduct of bourbon production that can generate up to 10 barrels of waste for every bottle of bourbon, to develop new energy storage technologies. Initial results indicated that the material could store up to 25 times more energy per kilogram than conventional devices, creating potential applications for stabilizing the electrical grid as energy demands increase due to data centers and other technologies.

Dr. Messaoudi highlighted the Sports Medicine Research Institute's collaboration with the U.S. Department of Defense to advance research on the physical and neurosensory performance of Navy and Marine Corps aviators. The research is focused on improving performance monitoring and preventing injuries through the development of a field-ready system to assess musculoskeletal and neurosensory function in service members. The project involves collaborations with the Naval Medical Center in San Diego, the Naval Medical Center in Portsmouth, the University of Montana and the Judge Advocate General's Human Performance Consulting program. The goal is to help service members perform their duties with as little injury as possible.

She also highlighted the University's fundamental physics research. University physicists were part of an international team recognized with a 2026 Breakthrough Prize in Fundamental Physics for its work on the Muon g-2 experiment. The decade-long collaboration studied the behavior of the Muon, a subatomic particle that is heavier than an electron. The findings could enable scientists to investigate whether new physics exists beyond what is currently understood.

Dr. Messaoudi also discussed research by Sanders researchers and the Sanders-Brown Center on Aging examining whether a drug currently used to combat neuroinflammation associated with dementia could also help individuals experiencing alcohol withdrawal. She explained that brain inflammation associated with substance use disorders, including alcohol withdrawal, can contribute to chronic relapse. Because the drug is already being developed for neurological diseases and dementia, researchers believe there may be an opportunity to pursue its use for alcohol use disorder and other substance use disorders more quickly, potentially providing significant benefits to communities and the healthcare system.

Dr. Messaoudi noted that these examples represent only a portion of the University's research accomplishments during what she described as a banner year. The University received another COBRE grant and secured a Department of Energy EPSCoR implementation program through the College of Engineering. The University was also one of two institutions selected to receive funding to study the impact of the East Palestine train derailment on nearby communities.

She emphasized that the University's research accomplishments are also being recognized through numerous faculty honors and awards. The University received the highest number of NSF CAREER Awards in its history. Other recognitions included the NASA Exceptional Public Service Award received by Dr. Alexander Martin, a DARPA Young Faculty Award that was the first of its kind at the University, recognition for Dr. Palli by the National Academy of Inventors and the National Athletic Trainers Association Most Distinguished Athletic Trainer Award received by Philip Gribble of the College of Health Sciences. Dr. Messaoudi expressed pride in the accomplishments of faculty across the University.

Dr. Messaoudi then discussed the University's investment in developing the entire research pipeline, beginning with undergraduate researchers. The Office of Undergraduate Research promotes research as a high-impact student experience and works to develop student success, critical thinking and problem-solving skills. The office celebrated its 25th anniversary during the year and hosted a large research symposium. It provided 92 research stipends and travel awards, organized 53 events that engaged approximately 2,000 undergraduate students and sent seven students to the Council of Undergraduate Research Advocacy event in Washington, D.C. for the first time. The students also met with members of Kentucky's congressional delegation. The University's showcase also had a record-setting 548 participants.

The University is also investing in graduate students. Dr. Messaoudi explained that research assistants are largely supported through external grants and that graduate students are subject to a universal tuition rate that creates a difference between in-state and out-of-state tuition. The Office of the Vice President for Research is committed to covering this difference, so faculty members do not have to make decisions about which students to enroll in their laboratories based on tuition status. This investment is intended to ensure that every graduate student has an opportunity to participate in research regardless of residency.

Dr. Messaoudi also highlighted support for postdoctoral scholars through the Office of Postdoctoral Research, Innovation, Scholarship and Mentorship, known as PRISM. The office focuses on empowering postdoctoral trainees by providing stipends, research scholar support and professional development opportunities. It also offers a postdoctoral success talk series and brought representatives from Bluegrass Community and Technical College to campus for postdoctoral scholars interested in teaching careers, with the goal of retaining local talent in the Commonwealth. The program received strong participation and some conversations have already resulted in potential employment opportunities. The annual Postdoc Scholar Symposium is scheduled for September 17.

Dr. Messaoudi emphasized the resilience of University researchers in response to delays in federal awards and changes in the federal research landscape. While researchers at institutions across the country have reported declines in grant activity and uncertainty about future funding, University researchers submitted 8 percent more grant proposals than the previous year. She expressed pride in the research community's perseverance and commitment to the mission of higher education. As of the end of May, the University had received nearly 1,800 awards and was projecting approximately $478 million in awards for the fiscal year. Although this would represent a decrease from fiscal year 2025, Dr. Messaoudi viewed the results as a success given the larger declines experienced by many institutions nationwide. She credited the University's researchers with maintaining strong research productivity through a challenging federal funding environment.

In response to a question from Trustee Swanson regarding the University's research priority areas, Dr. Messaoudi explained that the research priority areas were established to encourage transdisciplinary research and collaboration across campus. The initiative had been successful during its first five years and contributed to significant growth in the University's research portfolio. She noted, however, that the University is now reevaluating the initiative because the research priority areas have increasingly become viewed as identities rather than calls to action.

Dr. Messaoudi said the University is considering a new approach that would more broadly engage all 17 colleges as well as centers and institutes in bold and transformative research initiatives. The University is still in the planning stages and has presented some ideas to the University Research Foundation Board. Rather than identifying broad priority areas such as cancer, the proposed model would establish specific challenges and measurable goals. Examples could include increasing lung cancer screening, studying the prevalence of HPV genomes associated with oropharyngeal cancer in eastern Kentucky, expanding access to hepatitis C treatment and addressing the relationship between increasing energy demands and sustainability. The University is also considering how artificial intelligence can be incorporated into solutions for challenges in areas such as agriculture and energy.

Dr. Messaoudi explained that the goal is to approach research as a problem to solve rather than as an umbrella area under which research occurs. She emphasized that the new approach would be a grassroots effort rather than a top-down initiative. The University wants faculty and researchers across campus to contribute ideas and develop initiatives that involve at least three colleges and multiple principal investigators. Proposed initiatives would also include mentoring plans, measurable milestones and the flexibility to pivot as challenges are addressed. Once a challenge is close to being solved, the University would seek to issue a new challenge to maintain momentum and encourage continued innovation.

G. <u>Other business</u>

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

H. Adjourn

Hearing no further business, the meeting was adjourned at 11:44 a.m.

Respectfully submitted,

Brenda Heeter
Finance Committee Secretary