

Minutes of the Finance Committee Meeting
University of Kentucky Board of Trustees
June 19, 2020

The Finance Committee of the University of Kentucky Board of Trustees met on Friday, June 19, 2020, via Zoom.

A. Meeting Opened

Chair Kimberly McCann called the meeting to order at 1:03 pm. 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: Cathy A. Black, Lee X. Blonder, E. Britt Brockman, Michael A. Christian, Michael Hamilton, Kimberly McCann, Elizabeth McCoy, Derrick K. Ramsey, and C. 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 February 21, 2020 meeting, which were distributed. Trustee Blonder made a motion to approve the minutes. Trustee Black seconded the motion. The motion carried without dissent.

D. Business Items

FCR 1 Acceptance of Interim Financial Report for the Nine Months Ended March 31, 2020

The recommendation seeks acceptance of the University of Kentucky consolidated financial report for the nine months ended March 31, 2020. As of March 31, 2020, the University has recognized \$3,275,430,750 of current funds revenue representing 73 percent of the FY 2019-20 approved budget of \$4,476,475,200. Expenses and transfers total \$2,900,604,476 or 65 percent of the approved budget. Trustee Ramsey made a motion to accept FCR 1. Trustee McCoy seconded the motion. The motion carried without dissent.

FCR 2 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

The recommendation seeks approval of the Resolution authorizing the issuance of Refunding Obligations between July 1, 2020 and June 30, 2021 for the purpose of refunding prior obligations when favorable financial results may be realized. Trustee McCoy made a motion to accept FCR 2. Trustee Ramsey seconded the motion. The motion carried without dissent.

Before considering FCRs 3 and 4, the floor was yielded to Angela Martin, Vice President for Financial Planning and Chief Budget Officer.

Ms. Martin started by thanking all of the University budget officers across campus and the University Budget Office staff who have done a tremendous job preparing the budget during such challenging times. Ms. Martin discussed the principles behind the budget development process: student access and affordability; competitive pay for faculty and staff; strategic planning to prevent across-the-board cuts; maintain and enhance academic quality; and build a community of belonging. Ms. Martin reviewed the proposed budget and the Academic Year 2020-2021 Tuition and Mandatory Fees schedule in detail.

The proposed FY 2020-21 budget totals \$4,429,389,500, an increase of \$238,449,900 over the FY 2019-20 original budget. As the FY 2019-20 budget has been revised to \$4,476,175,200, the FY 2020-21 budget reflects a decrease of \$46,785,700 (-1.1 percent) compared to the revised budget.

The FY 2020-21 revenue projections changed dramatically after the pandemic halted on-campus instruction and activities in March 2020. By April, the Undesignated General Funds budget depiction reflected a \$72.3 million shortfall, or -8.6 percent, including a minor increase in tuition rates. From April through May, University leadership designed a multi-step process to address the budget shortfall. The process included establishing a contingency fund; adding subsequent budget adjustments; and assessing a ten percent reduction in Undesignated General Funds to the five primary areas of the University. As these actions were not sufficient to balance the budget, in May, the Board approved a five percent reduction in the 403(b) employer contribution rate for one year

FCR 3 Academic Year 2020-21 Tuition and Mandatory Fees Schedule

The recommendation seeks approval of the Academic Year 2020-21 Tuition and Mandatory Fees Schedule. Reflective of senior leadership's desires to address student affordability concerns while recognizing the University's fiscal challenges, the schedule reflects modest tuition and mandatory fee rate increases of one percent for most resident students and two percent for most non-resident students. The recommended rates also comply with the Council on Postsecondary Education's undergraduate nonresident policy.

Trustee Brockman made a motion to accept FCR 3. Trustee Blonder seconded the motion. Trustee Hamilton dissented. The motion carried.

FCR 4 Fiscal Year 2020-21 Operating and Capital Budget

The recommendation seeks approval of the Fiscal Year 2020-21 Operating and Capital Budget as presented including:

1. Approve the appropriation and allocation of all fund balances as of June 30, 2020 for future operations.
2. Order that the Fiscal Year 2020-21 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.
3. Accept the Fiscal Year 2020-21 Operating and Capital Budget as the basis of the maximum expenditure of current funds, subject to item number one above and subsequent Board approved budget revisions.

Trustee McCoy made a motion to accept FCR 4. Trustee Ramsey seconded the motion. The motion carried without dissent.

FCR 5 Disposal of Personal Property

The recommendation seeks approval of a plan for Fiscal Year 2020-21 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 presented. Trustee Brockman made a motion to accept FCR 5. Trustee Ramsey seconded the motion. The motion carried without dissent.

FCR 6 Approval of Disposal and Demolition (Phase II and Phase III Overnight Housing Units at the Lake Cumberland 4-H Leadership Center 17500 KY-196, Nancy, KY 42544)

The recommendation seeks approval to declare as surplus to the needs of the University the Phase II and Phase III overnight housing units at the Lake Cumberland 4-H Leadership Center located at Jabez, Kentucky and that the Executive Vice President for Finance and Administration be authorized to demolish these properties. Trustee Christian made a motion to accept FCR 6. Trustee Blonder seconded the motion. The motion carried without dissent.

FCR 7 Approval to Acquire Property (287.53 Acres in Caldwell County Adjacent to the Princeton Research and Education Center)

The recommendation seeks authorization for the Executive Vice President for Finance and Administration to acquire a 287.53 acre parcel of real property and improvements located in Princeton, Caldwell County, Kentucky along Hopkinsville Road, Cadiz Road and Cadiz Street. The land will be purchased from the Kentucky Corn Growers Association.

The UK Research and Education Center at Princeton is the only UK agricultural research facility in the western part of the state. The College of Agriculture, Food, and

Environment (CAFE) has been leasing the land since 2016 to grow the Center's capacity in conjunction with the recruitment of new faculty and the creation of a grain and Forage Center of Excellence. Trustee Ramsey made a motion to accept FCR 7. Trustee Christian seconded the motion. The motion carried without dissent.

FCR 8 Construct/Improve Greek Housing (Alpha Delta Pi) Capital Project

The recommendation seeks approval to initiate the Construct/Improve Greek Housing (Alpha Delta Pi) Capital Project. This project will renovate and expand the 13,500 square foot house located at the corner of Rose Street and Columbia Avenue. This \$6,200,000 project will be funded with a combination of private funds and agency funds. The facility will be leased to the sorority in a structured arrangement whereby the sorority will be responsible for the development costs to renovate the facility. Trustee Brockman made a motion to accept FCR 8. Trustee Black seconded the motion. The motion carried without dissent.

FCR 9 Construct Beam Institute I Capital Project

The recommendation seeks approval to initiate the Construct Beam Institute I project and an internal loan to fund a portion of the project. The project will be funded initially with an internal loan for \$5,000,000, to be repaid over a period not to exceed four years, and \$500,000 of agency funds. A charitable grant commitment from the Jim Beam Distilleries will be used to fund \$4,000,000 of the internal loan payments. The College of Agriculture, Food, and Environment will pay the remaining internal loan balance with agency funds. Trustee Ramsey made a motion to accept FCR 9. Trustee McCoy seconded the motion. The motion carried without dissent.

FCR 10 Funding Revision to Renovate/Upgrade UK Healthcare Facilities (Fit-Up 5th and/or 12th Floor) Capital Projects (Phases 1-H and 1-I)

The recommendation seeks approval to use agency bonds and agency funds to fund the Renovate/Upgrade UK HealthCare Facilities (Fit-up 5th and/or 12th Floor) Capital Projects (Phases 1-H and 1-I). The Albert B. Chandler Hospital Facilities Development Plan (Development Plan) provides for the systematic replacement and renovation of patient care facilities. The Development Plan has been implemented in phases using two legislative authorizations: the Patient Care Facility and the Renovate/Upgrade HealthCare Facilities. These two legislative authorizations, which reflect consolidation of various authorizations over several years, provide for an investment not to exceed \$1,180,000,000. To date, the Board has approved a total \$1,025,700,000 investment in the Development Plan.

Three projects were completed and/or are expected to be complete under budget. By this action, the remaining debt proceeds from these projects will be used, along with agency funds, to fund the 5th Floor Fit-Up project (Phase 1-H approved in February 2016) and/or the 12th Floor Fit-Up project (Phase I-I approved in June 2016). The remaining debt proceeds from the three projects are not expected to exceed \$10,000,000.

Trustee Brockman made a motion to accept FCR 10. Trustee McCoy seconded the motion. The motion carried without dissent.

FCR 11 Patent Assignment Report

The recommendation seeks acceptance of the quarterly Patent Assignment Report. The Committee yielded the floor to Dr. Lisa Cassis, Vice President for Research.

Dr. Cassis presented the report for the period January 1, 2020 to March 31, 2020. During this period, 13 full patent applications were submitted, 25 provisional patent applications were submitted, seven patents were issued, and licensing income totaling \$1,478,971.84 was recognized. Trustee Black made a motion to accept FCR 11. Trustee McCoy seconded the motion. The motion carried without dissent.

E. Other Business

F. Meeting Adjourned

Hearing no further business, the meeting was adjourned at 2:03 pm.

Respectfully submitted,



Brenda Heeter
Finance Committee Secretary