

MINUTES OF THE FINANCE COMMITTEE
University of Kentucky Board of Trustees
December 9, 2008, 11:00 AM
18th Floor Patterson Office Tower, Board Room

Committee Members Present

Stephen Branscum, Chair; Frank Shoop; JoEtta Wickliffe, Dermontti Dawson, Britt Brockman

Approval of Minutes

The minutes of the October 14, 2008, Finance Committee meeting were approved as presented.

FCR 1-3 (Consent)

FCR 1, 2, and 3 were consent items. Stephen Branscum, Chairperson, reported that the gifts and pledges totaled \$5.48 million. Mr. Branscum acknowledged the \$700,000 pledge from Alltech, Inc. to support the UK Opera program, the \$3,784,000 gift and pledge to create and support the Kentucky Diabetes and Obesity Center from the Barnstable-Brown Party Diamond Derby, Inc. and the \$1 million pledge from the HGG Family Foundation to create and endow the Paul A. Kearney, M.D., Endowed Chair in Trauma Surgery.

FCR 4. Acceptance of Interim Financial Report for the University of Kentucky for the Three Months Ended September

Marc Mathews, Treasurer, presented the Interim Financial Report for the three months ended September 30, 2008. As of September 30, the University has realized 31 percent of the revenue estimate, and expended 24 percent of the approved budget. The balance sheet is strong with assets of \$3.2 billion and liabilities of \$969 million. Fund balances of \$2.1 billion represent a 65 percent equity position in the total assets. Revenues of \$603.3 million and appropriated fund balances of \$81.2 million have exceeded expenditures to date by \$157.7 million, creating a strong cash position and balance sheet as of September 30, 2008. At the end of the first three months of the 2008-09 Fiscal Year, financial operations are consistent with the budget plan and the University's financial condition is excellent. Dermontti Dawson approved the report. Frank Shoop seconded, and the motion for approval unanimously carried.

FCR 5. 2008-09 Budget Revision

Angie Martin, Vice President for Planning, Budget and Policy, presented the 2008-09 Budget Revision which will increase the University's budget by \$22.3 million, or 1 percent, to \$2.23 billion. The primary adjustment is to increase budgeted fund balances by \$22.1 million. The increase is a result of unspent funds in various reserve accounts including faculty and staff benefits. Britt Brockman approved the budget revisions. Frank Shoop seconded, and the motion for approval unanimously carried.

FCR 6, Renovate/Expand the Center for Applied Energy Research

Bob Wiseman, Vice President for Facilities Management, presented FCR 6 which requests approval to increase the scope of the renovation and expansion of the Center for Applied Energy Research capital project from \$2 million to \$3.71 million.

The Board of Trustees approved initiation of this project at its March 4, 2008 meeting. The United States Department of Energy has awarded a \$1.37 million grant and the Governor's Office of Energy Policy has awarded an additional \$342,516 grant for a facility to house a refinery which converts coal and shale oil to liquid which can be used to run internal combustion engines. These grants will fund an engineering and design study and construction of the shell of the facility. The Center will request additional federal funds for the fit out of the facility. JoEtta Wickcliffe approved the request. Frank Shoop seconded, and the motion for approval unanimously carried.

FCR 7, Digital Village Building #2

Bob Wiseman presented FCR 7 which requests approval of the construction of the Digital Village Building #2 and acceptance of a pledge of \$6 million from the Marksbury Family Foundation and a gift of \$328,125 from James F. McDonald to support the construction. Authorization was also requested for the President to submit the Marksbury pledge, the McDonald gift, and the previously accepted pledge of \$2 million from James F. Hardyman and other non-state General Funds, if necessary, for match from the Research Capital Match program when those funds become available. In addition, authorization was requested for the use of Lease/Purchase financing, if necessary, to fund the cash flow of the project.

Digital Village Building #2 will be the second of four buildings in the Digital Village, the Hardyman Building is Building #1. Building #2 will be a 43,000 gross square foot facility housing the research activities of the Center for Visualization and Virtual Environments and selected research activities in the Department of Computer Science, Electrical Engineering and Computer Engineering. The facility is estimated to cost \$20 million, the legislatively authorized scope. Britt Brockman approved the request. Frank Shoop seconded, and the motion for approval unanimously carried.

FCR 8, Renovate Wildcat Lodge

Bob Wiseman presented FCR 8, which requests approval to initiate the renovation of Wildcat Lodge project. Wildcat Lodge is a 20,000 square foot campus residential facility which houses the men's basketball players and other UK students. The facility, in service since 1978, is in need of general refurbishment of the interior finishes, interior lighting improvements in the common areas, and replacement of several non-functional exterior glass doors. This project is estimated to cost approximately \$1.5 million and will be funded with private gifts. The furnishings will be comparable to the new dorms. Frank Shoop approved the request. Dermontti Dawson seconded, and the motion for approval unanimously carried.

FCR 9, Approval of the 2007-08 Endowment Match Program Annual Report

Angie Martin presented FCR 9, which requests approval of the 2007-08 Endowment Match Program Annual Report. Pursuant to the Council on Postsecondary Education's guidelines, the University is required to submit an annual report, approved by the Board of Trustees, on UK's participation in the program. As of June 30, 2008, the market value of the endowments created through the Endowment Match Program total \$412.3 million. The University has fully matched all available funds from the first three rounds of the Endowment Match Program. The University has received \$202.2 million of state funds and \$177.5 million of cash gifts. The University has \$24.5 million of outstanding pledges, representing only 12.1 percent of the matched state funds. The University has created 83 endowed chairs, 210 endowed professorships and 240 endowments to support fellowships, research, and the William T. Young Library. JoEtta Wickliffe approved the report. Britt Brockman seconded, and the motion for approval unanimously carried.

FCR 10, Patent Assignment Report

Jim Tracy, Vice President for Research, presented the Patent report for the quarter ended September 30, 2008. The University has filed 15 patent applications, five patents were issued, and the University has received \$397,928 of patent income. Dermontti Dawson approved the report. Frank Shoop seconded, and the motion for approval unanimously carried.

FCR 11, Capital Construction Report

Bob Wiseman presented the Capital Construction Report for the three months ending September 30, 2008. During this period, there were one new contract, two contracts were completed, four contracts were amended, and there were 24 change orders greater than \$25,000. Frank Shoop approved the report. Britt Brockman seconded, and the motion for approval unanimously carried.

Other Business

Next Meeting

Tuesday, March 10, 2009, 18th Floor Patterson Office Tower Board Room

Respectfully submitted,

Barbara Royalty-Tatum