

Minutes of the Meeting of the Board of Trustees of the University of Kentucky, Tuesday, June 22, 2004.

The Board of Trustees of the University of Kentucky met at 1:00 p.m. (Lexington time) on Tuesday, June 22, 2004, in the Board Room on the 18<sup>th</sup> Floor of Patterson Office Tower.

A. Meeting Opened

Mr. Steven S. Reed, Chair, called the meeting to order at 1:12 p.m., and Ms. Marian Sims gave the invocation.

B. Roll Call

The following members of the Board of Trustees answered the call of the roll: James Hardymon, Marianne Smith Edge, Michael Kennedy, Pamela May, Robert Meriwether, Billy Joe Miles, Phillip Patton, Elissa Plattner, Steven Reed (Chair), Frank Shoop, Marian Sims, Alice Sparks, Myra Tobin, Rachel Watts, JoEtta Wickliffe, Billy Wilcoxson, Russ Williams, Elaine Wilson, and Barbara Young. Absent from the meeting was Davy Jones. The University administration was represented by President Lee T. Todd, Jr., Provost Michael Nietzel, Executive Vice President for Finance and Administration Dick Siemer, Executive Vice President for Health Affairs Michael Karpf, Executive Vice President for Research Wendy Baldwin, and Senior Associate General Counsel T. Lynn Williamson.

Members of the various news media were also in attendance. A quorum being present, the Chair declared the meeting officially open for the conduct of business at 1:15 p.m.

C. Consent Agenda

Mr. Reed called attention to the items on the consent agenda, including approval of the Minutes. He asked if anyone wanted any consent items removed from the consent agenda and entertained a motion of approval of the consent agenda. Ms. Wilson moved approval. Her motion, seconded by Ms. Sims, carried without dissent. The items on the consent agenda follow:

Minutes – May 4, 2004

PR 2	Personnel Actions
AACR 1	Candidates for Degrees – Community College System
FCR 1	Charles W. Hammond Estate Gift
FCR 2	Dr. David B. and Sally Stevens Gift
FCR 3	Kentucky Medical Services Foundation Gift
FCR 4	Kentucky Medical Services Foundation Gift and Pledge
FCR 5	Gifts and Pledges to the Department of Psychiatry
FCR 6	Gifts and Pledges to College of Pharmacy Fellowship
FCR 7	Gifts and Pledges to College of Pharmacy
FCR 8	St. Joseph Health Care Pledge
FCR 9	Anonymous Gift of \$150,000
FCR 14	Report of Leases

D. President's Report

President Todd called attention to the following items in PR 1:

1. The College of Medicine has received \$59 million in NIH funding and ranks 35<sup>th</sup> in NIH funding to public medical schools. The basic science departments are very strong at the University, and some are in the top 10 while others are in the top 20. The University's aging grants are ranked number 3. Dr. William Markesbery and the team are doing a lot of good things. *Odyssey* magazine has a very good article on a UK Alzheimer's study. The clinical departments are in the top 20. These rankings are good testimony to the effort that has been made at the University as it climbs the ladder.
2. The University announced a \$5 million federal earmark for environmental assessment and research in the Paducah area with the Gaseous Diffusion Plant. This is money that was secured and earmarked for the University by Senator McConnell. The University was able to do this, along with Murray State and the University of Louisville, as it tries to build relationships that make sense with other institutions. The intriguing thing about this funding is that it is not just looking at the environmental side and the cleanup side. There are three areas that are going to affect the economy in the Paducah area: decontaminates of nickel they have that is valued in the \$10 million to \$20 million range, seismic performance to assess seismic risk because it affects building codes, and looking at other uses of spent uranium to make batteries. Three years ago the University's federal earmarks were at \$5.4 million and this year, thanks to a strong delegation and the effort that Dr. Baldwin and Bill Schweri make in Washington, along with Jim Duff who was added as a lobbyist a few years ago, the University has reached \$22.7 million. The University is getting very competitive in that arena and has a lot more proposals to put forward.
3. The Kentucky delegation led by Governor Ernie Fletcher attended the BIO 2004 Annual International Convention in June.
4. There is a new research partnership between the UK College of Agriculture and Alltech that will produce further advancements in environmental nutrition and management for poultry producers in Kentucky and around the world. The company is headquartered in Nicholasville and has operations in about 16 countries worldwide. There are over 140 UK students and 16 Ph.D.'s from UK working there. UK announced an alliance with them called the Alltech UK Nutritional Research Alliance. It is on Coldstream Research Campus. Poultry has expanded to \$680 million industry in Kentucky and is second only to horses among the a top agricultural enterprises. Nearly 7,000 people are employed there with a payroll of \$200,000,000. It is an area of importance to UK both economically and research wise.
5. UK inducted 29 eighth-graders into the Robinson Scholars Program.
6. Professors Matthew Gabel and Martin Tracy received Fulbright Awards.

7. Five former governors and four first ladies attended a fundraiser to support the research on violence against women. The event raised quite a bit of money and awareness for that institute.
8. Russ Williams was re-elected to the Board. The administration looks forward to working with him in continued efforts for the institution. Roy Moore is going to be a new faculty Trustee and will be sworn into office at the September Board meeting.
9. The Children's Miracle Network Celebration raised \$1.26 million with the help of WKYT staffers, Bill Bryant and Barbara Bailey. Michael Karpf and Jay Pearman were on television, and it was a wonderful event.
10. Residential condominiums are now being built on Martin Luther King Boulevard. This is part of the "Live Where you Work" program that the University has put into place with the city and Good Samaritan that involves subsidizing mortgages for people who buy property there. The homes start at \$94,000 and go up to \$170,000. There is lot of capital construction going on by third parties in the vicinity which will benefit the faculty, staff, and students.
11. The UK Center for Rural Health has provided technical support for the Kentucky River Health Network's successful pursuit of a \$200,000 federal outreach grant to foster greater coordination of services and more partnerships in delivering health care in rural Kentucky. The Center has also assisted successful grant applications from Murray State University for \$187,150 to partner with the Purchase Area Health Education Center.
12. The Kentucky Science Engineering Foundation has awarded the UK Center for Applied Energy and Research (CAER) three grants totaling \$430,000. These are funds given by the state to be awarded to faculty throughout the state of Kentucky who compete. There are outside reviewers for this. The project concerns acid mine drainage reduction and new ways to form concrete out of ash. Some of those things, we feel, will take our research into the economy and help change the economy and improve the job profile. So, that's to be applauded.

President Todd said that there were some really good things in PR 1 and asked the Board to read through the details, especially the things about the good students and faculty mentioned in the report.

President Todd said that PR 2 was on the consent agenda; however, he wanted to call the appointment of Mr. Bob Wiseman to the Board's attention. Mr. Wiseman currently serves as Associate Vice President for Facilities. He is being promoted to a Vice Presidential level because of the value that he brings to that job and the breadth of the job that he has. Mr. Wiseman received his undergraduate and graduate degrees in public administration from the University of Kentucky. He previously served as Lexington Commissioner of Public Works overseeing five operating divisions and numerous construction projects involving buildings, parking garages, roads, utilities, historical structures, and renovation. In addition, he served two Lexington mayors in the capacity as executive assistant overseeing major capital projects and serving as liaison to UK and to the General Assembly. He has been involved with the

University over a long period of time. He has served on the Campus Master Plan Committee, the College/Town Steering Committee, the Martin School Board of Visitors, and in the initial creation of Coldstream Research Campus. In recent years, he has actually taught some graduate level courses in public administration at UK. Mr. Wiseman was asked to stand and be recognized, following which he received a round of applause.

President Todd called upon Dr. David Watt to introduce the Acting Dean of the new College of Public Health.

Dr. Watt said it was his pleasure to introduce the Board to Mr. Tom Samuel who, pending Board approval, will be the Acting Dean of the new College of Public Health. The Board's recent approval of the College of Public Health reaffirms the University's great commitment to its land-grant tradition. Everyone is confident that Mr. Samuel will help provide the leadership that the University needs to move the College forward. He asked Mr. Samuel to make a few comments

Mr. Samuel said that they needed to talk at length about the health status of Kentucky, but the University of Kentucky is 39<sup>th</sup> in terms of health care outcomes according to a recent survey and 37<sup>th</sup> in terms of health risk. The addition of a College of Public Health will add a lot to the University's contribution to the state in terms of trying to address those problems. In addition, he pointed out that the University has 150 students currently in the MPH program in the College of Public Health. Of those, 30 already have degrees in some kind of health profession (M.D.'s, dentists, etc.), and of those 14 are currently on the faculty of the University of Kentucky. That is a strong statement as to the importance of public health in terms of what is done at the University of Kentucky.

The College of Public Health has a very diverse student body (28 percent are African-American), and the administration is very proud of the fact that it has been able to recruit a sizeable portion of minority students. They also work closely with other colleges. For example, the HEEL program, which uses cooperative extension agents out of the College of Agriculture, has contributed in terms of collecting health information throughout the Commonwealth using the extension agents, along with public health professionals, in order to provide current health information.

Mr. Samuel mentioned the Council of Postsecondary Education (CPE) meeting that he had attended earlier. CPE is putting together a statewide strategic plan for academic public health in Kentucky, including the four institutions that offer graduate programs in public health in addition to the state department of public health. That plan will be presented to the Provost and President the first part of July. The Council will vote on the plan July 19<sup>th</sup>. Mr. Samuel said that he thinks the Board will be very pleased with the involvement of the University of Kentucky, as well as with the other academic programs, in trying to improve the workforce in Kentucky in order to improve the health status of the population.

He reported that the College is on track and is certainly reaching for national status as quickly as possible. The Board approved the College in May, and they have been working toward accreditation throughout the last year. They fully expect to achieve a status that will permit them to be eligible for about \$80 million in grants that are applicable only to the 33 accredited colleges of public health in the country today. In addition, the President of the Association of Schools of Public Health will be in Kentucky to present the plan to the CPE Board at the July 19<sup>th</sup> meeting. This shows the kind of support not only statewide but also nationally that they think this plan will achieve. Mr. Samuel thanked the Board from the point of view of the faculty, staff, and students of the College of Public Health for their support and also the support of President Todd and the administrators. Mr. Samuel received a round of applause.

President Todd said that he really appreciated Mr. Samuel taking the lead on this. He reminded the Board that Mr. Samuel chaired a committee to look into somewhat of a volatile topic when he took office, and that was the whole issue of the health care. He conducted very open, frequent meetings and came up with some extremely innovative things. The University and its employees are benefiting today from the thoughts of Mr. Samuel and his committee as the administration tries to keep health care costs down. He said that he appreciated Mr. Samuel and his energy. This must be a record for getting Board approval to establish a college and having an accreditation visit this soon. It is very admirable.

E. Reappointment to Board of Directors of the FUND for Advancement of Education and Research in the University of Kentucky Albert B. Chandler Medical Center (PR 3)

President Todd said that PR 3 is a recommendation to reappoint the Board of Directors of the FUND for Advancement of Education and Research in the University of Kentucky A. B. Chandler Medical Center. He recommended that the Board give approval to the reappointment of Mira Ball for a two-year term ending June 30, 2006 to the Board of Directors of the FUND. Dr. Meriwether moved approval. Ms. Sims seconded his motion, and it carried without dissent. (See PR 3 at the end of the Minutes.)

F. Appointment/Reappointment of Board of Directors University of Kentucky Research Foundation (PR 4)

President Todd said that PR 4 is to appoint and reappoint two individuals to the Board of Directors of the University of Kentucky Research Foundation (UKRF). He recommended that approval be given to the appointment of Phil Patton as a Trustee member for a three-year term and the reappointment of Ken Roberts, the Dean of Pharmacy, for a three-year term to the Board of Directors of UKRF. Mr. Shoop moved approval. His motion, seconded by JoEtta Wickliffe, carried without dissent. (See PR 4 at the end of the Minutes.)

G. Agreement between University of Kentucky and Kentucky Medical Services Foundation (PR 5)

President Todd recommended that the Board approve the agreement that was circulated in the Board packet between the Board of Trustees and the Kentucky Medical Services Foundation (KMSF). It was negotiated pursuant to the Board of Trustees resolution regarding medical practice plans and was adopted in 1978. There are only minor changes in the modifications. They include updating the dates to reflect 2004-05 and the revision of section 6B of the agreement to establish payment dates for certain services that are provided under the agreement. Ms. Elaine Wilson moved approval. Ms. Smith Edge seconded the motion, and it carried. (See PR 5 at the end of the Minutes.)

H. Appointment of Vice President for University Initiatives/Associate Provost for Multicultural Affairs (PR 6)

President Todd reminded the Board of their approval at the last meeting to establish a position entitled Vice President for University Initiatives/Associate Provost for Multicultural Affairs. He said that he was pleased to recommend that Dr. William H. Turner be appointed Vice President for University Initiatives/Associate Provost for Multicultural Affairs effective July 1, 2004. Dr. Turner could not attend the Board meeting because of a family commitment. President Todd reported that he had met with Dr.

Turner, and Dr. Turner agreed to the terms that they discussed. President Todd reviewed Dr. Turner's credentials.

Dr. Turner received his B.A. degree in 1968, which was an interesting year for Patsy and him because that is the same year they graduated from UK. He got his M.A. in 1971 and his Ph.D. from Notre Dame in 1974. His areas of interest in research are sociology and anthropology. In 1966 as a member of its charter class, Turner studied at Howard University in the Ford Foundation and U.S. Department of State-sponsored Foreign Affairs Scholars Program. He has held several postdoctoral appointments: Senior Fellow, University of Pennsylvania, Morton Center for Independent Studies; Senior Fellow, Institute for Educational Leadership, George Washington University; Senior Research Fellow, Institute for the Study of Educational Policy at Howard University; and Postdoctoral Fellow in the National Academy of Sciences/Ford Foundation, and the Duke University Center for the Study of Civil Rights and Race Relations.

Dr. Turner has held teaching, research, and administrative posts at several colleges and universities, including Fisk, Howard, UK, Kentucky State, and Winston-Salem University and has been a Distinguished Visiting Professor at Berea and Brandeis. He has published in many areas. His real interests, too, are African-Americans and Appalachia. He will bring a wealth of experience to the University.

Dr. Turner recently served as the interim president at Kentucky State University. He is very articulate and very passionate. He is from Lynch, Kentucky. His father was a coal miner. In the role of Associate Provost for Multicultural Affairs, he will get an opportunity to go around the state frequently and to keep the state aware of some of the initiatives that are going to be started -- outreach, especially, in the eastern part of the state. Dr. Turner is a very great asset to this community and this position. In this role, he will report to the Provost. In the role for University Initiatives, he will report to the President.

Ms. Wilson moved approval of the appointment of Dr. Turner. Because of her years with Dr. Turner, she believes that he is truly a good person for this position, and she totally supports him. Ms. Sparks seconded the motion.

Mr. Reed added that Dr. Turner certainly has a stellar background resume, but it also helps when there is someone from Kentucky who goes away, does well, and excels to the extent that he has a homecoming and a career topped off by coming back to Kentucky. That is very special. He called for a vote and PR 6 carried without dissent. (See PR 6 at the end of the Minutes.)

#### I. Academic Affairs Report

Alice Sparks, Chair of the Academic Affairs Committee, reported that AACR 1 was on the consent agenda. She pointed out that this is probably the last time the Board will be approving the Community College Systems degrees.

#### J. Transfer of the Center for Minimally Invasive Surgery (AACR 2)

Ms. Sparks said that AACR 2 is the transfer of the Center for Minimally Invasive Surgery. In 1999 the University established the Center and at that time the Center reported to the Chancellor of the Medical Center. It was funded by a substantial gift of \$5 million from the U.S. Surgical Corporation. With the change in administrative organization and the exhaustion of the current funding, the Center needs to be reassigned and restructured to report to the dean in the College of Medicine. This has gone through all of

the proper procedures, and the Provost and Executive Vice President for Health Affairs support this recommendation. It was passed unanimously by the Academic Affairs Committee. She moved approval of AACR 2. Professor Kennedy seconded the motion, and it carried without dissent. (See AACR 2 at the end of the Minutes.)

K. Finance Committee Report

Mr. Hardymon, Chair of the Finance Committee, reported that the Committee met that morning with all committee members present and most of the Board present. It was a very good time for other Board members to join the Committee because the Committee had an information item that will not be presented at this time to the full Board on the systems program IRIS. It was kind of a lead in to get us up to date on what is going on. There will be a full presentation when they finalize the budget and get some of the timing down. It was good to get started on that one because it was not only important but also costly.

Mr. Hardymon reported that there were a number of consent items. FCR's 1 through 9 were gifts and pledges. The Committee did have an opportunity to go thoroughly through each of those and very much appreciate the gifts. They total \$1.9 million, and \$1.3 million of it is for the match. It was a very good meeting from that standpoint. Mr. Mobley did bring the Committee up to date saying that \$667 million is in house now towards the \$1 billion goal. The Committee is anxiously watching that.

Mr. Hardymon noted that FCR 14 is also a consent item. That is the one detailing leases with annual costs of less than \$30,000. The administration negotiates such leases and then reports to the Board what they did.

L. Resolution of the Board of Trustees of the University of Kentucky ("State Agency") Approving a Financing Agreement among the State Agency, the Kentucky Asset/Liability Commission, and the Finance and Administration Cabinet of the Commonwealth of Kentucky for the Purpose of Providing Interim Financing for an Authorized Project in Anticipation of the Issuance of Bonds to Provide Permanent Financing for Said Project (FCR 10)

Mr. Hardymon said that FCR 10 is for financing an educational building project, some parking, and infrastructure projects. It includes things like the central facilities management project, replacing the steam pipes which are very important although probably not something we think about every day, improving the central heating plan, and replacing high voltage wiring. The resolution is for the purpose of providing and financing the project in anticipation of the issue of some bonds. The Committee will be back to the Board when the bonds are issued. He said the total is \$10 million, and \$4 million in is parking. The University will pay that bond off with parking receipts. The other \$6 million is for the piping, central heating items, etc. He moved approval of FCR 10. Ms. Wilson seconded the motion, and it carried without dissent. (See FCR 10 at the end of the Minutes.)

M. Disposal of Personal Property (FCR 11)

Mr. Hardymon said that FCR 11 is strictly an administrative item. It is the Board's requirement each year to look at an advanced plan that allows for the disposal of items of value less than \$10,000. Disposal is done by an auction with different methods to try to get as much as possible for those items. It includes things such as equipment, machinery, vehicles, and library books. The Board approves the plan annually, and that gives the administration the authority to dispose of items of less than \$10,000. He recommended

approval of FCR 11. Ms. Tobin seconded the motion, and it carried without dissent. (See FCR 11 at the end of the Minutes.)

N. Disposition of Surplus Property (FCR 12)

Mr. Harydmon said that FCR 12 is for disposal of surplus property over \$10,000. One of the items on the list is over \$10,000; therefore, the full list is included. These are items that were involved with Dr. Michael Carrithers' research work. Dr. Carrithers is moving to Yale University. It is definitely an item that the University needs to pass on with him so he can continue his research work. Mr. Hardymon recommended approval of FCR 12. Ms. Wickliffe seconded the motion, and it carried without dissent. (See FCR 12 at the end of the Minutes.)

O. Approval of Leases (FCR 13)

Mr. Hardymon said that FCR 13 recommends the approval of leases which have an annual value of over \$30,000. In this case, the Committee looks at each of the leases -- whether they are renewals or new -- and decides whether to approve them before the administration can conclude final negotiations. They are then brought to the Board for approval. The Committee went through these. They involve distribution space, and some of those are \$6 a square foot. They involve clinical offices which cost up to \$15 to \$16 per square foot of clinical space. They are all over the state and vary in amounts by the areas they are in. Two are renewals, and they have been through the process before. He said that Mr. Siemer had given the Committee a report on the leases. Mr. Hardymon moved approval of FCR 13. Ms. Sims seconded the motion, and it carried without dissent. (See FCR 13 at the end of the Minutes.)

Mr. Hardymon said that the Committee spent about an hour on FCR 15, the operating budget for Fiscal Year 2004-05. The Committee received a presentation from Angie Martin of the finance department. President Todd will make a presentation on the budget and discuss some of the things to get the University to Top 20 status.

President Todd asked if Mr. Hardymon would take FCR 16 prior to FCR 15, as they did at the Finance Committee meeting so the Board would end with the budget presentation.

P. Acquisition of Real Property Referred to as the Lexel Building at Coldstream in Fayette County, Kentucky (FCR 16)

Mr. Hardymon said that FCR 16 is the acquisition of some property known as the Lexel Building at Coldstream on Newtown Pike. The Committee recommends that the Board authorize the Executive Vice President for Finance and Administration to negotiate the acquisition of the Lexel Building. It is on land already owned by the University of Kentucky, and the purchase price is not to exceed \$9.6 million. This price is not to exceed the appraised fair-market value. He added that the purchase price is probably half of the replacement value of a building of this type because it is a high-technology building which will fill the need for space to house engineering projects, and it is a building with cleanrooms. That is a very special thing when you consider that it is part of a research park. The Committee did approve this and authorized the finalizing of this negotiation. He asked President Todd to comment on some of the other facets of the acquisition..

President Todd said that this is a very exciting opportunity. He thanked Wendy Baldwin, John Parks, Dick Siemer, and Clay Owen for the work that they have put into bringing this to pass. It is an



investment that the University needs to make, and the University will have a return as it leases that property. President Todd said that he has a fondness for the building, although he has no financial interests in the building whatsoever, in that he helped design the building when Hughes Aircraft came to Kentucky. The building was built to Hughes Aircraft standards back when the air and space industry was at its peak. It has the amenities that are attractive to engineering and hopefully pharmaceutical and biological companies coming into this area.

President Todd explained that there is a business there now called Lexel Displays. They will occupy about 80,000 square feet, which will leave another 85,000 square feet for the University to sublease. Lexel is the holder of one of the University's licenses. One of the University's patents is in the visualization area. Lexel has been in a business that is in a declining market, and they are looking at UK and some of its researchers in the visualization area to give them new products to sell. There is a very good relationship between them and the University.

President Todd said that UK is also having discussions with companies in the automotive area about doing some research at Coldstream. This would give UK a home for that, and the concept behind this is that this gives the University a landing ground where it can bring in operations that could live there for a period of time, hopefully, while the University builds them a facility on Coldstream if they choose to expand there.

President Todd said that the University has some biotech conversations going on as well. He referred to a biotechnology conference that he mentioned at the previous Board meeting and noted that Governor Ernie Fletcher was at the conference. They heard that there is excess lab space on the east and west coasts. Companies want to stay around those areas and go to those areas. There is plenty of space with some of the downturn in those economies, and for the University to be competitive, it needs some space. He said that he was very pleased to have a supporting comment and quote from the Governor in the press release supporting this project. Governor Fletcher also met with him, President Ramsey, Bill Brundage, and Six Venture Capitalists to talk about what it would take to get them to come to Kentucky. If you look at venture capitalists and the speed with which they move, they do not want to sit there and hold their money for two years for somebody to build some space, especially for a state that is not known for high tech. Being able to accommodate them in a reasonable way close to the University on a research campus with space that they can build into very quickly is an ideal scenario. It also gives John Parks the tools to use now as he goes out and markets Coldstream, which he has already begun doing on a national level. President Todd said that he knew that there were some complaints about the speed at which the administration took off on Coldstream. It is now moving, and hopefully, the economy is moving at the same time to make some people's location more flexible than in the past.

President Todd reported that the University has held the official groundbreaking ceremony for CPST, and they will break ground very soon. That will be the University's entrance into manufacturing pharmaceuticals.

President Todd said that he was pleased to have Mr. Parks at the University to get these discussions going with the various companies, and he is very excited about the things happening at Coldstream. He also expressed appreciation for the support of the Finance Committee and the staff that took care of this particular issue and got it to this point. He said he would be glad to answer any questions.

Mr. Hardymon recommended approval of FCR 16. Dr. Meriwether seconded the motion, and Mr. Reed asked for any questions from the Board.

Mr. Wilcoxson asked a couple of questions about the appraisal process mentioned in the background information, which states that the owners, John Morris and Rex Sheldon, paid for an appraisal. He asked whether the owners selected the appraiser and paid for it, or whether the University selected the appraiser and the owners reimbursed the University for it. He said that the background information was a little unclear.

President Todd asked Mr. Siemer to reply to Mr. Wilcoxson's question.

Mr. Siemer stated that the University had done its own appraisal on the building. The University actually paid for two appraisals and was not reimbursed for either. It is part of the cost of doing business.

Mr. Wilcoxson recommended that for the record there be a little bit more elaboration in the background information because it was a little misleading to him. He thinks the background information needs to be more precise.

Mr. Siemer added that there were actually three appraisals done: one by Lexel, the people who wanted to sell the building, which valued the building at approximately \$15 million, and the University's two appraisals which were \$10.6 million and \$11.5 million.

President Todd said that Mr. Wilcoxson had a good point because when you are negotiating you need an independent appraiser, especially if it involves a state agency. Their appraisal did come in at \$14 million. He said that he did not recall exactly what the cost was when Hughes built the building, but he thought it was \$16.5 million. The replacement value would be higher now because the building was built in the early 90's. The building has hydrogen, nitrogen, liquid oxygen, and liquid which is everything you could ask for. It is a pretty specific building with a lot of high-cost things inside. The administration did go out and seek two appraisals, and both of those exceeded the offering price that we are making. He repeated that Mr. Wilcoxson made a very good point, and the minutes will reflect that. He thanked Mr. Wilcoxson for clarifying the issue.

Mr. Reed called for a vote, and it carried without dissent. (See FCR 16 at the end of the Minutes.)

Q. Operating Budget for Fiscal Year 2004-05 (FCR 15)

President Todd began by saying that Angie Martin did an outstanding job of presenting the budget at the Finance Committee meeting. He said that he would not go through all the details that Ms. Martin did in the Finance Committee, but for the benefit of the audience and some Board members who did not attend the Finance Committee meeting, he would go through the budget in some detail. He gave the following comments prior to making his PowerPoint presentation:

The Postsecondary Education Improvement Act of 1997 mandated that UK become one of America's Top 20 public research institutions. We were to do so within the postsecondary education system that was called upon to improve the economy of the state of Kentucky and the lives of the citizens of the state of Kentucky. I am pleased to submit the budget for the Board's consideration to the tune of \$1.47 billion.

This budget is being presented to the Board in a time of extraordinary change and challenge. The burden that is being placed on this institution and its faculty and staff is greater today probably than at any other time that I have known in recent history, having been associated with the University since 1968. The

University continues to enroll record numbers of students as more and more Kentuckians recognize the need for education and as it attempts to achieve the mandate that was also in House Bill 1 to enroll more students in higher education. Our fellow Kentuckians look to our classrooms as the gateway to individual prosperity and personal fulfillment. The statistics are out there. You get a college degree. You make more money. You have a better life. They also look to our labs for cures for diseases that plague this state like hardly any other state in the nation. They look to our faculty as trainers of nurses and teachers and engineers and pharmacists and computer technicians and all those who make a community stronger and make businesses more successful. They look to our campus as a place where businesses are started and where jobs are created. I began to say that in earlier days people would say go to college and get a job, and now we are saying go to college and create a job. We have that responsibility within this institution to do that for this state. They look to our hospital for its care and to our extension service for its knowledge. And they look to our musicians and our artists and our writers and our historians as preservers and the exponents of our collective culture and our collective heritage. This is as it should be. That is what we should be expected to be looked upon to do.

We welcome this set of responsibilities. And we'll seek and we'll find methods and mechanisms to fulfill them. But, it's not going to be easy. Like the rest of state government, the University of Kentucky has absorbed cuts to our state appropriations, and we have contributed additional and substantial funds to helping balance the budget.

The burden this creates makes it difficult to make the progress that we have set out to make. It does threaten the great things we already do and the potential that we have to flourish in other areas. We do risk losing more faculty and with them the energy and momentum we have worked so hard to sustain. We cannot plan with undeterred boldness. We cannot move forward with unwavering confidence. We cannot move as fast as we want or as far as we want, but we will move. Some of the decisions you have made on how we are using our working capital and how we are making some investments are going to insure that we are going to fight the fight. We are going to make the headway. Our faculty and staff have been given a chance for greatness in the state of Kentucky that has all too often never reached for greatness in education. They have been excited by this challenge and this opportunity. They won't give up easily. It may sound odd to some of you, but I think these are exciting times. My wife tells me I'm the eternal optimist. We have weathered the turbulent seas of financial challenge for the past three years. It has been belting us a bit. But, our vessel has remained seaworthy. We've lost a few people over board, but I will tell you we have added substantially to this crew and they have been with us during much of this storm and will be with us beyond as we sail competitively against the other institutions.

During this three-year period, the state and the nation have faced unparalleled financial problems. Who would have dreamed three years ago that you would have had the crisis of 9-11, the .com's, Enron – all of those things that have taken shots at this country's heart and its economy? We have survived that turbulence, and we have all moved forward together. Even as we come out of these difficult times and the revenues do come up as they are in this state, new monies will be absorbed in unprecedented rates, in Medicaid, in corrections, and in the fight against terrorism. These are new expenditures coming at a bad time, but they will come. But, I firmly believe as the state revenues come back that higher education will benefit and can move from this plateau that I feel we are sitting on right now back to full momentum.

We pledge to work with Governor Fletcher, with the legislature, with the CPE, as together we set a plan to move the state forward. We need to get a budget. We need to modernize the tax structure in order to change and enhance the revenue mix that this state has to have in order to grow effectively. However, in addition, I think that the flagship university needs to be partnering with the state to use its expertise to

reduce health care cost across the state, as we have done across the university. Improving educational attainment will solve in the long run our education problems and many of our health conditions. Improving educational attainment will also enhance the economy so that these new monies that are received by the state can be allocated to the initiatives that are so vitally important to the progress of this state, one of which is clearly higher education. With respect to higher education, as you look across the economy, you are not going to be successful if you don't have it.

When we were at the bio meeting, there was an article that came out one afternoon that said with the triangle of universities between California, Stanford, and Berkley, there have been 85,000 jobs created in the biotech industry alone, and it has yet to start showing profit, but biotech is the leading edge of job creation and the leading edge of health care. So, I do believe that as revenues pick up, and we are into discussions now trying to decide what will happen when that takes place, we will fare just fine. We have done a lot of things internally, and we are publishing a paper on our efficiencies. We have reallocated \$55 million internally to use that money to go forward. Unfortunately, right now that has been used to reduce the deficits and help balance budgets. So, when good times come back, when our appropriations start going up, we are going to be at a fighting weight where we can succeed.

I want to thank the faculty and I want to thank the staff for their attitude during this period of time. I want to thank the Board for their support, the legislators, as well as the federal legislators, who pumped this up to this \$22.7 million worth of earmarks this past year. As Senator McConnell says, that gives us the training wheels for the universities who have not been that strong in research to compete against the big ones. I also want to thank the third parties who are waking up to the fact that this university wants to be a part of the community. The University wants to expand into that community, and they need to help us with housing, they need to help us with grants, and they need to help us in job creation. I think the partnerships that come through tough times like this are what we see as the silver lining to a very difficult time. So, as I present this budget to you it is against a backdrop of all that. I feel that we have been coming across the ocean and getting flipped around quite a bit. It has been challenging, but I can't tell you how proud I am of the fact that the majority of people at this institution have kept their heads up and have not gotten down into the murk and the mire of depressing times. I feel we are going to make it out of this now, and I appreciate your support for this budget that we are going to present.

President Todd thanked Jeff Dembo who served as Chair of the Senate Council for the past two years. He also thanked Ernie Yanarella, current Chair of Senate Council, and Shelia Brothers, Chair of Staff Senate, for their comments and commitment. He said that he had talked with Dr. Yanarella and Provost Nietzel about an initiative which will get the University to start looking at its core curriculum, looking at possibly revamping it such to make people ready for the 21<sup>st</sup> Century; with creative skills, knowledge skills that they are going to need. He said that he looked forward to working with Dr. Yanarella on that initiative. He said that he very much appreciated Ms. Brothers' comments and the staff's reaction to these challenging times. He then gave the following PowerPoint presentation about the budget:

## Operating Budget 2004-05



**Ernest J. Yanarella, Chair, Senate Council**

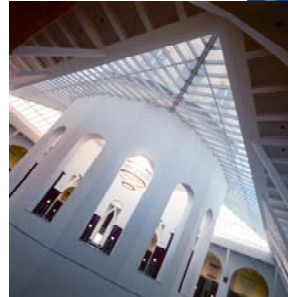
“The new operating budget, however trim and tight, still underlines the cardinal role of the faculty in advancing the University’s mission and goals in teaching, research, and service. Adversity is not an excuse for cynicism or fatalism. The faculty of this University must - and will - remain dedicated to providing UK students with the knowledge and skills needed to meet the challenges of the Twenty-First century.”

**Sheila C. Brothers, Chair, Staff Senate**

“The University of Kentucky's ability to move forward as we absorb recurring budget cuts is phenomenal. UK staff employees appreciate the efforts of President Lee Todd and his administration to find the funds necessary to offer a one percent salary increase and protect those faculty and staff who are enrolled in UK HMO from having to pay for the increased costs of our health insurance. We will continue to work together to overcome these hard times and see UK on to a brighter future.”



## Operating Budget 2004-2005



## Challenges

- Enrollment increase
- Declining state appropriations
- No state budget
- Transfer of LCC to KCTCS

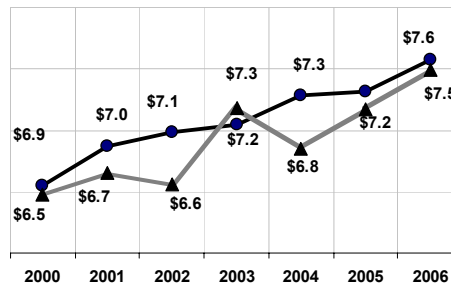
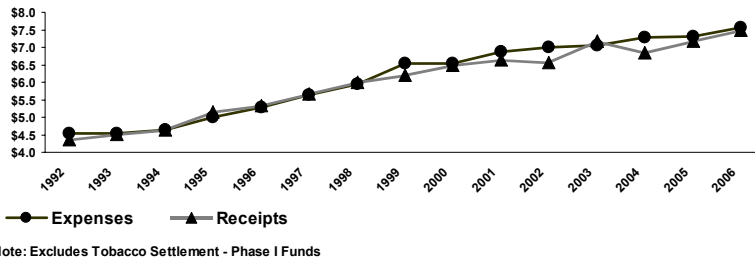


## Accomplishments

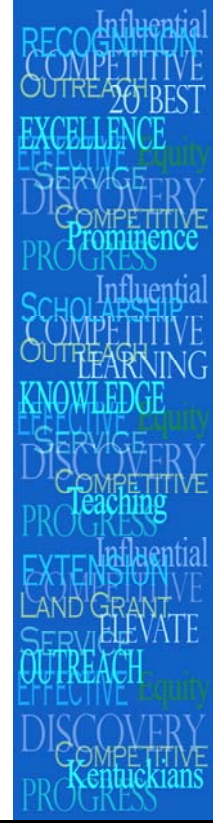
- Increased endowments
- More endowed chairs and professorships
- Increased research grants and contracts
- Nine programs attained “Top 20” status
- Six additional “Top 20” achievements



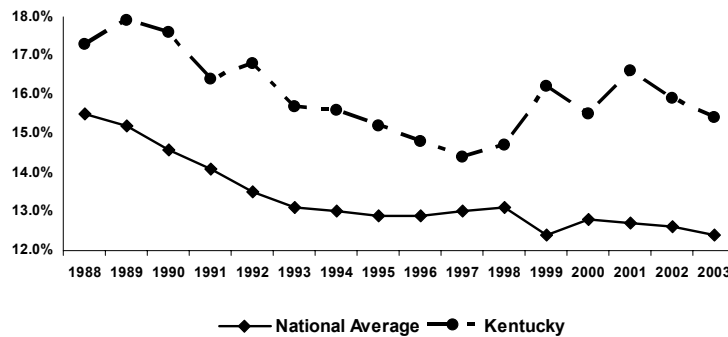
## Kentucky General Fund Expenditures are more than General Fund Receipts...



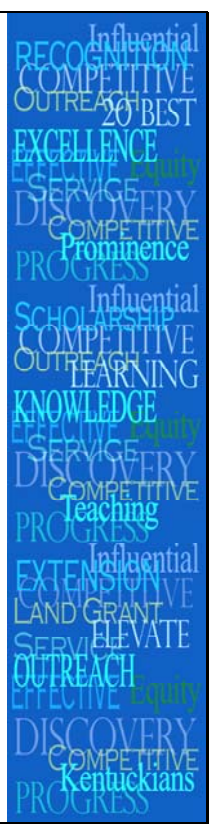
Source: FY 1992-2003, Actual; Kentucky Financial Report  
2004-2006 Executive Budget for the Commonwealth of Kentucky



## Kentucky Continues to Spend More of its General Funds on Higher Education



Source: National Association of State Budget Officers, 2002 State Expenditure Report, Summer 2003



## FY 2004-05 Budget Goals & Objectives

Goals: Enroll, retain and graduate more students and continue progress toward becoming one of America's "Top 20" public research universities.

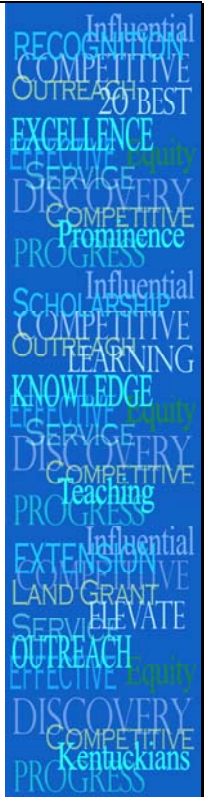
### Objectives:

- Fund a modest cost of living salary increase for faculty and staff
- Minimize health care insurance cost increases to our employees
- Provide more scholarships for students
- Fund program improvements that invest in our future



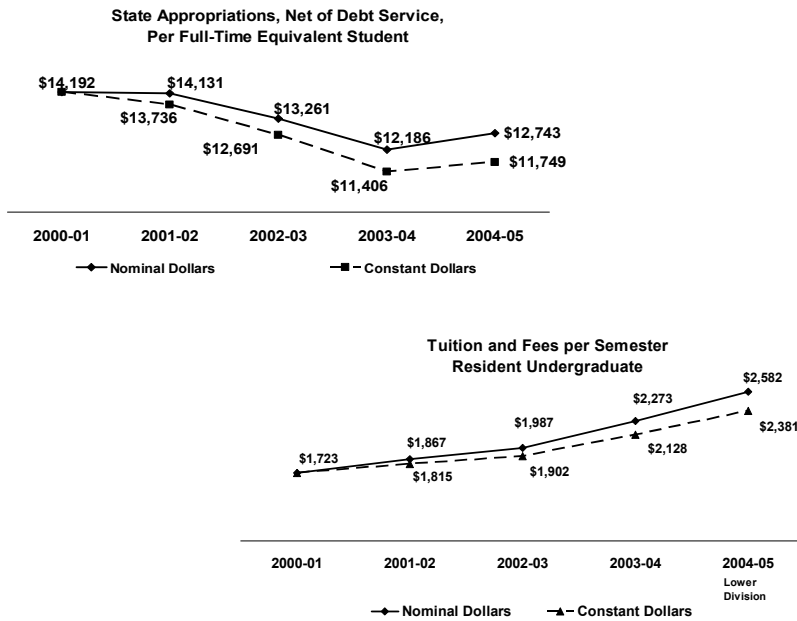
## The Dream and the Challenge FY 2004-05 Budget Highlights

- I. *Reach for National Prominence*
  - Undergraduate teaching resources
  - Integrated Resource Information System (IRIS)
  - Program enhancements
- II. *Attract and Graduate Outstanding Students*
  - Scholarships
  - Faculty to teach more students
  - Classroom improvements
- III. *Attract, Develop and Retain a Distinguished Faculty*
  - Faculty / Staff – salary increase, health insurance
  - Faculty Retention Pool
- IV. *Discover, Share and Apply New Knowledge*
  - Biological / Biomedical Sciences Research Building (BBSRB)
  - Morgan County Regional Technology Center
- V. *Nurture Diversity of Thought, Culture, Gender and Ethnicity*
  - Minority recruitment pool
  - Commission on Women and Commission on Diversity
- VI. *Elevate the Quality of Life for Kentuckians*
  - Center for Rural Health





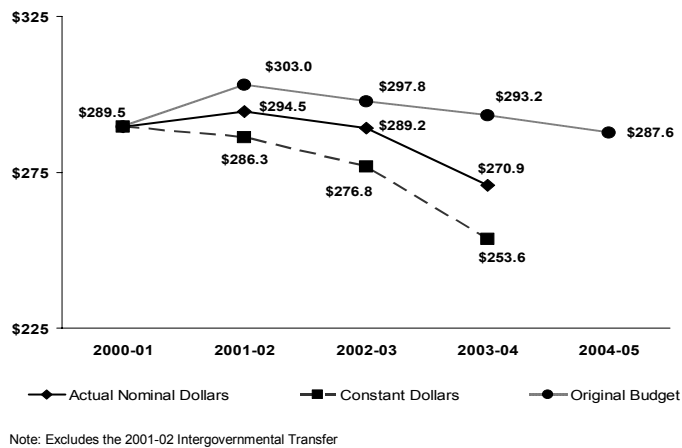
## Who pays?



Sources: US Bureau of Labor Statistics - CPI-U; UK Office of Planning, Budget & Policy Analysis; UK Fact Booklet

Influential  
 RECOGNITION  
 COMPETITIVE  
 OUTREACH  
 20 BEST  
 EXCELLENCE  
 LEARNING  
 SERVICE  
 DISCOVERY  
 COMPETITIVE  
 Prominence  
 PROGRESS  
 Influential  
 SCHOLARSHIP  
 COMPETITIVE  
 OUTREACH  
 LEARNING  
 KNOWLEDGE  
 LEARNING  
 SERVICE  
 DISCOVERY  
 COMPETITIVE  
 Teaching  
 PROGRESS  
 Influential  
 EXTENSION  
 LAND GRANT  
 SERVICE  
 ELEVATE  
 OUTREACH  
 EFFECTIVE  
 Equity  
 DISCOVERY  
 COMPETITIVE  
 Kentuckians  
 PROGRESS

## Declining State Appropriations Net of Debt Service in Millions



Sources: US Bureau of Labor Statistics - CPI-U; UK Office of Planning, Budget & Policy Analysis

Influential  
 RECOGNITION  
 COMPETITIVE  
 OUTREACH  
 20 BEST  
 EXCELLENCE  
 LEARNING  
 SERVICE  
 DISCOVERY  
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 LAND GRANT  
 SERVICE  
 ELEVATE  
 OUTREACH  
 EFFECTIVE  
 Equity  
 DISCOVERY  
 COMPETITIVE  
 Kentuckians  
 PROGRESS

## FY 2005 Undesignated Funds Additional Needs

Salary and benefits	\$9,004,400
Scholarships	8,380,500
IRIS project	4,000,000
Program investments	3,804,400
Utilities and fixed costs	2,409,000
Tuition differential program	1,862,800
<b>TOTAL</b>	<b>\$29,461,100</b>



## FY 2005 Undesignated Funds Changes in Resources

Recurring:	
State appropriations reduction	(\$5,533,500)
Investment income decrease	(1,000,000)
Service assessments decrease	(336,000)
Tuition revenue increase	24,046,400
Subtotal	17,176,900
Internal reallocations (recurring)	6,000,000
Reserves (non-recurring)	6,284,200
<b>TOTAL</b>	<b>\$29,461,100</b>



“This fall, children across Kentucky will enroll in kindergarten and begin their journey to college. Thousands of them will become UK’s class of 2020. The work we do today and tomorrow will determine whether we will be one of America’s outstanding universities when that moment comes.

We will not stand still. The stakes are too high and the responsibility too great to be discouraged from pursuing our dream. We are moving forward.”

Lee T. Todd, Jr.  
President



RECOGNITION  
COMPETITIVE  
OUTREACH  
20 BEST  
EXCELLENCE  
EFFECTIVE EQUITY  
SERVICE  
DISCOVERY  
COMPETITIVE  
PROMINENCE  
PROGRESS  
Influential  
SCHOLARSHIP  
COMPETITIVE  
OUTREACH  
LEARNING  
KNOWLEDGE  
KENTUCKIANS  
PROGRESS

President Todd recommended approval of the budget. He thanked those who put their time and effort into pulling the budget together and expressed appreciation to the Board for their time in listening to the presentation.

Mr. Hardymon added that along with the approval of the budget, he was asking the Board to give the President the authority to amend the approved budget if any unanticipated underlying change happens in the final spending plan of the government.

Mr. Reed thanked President Todd for his thorough budget presentation and entertained a motion for approval of the budget. Ms. Sparks moved approval. Judge Patton seconded the motion, and it carried without dissent. (See FCR 15 at the end of the Minutes.)

#### R. Investment Committee Report

Mr. Billy Wilcoxson, Chair of the Investment Committee, reported that the pool of endowment investments had a market value on March 31, 2004 of \$504.7 million compared to a market value of \$424.6 million on June 30, 2003. That is an increase of \$80.1 million for that nine-month period. The increase is due to the investment appreciation of \$73 million. The balance of \$7.1 million is contributions. The Investment Committee has allocated the endowment investments among equity and fixed income securities. Currently, UK has nine professional firms to manage the endowment assets and each one of these firms has its own specialized philosophy and style of investment. At the end of March, the University’s portfolio was invested 59 percent in U.S. equity securities, 14 percent in international equities securities, and 27 percent in fixed income securities. For the year ending December 31, 2003, the endowment investments return was

24.6 percent for 2003. If you compare that to the blended market index return of 24.3 percent and the endowment foundation index return of 23 percent, the out-performance of the blended market index by 30 basis points was mainly due to the strong performance that the University got out of the fixed income securities. A big part of the out performance of the endowment foundation index by 160 basis points was due to the University maintaining a higher equity allocation in 2003 compared to other institutions. The University did very well.

The Committee and consultants feel that the University has a successful investment program in place. It has a prudent mix of diversified stocks and bonds which avoids market timing hazards and allows discipline rebalancing under the direction of outstanding investment managers. The Committee with the staff and consultants had an educational session on May 11<sup>th</sup> and a regular meeting the afternoon of June 21<sup>st</sup>.

Mr. Wilcoxson said he hoped that in the near future he would be able to report on what he feels will be improvements to the investment program that are now in place. He said that he would be happy to answer any questions that anyone might have.

Mr. Wilcoxson noted that the endowment spending distribution had been 5 percent; with the 1 percent management fee that makes it a 6 percent through its educational sessions and meetings, the Committee is trying to come up with enough money and enough returns to continue having this money where it can still provide that 6 percent money. The Committee is finding it more and more difficult to earn an acceptable return using the basic stocks and bonds philosophy; therefore, it is necessary to come up with different ideas, different changes, different improvements, and things to do, just hoping that they will work. It is all about money. The University has to make the money to do the things that it needs to do.

Mr. Reed thanked Mr. Wilcoxson for his report and also for such a keen eye on investment and financial matters that relate to the University. He called on Ms. Smith Edge for the University Relations Committee report.

#### S. University Relations Committee Report

Ms. Smith Edge reported that the Committee has its annual meeting update on University Relations, and there were no action items to bring forward. She thanked Tom Harris, Mary Margaret Colliver, Steve Byars, and Stan Key for giving the Committee an update on University Relations.

Ms. Smith Edge provided a quick summary of the meeting. She said that the Committee discussed the continued image campaign on Dream, Challenge, and Succeed and looking at an advertising firm in this area. The UK web site will be updated as of September 1<sup>st</sup>. There will be a new RFP going out for a new multi-media contract as of August. Steve Byars talked about "UKAN" which is basically the UK advocacy network. Mr. Byars rolled out the program to the UK Alumni Association at their annual summer workshop. This is to become an advocacy network for the University as a relationship with legislators. The Alumni Association is very excited about the organized advocacy network that, in her opinion, will continue to benefit the University in years to come. Stan Key, who is Director of the UK Alumni Association, gave the Committee a brief update on the Alumni Association which now has over 32,000 members. The Association is continuing to increase emphasis on engaging students at a very early age into the Alumni Association. The Committee will continue to review communications between UK and the Board and making sure that everyone is continuously aware of all the University relations that are going on within the Commonwealth and amongst the different units.

T. Other Business – President’s Evaluation

Mr. Reed said the next item on the agenda is under Other Business. One significant item under Other Business to report is the annual evaluation of President Todd. The Board of Trustees evaluates the President annually. This is usually done toward the end of the academic school year and the end of the fiscal year. The Executive Committee had a lengthy two-hour meeting to discuss the President’s evaluation on June 21<sup>st</sup>. The evaluation of the President followed written questions that were submitted to each Board member. The questions were submitted as well to the Executive Committees of the University Senate, Staff Senate, and Student Government Association. In addition, Dr. Todd was asked to prepare a self-assessment which he did and the Executive Committee considered. He noted that the President’s self-assessment does relate to the budget that was presented, and that is good.

Mr. Reed said that he is very pleased with the responses he received from Board members. Some of them were quite lengthy, and he was very encouraged by the time and effort the members took to complete them. It speaks volumes of the commitment of the Trustees, the work they do, their love for the University and their understanding that these evaluations are beneficial to make the University go forward. Mr. Reed said that he had summarized the Board’s responses to the questions and put them in a draft report because some responses from the Trustees were not returned until the day of the meeting. He wanted to incorporate every response he possibly could, put them in a summary report, and go over them with the President at the Executive Committee. He reported that the President received a very high evaluation.

Mr. Reed mentioned the topic areas for the evaluation: institutional agenda, academic leadership, general management planning, fiscal management and budgeting, fundraising, internal relationships, external relationships, decision making and problem solving, and a general catch-all of other perspectives. He said that the feedback was summarized into themes, and the President received high marks. His areas of strength and areas where he is continuing to work on to move the University forward were summarized. The President, being deeply involved in the University, has a good understanding of where his strengths are. He also had a good idea and grasp of areas where he was not as strong. The President, in fact, mentioned in his self-assessment the things that he is already doing to make amends for those areas. If you read the self-assessment, you will see that the President is already undertaking a great effort to continue to move the University forward. He said that the President’s self-assessment speaks for itself. He encouraged each Board member to read the President’s self report. He said he would be pleased to take any questions or phone calls regarding the President’s evaluation.

Mr. Reed explained that there is no scoring like a 1 to 10 or an absolute number. He reiterated that the President received very high marks. And, in his opinion, the Board feels that the President is doing an outstanding job at the University in leading it forward, and the Board is proud to have President Todd at the University. He wished President Todd the best as he continues to do whatever he can and everything possible to move the University to its proper place in the Top 20 plateau as he mentioned during his budget presentation.

Following the evaluation of the President, as is standard and provided for in his contract, the Executive Committee considered the President's eligibility for his annual bonus. He refreshed the Board’s recollection of the President’s contract which states that he is eligible to receive and be considered for a bonus in the amount of \$100,000.00 for exemplary service. The Executive Committee considered the President's eligibility for that bonus, taking into consideration what he has done this past year and taking into consideration how the President was evaluated in the general evaluation. The recommendation of the

Executive Committee is that the President be awarded his \$100,000.00 bonus for exemplary service for this past year ending June 30, 2004. He said the Executive Committee recommends that the President be awarded this \$100,000.00 bonus. He asked the Board for any questions or discussion regarding the bonus. He told the Board that he had pointed out to the Executive Committee that there are times when budgets are tight, the economy is down, and it would be easy to say "Why does he get \$100,000.00?" He explained that the President gets \$100,000.00 because it is in his original contract, and most simply, because he has earned it. He said that it is his recommendation and the Committee's recommendation that the President is entitled to receive his \$100,000.00 bonus because if you look at the budget of \$1.479 billion and you look at what the President has done for the University and what he has done this past year, it is the belief of the Executive Committee that the President is very worthy of the \$100,000.00 bonus. Having said that, he said the Executive Committee moved approval of the \$100,000.00 bonus. Ms. Sparks seconded Mr. Reed's motion. The motion carried without dissent, and Mr. Reed congratulated President Todd.

U. Other Business – Tayshaun Prince

Mr. Reed said that he just had to mention something that he had mentioned at the previous Board meeting. He talked about a trip he had made to Texas where he picked up a *USA Today* newspaper that had a wonderful article about Tayshaun Prince bragging about attending and graduating from the University of Kentucky. Sitting in Austin, Texas, it made him feel so proud to read the article. Tayshaun told the world in this publication how having attended UK helped prepare him for the NBA and the playoffs, and how getting his degree made him a better and stronger person. It was a very touching moment for him. It really made him feel proud and special to read this very special article in Texas. He said that he had mentioned it to the Athletic Director and suggested that a copy of the article be framed and put in the Wildcat Lodge for every student to read. On behalf of the Board, he extended his heartfelt congratulations to a wonderful young man for being a part of a world champion team, the Detroit Pistons, and not just for winning a basketball series, but representing his alma mater with honor, respect, and dignity. Tayshaun may have been the only graduate playing in the finals and to think that he is from the University of Kentucky makes one feel very proud.

President Todd said that a resolution could be prepared and sent to Tayshaun, and Mr. Reed thought that was a wonderful idea because he wants Tayshaun to know that the Board is proud of him.

V. Other Business – Men's Golf Team

Mr. Reed mentioned a recent story about the success of the Men's Golf Team. The team did extremely well by finishing eighth in the country and vying for first place. The team kept showing one grit that was so common in the basketball team -- that "never-give-up" grit when you fight. Mr. Reed asked Mitch Barnhart, Athletic Director, to introduce the men's golf coach who he asked to come to the meeting.

Mr. Barnhart said the University has been very fortunate the last few years to have a guy that has led the men's golf program by the name of Brian Craig. Brian has taken the program from virtual anonymity to the national stage. UK played the national championship games in the state of Virginia and represented the University well. Their success the first few days was unbelievable; however, the last day did not go quite as well. They handled that equally with class. He asked Mr. Craig to tell the Board about his team and say a few words. Mr. Barnhart indicated that there are no seniors on the team next year.

Mr. Craig said that he was honored to be there, and he appreciated the invitation to attend the meeting. He thanked the Board for supporting athletics the way it does, particularly the Olympic sports.

Football and basketball get all the attention and rightfully so. Obviously, they draw in a lot of revenue for the Athletics Department, but his student-athletes will tell you that they care just as much about the golf program as any football or basketball player does about their program. They don't always get the accolades for it, but they have been very fortunate the past year or two and have done pretty well. The students in the golf program have done an unbelievable job of representing the University, and within golf circles they have given UK a very positive image and favorable publicity in *Golf World* magazine. CBS will be doing a special on the NCAA tournament in Lexington the 26<sup>th</sup> of June, and hopefully UK will be featured in that very prominently. He said it was an honor to attend the Board meeting and he really appreciated everybody's support.

Mr. Barnhart mentioned that John Holmes was named First Team All-American and Matt Wells was Honorable Mention All-American.

Mr. Craig pointed out that John Holtz was also Academic All-American and on that first team. There was only one other individual who made that ranking. He won the State Amateur by 12 shots, which is unbelievable.

W. Other Business – Note from James Stuckert

Mr. Reed read the following note that he had received from James Stuckert to the Board:

"My most gracious thanks to the Board of Trustees and their approval for my Doctorate of Letters degree awarded this past Saturday, May 8, 2004. It was quite an honor and one I will treasure forever. My prayers are with you and your fellow Trustees to always guide our great University to the best of your ability. Thanks, Jim."

Other Business – UK Alumni, Andy Green, and College of Engineering Students

Mr. Reed noted another sports note about one of UK's alumni, Andy Green, hitting a home run against the Yankees. He was given a round of applause.

There was mention of a contingency of College of Engineering students who competed in building a tractor. There were 30 schools represented, and UK came in second. It was noted that a female participated in the ideas and building of the tractor.

Other Business – Comments by Michael Kennedy on UK Faculty Salary Increment Policy and Faculty Morale

Professor Michael Kennedy gave the following remarks:

"I am satisfied that passing the 'Fighting Fund' resolution will allow us to keep faculty who might otherwise migrate to other institutions. Part of the impetus for a faculty member for staying, besides the money, will be simply our indication that we value that person by having such a fund. I do worry a bit that this encourages faculty to seek offers primarily to augment their salaries through this fund, but, in the end, we are in a marketplace, with all that implies.

"I have a concern about a matter that transcends even the issue of keeping so-called star faculty: the equitable financial remuneration of faculty and staff in general. Previously I addressed the issue of

Kentucky state government's failure to provide adequately for the University. What I want to comment about now is the issue of using what we do have available to enhance faculty morale and create a feeling of fairness among those on whom, without question, the quality and vitality of this University depend.

"One percent was allocated for raises this year. The cost of living went up by 1.74 percent. Faculty understood that UK did the best it could in finding 1 percent in a year when the institution's state funding was cut, yet again. What is not sitting so well with faculty are some of the ways in which that 1 percent was distributed. The University's policy is that faculty raises are to be distributed solely on the basis of 'merit.'

"This year, the University Senate Council, through a hard-working committee on Improving Faculty Salaries, chaired by Professor Yanarella, published a document on improving faculty salaries. It contains several recommendations and is several pages long. In the interest of saving a tree I have not made copies for everyone, but, upon request, I will give you a copy or the web address.

"Further, during a previous administration, the UK Chapter of the American Association of University Professors (AAUP) did a survey of the entire faculty on what they felt were appropriate raise policies. One idea that got considerable support was that, when funds available for raises falls below the increased cost of living, one-half of the salary increment allocation go to CoL increases – perhaps on only a portion of a faculty member's salary, for those making larger amounts. Another idea was that merit increases be allocated in dollar amounts rather than percentages. With percentage increases, two faculty members, whose contributions to UK are equally meritorious but whose salaries are unequal, are rewarded unequally – often substantially unequally. In other words, the rich get richer.

"Another idea, proposed by Professor Alvin Goldman, of the UK Law School and currently UK-AAUP co-chair, is that, after CoL increases are made, merit increases be given as non-recurring bonuses, thus evening out the base salaries of faculty over budget-rich years and lean years.

"As I listen to my colleagues discuss their meager increments this year, and as I contemplate my own 74-cent-per-day raise, I realize that the lack money is less important than this feeling that many of us have: Most of us are falling well short of CoL raises, so that a few may be handsomely rewarded. It doesn't sit well.

"As those of you unfortunate enough to have seats next to me at games – fielding my questions of 'What just happened?' – as you know, my knowledge of basketball is miniscule. So take this analogy with considerable salt. It is my understanding that the Detroit Pistons won the NBA championship, not with superstar players, but with merely great players who operated well together as a team. This faculty is a great team. Marvelous things happen when members of faculty feel they are being treated equitably.

"I recognize that salary raise policy is the purview of the Administration, not of the Board, and that such policy, in the main, devolves to the deans. But I also believe that faculty and staff morale is a major concern of the Board. I am not interested in promoting any sort of 'turf contest' here but rather a hope that the nexus of Board and Administration interest in this problem could provide an opportunity for a morale boost among the people who, in their academic duties, are daily asked to do more with less. The members of this Board have immense expertise – from their involvement for



many years in educational enterprises and businesses – in how to remunerate employees fairly and in such a way as to move the institution forward. It is my hope that Board members will offer, and the Administration will seek, advice on how we might develop a University-wide policy on salary increments and more effectively distribute the salary resources we have.”

Other Business – Statement by Davy Jones Given by Roy Moore

Professor Moore thanked the Board for the opportunity to read the statement on behalf of Davy Jones. Professor Jones very much wanted to be at the meeting; however, he had a real conflict because he needed to attend the annual conference of his professional association in which he is meeting with reviewers for his future grant funding. Ultimately, his future depends upon the meeting elsewhere. Dr. Moore read the following statement on behalf of Dr. Jones:

“First and foremost, I want to thank all the trustees for the fantastic, enriching experience that I have had as a member of this Board. The environment during a previous UK administration caused many faculty to (mis)perceive the Board to be mysterious, distant, and irrelevant to solving issues to which the faculty grapple. A clear message that I will take back to the faculty ranks is how genuinely interested is every Board member to learn of the obstacles which the faculty must navigate, and to ascertain what the Board can do within its purview to remove these obstacles. I also want to thank the Board as a whole for entertaining my exuberant enthusiasm for our faculty, and Alice Sparks specifically for her patient indulgent of my too-many tugs on her sleeve, and Russ Williams for many helpful tips, introducing me to Ale-8.

”I sense that with the important encouragement of President Todd, the Board during the last several years has been earnestly finding its way of how to be an engaged, deliberative, and transparent policy-making body, while at the same time allowing the President’s administration and the faculty academic bodies the latitude to effectively perform what they are hired to do. While many hurdles loom large for the President and faculty at this time, there are several areas for which I sense the Board is reaching to find its better way. One is the Board’s circumspection on an effective strategy for evaluating its own performance, which is testimony before the University community on how sincere the Board is in finding how to make its best contributions to our institution’s success.

“Another new area, which is much to the Board’s credit, and our President’s credit, is the Board’s ongoing effort to make an effective activity with the President, in a university-inclusive process, of evaluating the President’s performance toward stated goals.

”There is another area that I would mention in which the Board is positioned to make a positive difference, as we all labor to find the University’s safe path through this troubled moment. The University’s future is vested in the successful partnership of shared governance, wherein the Faculty of the Senate, colleges, and departments, and the able administration of President Todd, each respect and utilize the expertise of the other, as each makes University decisions in their respective areas of policy-making responsibility. The Board is positioned more strongly than any to promote a University ambiance in which both the faculty and administrative partners wholly embrace the reciprocity of this governance framework. In the near future, this Board will have the opportunity to reaffirm its expression of this expectation in its policies of the Governing Regulations.

”As a final note, the Board of course celebrates the recognition that accrues to the University as faculty members become lauded by the scientific community for their individual creative endeavors. The Board also values those faculty who offer themselves intramurally, often unseen, to fashioning

programs and initiatives that are larger than themselves. Incalculable good will from the faculty, available for harness, will spring from the Board's effective urging upon the administration that it find ways to meaningfully reward both of these formats of faculty contribution, because both are valued and necessary to reach the highest achievements to which we, the University, aspire."

#### Other Business - Resolutions

Mr. Reed said that there were three Resolutions to be read on behalf of three very outstanding, perhaps even historic, Board members in the life of the University of Kentucky. The first one pertains to Elissa Plattner and will be read by JoEtta Wickliffe.

Ms. Wickliffe said it was a privilege and an honor for her to read the Resolution for a lady that she not only respects but also treasures her friendship. During the presidential search for the current president, Elissa was her personal chauffeur as they traveled the Commonwealth seeking comments from Kentucky's citizens regarding the type of leader that they wanted to lead the University of Kentucky. Her love for the citizens of Kentucky has been demonstrated by her dedication to the University. She has kept the Board on tract numerous times as they have struggled with difficult decisions and has always remained the perfect lady. She said, "Lissy, we will miss you, and we ask that you continue to keep us on your radar screen."

#### RESOLUTION

WHEREAS, Elissa Plattner, Ed.D., of Camp Springs, Kentucky, a teacher, journalist, and historian, has served as a member of the University of Kentucky Board of Trustees since 1992, and

WHEREAS, during her lengthy service on the board, Dr. Plattner has faithfully served on many committees of the Board of Trustees, including her current membership on the Investment, Academic Affairs, and Student Affairs committees, and

WHEREAS, this Board has benefited immeasurably from Dr. Plattner's superb communications skills, which she has patiently and resolutely brought to bear on many sensitive issues confronted by this Board,

NOW, THEREFORE, BE IT RESOLVED that the University of Kentucky Board of Trustees conveys its heartfelt gratitude to Dr. Elissa Plattner for her responsible and attentive service and extends its best wishes to her as she continues her public service on the boards of many civic organizations.

Ms. Plattner spoke next and said that one of the prophets once said, "You live in interesting times." Have we ever lived in interesting times! It has been so valuable to be some part of all of it. She thinks of the new initiatives, the shared governance, the march toward Top 20 status, and the fairness for all who work at the University and for all who come here.

Ms. Plattner said that her father was a Trustee at the University of Kentucky. He resigned his appointment in 1942 and joined the United States Army. His fellow platoon leader was a young Kentuckian named John Young Brown, Sr.

Ms. Plattner said that she was the next member of the family to come to UK and told of her experiences as a student. Her words were concluded with a round of applause from her fellow Board members.

Mr. Reed asked Mr. Wilcoxson to read the resolution for Dr. Robert Meriwether.

Mr. Wilcoxson said that he appreciated the opportunity to come forward with this resolution. He said that he had known Bob for many years. They have sat on numerous boards together. It is an honor having someone with his knowledge to help at the University Hospital. He told Dr. Meriwether that he wished him the best and read the following resolution honoring Robert P. Meriwether, M.D.

#### RESOLUTION

WHEREAS, Robert P. Meriwether, M.D., a graduate of the University of Kentucky, whose medical degree is from Tulane University Medical Center in New Orleans, Louisiana, has served on the University of Kentucky Board of Trustees since 1990, and

WHEREAS, Dr. Meriwether has also been the longtime chair of the University of Kentucky Hospital of the Albert B. Chandler Medical Center Board of Directors and is a member of the UK Development Council and has been a UK Fellow since 1984, and

WHEREAS, Dr. Meriwether has served on many of the UK Board of Trustees committees and currently is a member of the Executive Committee and the Finance Committee,

NOW, THEREFORE, BE IT RESOLVED that the University of Kentucky Board of Trustees extends its utmost thanks to Dr. Robert P. Meriwether for not only his double, and in some instances triple, duty of service to the University of Kentucky but also for his longtime attention to the medical needs of the people of the Commonwealth of Kentucky, particularly the citizens of Western Kentucky.

Dr. Meriwether replied to the resolution saying that he has been on the Board for 14 years, and he thinks the Board has some enormous challenges in front of them. While he would like for this to be a time of just frivolity and gaiety, he thinks there are some things that the Board needs to be aware of, and Dr. Todd has already alluded to those. Governor Paul Patton, Billy Joe Miles, and some other folks, along with President Todd, had a real vision back in 1998-99 of ways to help augment the funding of the University. All of those men saw that there would be decreased state resources, and there will continue to be decreased state resources. They embarked upon a program of economic development in partnering with private enterprise. He encouraged them to continue to do that in the future, and if possible, do it on a more rapid and expeditious way because private enterprise moves in a more rapid and expeditious way than the University does.

He said, in his opinion, the University's relations with Frankfort need to be improved. It is all well and good to complain about decreased funding, but we live in one of the poorest states in the nation. Frankfort has no money to give the University, so it makes very little sense to whine and carry on about state allocations. Governor Patton, President Todd, and Billy Joe Miles, in particular, saw the need to augment those funds coming down the pike, and they set in place, at least, an idea to do that.

Dr. Meriwether said that the Athletics Department needs to be looked at very hard. UK has been an eyesore in the SEC for a long time (on probation and yet another problem this year), and he does not believe in sweeping things under the rug. Some overhaul of that needs to be had. He said that he is not sure whether it needs to be on a commissioner's level, presidential level, or where it needs to be done, but the whole conference is in a mess. It is not just UK. It is one of the worst conferences around as far as playing by the rules.

Dr. Meriwether said that the other thing that he has a problem with is capital expenditures and design. There are some wonderful buildings on campus. Unfortunately, some of them have been designed two and three times. Some of campus has been built with the field-of-dreams attitude. He said that he does not believe in building large structures and then finishing them off on the inside as people come in. He thinks that you have to have a game plan for what is going to be in the building. He also thinks that clinical research, while it is not as glamorous perhaps as some of the basic science things that have been talked about earlier, has a place in the University setting and needs to be recognized as research. There is a neuroscience research building – research on clinical outcomes and things of that nature apply.

He talked about when he was a medical student at UK and mentioned the names of Frank Spencer as chairman and thoracic surgeon, Earl Peacock as plastic surgeon, and Charlie Wilson in neurosurgery. He said that these names probably do not mean a lot to the Board because they have all gone on to great heights as far as medicine is concerned. He said that he agreed with Michael Kennedy that we need to have a fair and balanced program as far as the rank and file people on the staff, and that includes the medical staff. But, he also agrees with Mr. John Hall who presented his case here several years ago that the University needs some stars - maybe prima donnas that are people who are hard to put up with and are pains in the rear end. They are what attract the young and the most active residents that will make the program grow.

Dr. Meriwether said that he thinks there needs to be better planning in the building of medical structures. He pointed out that the heart building has a two-story out-patient surgery center, and he does not know of another two-story out-patient surgery center in the nation. It is beautiful and has six thousand square feet in the operating room. That is really not what is needed to take off bunions. The loss of the younger and very vital people who have contributed so much and are going to have long careers, and the attrition has been great. The University is spending extra money to try to build up these departments, but once again, there is going to have to be some partnerships between individual departments and sections of the Medical School, and with both the pharmaceutical companies and the instrument companies in order to create a proprietary program that can share revenue.

Dr. Meriwether said that another thing is the faculty royalty situation as far as the Medical School is concerned. The design needs to be changed to the point that the faculty has a greater portion to take home with them. That is another way to help augment faculty salaries and income. He mentioned a neurosurgeon at Memphis and said that the surgeon would not come to UK because the royalties he received from Medtronic in Memphis are more than he makes doing neurosurgery. He helps design instruments for that company. The University needs a practice plan that is fair to all sections in the Medical Center. The practice plan that the University has now is a hodge-podge put together over the years. It is not President Todd's fault. It is not anyone on the Board's fault. It is something that needs to be revamped, and it needs to be revamped with the input of the faculty of the Medical School. They are one of the biggest sources of revenue. Patients do not come to hospitals – they come to doctors. And they will go where doctors send them.

Dr. Meriwether said another thing is Board information. He said that he has the impression that there is some reticence to provide the Board with in-depth information, and there is some laziness on the Board's part in looking into it. President Todd cannot be at all places at all times. Those Board members who have special interests as he has in medicine need to follow along with what is going on in their particular area of interest, and they need to ride herd on that. That is what the Board is there for -- not for a free lunch, not for a trip out to Spindletop, or anything else. He said that he had tried to do that at the Medical Center, and he told the Board that he has some grave reservations about where the Medical Center

stands right now. The University received two action letters from the Southern Association of Colleges and Schools (SACS) that put the entire University at risk of probation. This is not something that the Board members ought to be sitting around and glossing over. This is something the Board ought to be going into in detail. It is not President Todd's fault. These things came on long before him. But nevertheless, they have got to be addressed.

Dr. Meriwether said that his objection to losing the Lexington Community College (LCC) was not the fact that the University was losing LCC or that the University was making the change or anything of the kind. It was the fact that it was basically dropped on the Board at the last minute when it was a two-year exercise that the faculty, President Todd, and others had gone through to try to come to that conclusion. It may very well have been the right conclusion, but he cannot make decisions like that or understand it either – on only a one-month notice.

Dr. Meriwether talked about the scheduling of meetings and what an arduous task it is for the Board members who live 300 miles away from Lexington. He said that he had been fortunate in being able to fly, but it costs money to fly to Lexington. When two or three meetings are scheduled in two or three days, that clearly puts the person 300 miles away in a position to not be able to attend the meetings.

He thinks the vision that started three or four years ago was good, and it is can still be implemented. He encouraged President Todd and everybody else to work with the Governor in a constructive way to try to bring that to fruition. While the small companies may help a little, the larger corporations have the big research dollars to spend, and if that means exclusive contracts, so be it.

Dr. Meriwether said that he is concerned about the Legal Office. The University almost lost the tobacco research money, and in his opinion, that is not acceptable. Lawyers are meant to find ways to do things, not to find ways why you cannot do things. Paul Van Booven – when he was here – was out there to try to find ways to do things. That cannot be said for the current situation.

Dr. Meriwether said that he wanted to thank a few people that have meant a lot to him. All the presidents that he worked with from President Otis Singletary through President Todd are all fine men. They all have their strengths and weaknesses, but they are all good men and have the interests of the University at heart. He said he also wanted to thank some people that the University made a mistake in losing – Tony Goetz and Jim Holsinger who educated him a lot in how to deal with the University. He thanked Mr. Hardymon. He said the two of them are as different as daylight and dark, but Mr. Hardymon has given him an insight into the corporate world that he would never have had before and an understanding of how corporate boards work. He thanked Mr. Miles and commented about the time when they butted heads “pretty good.” He said that he had come to respect Mr. Miles greatly for what his leadership. Mr. Miles is a real asset to the state and the Board. He hopes that Mr. Miles does not continue to look at the big city because he knows they would like to look at him. He would like to see him stay with the University of Kentucky.

Dr. Meriwether commented about Peggy Way and Marian Sims and said they mean a great deal to him. Peggy Way is somebody that the Board simply cannot do without. She is a lady of the first magnitude. She is a lady that has helped in everything at a time when her mother was sick and all other problems were at hand. He said the conscience of the Board is Marian Sims. Marian represents the best that everyone wishes they had. He said that he also had enjoyed serving with Frank Shoop, who has been a friend. He said Mr. Wilcoxson is the only guy left that was on the Board when he was initially appointed.

Mr. Wilcoxson had taught him what he was able to absorb and is probably one of the smartest men he ever met. He thanked everyone for the honor of being a Board member.

Mr. Reed said the last resolution is for a historical Board member, Marian Sims, and asked Marianne Smith Edge to read the resolution.

Ms. Smith Edge said that it is truly an honor and a privilege to read a resolution to a great lady and to a fellow Trustee that she and Myra Tobin have been great friends with and known for many years. She said that Marian Moore Sims probably truly does have a heart of blue and probably is the greatest lover of UK and all its activities. She said that she is probably the best known Trustee among all the students. She read the following resolution:

#### RESOLUTION

WHEREAS, Marian Moore Sims of Lexington, who holds both bachelor's and master's degrees from the University of Kentucky, has represented the alumni of the University of Kentucky on the UK Board of Trustees in her current term since 1998 and served a previous term on the board beginning in 1996, and

WHEREAS, Ms. Sims has served on many other UK-affiliated boards including the University of Kentucky Hospital of the Albert B. Chandler Medical Center, the UK National Alumni Association, Spindletop Hall, and many other UK organizations, and

WHEREAS, her unbounded love of and enthusiasm for every person, college, department and event associated with the University of Kentucky provides an uplifting spirit of encouragement whenever and wherever she is present,

NOW, THEREFORE, BE IT RESOLVED that the University of Kentucky Board of Trustees extends its warmest affection and thanks to Marian Moore Sims and her family for allowing us to share her valuable and precious time.

Ms. Sims said that Mr. Hardyman recently reminded her of a cute little story about buffalo: It is always helpful to focus on what is right and what is good. Because the Board is the choir, it sees what is wrong. We do much right at UK, and we do so much good for Kentucky that we ought to focus on that. The same University that changed generations of my family changed me in 1972. And it is still shaping my life today. My head is filled with stories, decisions, and milestones since 1991 when the Governor told a tear-filled teacher she could serve on this Board.

This is the most exciting time for this great University. One might see irreversible bleakness in a future with budgetary constraints, pitiful state support, and legions of doubters for how great the institution can be. Let me assure you that a plan for greatness is in place, and the people are here to put that plan into effect.

Ms. Sims said that she did not care how much money the University has or how much money it has to get. Nothing should be allowed to stop this great University from preparing all students and from having the brightest future possible to be able to improve their quality of life and create a dream for them so that they can succeed far beyond their lives. Nothing must stop this wonderful faculty and staff, and these shining students from doing research that finds cures for the Kentucky "uglies" and from creating amazing discoveries that will help our state and our world. And nothing must stop UK from serving this

Commonwealth with information, with technology, and with health care. And nothing will. As a fifth-generation UK graduate, this University was great in its time, has been great, has served many, has changed thousands of people's lives for good, and it is still doing it today. And it will do an even better job tomorrow. She said that she is convinced that there is no place greater than the University of Kentucky and expressed appreciation for being allowed to serve the University.

Dr. Meriwether said that he wanted to thank one more person that he forgot to thank, and that person is Frank Butler. Frank has worked with him at the Medical Center and the Hospital for 10 years. There is no better administrator or vice president around. He is a guy that has really kept the CHA and the Hospital on track, and the University is very fortunate to have him. He is honest and straightforward as a man can be. He has listened to his complaints for 10 years, and that ought to earn him his angel wings. He said that he appreciated Frank very much.

President Todd called attention to a CD given to the Board members. It is a CD that Wendy Baldwin and her team put together about the University's research profile. He encouraged the Board members to review the CD.

X. Meeting adjourned

With no further business to come before the Board, Mr. Reed adjourned the meeting at 3:35 p.m.

Respectfully submitted,

Russ Williams  
Secretary, Board of Trustees

(PR 2, 3, 4, 5, and 6; AACR 1 and 2; and FCR 1, 2, 3, 4, 5, 6, 7, 8, 9,10, 11, 12, 13, 14, 15 and 16 which follow are official parts of the Minutes of the meeting.)