

Minutes of the Meeting of the Board of Trustees of the University of Kentucky, Tuesday, September 21, 2004.

The Board of Trustees of the University of Kentucky met at 1:00 p.m. (Lexington time) on Tuesday, September 21, 2004, in the Board Room on the 18th Floor of Patterson Office Tower.

A. Meeting Opened

Mr. Steven S. Reed, Chair, called the meeting to order at 1:00 p.m., and Ms. Rachel Watts gave the invocation.

B. Oath of Office

Barbara Jones, General Counsel, administered the Oath of Office to the following members:

Mira S. Ball, appointed by Governor Ernie Fletcher to replace Elissa May Plattner, for a term ending June 30, 2010.

Stephen P. Branscum, appointed by Governor Ernie Fletcher to replace Robert P. Meriwether, for a term ending June 30, 2010.

Ann Brand Haney, appointed by Governor Ernie Fletcher as alumni representative to replace Marian M. Sims, for a term ending June 30, 2010.

Roy Moore, elected by the faculty to replace Davy Jones, for a term ending June 30, 2007.

C. Roll Call

The following members of the Board of Trustees answered the call of the roll: Mira S. Ball, Stephen P. Branscum, Marianne Smith Edge, Ann Brand Haney, James F. Hardymon, Michael Kennedy, Pamela May, Billy Joe Miles, Roy Moore, Phillip Patton, Steven S. Reed (Chair), Frank Shoop, Alice Sparks, Myra Leigh Tobin, Rachel Watts, JoEtta Y. Wickliffe, Billy B. Wilcoxson, Russ Williams, Elaine A. Wilson, and Barbara S. Young. The University administration was represented by President Lee T. Todd, Jr., Provost Michael Nietzel, Acting Executive Vice President for Finance and Administration Frank Butler, Executive Vice President for Health Affairs Michael Karpf, Executive Vice President for Research Wendy Baldwin, and General Counsel Barbara W. Jones.

Following the roll call by Mr. Williams, he said that there were two people in new roles in the University leadership and introduced Ernest Yanarella, Chair of the Senate Council, and David Ellis, Chair of the Staff Senate.

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 1:04 p.m.

D. Resolution

Mr. Reed said that the Board was going to deviate from the normal routine for a resolution honoring a very special person, Tayshaun Prince, a graduate and former basketball player at the University of Kentucky. He said that Coach Tubby Smith was on a recruiting trip and regretted that he could not attend the Board meeting.

Mr. Reed asked Mr. Prince to come forward and be recognized. Mr. Prince received a round of applause as he entered the room. Mr. Reed said that the Board had watched Mr. Prince on and off the basketball court and had been impressed with the manner in which he carries himself. He said that Mr. Prince epitomizes class and honor and what everyone aspires to be as a Kentuckian and a "Wildcat." He referred to articles that had been in newspapers about Mr. Prince, especially the article that he read in Texas while attending a conference, and told Mr. Prince that the Board wanted to present him with the following resolution :

WHEREAS, Tayshaun Prince of the Detroit Pistons, who graduated from the University of Kentucky with a bachelor's degree in sociology in 2002, has brought great honor and distinction to his alma mater, and

WHEREAS, Mr. Prince played a vital role in helping to lead the Pistons to the 2004 NBA World Championship over one of the most storied franchises in all of professional sports, the Los Angeles Lakers, and

WHEREAS, Mr. Prince played in all 82 regular-season games, and started in all 23 playoff games for the Pistons, making significant contributions to the Detroit cause both offensively and defensively, and

WHEREAS, Mr. Prince has conducted himself with utmost dignity and class in dealing with the public and with the media, bringing great credit to his parents, his coaches, and other support staff at the University of Kentucky, and

WHEREAS, Mr. Prince is an outstanding example of the positive role that intercollegiate athletics can play at UK and at other higher education institutions,

NOW, THEREFORE, BE IT RESOLVED that the University of Kentucky Board of Trustees extends its heartiest congratulations and thanks to Tayshaun Prince for his outstanding career at UK and wishes him continued success at the highest level of professional basketball.

Mr. Prince said it was an honor to receive the resolution, and it always feels good to come home to the University of Kentucky. He said he would never regret the four years that he spent at the University and was proud that he is a graduate of the University. They were the best four years of his life. He thanked the Board for honoring him with the resolution and said he really appreciated it. The Board gave Mr. Prince another round of applause.

E. Nominating Committee Report

Mr. Reed called upon Mr. Shoop, Chair of the Nominating Committee, for his report.

Mr. Shoop reported that the Nominating Committee met that morning to consider the nomination of officers of the Board and the members of the Executive Committee. On behalf of the Nominating Committee, he submitted the following nominations for officers:

Chair	James Hardymon
Vice Chair	JoEtta Wickliffe
Secretary	Elaine Wilson
Assistant Secretary	Barbara Jones

He moved approval of the nominations.

Mr. Reed said the Board had heard the motion and asked for a second. Ms. Smith Edge seconded the motion. He asked for any nominations from the floor, and there were none. He called for a vote on the nominations and motion presented by Mr. Shoop. Mr. Wilcoxson seconded the motion, and it carried without dissent.

Mr. Reed said that the Committee report has passed and is now an order. He congratulated Mr. Hardymon and asked him to please come forward and assume the position of Chairman of the Board. Mr. Hardymon received a round of applause.

Mr. Hardymon accepted the position and thanked the Board. He said he had watched Ned Breathitt to Mr. Reed for seven years, and he hoped he had learned enough to do a good job. He thanked Mr. Reed for his commitment, dedication, and accomplishments. The Board gave Mr. Reed a round of applause. Mr. Hardymon asked Mr. Shoop to continue with his Nominating Committee report.

Mr. Shoop submitted the following nominations for members of the Executive Committee from the Nominating Committee:

James Hardymon, Chair
Michael Kennedy
Steve Reed
JoEtta Wickliffe
Billy Wilcoxson
Elaine Wilson, ex officio

He then moved approval of the nominations for the Executive Committee.

Mr. Hardymon said that the Board had heard the Nominating Committee's submission on the members of the Executive Committee. He asked for a second to Mr. Shoop's motion. Ms. Wilson seconded the motion, and it carried without dissent.

Mr. Shoop congratulated Mr. Hardymon, the officers, and members of the Executive Committee and said that completed his report.

Mr. Hardymon said that he also wanted to congratulate Ms. Wickliffe and Ms. Wilson. He said that he was looking forward to continuing to work with them as well as with President Todd.

Mr. Hardymon continued with the agenda. He noted that the Minutes are a consent item. He noted that there was one action item that came out of the retreat. Ms. Wickliffe appointed a committee to develop a format for protocol to deal with different issues and concerns. He said that he is responsible for getting that committee together, and he will do that. He asked if anyone had any comments or corrections to the Minutes. Since there were no comments or questions, he said he assumed the Minutes are approved as written.

Mr. Hardymon called attention to the Schedule for Meetings for 2005. He said they were essentially the ones decided on in the second day of the retreat. He then called upon President Todd for his report.

President Todd began by thanking Mr. Reed for his service. He said that it takes an inordinate amount of time to chair a board such as this, and there is nobody that has been chair who has the passion for the institution that Steve Reed has. He said that he had a token of appreciation for Mr. Reed; however, it was not ready at this time. It will be presented to Mr. Reed at another appropriate time.

F. *The Dream & the Challenge, Strategic Plan Progress Report*

President Todd said that he wanted to give the first annual update on the University's Strategic Plan, *The Dream & the Challenge*. He began by thanking Dr. Connie Ray for the tremendous job that she is doing in pulling the information together and measuring the University's goals. There will be a document coming out called *The Success* which will be an annual summary of how the University is doing against the goals that the Board approved and set in the Strategic Plan.

Through a series of slides, President Todd reviewed the University's six goals and elaborated on each of them.

Goal I. Reach for National Prominence

President Todd said that Goal I was to reach for national prominence. He reiterated what he has said for some time, that the way the University is going to get to be a Top 20 organization is one department at a time. A goal was raised from 10 to 15 top ranked academic programs. The last time those were calculated was in 2001-02, which was an indication of what had been achieved on the prior Strategic Plan. He said that he is pleased to say that they have picked up three out of the additional five, and he applauded all of those for being in those categories. He told the Board that he would keep them abreast as the University moves up that ladder.

The second measure in Goal I is to increase clinical income to \$452 million. He said that he felt quite good about this goal having set down with Dr. Karpf and hearing what the clinical revenues look like the last couple of months. He said that he thinks this goal will be exceeded.

The third measure in Goal I is one that has to do with the endowment market value. At some point in time, he said he hoped Mr. Wilcoxson could take the entire Board through some of the innovative things that are taking place right now with the Investment Committee. He would like for Mr. Wilcoxson to give them a report on how the University has been able to move some money from some fund managers to new ones without costing the University what it would have otherwise. He reported that the endowment market value goal will be exceeded. If the market stays true as of today, the endowment is over \$500 million. This is a remarkable thing going from (this is a House Bill 1 deal and a "Bucks for Brains" deal) a \$195 million endowment to \$500 million endowment during dot com, Enron, and 9-11. It is a great accomplishment, and Mr. Mobley and his development staff are to be applauded as well as the faculty and the administrators who have been vitally important to having the ability to show and to demonstrate the confidence so that the investors will have the confidence in putting this kind of money up.

Goal II. Attract and Graduate Outstanding Students

President Todd said that Goal II is to track and graduate outstanding students, and the University is doing that. The numbers were reviewed for the entire state, and the University of Kentucky had by far the largest number of new students in the freshman class of any institution this year. UK got very close to 4,000 students. He said that the University has its hands on the volume and quality knobs. The freshman class increased from 3,000 to 4,000. He talked about the two ways to measure the ACT. Admissions measure it by taking components of the students' score which is where they score the best and adding those together. However, the University officially reports to the *U.S. News and World Report* the best score if the student takes multiple tests. Different states do it different ways. When ACT reports their official numbers, they report the last test the student takes. Our official measure is the most conservative way to present this data. The University's goal is 23 to 28. He said that the administration thinks that it has the strategies in place to reach that next year. If you look at the national average, which is 18 to 25, and the Kentucky high school student average, which is 17 to 23, that gives you an impression of what the freshman class quality really looks like because their average ACT scores are in the 22 to 27 range. UK is bringing in some tremendous students.

The other thing is the enrollment number. UK has grown in undergraduate enrollment significantly and also in professional enrollment. The transfer enrollment goal, however, has been missed. It declined to 648 in 2003 where the goal was 680, but those are CPE goals. In undergraduate enrollment and graduate/professional enrollment, UK has exceeded the CPE goals.

A part of the strategy to attract and graduate the students is to have some new dormitories. Mr. Ben Crutcher had mentioned that, had the University had housing available this year, UK might have hit 4,100 freshman this year. It has been an impediment possibly because the University's waiting list got to be very large. He said that a new dorm would be located at

the corner of Martin Luther King Boulevard and Euclid Avenue going toward downtown. The new dorm will focus on the arts and by building that dorm and three others, the University will be able to have very competitive housing on this campus.

President Todd said that the first-or second-year retention rate is something that is taken very seriously because if you are going to graduate them you have got to retain them that first year. The first year is a hard time for a lot of students. The slide shows a rate measured for those who have left the University. There is another rate that CPE considers, and that rate considers if that student left UK but went to Lexington Community College, Eastern Kentucky University, or Western Kentucky University. That number for UK is up in the mid 80's. This is the number that just counts what happens with UK students. UK lost some last year, and Dr. Ray and Mr. Roger Sugarman went through a survey of all the students that could be found who left the University, and the Board will receive a summary of that report. He said that the administration knows why a lot of the students left. One large component is they want to be closer to home. He said that he believes that is a "Kentucky" thing. Some of them had academic problems, but that information can be provided. The good news is that UK is back on track because it has picked up a couple of points, almost what it lost the previous year. The goal was 83 percent retention, which will be the highest in the state.

President Todd reported that there are standards that are measured by the National Survey of Student Engagement (NSSE). What they do is look at the student information. They look at several parameters, and they predict what students should achieve based on the parameters. UK is the only university in the state that exceeded the average in all five of these, and hence Dr. Ray has given a gold star on the slide for that. This is a survey of the types of things that the University wants to measure to see whether student success is just about grades. It is about learning ability or capacity. It is about faculty and student interaction. It is about the rich educational experience, and this is the kind of thing that the University has got to invest in to try to improve the experience the students have.

President Todd said that the next slide shows six-year graduation rates. Goals were established back in 2001 with CPE, with the ultimate goal being 60 percent. The past year UK went over that reaching 61.1 percent. That again is the highest rate in the state. There are several state universities that are in their 30's, their 40's, and maybe one or two others in the 50's. This is a very good measure, and it is something that to be excited about. If UK wants to get up there with the top public universities, it needs to be in the 70's. He said that the administration has strategies that it is working on. At the Board retreat, he and Provost Nietzel talked about the Center for Undergraduate Excellence and about expanding the Honors Program. Several of the academic goals that the Provost mentioned at the retreat are the kinds of things that we think we can pay attention to here.

President Todd talked about the four-year contract, which 13 departments now have in place. He said he tells parents that the best way to keep the cost of college down is to get their child out of college in four years. It cuts down the housing costs, and it puts them in the income stream when they find a job. He said that it is imperative to do a self-diagnosis, and Dr. Yanarella is helping the Senate review the undergraduate curriculum and the USP offerings to look at what it will take to get students graduated before the 6-year rate.

Goal III. Attract, Develop, and Retain a Distinguished Faculty

President Todd said that when you look at instructional faculty salaries, there is no gold star. It looks like some headway was made when we went to 89 percent of the median of our benchmarks, and that is the result of the 3 percent raise that was given a couple of years ago. The chart does not yet reflect the 1 percent raise that was just given. He said that this year he did not expect to do as well in this measure. This is an area that the administration has got to focus on and make some headway. The faculty deserves it, and this will have to be made a very high priority for the budget next year in order to retain the outstanding faculty that is here. This is one goal that has not been met.

President Todd said that when you look at attracting and developing distinguished faculty, some initiatives have been done which, in his opinion, have helped the process. They are things that will help in recruiting. You do not read about the ones recruited. You read more about the ones that leave the University. A good set of faculty is being recruited, and through the process, the administration has realized that there are some things that need to be done in order to be more competitive in the market place, and they have been willing to make those changes.

Goal IV. Discover, Share, and Apply New Knowledge

President Todd said that when you get into the area of discover, share, and apply new knowledge, one of the measures of Goal IV is federal research dollars. These are the dollars that are competitive dollars. These are not earmarked. These are not state funds. These are the funds for which you have to go head to head with the top universities. Back in 2001, UK set its CPE goals. Thanks to the faculty and the research administration, UK has exceeded those numbers substantially by a \$100 to \$120 million. He said that the administration thinks that the University is on track to get \$140 million, and this is a real challenge for UK in that the NIH budget is not going up like it was, and the NSF budget is not going up like it was. He noted that Dr. Baldwin is measuring proposal output and trying to encourage faculty to go for the money that pays the overhead. He thanked the congressional delegation for helping the University take its federal earmarks from \$5 million to \$22.7 million in the last three or four years. That allows UK to kick off initiatives that it otherwise would not be able to do. He said the University is very indebted to that delegation.

When you look at doctoral enrollment and degrees awarded, UK is behind in that goal. There is work to do to get there. Doctoral enrollment is short about 175 students, and doctoral enrollment has got to increase.

President Todd reported that the measure for postdoctoral enrollment has already been exceeded. The number really does follow federal research funding and other research funding because hiring postdoctoral students is how to get research done and how to lay the groundwork for writing the next proposals. Being able to track postdoctoral fellows is important, and UK gets a gold star for that one.

Goal V. Nurture Diversity of Thought, Culture, Gender, and Ethnicity

President Todd said that Goal V is nurturing diversity of thought, culture, gender and ethnicity. He reviewed the measures of progress, the decreases, and the constant. He pointed out that with respect to the undergraduate enrollment, UK's target is 7 percent. UK was at 5.9 percent last year and 5.4 percent this year even though there was a 30 percent increase in African-American freshmen last year and a 20 percent increase in African-American freshman this year. Overall application rates are up 13 percent, but applications for African-Americans are up 31 percent.

He noted that undergraduate retention has gone up, and the six-year graduation rate has gone up 6 percentage points. He applauded multicultural affairs, counseling advising, and faculty members for the work that they have done in this arena. Such statistics are for the student resident. That is how this goal is measured, and this is a set of data that has been put in place for the "Kentucky" plan for Equal Opportunity in Higher Education. It is one that is measured at CPE, and certain things happen if you do not make it. There is some accountability on this one.

President Todd reviewed the area of faculty and staff and said that UK has done reasonably well in the female faculty, executive, administrator, and managerial categories. It has not done well with African-American hiring. This is an area that must continue to be pursued. Some funds to try to encourage recruiting and retention have been allotted for that measure. There is work to do here.

Goal VI. Elevate the Quality of Life for Kentuckians

President Todd said that Goal VI is to elevate the quality of life. One of the fundamental premises of House Bill 1 was improving per capital income. The other thing was to try to reduce the brain drain and to keep our own people. The University has had five new start-up companies in 2003 and 2004. There was only one in 2002-03, three in 2001-02, and one in 2000-2001. He said that not only are participants allowed to get patents and get their companies started, but UK is also trying to put funding mechanisms in place with the Lexington Venture Club and the Bluegrass Angels. Some efforts in the venture capital arena need to be pursued. These are exciting companies, and many of them are located in ASTeCC, an on-site incubator where companies can be started where their developers work and where the developers can hire their students.

President Todd said that one of the big things on the agenda for the quality of life measure is the patient bed tower. Dr. Karpf and his team are working hard to put together a plan that will be brought to the Board before the end of the year. If you go throughout Eastern Kentucky, the importance of healthcare that comes out of the Medical Center is paramount to many of those communities. The facility is needed.

Another measure is patent output, and the numbers are up. He said that there are some very meaningful patents happening now, and he is glad to see that number up. It is well ahead of the goal, and that goal may need to be readjusted.

President Todd talked about public service expenditures. He said that extramural competitive funding has gone up by about \$32 million to \$33 million. He called attention to the total UK spent and said that these are categories being tracked. He mentioned that UK is up \$120 million in certain areas of public service.

President Todd talked about a couple of exciting things that have happened this year. One is the appointment of a joint faculty member between Dentistry and Agriculture. That faculty member will be working with extension agents trying to improve oral health across Kentucky. Another is a Fine Arts agent in the extension office in Pikeville. This is an area where the University can reach out and help change the culture of some communities.

All told, five of the key indicators have already been achieved. He said that he feels if UK has already met a goal, it needs to set a new one. This is not a plan that has to be rigid for three years. He said that he plans to revisit some of the goals.

President Todd reported that the University made good progress on 17 of the measures. There was little or no progress in 4 other categories. One of the categories measured in *U.S. News and World Report* and other places is the number of faculty in the National Academy of Science other national academies. UK has not made any progress there. The administration is trying to put some strategies in place to focus on cultivating existing faculty so they can make it into those higher echelons but is also considering how some distinguished faculty might be recruited. That is something that is in the works.

President Todd said that this report will be given to the Board each year. He said that he would be glad to answer any questions.

Mr. Wilcoxson asked if any kind of an indicator for class size goals could be set within the plan with all the new students coming to the University.

President Todd replied that it is measured. That is part of some of the other measures that are out there.

Mr. Wilcoxson asked if the information was available to the Board.

President Todd said that it can be done. He mentioned a discussion at the recent Governor's Trusteeship Conference. Higher education enrollments are going up across the nation, and higher education budgets are going down. Some things that suffer are class size and faculty salaries.

President Todd reminded the Board of their suggestion at the Board retreat to invite the deans to make a presentation at Board meetings and discuss their colleges' activities. He asked

Deans Scott Smith, College of Agriculture, and Dean Sharon Turner, College of Dentistry, to come forward and make their presentations.

G. College of Agriculture Report

Dean Scott Smith thanked President Todd and said it was a pleasure to have an opportunity to speak to the Board about the College of Agriculture. He said that he would love to talk to the Board for two or three hours about the College, however he understood the time constraints. He said that he would be brief and presented the following report about the College of Agriculture:

The College of Agriculture's recent Strategic Plan states that it will be recognized for fostering excellence in:

- Learning that changes lives,
- Discoveries that change the world, and
- Opportunities that shape the future.

This is to be realized through the full integration of research, teaching, and extension that is unique to the College of Agriculture.

The mission of the College is also directed and channeled by mandated programs both at the state and federal level. The Commonwealth of Kentucky mandates responsibilities and funding for the Cooperative Extension Service, the Agricultural Experiment Station, the Livestock Disease Diagnostic Center, and Regulatory Services. At the federal level a national network of agricultural research and extension, led by the USDA, imposes additional mandates on our College.

The land-grant mission and the mandated programs give the College (and the University) a statewide presence, with Extension offices in all 120 counties and with multiple research stations.

The advancement of the College's research stature is suggested by an increase in extramural funding from approximately \$6 million in 1997 to over \$23 million in 2004. Areas of research distinction or targets of opportunity include:

- Plant sciences
- Animal health and agrosecurity
- Forage-livestock systems
- Food systems
- Natural resource sciences
- Leadership and community development.

Student enrollment has shown steady growth over the long term with considerable success achieved by innovative interdisciplinary majors like Agricultural Biotechnology and Natural Resource Conservation. The recent merger with Human Environmental Sciences increased undergraduate enrollment to approximately 1,800 and, while posing many challenges, has progressed very constructively. The College maintains a tradition of commitment to student success within a close college community.

The Kentucky Cooperative Extension Service is among the strongest in the nation and enjoys exceptional support at the local and state level. To serve all Kentuckians, Extension maintains strong programs in Agriculture and Natural Resources, Family and Consumer Sciences, and 4-H Youth Development. Increasingly, Extension serves new audiences and addresses changing issues faced by our citizens. New partnerships across the University allow UK to use the Extension network to deliver high-impact programs in diverse areas like health education, small business development, and arts and culture.

H. College of Dentistry Report

Dean Sharon Turner thanked President Todd and said that it was a pleasure to make a presentation about the College of Dentistry to the Board. She gave the following report about the College:

The creation of the College of Dentistry at the University of Kentucky's Albert B. Chandler Medical Center was approved by the Board of Trustees in May of 1956, dedicated in September 1962, and saw its first graduating class in May of 1966. From the beginning of its conception it was an integrated and full player in the academic health center. The current enrollment at the College includes 205 pre-doctoral (first professional degree) students and 46 post-doctoral students in six different areas of study including pediatric dentistry (9, masters degree optional, 2-year program), periodontics (6, masters degree also required, 3-year program), orthodontics (8, masters degree also required, 32-month program), oral and maxillofacial surgery (11, MD degree also required, 6-year program), orofacial pain (5, 1 fellowship year + 2 years masters degree or 3 years, masters degree required), and general practice residency (7, 1 year with an optional 2nd year).

The purpose of the College is to promote oral health within Kentucky and beyond. One strong guiding mission at the time of the founding of the College was that it would provide dentists for rural parts of the Commonwealth, particularly in Appalachia. We continue to fulfill that mission, as the majority of the dentists in the eastern part of the state are UK graduates. Our mission operands include dealing with the oral health problems of dental decay (caries), periodontal disease, loss of teeth, oral cancers, and cleft palates. All of these diseases and disorders are serious problems in Kentucky. For example, our state has the highest number of adults over the age of 60 with no teeth at all and 75 percent of our 15-year-olds have tooth decay. The College also has a strong mission legacy of emphasis on service and outreach as evidenced by its extensive mobile van program providing services to school-aged children all over the Commonwealth. The College received an America's Promise Award in 2001 from President George Bush and Secretary of State Colin Powell for its outreach work with children, the only dental college in the nation to ever be so honored.

The dentist-to-population ratio in the United States has been decreasing since 1990. The optimum ratio is one dentist for 1,500 people. The current national ratio of dentists to population is approximately 1:1725, while that ratio for Kentucky is 1:1800. There is a

predicted continual decrease in the number of practicing dentists through 2020 unless more dental schools are opened or current schools increase class size. It is difficult to increase class size however due to the need for special equipment in the education of dentists. The current class size at UK is 54 with an absolute maximum size of 56 without significant renovation of facility and additional space. The Council for Postsecondary Education caps the number of in-state residents per class at 36 at UK and at 44 for the School of Dentistry at the University of Louisville. In May of 2004, 49 students graduated from the UK College of Dentistry and 25 of them entered practice in Kentucky, 17 went on to post-graduate training, 3 went into the military, and 1 into the Indian Health Service. Students who begin their training as out-of-state residents are generally successful in changing their residency status to in-state by the second year of study, but almost none of them stayed in Kentucky to practice after obtaining the lower tuition rate of a state resident.

The College has 75.8 full-time-equivalent faculty positions. There are 40 tenured faculty, 12 on tenure track who are not yet tenured, and 14 on fixed-term contracts. The remaining 9.8 FTEs are filled by 43 different persons who work part time. We have 167 volunteer faculty who supervise our students at various extramural community based rotations. There are 162 staff support employees staffing the various clinical and academic functions necessary to run a patient care program. The dental model of education places the treatment of the patient in the hands of the dental student so that it is impossible to separate education and patient care missions of any dental school. To properly care for patients, it is necessary to employ dental assistants, dental hygienists, dental laboratory technicians, appointment clerks, sterilization technicians, and dispensary clerks in addition to the departmental administrative support familiar to more traditional academic endeavors.

In 2003-04, the College experienced 98,972 patient care visits in its various clinical sites. Additionally, 15,218 patients received screen exams in sites all over the Commonwealth, and 35,120 fluoride varnish kits were dispensed through the College's Physicians' Oral Health Education in Kentucky and Nurses' Oral Health Education in Kentucky programs.

Following the presentation, Dean Turner received a round of applause.

I. President's Report (PR 1)

President Todd said that he would not go through the items in PR 1 because of the lengthy agenda but encouraged the Board to review the good things in the report.

He did mention that there is another \$10 million COBRA grant that the University recently received under the leadership of Dr. Louis Hersh and his team in Biochemistry. He noted that this is two \$10 million grants received by the University in the last month.

President Todd reported that Dr. Jack Blanton had a passion for some time for looking at the possibility of a Continuous Care Retirement Center on Coldstream Campus and has been

working on the project with a group of others. He asked Dr. Blanton to come forward and give a presentation to the Board.

J. Preliminary Study – Establishment of a Continuous Care Retirement Facility at Coldstream Farm

Dr. Blanton said that he was pleased to be with the Board. When he retired just over a year ago, President Todd asked him to take on the project of a construction of a Continuous Care Retirement Community (CCRC) at Coldstream. He said that he immediately thought of the phrase from the New Testament, “I go to prepare a place for thee.” He said that he readily accepted the challenge, and he hoped the Board could advance the project at least one step and maybe more at this Board meeting. He referred to the document entitled Preliminary Study about the project that had been mailed previously to the Board. He said that his presentation would not cover in detail everything in that document but focus on the salient points in the report and maybe a few that are not in there.

As well as can be determined at this time, there are 20-plus universities that have established these kinds of retirement communities in connection with the universities. The idea for this came out of the Alumni Association as the three alums on the Board will recognize. They want to bring their graduates back to the University after retirement so that they could spend their retirement years closely affiliated with the University. The concept of the continuous care facility, as the report says, is that it allows for a number of units where there is independent living, assisted living, and skilled nursing care. The resident can move among the three with ease. Universities that UK can most closely relate to that have built such facilities are the University of Florida, University of Alabama, Penn State University, and University of Nebraska. Since starting the study last fall, he has had a contact from Ohio State University, which is exploring the same thing, and Vanderbilt University, which is also thinking about a retirement community.

Strangely enough, alumni have not been the people who have populated the majority of these facilities that have been built at other institutions. Retired faculty and staff have taken advantage of living in the ones that have been constructed as well as members of their family. Their parents and relatives have also been brought to campus because it was convenient for them to be close to their sons and daughters, and also people who live in the community have come to live in these facilities. In fact, the make-or-break population has come from the local community or the regional community where these people live.

Dr. Blanton noted that an expression of interest in the Coldstream retirement community by each of these constituencies would be part of a feasibility study. Again, he emphasized that this is a preliminary report and not a feasibility study. A feasibility study would test the market, see what the demand was, and see what the future prospects for demand were, and then would suggest construction of facilities sized to what that study showed. There is one developer who has expressed an interest in it and is somewhat dismayed that the university has not proceeded to do this. He said that President Todd emphasized to him when he began working on the project that the University does not have the resources to build or operate a CCRC. Therefore, the University would turn to the private sector, form a partnership, and work with that partnership to

build the facility. If the University is successful in acquiring a partner to conduct a feasibility study, that will show what the demand is.

He noted that the President also admonished him that if the University is lucky enough to get a facility, he would expect that there would be some income generated from it that would come back to the University, probably from a lease arrangement with the developer. He then mentioned a significant point on which the University has been advised by other universities that have developed retirement communities, to engage a developer who is also an operator with a good track record. If you get one developer who builds a facility and then another operator that comes in, then you are headed for trouble; therefore, when the University goes out to find someone who is willing to do this, this will be a consideration.

Dr. Blanton refreshed the Board's memory of the layout at Coldstream by displaying maps and pointing out the following: the private property owned by Bill Gatton and Tim Haymaker who are developing a residential complex subdivision in one area, land undesignated for specific use at this time, the chicken ranch that Dean Smith alluded to, and the dairy facilities. He then pointed out the subdivision where the utilities for the project would probably come from and talked about the various highways and private development around Coldstream. He said that he had covered the proposal with John Parks, Director for the Coldstream Research Park, and Mr. Parks suggests that a synergy can come out of this that will be beneficial for the research park, the development that Mr. Gatton and Mr. Haymaker are doing with the suburban neighborhood, the Continuous Care Retirement Facility, and the research park. A synergy can come out of that and it will make all of them better.

Dr. Blanton explained that he could not show on the map where the facility would be located or whether it would take up the entire 198 tract; however, he did not think that it would take up the entire tract. In fact, they think that the Alltec project that Dean Smith referred to with the poultry production can be isolated and will in no way be a deterrent to this project.

He said that three-fourths of the residents who live in a continuous care facility live in independent housing, and one-fourth live in either assisted living or a skilled nursing facility. This will be an upscale type of facility, and it will have the various amenities that are referred to in your report.

Dr. Blanton talked about ties between the CCRC and the University. Residents who live there would have access to the events and facilities on the campus and would be a part of the University community. That would be the University's objective, and it would also be the developer's objective. That is one of the selling points for these facilities around the country.

He said that he had reviewed the concept with Executive Vice President Karpf. The College of Medicine could provide under contract medical services there. The same thing could be done with the College of Dentistry, Pharmacy, Nursing, and even Rehabilitation facilities within the Medical Center. It would also have opportunities for other colleges such as a design college, engineering college, and the law school. All of those would have an opportunity to be involved with this particular facility.

Dr. Blanton explained some of the advantages that this facility would provide. It gives the University a research opportunity. He said that he had also reviewed the plan with Executive Vice President Baldwin, and she says that there is some research potential there. People who live there would have the pleasure of being research subjects if they wanted. Also, the construction of this facility would enhance the University's reputation as one of the leaders in the country in the study of aging. Another advantage of this particular facility, since this will be an affluent group of people living there, would be the opportunity for development. The primary objective for the University of Florida was for their Development Office to work with people who are in these alumni communities for fundraising purposes. It does have that kind of opportunity.

Dr. Blanton said that these facilities traditionally have something called Life Care Contracts. They serve in lieu of long-term health care insurance, and they can be linked with estate planning. If a person buys a space in one of these facilities and stays there for a certain period of time, the person's estate can get back as much as 90 percent of the initial investment. He noted that at this time the resident does not have an equity interest in his or her space in the facility, however, the person can stay in the facility once entering into it under the Life Care Contract until the time of death.

Dr. Blanton noted that this is a high-risk investment for the developer. The developer will have to have about 50 percent of the spaces sold before breaking ground. That is the tradition that has been followed at other universities, and this will take time. The developer can have as much a \$5 million invested in this project without knowing whether it is going to go.

He said a logical question for the Board is whether it is the highest and best use of the property. He said that the administration believes it is, or he would not be at the meeting. He explained that if the University sold the 192 acres, the proceeds would revert to the state treasury and not to the University. The state bought the property back in the 1950s in the second Albert B. Chandler administration with state funds and then turned it over to the University of Kentucky. Under existing state law, if the property is sold, the proceeds revert to the state. From the administration's perspective, this would not be a prudent thing to do.

The University could try to lease the land for commercial use. That would offer a higher return, but the pathway of such an option has all kinds of obstacles. He said that the administration had met with the city planning director and shared the idea about CCRC at Coldstream. While the director could not make any commitment at that time, he did smile with favor upon such a facility and frowned upon the mention of a commercial route. He said, in his opinion, if a developer took this on under a long-term lease agreement and tried to do something with commercial enterprise, the developer would have great difficulty in getting it past the city's Planning and Zoning Commission. If the Board decided to lease it to a developer for residential construction, it would be a real hindrance in terms of getting people to locate their homes out there because the University cannot sell it or give a deed and fee simple to the owner of the property.

The Continuous Care Retirement Community with close ties with the University is the better use of the property at this time. It is supported by the Association of Retired Faculty and

Staff, and President Todd has heard from a number of them in support of this proposition. President Todd received a number of letters from others who are supporting it, including the State Nursing Association. He recognized retiree Bernie Vonderheide in the audience and said that Mr. Vonderheide has been a leader in trying to get this project going at Coldstream.

Dr. Blanton said that this is not the first time this issue has come up. This issue first came up when the University developed the research park. Mr. Wilcoxson and some other members may remember it. This idea was floated, but it was thought that it would be in competition or get entangled with that research park effort. It was put into abeyance, but now that the property is defined out there with much greater precision, that should not be an issue any more.

An increase in the aging population means there will be a future demand for such a facility, and it certainly would help to meet that demand. In summary, this facility will bolster the service and research mission of being a land grant institution.

Dr. Blanton suggested that the administration take the next six weeks or so to develop a Request for Proposal (RFP) to see whether or not developers are interested in the proposal. Four developers, all of whom have built university-related facilities, have expressed an interest in the project. The RFP will let the administration know if there is an interest in doing the project or let the project end for at least the time being.

Dr. Blanton explained that the RFP would be devised to allow the administration to negotiate specific terms concerning the how much land, what kind of facilities, and what kind of contractual arrangements. All of that would be decided and then brought back to the Board. A plan would be presented as a result of the RFP process, and the Board would decide, based on the information brought back, whether it wishes to proceed with the project. He said that he was not asking the Board for approval to proceed at this meeting. He would, however, like to suggest that the administration be allowed to go forward with a RFP. If that endeavor is successful, a non-profit foundation would be created to oversee the firm that had responsibility for operating the facility, but that lies in the future. He said, in his judgment, the waters have to be tested first to determine the interest in the project through the RFP process. He said that he would be pleased to answer any questions.

Mr. Wilcoxson asked about the RFP process going through the Purchasing Department at the University.

Dr. Blanton said that he would propose it be a University of Kentucky RFP. It would be noted in the RFP that once a proposal was accepted and the foundation created, the Board would have oversight of the project. He said that it will be a tricky thing to write, but other people have done this at other universities. He has friends who serve in vice presidential positions at Florida and Alabama who have done this, and he will call upon them to help get the process started.

Ms. Smith Edge said that she has been involved in this kind of industry at all of these levels for 20 plus years, and Dr. Blanton has laid it out very concisely. She concurred that it is not something the University of Kentucky personally wants to get involved with respect to the

costs. Being involved with companies that have opened up retirement facilities, requires a minimum of 12 to 24 months before those facilities are filled. Just because you build them, people do not go to them until they have to in most cases. If the Board moves to go forward with the proposal, she concurred that by 2030 our nation is going to be called a gerontocracy due to the fact that baby boomers will be older. There is some real potential in creating some models on the new way of directing care. If the Board moves forward, even before an RFP, she suggested that the current providers in the state continue to be involved to make sure that the University moves forward in a partnership, but that is definitely down the road. She thanked Dr. Blanton for his presentation.

Mr. Hardymon asked what the general feeling is of the Board about going forward with the RFP. Mr. Wilcoxson moved approval to go forward. Ms. Smith Edge seconded the motion, and it carried without dissent. Dr. Moore mentioned that he and Michael Kennedy met last week with the Emeriti faculty, and they are very supportive of this. Ms. Sparks asked if it would be open to former Trustees approaching their twilight years. Dr. Blanton said the facilities in Florida and Alabama have not restricted theirs to those who have an affiliation with the university. They have opened it up to whomever. First priority goes to university affiliated folks, and former Trustees would be very high on his list. Mr. Hardymon called for a vote, and it carried without dissent.

K. Consent Agenda

Mr. Hardymon said that as he noticed the items on the agenda he is reminded that he needs a motion, a second, and approval for the consent items which he neglected to do when he talked about the Minutes. He asked for a motion for all the consent items. Ms. Smith Edge moved approval, and Mr. Reed seconded her motion. The motion carried without dissent. The items on the consent agenda follow:

- Minutes – June 22, 2004
- Minutes of Retreat – August 29-30, 2004
- PR 2 Personnel Actions
- AACR 1 Candidates for Degrees – University System
- AACR 2 Candidates for Degrees – Community College System
- FCR 1 Estate of Bernard R. Crouch
- FCR 2 Lexmark International, Inc. Pledge
- FCR 3 Kentucky Spinal Cord and Head Injury Research Trust Gift
- FCR 4 Kentucky Medical Services Foundation Gift
- FCR 5 Gifts to UK Center for Research on Violence against Women
- FCR 6 Gifts and Pledges to the Earl Plat Slone Endowed Professorship in Pharmacy
- FCR 7 Gifts to Kevin Heidrich/Team 7 Endowment for ALS Patient Services
- FCR 8 Markey Cancer Center Foundation Gift
- FCR 9 Renaming Cardiology Associates Endowed Scholarship
- FCR 10 Renaming Four Gill Endowments
- FCR 11 Report of Lease

President Todd said that the Committee on Naming Buildings had met, and he had been informed that the Committee approved changing the name of the Lexel Building at Coldstream that the Board authorized the University to purchase at the last meeting to the Coldstream Center. That will be the location of John Parks' office. That building will give the University a place to call home as we focus on that strategy.

L. Proposed Amendment to the Administrative Regulations (PR 3)

President Todd said that PR 3 recommends that the Board approve the amendment which modifies the University's regulations so that employees can obtain loans or take hardship withdrawals from their retirement accounts based on the rules established by the IRS and the retirement carrier. Presently, people have to quit work and leave the University in order to withdraw from their retirement. This will be a nice thing for the faculty and staff. Mr. Williams moved approval. Dr. Moore seconded the motion, and it carried without dissent. (See PR 3 at the end of the Minutes.)

M. Memorandum of Agreement between the University of Kentucky and Kentucky Community and Technical College System (PR 4)

President Todd said that PR 4 is a Memorandum of Agreement between the University of Kentucky and the Kentucky Community and Technical College System (KCTCS). He reminded the Board of their approval of the agreement between UK and KCTCS relating to the Trust Indenture Covenants of the UK Consolidated Educational Building Revenue Bonds in accordance with provisions of House Joint Resolution 214. This Memorandum of Agreement is something that is in place, and the Board needs to codify this by having a motion and a vote on the recommendation. Ms. Sparks moved approval. Ms. Wickliffe seconded the motion, and it carried without dissent. (See PR 4 at the end of the Minutes.)

President Todd said that he would like to announce that Barbara Jones has accepted the offer as General Counsel of the University of Kentucky. She is the first female General Counsel the institution has had. He congratulated Ms. Jones on her promotion. Ms. Jones received a round of applause.

Mr. Hardymon said there were a number of committee reports including the annual discussions about some of the affiliated corporations. He called on Ms. Sparks to give the Academic Affairs Committee report.

N. Change of Organizational Structure of the Tracy Farmer Center for the Environment (AACR 3)

Ms. Sparks said that AACR 1 and 2 appeared on the consent calendar. She continued with AACR 3 which is the Change of the Organizational Structure of the Tracy Farmer Center for the Environment. She pointed out that the background information was in the action item, and therefore she would not go into any great detail. She did say that the Center was created as a result of the \$2 million gift from Carol and Tracy Farmer, and they approve this change. With the reorganization of the University and the College of Agriculture's increasing emphasis on

natural resource and environmental issues, the Center can be strengthened by being administratively reassigned. The Provost supports the recommendation. The Committee voted to approval. She moved approval of AACR 3. Ms. Ball seconded the motion, and it carried without dissent. (See AACR 3 at the end of the Minutes.)

O. Change of Organizational Structure of the Graduate Center for Toxicology (AACR 4)

Ms. Sparks said that AACR 4 is a Change in the Organizational Structure of the Graduate Center for Toxicology. The Board is asked to approve the transfer of administrative oversight for the Graduate Center from the Dean of the Graduate School to the Dean of the College of Medicine, effective September 1. Because of the closely aligned research missions and research of the faculty in the Center and College of Medicine, both can be strengthened by the administrative reassignment of the Center.

The proposal has been reviewed and recommended by the Senate Committee on Academic Organization and Structure and the Senate Council and has been recommended for approval by the University Senate. The Provost supports this recommendation, and the Committee moves approval of AACR 4. Judge Patton seconded the motion, and it carried without dissent. (See AACR 4 at the end of the Minutes.)

P. Robinson Forest Timber Management (AACR 5)

Ms. Sparks said that AACR 5 is a very interesting recommendation. The Committee heard a great presentation by Dean Smith, and for fear of losing very important details in the translation, the Committee asked Dean Smith to repeat his presentation for the full Board and everyone present.

Dean Smith provided handouts to those who were not at the Finance Committee meeting. He recognized faculty members, Chris Barton and Dr. Jeff Springer, in the audience who were there to answer difficult questions. He gave the following report on Robinson Forest:

The proposed action related to Robinson Forest includes three components:

- Endorsement of an updated management plan for the Forest
- Approval of a major research project that will result in the harvest of trees from a fraction of the Forest
- Establishment of a formula for allocation of income generated from timber harvest in Robinson Forest.

The 2004 Sustainable Management Plan for Robinson Forest designates four categories of land use and identifies those tracts of the main block of the Forest in each category. The categories are: intensive hydrology research, non-destructive uses, entrance corridor, and general use. The Plan allows for timber harvest as driven by research and education activities at the Forest. General use areas are accessible for “green” rotational harvest in an environmentally friendly manner. The Plan also specifies processes for recommendation and approval of timber operations.

The Streamside Management Zone Proposal is a major research initiative to be undertaken at Robinson Forest. This offers a unique opportunity to validate the ecological and environmental impact of recommended timber management practices. The research would result in the harvest of approximately 1,000 acres of the main block. The project comes with endorsements from a diverse group of stakeholders.

It is proposed that income from timber harvest be divided as follows:

Based on net, after direct costs of harvest:

First \$250,000 in any year

- 50 percent Robinson Scholars
- 50 percent Robinson Forest

Over \$250,000

- 60 percent Robinson Scholars
- 40 percent Robinson Forest

Dean Smith said that he and his colleagues would be pleased to answer any questions.

Ms. Sparks thanked Dean Smith for his report. She said that the Committee heard even more at their meeting, but the one point that the Dean made several times is that this is for research and education. The Committee was very impressed with the report. The Committee unanimously moves for approval of AACR 4. Mr. Branscum seconded the motion, and it carried without dissent. (See AACR 4 at the end of the Minutes.)

Q. Comment about Faculty Departure

Ms. Sparks said that the Academic Affairs Committee has long been bothered by faculty departures, and Dr. Connie Ray has started doing some research for the Committee on the subject. The first research project is called 'The First Look' since there will be several others. She announced that she had some copies of it if any of the members would like a copy of it. It is something that the Committee is very attuned to, and it hopes some solution will come out of this research. The departures this year have received a lot of press, but they are not greater than in years past. In fact, it is less at this point in time. It is below what it was last year. She said that she thought that was interesting, and the Committee will continue to pursue that subject in future Academic Affairs Committees.

Mr. Hardymon reported that there was a meeting of the Audit Subcommittee of the Finance Committee that morning, of which there are two meetings a year. There was also a Finance Committee meeting. There were 17 of the 20 Board members present, and the press was there. The Finance Committee report should not be as long as usual, but obviously there are some items that have to be approved by the Board. He asked Ms. Wickliffe to give the report.

R. Audit Subcommittee Report

Ms. Wickliffe reported that the Audit Subcommittee met that morning. The Subcommittee is made up of Mr. Hardymon, Ms. Sparks, and herself. They touched on several

different items. Numerous Trustees attended the Audit Subcommittee meeting and the Finance Committee meeting. The Subcommittee reviewed and approved the Audit Subcommittee charter. This was a first for the Audit Subcommittee. They spent some time with the internal auditor, Mr. Joe Reed. He went through what they intend to do. He made a presentation to them which showed the depth of what the upcoming internal audit will be for the University: their timetable, what they intend to do, and what emphasis they put on it. It looks like it is going to be a very strong internal audit program. This was something that President Todd was very interested in when he first came to office, and it is now coming to pass.

Mr. Hardymon said that they also had the outside auditors' report on the University's financials, and the University got a very clean report.

S. Finance Committee Report

Ms. Wickliffe, Vice Chair of the Finance Committee, reported that the Finance Committee met and considered 11 items that were on the consent agenda which has already been approved. There were two consent items that she brought to the Board's attention, FCR 2 and FCR 8. FCR 2 is the Lexmark gift and pledge of \$500,000 toward the Administration Building. She pointed out that those funds will not be matched by the state's RCTF. She said that FCR 8 is the Markey Center Cancer Foundation gift of \$1 million. This was a gift of \$250,000 and a pledge of \$750,000 from the Markey Cancer Center Foundation to endow the William Stamps Farish Fund Chair in Cancer Research. The total for gifts and pledges is \$2, 431,328.03. Out of that amount, \$1,371,000.61 will be matched by the RCTF.

T. Acceptance of Audit Report and the Report on Compliance and on Internal Control for the University of Kentucky for 2003-04 (FCR 12)

Ms. Wickliffe said that FCR 12 is the acceptance of the audit report and the report of the compliance and internal control for the University. She asked the members to turn to page 10 of the document and called their attention to paragraph 3, which is the opinion. It states that it is clean, it is unqualified, and there were no exceptions. That is the best that can be given to any report. The Committee was delighted with the report. She said that Mr. Marc Mathews met with the Committee and gave a very detailed report. The University auditors from Deloitte & Touche were also there and gave a very detailed report.

Ms. Wickliffe reported that total assets at the end of the fiscal year were \$1.7 billion. This was the net asset amount. Net assets increased over \$100 million; however, unrestricted general funds were reduced by \$4.8 million. That is something that we want to watch.

Audit Subcommittee members met privately with the auditors. Many questions were asked. The members were assured that everything about the University is in good shape, and that the management cooperated completely. The auditors were very pleased with the internal audit program that is being adopted by the University. There were very few minor adjustments to be made to the statement, and all in all it is a very good report. She said the Finance Committee is very pleased to present the audit to the Board. On behalf of the Committee, she moved that FCR 12 be accepted.

Mr. Hardymon agreed that it was a good report. He said that they had meetings with both the internal auditor and the outside auditors individually. The tone at the top is right, and that is what the Committee got from them.

Professor Kennedy seconded Ms. Wickliffe's motion, and it carried without dissent. (See FCR 12 at the end of the Minutes.)

U. Patent Assignment Report (FCR 13)

Ms. Wickliffe said that FCR 13 covers Patent Assignments. Most all of the Board members were present at the Finance Committee meeting and received a layman's explanation of the patents. She said that she would be pleased to present Mr. Reed and Mr. Miles with a copy of that information so they would have the same information that others have.

There were 14 patents submitted to the Committee. Dr. Baldwin brought patent number 5 to the Committee's attention as being very exciting. During the last fiscal year, 35 were presented. There were 28 issued, and patent income was \$762,530. For the period of July 1, 2004 through August 31, 2004, 3 patents were applied for, 2 have been issued, and patent income was \$78,780. On behalf of the Finance Committee, she moved the acceptance of the patent report. Her motion was seconded by Ms. Sparks and carried without dissent. (See FCR 13 at the end of the Minutes.)

V. Quarterly Capital Construction Report (FCR 14)

Ms. Wickliffe said that FCR 14 is a Quarterly Capital Construction Report. There were three new contracts from April 1 through June 30, 2004. One was the design patient bed tower which Dr. Karpf will give more details about in a future presentation about the first of the year. There was one contract completed, and there were no amendments this quarter. On behalf of the Finance Committee, she moved the acceptance of FCR 14.

Mr. Hardymon said that this is a quarterly report for the Board's information and also for their approval, particularly the change orders. He called for a second to Ms. Wickliffe's motion. Mr. Branscum seconded the motion, and it carried without dissent. (See FCR 14 at the end of the Minutes.)

W. 2004-05 Budget Revisions (FCR 15)

Ms. Wickliffe said that FCR 15 presents the 2004-05 Budget Revisions. The net decrease is \$8.2 million. This represents the removal of federal funds for Lexington Community College students. It is a wash, the general fund, the income, and the expenditures. This is one-half of 1 percent out of the total budget of \$1.5 billion. On behalf of the Finance Committee, she moved the acceptance of FCR 15. Ms. Smith Edge seconded her motion, and it carried without dissent. (See FCR 15 at the end of the Minutes.)

X. Renovate and Expand the Boone Faculty Center (FCR 16) -- Withdrawn from Agenda

Ms. Wickliffe reported that FCR 16 had been deferred until a future meeting, and she had nothing further to report on that.

Y. Renovate IRIS Project Facility (FCR 17)

Ms. Wickliffe said that FCR 17 is to renovate the IRIS project facility. The recommendation is that the Board approve the renovation and expansion of the Integrated Resource Information Systems, better known as IRIS, located at 630 South Broadway. The project scope is \$1,520,727. It will be funded using investment income generated from private gifts. She moved the acceptance of FCR 17. Ms. Haney seconded the motion, and it carried without dissent. (See FCR 17 at the end of the Minutes.)

Z. Replacement of the Court Lighting System at Memorial Coliseum and Intercollegiate Athletics Quasi-Endowment Withdrawal (FCR 18)

Ms. Wickliffe said that FCR 18 covers the replacement of the court lighting system at Memorial Coliseum and an Intercollegiate Athletics Quasi-Endowment withdrawal. This would be a \$600,000 transfer from the Intercollegiate Athletics Quasi-Endowment to fund this project. The Committee was told by Mr. Mobley that the lighting system is at least 53 years old, and it needs to be updated. On behalf of the Finance Committee, she moved the adoption of FCR 18. Ms. Sparks seconded the motion, and it carried without dissent. (See FCR 18 at the end of the Minutes.)

AA. Electronic Access Rural Demonstration Project – Phase I (FCR 19)

Ms. Wickliffe said that FCR 19 is the Electronic Access Rural Demonstration Project. This is phase I of the project. This recommendation is that the Board of Trustees approve development and installation of an electronic access rural demonstration project for the College of Law with \$1,989,500 of federal funds. In the body of the paragraph on the background, it states that Phase I will establish two sites in rural courthouse locations and complete the necessary renovations and infrastructure modifications in the College of Law facilities. On behalf of the Finance Committee, she moved the adoption of FCR 19. Ms. May seconded the motion, and it carried without dissent. (See FCR 19 at the end of the Minutes.)

BB. Authorization to Convey Property at Ashland Community College to the Kentucky Community and Technical College System (FCR 20) and Authorization to Convey a 53.18 Acre Tract of Land in Perry County to the Hazard Independent College Foundation (FCR 21)

Ms. Wickliffe said that FCR 20 and 21 are items that without any objection would be taken together. They authorized conveyance of property at Ashland Community College to the Kentucky Community and Technical College System. FCR 20 transfers property at 1903 and 1907 Oakview Road, a total of 2.57 acres in Ashland, Boyd County, to the Commonwealth of

Kentucky for the use and benefit of the KCTCS. FCR 21 conveys 53.18 acres of land in Perry County to the Hazard Independent College Foundation. On behalf of the Finance Committee, she moved the adoption of FCR 20 and 21. Ms. Smith Edge seconded the motion, and it carried without dissent. (See FCR 20 and 21 at the end of the Minutes.)

Mr. Hardymon thanked Ms. Wickliffe for the very good report. To the members of the staff that were there, he informed them that the Board discussed at the retreat the possibility that it is spending too much time on items that have already had a lot of time in the Finance Committee meeting. The Finance Committee, excluding the outgoing chairman, is doing very well. The Committee is drawing a good crowd because most of the controversial items as well as the creative items will probably come to that Committee, not that there are not certain things going on in some of the other committees, particularly the Academic Affairs Committee that Ms. Sparks chairs. He asked Mr. Butler, Mr. Clay Owen, Ms. Angie Martin, and Ms. Jones to see if they could find some way to cover those items in the Finance Committee meeting and have final approval in the Committee meeting. The Board members would have them in their packet, and they would be brought to the Board meeting approved. Any Board member who could not attend the Finance Committee meeting could certainly bring up a question at that point because they will have them in their packet. It does not look too good when you do too many consent items. He asked the administration to give him some help in that area.

Mr. Hardymon said that he likes the idea of receiving material about topics ahead of time. The Board gets a lot of paper, and the better prepared the Board can be, the better Trustees they will be. If some of the reports can be sent to the Board ahead of time, then the Board can read them and space their time instead of rushing through them the last two or three days before the meeting. He said that he understands that getting Board materials ready is always a bottleneck. It is like shipments at the end of the month. He knows that not 100 percent can be done on that situation, but anything to help the Board would be appreciated.

CC. Investment Committee Report

Mr. Billy Wilcoxson, Chair of the Investment Committee, said that the Committee met that morning. He reported that the endowment investments had a market value on June 30, 2004 of \$503.8 million. This represents an increase of \$79.2 million over the June 30, 2003 market value, which was \$424.6 million. He provided the following information regarding the increase:

Research Challenge Trust Funds	\$ 1.9 million
Donor gifts and other additions	\$ 30.1 million
Investment income	\$ 7.0 million
Market gain on investments	<u>\$ 67.3 million</u>
	\$106.3 million
Distributions for spending	\$ 27.1 million
	\$ 79.2 million net

For the fiscal year ending June 30, 2004 there was an endowment investment return of 17.5 percent compared to the blended market index return of 16.3 percent and the endowment foundation index return of 15.9 percent. This outperformance over the blended market index of

120 basis points was due to strong performance by U.S. Equity and Fixed Income Managers and an overweight in allocation to equity investments during that year. The outperformance over the endowment foundation index of 160 basis points was due to the same factors plus a higher policy allocation to equities.

He reported that the Investment Committee had hired State Street Global Advisors as a Wilshire 5000 Index Manager, and they will manage 25 percent of the total portfolio in the indexed strategy. The Committee also hired Wellington, who is currently the small cap manager, to manage a new global equity portfolio.

Mr. Wilcoxson announced that there would be a special meeting on September 30th and invited Board members to attend. The Committee will have a discussion about an allocation of dollars to one or more real estate management firms and will interview the real estate finalists in the special meeting on September 30th.

He said that the new Committee members would be indoctrinated once appointments have been made for 2004-05, and he welcomed other Board members to attend and learn more about the Endowment.

Mr. Wilcoxson said that the Committee is pleased with what is happening with the Endowment, and said that it would continue to be innovative. He said that he would be pleased to answer any questions.

Mr. Hardymon thanked Mr. Wilcoxson for his report and asked if any Board members had any questions. He then called upon Ms. Young for the NCAA Self-Study Update.

DD. NCAA Self-Study Update

Barbara Young said that President Todd had asked her to give an update on the NCAA Self-Study committee. She reported that the steering committee had been meeting since December 2003, and Dr. Connie Ray is the chair of the steering committee. It is a broad-based committee with members within the Athletics Department as well as outside of athletics.

There are three subcommittees (Governance and Rules Compliance, Academic Integrity, and Equity and Student-Athlete Welfare). The Committees have been working hard since last December and have met every month for at least two hours. She noted that they had one all-day session and two half-day sessions, and the NCAA has an unbelievable number of very particular questions. The last time a self-study was done was in 1997, and there has been a complete change of leadership since that time.

The process has been interesting. It has involved focus groups with student-athletes, coaches, and staff as well as interviews, electronic (e-mail) surveys with all athletes, and more during the information-gathering phase.

Each of the subcommittees has prepared preliminary drafts of their reports, and the steering committee has reviewed these drafts point by point. Additions and revisions to these

drafts will be examined by the steering committee at its next meeting, in October. Also in October, the campus community and the public will get a chance to see the final draft online and offer input and feedback during the improvement planning phase of the self-study.

The final report is scheduled for completion during November, with a presentation to the Board of Trustees at the December meeting. The report will be submitted to the NCAA on December 15th, the day after the Board meeting. The NCAA then reviews it, and UK should get an initial feedback sometime early in 2005. The peer review team will visit sometime in April.

She reported that it has been a monumental task for Dr. Ray, and Dr. Ray fills in everywhere because she is a “data woman.”

EE. Annual Reports of University Boards and Affiliated Corporations

Mr. Hardymon said that there were six annual reports of the University boards and affiliated corporations. He asked Ms. Sparks to give the Athletic Association Board of Directors report.

Athletic Association Board of Directors Report

Ms. Sparks said that she had the privilege of representing the Board of Trustees, along with Chairman Hardymon, the past year. She reported that a lot of innovative measures had taken place with the Athletics Department. Those innovative measures started with a new concessions contract with Sodexo which is a five-year contract. Sodexo is investing \$1.2 million in the new multi-purpose room and also \$350,000 in concession stand upgrades for the stadium.

She said that Ms. Young had already reported on the NCAA self-study, which is always very interesting, and noted the following:

Athletics has committed \$1 million a year for up to 10 years to the University’s general scholarship fund.

The Athletic Board was reorganized to include the following committees: Finance, Student-Athlete Welfare, and Long-Range Planning.

Tubby’s Clubhouse project was initiated; it is a contribution of computers from Tubby’s Foundation to teach children at risk to work extensively with computers. The program is run out of five community centers in Lexington.

The Women’s basketball games broke all records in attendance. There were over 73,000 excited fans who attended the games this past season.

UK had 53 student-athletes named to the SEC All Academic Honor Roll, the most of any school in the SEC. Bob Bradley, who heads the academic area, is to be thanked for that achievement.

Athletics added \$100,000 additionally to their budget for extra tutors. The men achieved an overall 2.79 GPA, and the women achieved a 2.91 GPA. The goal is to get a 3.0 GPA for all sports.

Ms. Sparks reported on the new events initiated last year by Athletics Director Mitch Barnhart and said that those events were successfully repeated this year. She mentioned some of the events, which included the CATSPY Awards held in April, where students and coaches are given awards at a black-tie event; the 50-yard line dinner usually held in August; and the Big Blue Caravan that travels throughout the state. She noted that the Big Blue Caravan has a community service project. During their visit to Northern Kentucky this year, they went to the Redwood Rehabilitation Center for Adults and Children, and it was a wonderful community service. She said that the people are overjoyed to have those buses arrive with Coach Tubby Smith and the other coaches. The Caravan generates some very positive publicity for the University.

Ms. Sparks also mentioned the Blueprint Publication which is sent out quarterly and the Big Blue Barn project.

She complimented Mr. Barnhart and recognized Rob Mullens, Executive Associate Athletics Director, who was in the audience. She said that she would not report on the Athletics Department financial area because the Board had been informed about that throughout the year. She said that Mr. Mullens would be pleased to answer any questions about the financial area. She said, in her opinion, the Athletics Department is in very good shape, and she is very proud to be associated with them.

Alumni Association Report

Ms. Smith Edge said that her report is on behalf of her fellow alumni trustees, Ann Haney and Myra Tobin. She said that she was pleased to give the Board a brief summary of what its Alumni Association is doing to provide and cultivate University support.

The Alumni Association provides \$60,000 in funding to 16 academic colleges for their alumni affairs program. There is over \$80,000 of support for the 25 associations and 45 alumni club student scholarships. They have joined with the organization of UKAN, the UK Advocates Network.

UK Alumni Association members give back to the University more than just time; they also give money. In Fiscal Year 2003-04 a higher percent of Alumni Association members donated more money to the University than other alums that were not members.

Ms. Smith Edge reported that the Association delivered nearly \$1.5 million contacts to the individual alums on behalf of not only the Association but the President and the University in respective colleges. It is another unit carrying the message of the Strategic Plan and the message of Dream, Challenge, and Succeed to many avenues of print media as well as its web site which continues to be enhanced. It is one that is growing and one that people definitely use.

She said that they were very pleased that the *Kentucky Alumni* magazine continues to be a wonderful venue. The fall edition is sent to all alumni of the University whether they are members or not. There are currently 63 alumni clubs across the country. The Alumni Association supports athletics, but it also has a mission for academics. It sponsored 23 student recruitment send-off parties for entering freshmen and has represented the University at over 100 high school college fairs with the Office of Admissions and Registrar.

The Association continues to initiate student initiatives like Senior Salute where seniors come to the Alumni House and take care of all of their graduation needs from their yearbook picture to invitations to cap and gown. The Association started the legacy tuition program and the class ring ceremony, and it gives over \$10,000 a year to the Office of Student Affairs to sponsor welcome week activities.

She said that not only is the Association a “fun”-raiser, but it also provides career counseling through the Jane Morris endowment fund and Office of the UK Career Center. The Association sponsored over 840 career counseling sessions and continues with the exciting program called the Great Teacher Award Program. This program includes a luncheon every year in February for outstanding teachers and faculty members of the University.

She reported that every five years the Alumni Association sponsors the Hall of Distinguished Alumni ceremony. The next ceremony is scheduled for May 13, 2005, and 19 new members will be inducted, including some that are in the Board room.

The Association now has a 3 percent increase in memberships, and they are really excited about the increase in student membership. They now have 1,254 new students and 20 percent of the fall class of entering freshmen as student members. If the Association gets the students when they are young, they will definitely keep them as alumni members, and Ms. Watts will probably agree with that.

The Alumni Association is about building and cultivating a lifelong productive relationship among alumni and for the University of Kentucky. She said that she wanted to publicly thank Liz Demoran who helped prepare the report. She said that the Association is under the able leadership of Stan Key, Director, and the current president of the Association is Ann Haney.

Mr. Hardymon commented about the previous Hall of Distinguished Alumni ceremony. He said that he was fortunate enough to be there the last time, and it was quite an event. The recipients of the award made tremendous presentations. There were mixed emotions with many people laughing and crying.

University of Kentucky Business Partnership Foundation

Ms. Wilson said that it had been her privilege to serve as a Trustee member of the Business Partnership Foundation. She serves on the Board with Chairman Hardymon and Vice Chairman Wickliffe. She reported that the Foundation meets twice a year, once in the spring and

once in the fall. She thanked Dean Sudharshan and his staff for all that they do to help make the program go well.

She said that the Board was informed about a student team that went to the Southwest Business Plan competition with a business plan for Indigo, which is a fast-food Indian cuisine restaurant chain they hope to launch someday. The team is represented by UK students in the College of Engineering, the College of Agriculture, and the Gatton College of Business and Economics. She said that this group is a perfect example of how coupling resources and bringing together different areas of expertise can strengthen a team. She reported that this was the first time a UK team had participated in a national business plan competition, and they brought home a cash award. The team competed with students from Harvard, Duke, Texas, and MIT.

The Board members were also told about MBA program achievements and the program's six features:

- 40 Week, Lock Step Program which includes lecture discussion/hands-on lab activity
- Boot camp that includes accounting, statistics, math, and leadership
- Business Foundations that include Marketing, Finance, Management, Information Technology, and Economics.
- Multidisciplinary Exemplar Processes
- Advanced Disciplinary Bundle
- Culminating Experience.

The Board was informed about Greek and Chinese international programs that the College has been involved with as well as an Indonesia (sandwich) program. They were also told about the MBA initiatives. Their activities have tripled, and they include such things as orientation at supper clubs, the B & E Ambassador Program, and the opening of the MBA Center.

Dr. Todd was present at the meetings, and he expressed his pleasure with the direction that Dean Sudharshan has taken with the Gatton College of Business and Economics. He said that he loved the level of activity, expertise, energy, and imagination that is shown in the program right now. He expressed appreciation for the program, and said that he is hoping that the differential tuition will help the program in the future.

The Board received an overview of positive occurrences with the University as a whole and was told about the business plan to be developed toward the Top 20 approach. Ms. Wilson said that she appreciated the opportunity to get to serve with the Business Partnership Foundation group.

The FUND Report

Mr. Reed said that a one-page sheet had been distributed to the Board and that sheet describes what the FUND is and what the FUND did at its annual meeting on June 3rd. He asked the Board members to read the report at their convenience.

The University of Kentucky Research Foundation

Ms. May said that it is probably important for the new members to understand why the Board is going through all of these reports. When she and several other Board members started on the Board shortly after President Todd took office, they realized that there were many corporations and organizations that were somehow connected with the University for which the Board had a certain responsibility. A Task Force was put together to identify all those corporations and organizations see where they fit within the organizational structure and find out what the liabilities and responsibilities were. Ms. Young served on that Task Force and several other people did as well. That is what has generated these reports so that once a year everybody on the Board has some understanding of the activities of the affiliated corporations and boards to which the University of Kentucky name is attached.

She said that she and Judge Patton are serving currently on the University of Kentucky Research Foundation Board. Judge Patton has asked that she keep the report under 30 minutes, and she will do her best.

Ms. May reported that the University of Kentucky Research Foundation is a not-for-profit independent organization that receives and expends funds to promote and implement the research for the organization. It puts out an excellent publication called *Odyssey* that the Board should be receiving. It is an amazing publication in that it informs you about all kinds of different aspects of what the faculty is doing. It is not just a thing from a patent that the Board cannot interpret or read. It is a lot broader than that.

For the Board's peace of mind, it is very important that the Research Foundation be audited, and that it has a clean opinion as well. At the annual meeting, the Board did discover that the Foundation, as well as the University, had a completely clean audit, and that everything looked fine on the financial side. More important, the Research Foundation has a separate audit, called an A133 audit. She explained that the auditors actually come in and see if all of the terms and conditions of the various grants are being followed. That is very important because if you have been outside the terms and parameters of these grants, it can bring very ugly things back to haunt the University. The Foundation received a clean opinion on the A133 audit. This should bring the Board total comfort as to how UKRF is being operated from a fiscal responsibility point of view.

Ms. May reported that the total amount of grants and contracts received last year was \$222 million. That has gone up to \$238 million this year which, in her opinion, is very impressive.

Those who have been around the table a little bit longer will remember that the President recommended through Dr. Baldwin that people be hired to help faculty prepare grants. The University has very talented, gifted faculty members that really do not want to take the necessary time to generate the nuts and bolts of a grant proposal. That is not how faculty should spend their efforts. Individuals have been hired in the different colleges to help faculty who have great ideas get them on paper and get proposals submitted. That has worked dramatically well, and the

number of proposals has gone up. That is something that the President recommended that the Board follow, and while it generated some additional cost initially, the University is having direct results of that now in that the increase in proposals is resulting in an increase in the number of funded grants. She said that last year the University had 2,200 basic grant proposals, and this year it has had 2,350. Each grant proposal obviously increases the chance to get returned dollars.

Ms. May talked about Dr. Baldwin's initiatives to go out and sell the organization. Presently, the Foundation is ranked number 10 in the nation of all universities for the number of startup companies formed per \$10 million in research spending. The University is also ranked 17th among the land grant universities in getting patents. These are amazing statistics telling us what is happening in research at the University. There are 267 active patents. Dr. Baldwin asked her to point out that the Office for Research has a web site available that provides information about technology that is available for licensing.

Ms. May said that the Board talked about helping the community as a whole. It is research dollars that directly benefit the Commonwealth. What does research in an ivory tower mean to the state as a whole? The research grants that have been brought into the University have resulted in a \$433 million contribution to Kentucky's economy, not just to the University but to the statewide economy as well, including \$142 million in personal income to citizens in the state. Additionally, the research dollars have generated 7,633 jobs in Kentucky. That is an amazing number and something that the Trustees should be very, very proud of.

A discussion among several of the Board members followed regarding the great numbers Ms. May mentioned and a way to get that information publicized. Dr. Baldwin informed the Board that the information is posted on the web site. She explained the web site process to the Board in order for them to get the most recent data that is available.

University Hospital Report

Mr. Wilcoxson said that he would address the four meetings the University Hospital Board had since the first of the year, and he would mention the highlights of the discussions of those meetings.

He reported that at the March meeting they discussed the strong financial performance through January 2004. They had a long discussion on retaining and attracting faculty. They announced the new Chief of Cardiovascular Medicine, Dr. David Moliterno. They also had a detailed discussion on the return on investment of hospital investments. They received an update on the Biological and Biomedical Research Services Building by Provost Nietzel. They were advised that grants were made available for the UK Hospital to be one of the first facilities in Kentucky to respond in case of a future incident like 9-11. The strategic planning process is under way to align dollars and programs and to hold people accountable for expected outcomes.

The Board held a retreat in March at Spindletop. Basically, the Hospital maintained a strong bottom line, strong balance sheet, and virtually no debt. Financial steps are consistent

with the AA+ fund rating. Strategic, capital, and financial planning were reviewed. Dr. Karpf presented organizational changes and enterprise committee structure.

The Hospital Board had another meeting in May, and the Hospital continued its strong financial performance. At that particular time, the Board addressed the 2004-05 budget and had a discussion of building relationships with private industry. They had an update on strategic planning, the Kaufman Hall Model, and the facilities master plan. The Board also received a Hospital Safety report which was positive, and data was presented regarding increased activity levels as well as improved financial performance. Board members received a College of Medicine update from Dean Jay Perman and also discussed the proposed new bed tower.

FF. Comment from Chairman Hardymon

Mr. Hardymon said that he would be sending correspondence about the committees to the Trustees and asked for some ideas of committees that they would like to serve on. He said that it does not mean there needs to be a lot of change, but he does think that it is good every year to update and do a little moving around.

GG. Comment from Professor Michael Kennedy

Professor Kennedy said that he had a statement on faculty and teaching load to distribute to the Board. He said that it would take him more than six minutes to read it aloud, and it would probably take them less than 2 minutes to read it. He asked the Board to read it and said that he planned to bring it up at the next Academic Affairs Committee meeting in October. He said it would be great if they attended that meeting.

HH. Comment from Ms. Rachel Watts

Ms. Watts announced that Ralph Nader is coming to campus on Thursday and will be in the Student Center Worsham Theater from 1 p.m. to 3 p.m. to discuss the presidential election this year and anything else he wants to talk about. It is open to students, faculty, staff, and anybody who wants to come. She said that it should be interesting.

II. Comment from Ms. Alice Sparks

Ms. Sparks reminded the Board of the Center on Aging dinner the following night and said that Mark Russell would be there.

JJ. Meeting adjourned

With no further business to come before the Board, Mr. Hardymon adjourned the meeting at 3:45 p.m.

Respectfully submitted,

Elaine Wilson
Secretary, Board of Trustees

(PR 2, 3, and 4; AACR 1, 2, 3, 4 and 5; and FCR 1, 2, 3, 4, 5, 6, 7, 8, 9,10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, and 21 which follow are official parts of the Minutes of the meeting.)