

Minutes of the Meeting of the Board of Trustees of the University of Kentucky,
Tuesday, December 13, 2005.

The Board of Trustees of the University of Kentucky met at 1:00 p.m. (Lexington time) on Tuesday, December 13, 2005, in the Board Room on the 18th Floor of Patterson Office Tower.

A. Meeting Opened

Mr. James Hardymon, Chair, called the meeting to order at 1:07 p.m. and asked Ms. Pam May, Secretary, to call the roll.

B. Roll Call

The following members of the Board of Trustees answered the call of the roll: Mira Ball, Stephen Branscum, Penny Brown, Jeff Dembo, Marianne Smith Edge, Rebecca A. Ellingsworth, Ann Haney, James Hardymon (Chair), Pamela May, Billy Joe Miles, Roy Moore, Phillip Patton, Steven Reed, Frank Shoop, Myra Leigh Tobin, JoEtta Wickliffe, Russ Williams, and Barbara Young. Absent from the meeting were: Dermontti Dawson, and Billy Wilcoxson. The university administration was represented by President Lee T. Todd, Jr., Interim Provost Scott Smith, 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.

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 1:07 p.m. and proceeded to explain that the conduct of business at the meeting would deviate from the order on the agenda. After passage of the consent items, Mr. Hardymon will call on President Todd to present FCR 11 during his president's report, although voting on acceptance of the proposal would not take place until Ms. Wickliffe gave her Finance Committee report. In addition, there would be no Investment Committee report, as there was no meeting of the group in December.

C. Consent Items

Mr. Hardymon also stated that there were some consent items on the agenda that he would handle at this time. They include the minutes of October 25, the personnel actions of PR 2, and FCR 1 through FCR 10. He called for a motion to accept the consent items. Ms. Ball so moved, and Ms. Haney seconded the motion. Comment was heard from President Todd who addressed a question about PR 2 brought to his attention by Dr. Dembo. Dr. Dembo had noticed that on the first page of PR 2, the current title of Dr. William Turner was incorrectly written. The mistake was corrected on an addendum sheet supplied to board members at the meeting. President Todd also took the opportunity to explain the reason for the change in title, stating that Vice President for University Engagement and Associate Provost for Multicultural Affairs would more accurately reflect Dr. Turner's job duties. Engagement is a very popular term used for such positions at universities due to a Kellogg

Foundation major study about the engaged university. Further, changing the word initiatives to engagement would better amplify that we are going to be a much more engaged university with the state, as well as give us better alignment with other universities. In addition, the term is more descriptive of the fact that we are now going to be engaging all of our university resources to promote diversity and diversity-related issues. Mr. Hardymon called for a vote, and the consent items passed without dissent.

The consent items follow:

Minutes	October 25, 2005
PR 2	Personnel Actions
FCR 1	Anonymous Gift and Pledge
FCR 2	William F. Beaven Pledge
FCR 3	James R. Boyd Gift and Pledge
FCR 4	Leo P. Branstetter Estate Gift
FCR 5	Iola W. Harding Gift and Pledge
FCR 6	Sarah Scaife Foundation Gift and Pledge
FCR 7	James and Diane Stuckert Gift
FCR 8	Doris S. Bailey Trust Gift
FCR 9	Thomas W. and Janet R. Lewis Gift and Pledge
FCR 10	Kentucky Nephrology Research Trust, Inc. Gift

Mr. Hardymon then called upon President Todd for his report.

D. President's Report to the Trustees (PR 1)

President Todd first stated that the provost search process is moving forward. Terry S. King from Kansas State University and Kumble Subbaswamy from Indiana University were selected by the search committee and have made campus visits. He hopes to make a selection very soon and be able to close the process. He wanted to be sure to give an update to the Board at this time.

President Todd stated that he would give a brief overview and called attention to the following items in PR 1:

Rehabilitation Counseling Program Ranks 6th Internationally

President Todd said that he is pleased to announce an important ranking. UK's rehabilitation counseling program was ranked 6th out of 901 international institutions in research productivity. The ranking was the result of a study published in the fall 2005 issue of *Rehabilitation Counseling Bulletin*, the flagship journal in the field.

Patterson School Receives Top Ranking

The Patterson School of Diplomacy and International Commerce has been ranked 18th among universities in the United States with master's degree programs in international relations by the magazine *Foreign Policy*. UK is the only program in the South to be on the list. This ranking makes them solidly in the Top 20.

\$5 Million Grant Received to Establish National Clearinghouse

Crystal Collins-Camargo, clinical faculty of the College of Social Work, is the principal investigator on a recently awarded \$5 million, five-year grant from the U.S. Department of Health and Human Services Children's Bureau.

IHDI Receives \$5.2 Million Grant from State Division of Child Care

UK's Interdisciplinary Human Development Institute, which is very heavily involved in research, received a \$5 million grant to look at child care resources and improving the quality of early parent education programs.

Men's Chorus Garners National Attention

Our men's chorus was one of only 10 collegiate choirs chosen to perform at the educators' national conference in Salt Lake City. There were over 200 applications for those positions.

President Todd concluded his PR 1 report by urging board members to read the other parts of PR 1, which contain many other important news items and awards for UK personnel and students during the recent weeks.

E. Proposed Revisions to the Administrative Regulations (PR 3)

President Todd asked that the board turn its attention to PR 3, an administrative regulation change that was first brought to the Board on October 25 which clarifies the procedures for determining residence. As this is the second reading for the change, President Todd requested approval of the revision to AR III-1.1-4.

Mr. Hardymon called for a motion to pass PR 3, and Mr. Shoop so moved. Ms. Smith Edge seconded. The motion passed with no dissent.

F. Proposed Amendment to the Governing Regulations (PR 4)

President Todd stated that PR 4 is a proposed amendment to the UK Governing Regulations that brings into UK's operating parameters the standards of the Sarbanes Oxley Act. NACUBO has recommended that universities comply with the spirit of Sarbanes Oxley and issued an advisory and provision for this act that makes it unlawful for a public company officer or director to fraudulently influence, coerce, manipulate, or mislead an auditor in the performance of an audit. NACUBO recommends that this issue be addressed in an institution's code of conduct and code of ethics as a specific violation. Thus, the revision to the Ethical Principles and Code of Conduct presented in PR 4 is proposed to make our regulations compliant with the recommendations of NACUBO. The Audit Subcommittee agreed with this proposal, and it was recommended by Treasurer Henry Clay Owen. Dr. Todd requested passage of PR 4.

Mr. Hardymon asked for a motion, and Mr. Reed responded, seconded by Mr. Miles. Mr. Hardymon then gave Mr. Owen an opportunity to comment on PR 4. Mr. Owen

responded that the only comment he would make is that this would complete the university's compliance with all of the best practices that were recommended by NACUBO for colleges and universities as they relate to the provisions of Sarbanes Oxley. With the implementation of PR 4, UK should be in full compliance with all the best practices.

James Hardymon called for a vote on PR 4, and it passed without dissent.

Dr. Todd stated that he wanted to give an update on some diversity actions that have occurred since the Board of Trustees meeting in October. In the area of student recruiting and enrollment management, UK has under way a full analysis and an external review of its recruitment efforts. External consultants will present a professional market analysis for helping us with our recruiting process. We want to analyze the quality and the quantity of the scholarships that we offer. UK has the lowest relative percentage of our education dollars in general budgets for scholarships, and we need to look not only at increasing that but also at how to target the provision of a diverse and competent student body. A comprehensive analysis of student success will be conducted to determine what factors are important for student success, an effort to improve retention across the board. UK will try to close the gap for African American retention. Vice President for Institutional Equity Terry Allen conducted three diversity training workshops for the entire enrollment management staff. Over 200 members attended.

In the recruiting area, Dr. Todd has created a diversity enrollment team which combines Dr. William Turner's multicultural group's recruiting efforts with those of Admissions Director and Registrar Don Witt's group. Six of eight new positions have been filled. Fifty-five candidates have applied for the position of diversity enrollment coordinator, a joint position shared by the Turner and the Witt recruitment groups. A committee will select 10 from that group of applicants, and the position should be filled soon. We have increased the operating budget for student recruiting. We have also hired an additional 7 students of color to work in the Visitor's Center at UK, and the university has already felt an impact from this action because 500 students have visited the university in what is called the Come See for Yourself Program. The staff is now making personal calls as follow-up to those 500 students to see what their reaction is and to see if they have any remaining questions or anything we can help them with. We are looking at a new holistic review process that is being implemented to increase the parameters that we look at, so that we go beyond the ACT and the GPA to include such factors as leadership, special talent, and contributions to community diversity.

We have added three new admissions officers because that process is going to be time consuming. We will look at all applications, not just the African American ones. The University Senate has approved our revised admissions process and the criteria.

President Todd met on October 31 with approximately 40 members of the African American faculty. He stated that he plans to announce during the week of the Board meeting a task force on racial diversity and equity. Bill Turner will be asked to chair the task force, and he will be appointing members to that task force shortly thereafter.

One of the recommendations from the October 31 meeting was that the President disband the Commission on Diversity. President Todd met with that commission recently, and they felt strongly that they look at a wider range of diversity than just the African American situation. They want to continue meeting, and President Todd will allow them to continue. The Commission on Diversity has selected co-chairs. President Todd wants them to begin immediately looking at the diversity task force report that Dr. Deneese Jones prepared with input from many people across campus so that we can begin implementing its recommendations. President Todd has requested that Vice President Connie Ray and her office help monitor progress made in implementing the report.

On December 12, a contracting seminar was held for minorities, including blacks and women, to look at current building projects on campus. The presenters expected about 50 people to attend; 200 showed up. They went through in very great detail all of the opportunities to bid on various campus projects. Dr. Todd was pleased to report that BBSRB building statistics showed 21 percent of the work on that project went to minority firms. In student housing, 12.3 percent went to minority firms and women-owned companies. The Memorial Coliseum project under way has 7 percent minority and women firms, with a very large number of small firms involved. President Todd feels strongly that the support of small businesses and minority-owned businesses is a very important thing the university can do for the local community to promote and support diversity. He thanked Bob Wiseman and his group for their attention to the use of such businesses.

President Todd then spoke to the board about the Top 20 Business Plan that will be voted on in FCR 11.

Mr. Hardymon stated that to give the Top 20 plan the emphasis it needs, he decided to ask the president to discuss it extensively during this part of the meeting. A motion and the vote will come during the Finance Committee report later in the meeting. Board members were encouraged to ask questions or make comments either during the time the president is speaking or during the time when Ms. Wickliffe presents the FCR. He stated that the two board members who were not in attendance have already participated in a special session with the president.

President Todd began by recognizing the team of personnel who were instrumental in putting the Top 20 plan together. He asked each to stand and be recognized for their important part in the year-long process of preparation of the report. He called the names of Elizabeth Baker, Mark Denomme, Angie Martin, Connie Ray, Jolynn Noe, and Bill Swinford. He requested a round of applause for them, which was given by all in attendance. President Todd also thanked others: Scott Smith, Frank Butler, and Ernie Yanarella. He thanked everyone for the tremendous effort that they had made and for their excellent work.

President Todd continued, stating that there has been a lot of coverage on this plan, for which he is very appreciative. The process was initiated in a 1997 act by the governor and the legislature to challenge UK to become a Top 20 university. At that time, the community colleges were removed from the University of Kentucky, and UK was challenged to go forward and pursue this plan. President Todd feels that the implementation of the plan

is up to the UK Board, its faculty, and its staff. He stated that if we go to sleep one night and wake up the next morning and say that we are not going to pursue this, that will be it. It's really up to us. It is our responsibility to bring to the state and to the leaders of the state why it is vitally important for the state of Kentucky, not just this institution, to have a Top 20 institution and for us to strive to achieve that purpose.

At that point, he began a slide presentation, which he used throughout most of the remainder of his address.

FCR 11 is a financial document. It lays out in broad terms the numbers of faculty and students that would be involved in achieving Top 20 status and the financing modes needed in order to pursue this challenge. The Top 20 Business Plan will be followed by the Strategic Plan that will start up next semester. Preparation of the strategic plan will be different from last time. The strategic plan is what will actually put into place the needed operating principles to drive this plan to fruition.

President Todd is pleased with the progress that has been made at this institution over the past eight years, and he hopes the Board shares his pleasure in those achievements. There was no definition of exactly what Top 20 would be. There was no plan put in place when it was legislated in 1997. Had the legislators spelled out some of the things that they wanted UK to achieve, it is likely that UK would already have exceeded those goals. Enrollment has gone up 10 percent, although it has been held down somewhat in the past few years because of lack of budget. Graduation rates have performed extremely well, growing from 48 percent to 60 percent. A lot of work has gone into that, and there is still more work to do.

Research expenditures started at under \$125 million and are now almost \$300 million, a clear testament to the faculty and the staff of this institution. Our endowment has gone from under \$200 million to its current level of around \$556 million as of last month, even during a time of dot com failures, 9-11, and the Enron debacle. The way that UK's supporters have stepped up is extremely impressive. We have taken the number of endowed chairs from 22 to 95 and endowed professors from 45 to 210. To achieve this type of improvement was one of the principal reasons for passage of Bucks for Brains, to try to let us catch up with the number of endowed positions in our benchmark states like North Carolina and others, the states with institutions that are in the Top 20.

One of the points that must be made is: Why does it make a difference if Kentucky has a Top 20 institution? Kentuckians seem to know exactly "who we should play in basketball, how we should play, why we lost the [2005] North Carolina game. . . ." But people need help in the discovery of how they could benefit by having a Top 20 university in the state. President Todd remarked that he had written an op ed piece on this topic that appeared in the Louisville *Courier-Journal* and that will be published in the Lexington *Herald-Leader*.

Categories really spell it out, however. Median household income, population on Medicaid, below-poverty-level population, and populations with bachelor's degrees—these statistics are key in explaining the benefits of having a great educational institution.

Comparing state averages to averages of Top 20 states, the ones that have Top 20 universities, reveals that the Top 20 states are above the national average where it is good to be above it, and they are below the national average where it is good to be below it.

Kentucky on the other hand is just the opposite. Nineteen percent of its people on Medicaid, whereas the Top 20 states show 14 percent. If Kentucky could get to 14 percent, it would save \$850 million a year on Medicaid. Looking at these categories is quite convincing. After seeing this presentation last week, Mr. Hardymon pointed out that if you chose four of these categories and if the Top 20 states were good in some and not good in others, you might think there is no correlation. But the fact that in all four of these cases the Top 20 are better than the national average leads to a conclusion that it is a good thing to be a Top 20 state, and this state needs to aspire to be so.

Legislators and other leaders around the state who have seen the Top 20 plan have appreciated that there has been a strong attempt to spell out the plan using measurement. We looked at how the AAU ranks universities, at how Lombardy Center measures things, and at how *U.S. News and World Report* compiles its statistics. We talked to our deans about what we should and should not measure, and this is what it boiled down to. We put undergraduate education first. That is really the lodestar for this university. We cannot take our eyes off the undergraduate education situation. And in looking at that domain we will measure three things:

- The entering ACT/ SAT scores will tell us: Are we attracting quality students; are we building that reputation where we get the best in the country.
- Are we maintaining our student-faculty ratio? This is one thing that has gone awry in the past few years. With strong emphasis on recruiting and little money to hire and retain good faculty, our student-faculty ratio has deteriorated. Having large quantities of research dollars does not make up for a worsening student-faculty ratio.
- We also look critically at the six-year graduation rate: the state of Kentucky is severely behind in the number of baccalaureate degree holders. Bringing people in to attend UK is only part of the equation; they have to graduate.

In graduate education we measure the number of doctorates granted and the number of post-doctorate appointments to UK because these measure the quality of research programs and whether our institution is attracting post-docs to come here to work with our scientists, writers, engineers, and performers.

Faculty recognition is measured by counting the number of citations in refereed scholarly publications. We don't measure publications alone; if nobody cites a publication it probably means that it is not the kind of publication that is going to build a reputation. The more citations an institution has, the better the view by the academic community of the quality of work. Likewise, we measure faculty awards that are awarded on a national basis.

Research is also important. It is divided into federal and nonfederal categories. Winning federal research dollars means that a scholar has competed with everybody across the nation.

The statistics we will use for ranking institutions, including UK, break these measures of success into two separate departments. President Todd presented charts displaying nine measures and four domains, on which the Top 20 team did a statistical analysis comparing UK to 88 public universities chosen because they receive over \$20 million worth of federal research funds. These are research universities, and they are public. Doing an analysis for each of those yields curves.

UK is represented by the 49th position in terms of ACT scores and graduation rates. Having the chart, we know who is in front of us, and who is behind us. We know the names of all those dots. And we know what we have to work on.

In graduate education, we are 34th. When we look at faculty recognition we are 37th. We are highest in federal-nonfederal research, where UK is 35th in federal and 23rd in nonfederal amounts. The composite of these two measures is a ranking of 26.

We roll these four graphs into one, and we come out with what we call the composite rating. And as of now, we are 35th. We were 40th in 1997 when House Bill 1 was passed, so we have moved up 5 positions. The business plan shows two time lines. The line for 2012 shows our goals for overtaking the 8 dots immediately above us. The line for 2020 shows where we want to hit that curve.

Slope of the curve shows the difficulty in overtaking the next institution. The graph shows that when you start up that curve it gets a little steeper, and then that curve becomes even steeper. We can take some consolation, however, in having quantitatively stated what it takes for us to move; we can measure it every year. We will measure the numbers. Stillwater, the consulting group we used, did an excellent job of coming up with the technique for doing this measurement. They can run the numbers for us and report back to us. We can see where we stand.

To go one level deeper for each of these parameters, we have a chart showing the 6-year graduation rate. We do a gap analysis, and in 1997 we were ranked 64th with a 48 percent graduation rate. The 20th position had 68 percent. If you look at the 7-year span, the institution already in a Top 20 position moved just 4 percentage points. We have gone up 12, so we feel that we can close that gap over time.

Using the Strategic Plan, we intend to look at what to do. We have to close the gap. Choices could include to add more winter term courses, recruit better students, or to add more advising. It is our task to determine what would work best. And that is why we will be laying out operational plans using the expertise of our faculty and staff to examine that gap and see how we can close it.

Unfortunately, among our competition, nobody is sitting still. There are major states around this country that are making huge investments in research, even in the current difficult economic situation. UK has made a pretty big jump in its research dollars, about \$40 million in each of 5 years. While UK went up \$40 million, the 20th position university went up \$60 million, so that gap has even gotten wider. But again, this is a gap we can

analyze, and we can start setting some strategies about how do we go about eliminating the gap.

Most of our benchmarks are bigger than we are. Size does make a difference because when the rankings look at research volume, they don't care that Ohio State has twice the faculty UK does. They just look at the raw numbers and how much research they do.

Several drivers became apparent as we went through this plan, we have to be bigger. The Council on Postsecondary Education (CPE) projected some time ago that UK needs to produce more baccalaureate graduates, 6,200 per year. Adding additional baccalaureate students while maintaining an acceptable student-faculty ratio requires an institution to have more faculty.

This analysis first says that we have got to increase the number of faculty and then increase enrollment. It would not be fair to the faculty in this institution for us to boost the enrollment without adding faculty first. This plan shows that we will not increase the size of our freshman class until 2008. But we plan to add 27 faculty members a year for the next 15 years to get the number of faculty we need to work our student-faculty ratio into where we want it to be.

To continue to improve the quality and the diversity of the undergraduate students, UK must improve the financial support it offers. It is not acceptable to sacrifice quality to achieve quantity. We propose that we are going to increase the number and the percentage of out of state students. We are going to do that in a targeted way, to go after quality. But we have to improve financial support to continue to pursue quality.

We must also increase the average instructional faculty salary to the benchmark median. The Strategic Plan we are operating under now, in one of the places we will fail on the current strategic plan, says that we want to get faculty salaries to 90 percent of the median. The Top 20 plan says that by 2012 we want to be at the median for our benchmarks. We are projecting a 5.5 percent increase for faculty over the first six years of this plan.

At the same time we have got to maintain competitive staff salaries and benefits. Keeping staff at such a level means we can retain and add to the expertise that is needed to make this dream a reality.

Growth targets for 2012 include: undergraduates would grow by 6,200, graduates by 750, and post docs by 375. For faculty, growth is to the level of 625; 125 of those would be research faculty, and 500 would be instructional faculty who would, in addition, do research. We want our research expenditures to grow to about \$768 million.

We tried to calculate a financial gap for 2012 through 2020. If we get no state fund increases over this time period and we have a flat tuition rate increase of 4 percent, in 2012 we would need \$218 million in our general fund budget to keep us on this plan.

We know that Kentucky is not a wealthy state, but we know that we can increase our annual giving. Currently, many of our scholarships come out of our general fund. If annual giving can increase scholarship endowments, or if research dollar increases are able to allow investment through overhead contributions, or if we can count on hospital and clinical services to continue producing additional revenues, that is, if by some method we can project by 2020 that contributions will furnish \$21 million to our budget to offload expenses that are presently impacting the general fund, the goal is achievable.

By internal reallocation, we are projecting \$2 million in savings a year throughout this plan. We will continue to cut costs wherever we can. We will be looking at efficiencies that we can generate in order to allow us to make our contributions. And we feel that by 2020 such savings will accumulate to about \$30 million per year that will contribute toward our growth under this plan.

It is important to tell people when we lay out this plan that UK is picking up 40 percent of its cost. If UK received \$18 million from the state (CPE has already recommended \$13.7 million for us, so this is only an additional \$4 million), this amount could be coupled with a reasonable (below 10 percent) tuition increase, then we could proceed with this plan. If, however, we get \$10 million from the state, in order to get the same amount of usable money in our budget, we would have to have a 14 percent tuition increase. The alternative is to give up some of the ambitious numbers like pay increases. This Top 20 plan represents the first time we have really shown a quantitative relationship between the state budget and tuition.

UK's starting point [referring to the chart]: we had last year in our base this amount of money, and the state gave us \$18.6 [million] additional dollars—\$5 million of that to go for specific needs and only \$13.6 million toward our operational budget. The line showing the current allocation carries over to become a new yellow bar for our base for the year 2007. What our plan calls for is \$17.7 million in the first year of the next biennium and \$18.7 million the following year. That is \$4 million more this year than the CPE request and \$5 million more during the second year, a total of \$9 million above CPE's request. This \$9 million is an important increment.

CPE's method of benchmarking does not take into consideration the economic models of the institutions that we are facing. CPE compares us, our state appropriation, and our tuition to our benchmarks' state appropriation and tuition. This methodology is used for all the universities in the state. We look fairly close to our benchmarks using these measures.

What this technique fails to take into consideration is the fact that our benchmarks, back when our endowment was around \$420 million, enjoyed average endowments of \$1.2 billion. And when our federal research money was \$100 million, their federal research measured \$250 million. The overhead from vastly more research dollars and larger endowment incomes has afforded such institutions about \$100 million a year for a long time and thus enabled them to get to where they are. One crucial point to make to CPE is that UK needs an accelerator to catch up. And that is exactly what this bar shows, that we need an accelerator.

Thus, over time, the CPE budget would have to increase about 5.8 percent and our part would be \$4 to \$5 million above that.

That is just the operating side of the budget. On the facilities side, we must look at how many more classroom square feet we would have to have, how much additional research space would be required to support an increased student body, additional professors, and more research. The plan cannot work without the addition of expenditures for infrastructure.

For this year, we are asking the legislature to furnish capital as follows:

- To fund the rest of our pharmacy/biology building, \$80 million; to provide us the rest of the authority to produce our patient care facility, \$175 million. This request is asking for permission to spend our own money.
- State money will be requested for the Gatton Building at \$40 million and the biomedical research building design, \$7.6 million.

Those are the capital amounts we are requesting. We were treated fairly well last year in the budget. The governor and the legislature enabled us to get us started on the physical plan for the pharmacy complex. They granted us authority for the student health center and half of the authority for the patient care facility. To remain on plan will require this additional expenditure.

In addition to capital, however, we need some flexibility. The requirement to add a significant number of students (the plan is to increase our freshmen class size only in 2008) requires new dorms. We need the ability to have some control over scheduling the construction of those dorms. We currently receive less than 20 percent of our base budget – our operating expenses – from the state of Kentucky. It has been my argument that if we get less than 20 percent, we should have more flexibility in bonding and more ability to make our own decisions. We will be asking for that, some way to get increased flexibility.

Additional flexibility is desirable through the lifting of certain thresholds that are in place. In the Finance Committee meeting today, the discussion included the fact that any expenditure over \$400,000 must be approved through the state. We would like to have that threshold increased because it has not been changed since the early 1990s. This threshold holds us back; we could be renovating K-Lair or the Student Center cafeteria right now, but we have to wait until the next legislative session to get approval to spend our own money for those things. Thus, we are after some flexibility. We are getting good vibes from the legislators and the administration that such requests might be granted.

This is our legislative package specifically, for capital and for legislation this time. Additional information will be available via a web page and printed publications.

It is important to understand the level of work that has gone into the Top 20 plan. It looks at UK from about every angle possible. The plan is couched in terms that legislators and business people can understand. It has been one of my concerns that universities do not speak the same language as legislators and business folks. They are used to asking for two-

year budgets and waiting to see what they get and then dealing with that. Then they wait another two years and in the meantime limp along taking what they get. Legislators, I think, say "Well, they have always survived in the past." Universities seem not to get the top swath. Perhaps legislators do not take universities as seriously as they should. But I hope that by tying our request to a cohesive plan that is long term, one that lays out all the parameters we need to fund, will help everyone to better understand our case and will help the university to receive what it needs.

President Todd closed his remarks with "I have been very pleased with the external acceptance of this on campus. As I said earlier I have spoken to nine different colleges now. I like the kind of questions I am getting. The faculty and staff will be involved in figuring out where these 625 faculty go when we hire them. There is still a lot of work to do, but I believe we have put a platform in place, Mr. Chairman, and I would like to seek approval from the Board of Trustees so that we can march forward on this plan. Thank you."

Mr. Hardymon complimented the president on his presentation and said that it represented good work. President Todd said that he was getting a lot of practice presenting it. Mr. Hardymon asked for comments from the room and called on Dr. Moore.

Dr. Moore asked the president to elaborate on phasing in the students and faculty.

President Todd stated that UK's top E&G (Education and General) priority is the business school. Getting funding for the new business school frees up a large facility in good condition with a good location on campus. Second priority is Law School, which likewise frees space upon its funding. Probably the next priority would be Chemistry/Physics. Before any of these events, completion of the pharmaceutical building makes available the pharmacy building, all of which would furnish additional faculty space. Some renovation money would be required for all of these projects.

Mr. Hardymon remarked that one of the presentations in the Finance Committee meeting explained more about immediate and approaching building projects. He asked for further questions and comments and pointed out that the motion on the Top 20 plan would come later.

He also remarked that planning and strategy and business plans are much harder than making products, and thus he compliments the president for putting together the plan. He also agreed on the university's need for flexibility, but in addition, he urged that Board members maintain their flexibility to allow needed changes in the Strategic Plan to come. This remark was based on his own experience. He urged the Board to "stay up together on this as we move on, and it will give us some tremendous guidelines as we go forward." Mr. Hardymon returned to committee reports and asked Ms. Tobin to present her report to the Academic Affairs Committee.

G. Candidates for Degrees (AACR 1)

Ms. Tobin reported that the committee met that morning with full attendance and had three action items to consider. AACR1 presented the names of candidates for degrees in December. There were 904 graduate degrees, 11 professional degrees, and 1,174 undergraduate degrees for a total of 2,089. The recommendation is that the president be authorized to confer these degrees upon these candidates subject to the successful fulfillment of their program requirements.

Mr. Hardymon accepted her motion and asked for a second, which was offered by Ms. Haney. AACR 1 passed without dissent.

H. Change in Name of the Department of Geology (AACR 2)

Ms. Tobin described the second action item as a change in the name of the Department of Geology to the Department of Earth and Environmental Sciences, effective the spring semester 2006. The committee approved the recommendation, which stated that the new name has the advantage of reflecting the more traditional geologic role of studying and understanding the earth while at the same time conveying the integral nature of its more applied environmental role. The resolution had the necessary approvals to be brought to the board, and therefore, Ms. Tobin moved approval of AACR 2.

Mr. Hardymon asked for a second, which was received from Ms. May. The motion passed without dissent.

I. Change in Name of the College of Agriculture (AACR 3)

The third action item was a change in the name of the College of Agriculture, and Ms. Tobin stated that the committee declined to bring this item to the board at this time. It has requested more information to be brought to the committee on this name change. The committee will request that and discuss it at the next Board meeting.

Mr. Hardymon suggested that the reconsideration be put on everyone's schedule for the next meeting.

Ms. Tobin continued her report by saying that she had two informational updates. The Academic Affairs Committee heard a status report from Early Childhood Education by Dr. Jennifer Grisham Grant in reference to the early childhood education program. Also, the committee heard an update on the merger of the College of Human Environmental Sciences into the College of Agriculture by Dr. Ann Vale, who is director of the School of Human Environmental Sciences. These reports were requested by the Academic Affairs Committee after the departments were relocated into the College of Education and the College of Agriculture, respectively.

Progress is being made in both areas. Ms. Tobin pointed out that the faculty-student ratio needs to be improved, and there are some continued challenges, but some very positive moves have secured research dollars and also expenditures to update some of the facilities, particularly in the early childhood education lab. The committee expects to hear from this group again in June with a more formalized report.

Mr. Hardymon asked for comments. Hearing none, he asked for the Finance Committee report from Ms. Wickliffe.

J. Gifts and Pledges (FCR 1 through 10)

Ms. Wickliffe reported that FCRs 1 through 10 were consent items. These are 10 gifts and pledges that total \$3.5 million, of which \$1.1 million is eligible to be matched through the 2002-04 endowment match program. Once these gifts and pledges are accepted, the university will have matched \$25.6 million, or 38 percent of the \$66.67 million available.

K. University of Kentucky Top 20 Business Plan (FCR 11)

Ms. Wickliffe continued by saying that FCR 11 is the University of Kentucky Top 20 business plan. She felt that the first paragraph of the plan was especially pertinent: “Let there be no doubt. The University of Kentucky intends to become a Top-20 public research university by 2012 [2020]. We will continue to work towards this goal as we have since 1997 because Kentucky’s economic success demands it, and the people of Kentucky deserve it.” Ms. Wickliffe moved the acceptance of FCR 11.

Mr. Hardymon asked for a second and stated humorously that he expected that everyone should second it. There were several seconds, but he recognized Ms. Haney and Mr. Williams. He asked for further comments or questions and recognized Mr. Reed.

Mr. Reed began by saying that it is great to be here and hear about the Top 20 Business Plan. He reflected on the progress that had been made by the university as far as educating students and fulfilling our mission, and he pointed out that he expected to be further amazed during the accomplishment of the Top 20 goal.

He praised the university for this plan and President Todd and his staff for the work that has been done on it. He cautioned that it is going to be very important for parents to understand that as the university delivers a better product and increases the value of the degree for its graduates, parents may be asked to pay more. If they understand this, he feels that parents would be willing to pay increased tuition.

Mr. Reed suggested that acceptance of our needs can be more palatable if the tradeoffs are known and understood. The legislature and the public need to understand that as we increase in value, we are contributing more ourselves, and the more the legislature gives us, the less these tuition increases have to be. It is very important that the people understand that they are not getting something for nothing. They are getting something for their increased tuition – increased value for their diploma. The more they give in tuition, the

less they have to give through the legislature and vice versa. The more they give to the legislature, the less they have to give for tuition.

Again, Mr. Reed expressed his pleasure that this dialog has started and in knowing that although sports will always be important at UK, we can simultaneously have serious discussions about the importance of education and that we know what we are going to do to get to our goal. This plan shows that we will not just wait on somebody else to give it to us.

Mr. Hardymon called on Dr. Moore next. Dr. Moore expressed his support for this plan, which he characterized as "a big step forward, a very positive step." He stated that the Senate Council had passed a resolution which was approved yesterday as the full Senate met in regular session and unanimously approved the following resolution:

Senate Council moves the following: that the University Senate go on record as urging that the Top 20 Business Plan and new Strategic Plan be reconciled, and that process occur through close interaction between the University Senate and the administration.

He urged ongoing and continuing communication and stated his belief that for the success of the Strategic Plan and this Top 20 Business Plan, a faculty buy-in and input will be very crucial to the success. He encouraged teamwork and asked if Senate Council chair Ernie Yanarella or Dr. Dembo wanted to make any comments on this resolution.

Dr. Dembo deferred to Dr. Yanarella. Dr. Yanarella said that he felt Dr. Moore had stated quite well the positive spirit that enervates this particular motion. The Senate Council has been involved on numerous occasions, and the Senate Council chair office has been involved from Day 1. He told President Todd that he was very pleased to have the opportunity to have an open-door policy with the president and to be on the Top 20 Business Plan steering committee. He and others have enjoyed the complete information that has been available to them. He felt that the underlying impetus of this proposal is saying "Let's get on with this, and let's meet that challenge."

Mr. Hardymon commented on the favorable comments and discussion and asked for a vote on FCR 11, which passed without dissent. Afterward, he commented that someone had asked if he voted on the action items. He stated that although he sometimes forgets to say Aye, he will certainly put his Aye on this one.

L. Acceptance of Interim Financial Report for the University of Kentucky for the Three Months Ended September 30, 2005 (FCR 12)

Ms. Wickliffe presented FCR 12: acceptance of the interim financial report for the three months that ended September 30, 2005. She stated that through September 30, the university has realized 31 percent of the revenue estimate and expended 26 percent of the approved budget. The revenues and expenditures are consistent with the prior fiscal year and are in accordance with the present budget. The balance sheet, as usual, is strong with assets of \$2.5 billion and liabilities of \$552 million. The fund balances of \$1.8 billion represent 75

percent equity in the total assets. Revenues (\$482.2 million) and appropriated fund balances (of \$27.1 million) have exceeded expenditures to date (of \$432.2 million) by \$77 million, creating a strong cash position in the balance sheet as of September 30.

At the end of the first three months of this budget year, financial operations are consistent with the budget plan, and the financial condition is excellent. On behalf of the finance committee, she moved the adoption of FCR 12.

Mr. Hardymon called for a second and Mr. Shoop responded. The motion passed without dissent. Mr. Hardymon remarked that it helps to have a good set of financials when you are launching a plan.

M. Authorization to Acquire Property for Bio-Medical Research Building Site (FCR 13)

Ms. Wickliffe stated that FCR 13 is the authorization to acquire property for the Bio-Medical Research Building site. By passing this FCR 13, UK will initiate condemnation proceedings for property at 128-136 Virginia Avenue, the parking lot for the Royal Lexington Apartments. The property is needed for the construction of the Bio-Medical Research Building. The Council on Postsecondary Education has recommended \$7.6 million of state General Funds for the design of this facility. University officials have attempted in good faith to purchase the property from the owner. On behalf of the Finance Committee, Ms. Wickliffe moved the adoption of FCR 13.

The motion was seconded by Ms. Tobin. Mr. Hardymon called for a vote and the motion passed without dissent.

N. 2005-06 Budget Revisions (FCR 14)

Ms. Wickliffe stated that FCR 14 is a 2005-06 budget revision. The recommended budget revisions total \$25.9 million, or 1.6 percent of the university's current general fund budget. The revisions include a \$25 million increase in budgeted fund balances. The original budget included an estimate of \$24.8 million of remaining funds from the previous year, but the fund balances as of June 30 actually came in a total of \$49.9 million. The excess funds are a result of unspent funds in each area, actual tuition revenue that exceeded the budgeted amounts, and \$8 million related to employee benefit reserves. On behalf of the Finance Committee, she moved the adoption of FCR 14. Her motion was seconded by Ms. Haney.

Mr. Hardymon thanked her for the second and called for additional questions. He recognized Dr. Dembo, who stated that one of the items on the list is the College of Dentistry fund salary supplements. Clinical practitioners who generate income have funds put into the Medical Center funds for advancement, and some of that is returned to those faculty as a salary supplement. Because that could affect his personal salary, he will abstain from voting on this item and every other time these adjustments are done in the future.

Mr. Hardymon thanked him and called for a vote on the motion, which passed without dissention, Dr. Dembo abstaining. He asked Ms. Wickliffe to present FCR 15.

O. University of Kentucky 2006-08 Capital Request Status Report (FCR 15)

On FCR 15, Ms. Wickliffe requested that Mr. Bob Wiseman give the same presentation to the full Board as he did in the Finance Committee meeting.

Mr. Wiseman stated that FCR 15 represents UK's request to the General Assembly for inclusion in the state's budget. It allows us to have authority for 541 projects, not all of which we will spend but in order to have flexibility we need, as Dr. Todd said earlier, to have them actually in the budget. His presentation would be an overview by offering a snapshot of the past five years plus the next five and show graphically what has been done.

He began his PowerPoint presentation.

The presentation highlighted various construction projects in the recent past as well as construction projects to come in the next five years. Graphics representing each building moved onto the screen separately, and Mr. Wiseman named each building as its graphic moved to a map of the campus. First to slide onto the screen was a building in the area of student services, the new North Dorm construction as well as the dormitories on the south end which were just finished this year. Blue buildings represent completed projects, the yellow is proposed or underway projects, and green graphics signify federal projects.

The Stuckert Career Center that was completed in 2000, and the Bernard Johnson Recreation Center was completed in 2003. Now under way is the design of the Student Health Facility which will open in February of 2008. In the area of classrooms, the Ralph Anderson Building was completed in 2001. The Koinonia Building that was renovated now has a second floor that is being looked at because that floor is shell space which may be used by our Music Department. The Plant Science Building opened in 2003.

The proposed projects include the College of Business and Economics building which produces the ability to renovate the existing building for another use. The new Law School building, which is proposed for the site along Scott Street, again frees the existing building for proposed use. And finally, one area we are looking at very seriously because of the Top 20 plan is the Chemistry-Physics building. Particularly in our undergraduate area, this is how we would accommodate the proposed increase in student growth.

On the research side, the Gluck Equine Research Center opened in 2003, and the BBSRB Building recently opened. The next major research project building is the Biological Pharmacy Complex for which we have received partial funding and for which the remaining \$80 million is being sought in the current budget request. The CPST Facility which is located out at Coldstream will be substantially complete the second week of January. The Bio-Medical Building which we just dealt with in the condemnation FCR is located behind BBSRB. A digital technology facility is proposed for design near the Hardymon Building.

Scott Smith has been working with the Federal government to put an agricultural research service or research station on campus behind the Plant Science building.

In the area of support services and infrastructure, we have the Hardymon Building that was completed in 2001, the Main Building in 2004 which included classrooms and a visitors center, the IRIS Building which houses our new major information system upgrade. Our central utility plant expansion along the railroad will be expanded to support the Hospital. Charts were displayed showing all the new parking renovations and expansions in all of the university's facilities along with construction of two new ones.

In the area of public service, again out at Coldstream, is the Livestock Disease Diagnostic Center right along Newtown Pike. In the area of health affairs, the Mary Lou Whitney and John Hendrickson Cancer Facility in 2002, the Wethington Allied Health Building in 2001, the Mersack Building (a building we purchased across Limestone), the Gill Heart Institute, and the major project, the health care patient care facility which will be built over the next 10 years. We are also in the process of studying the movement of the Allied Health Colleges across Limestone. This is kind of the general location for medicine, dentistry, nursing, and others in that area. That will be on the agenda over the next 5 years as we talk about this.

Finally, in Athletics the football practice fields which were completed this year, the Commonwealth Stadium locker room project that was completed last summer, and the Memorial Coliseum project that is going on behind the Coliseum.

This shows a representative sampling of a lot of construction in a lot of areas in the past as well as the upcoming five years.

Mr. Hardymon thanked him for the presentation, which he felt gave a good overall picture of changes on campus. He asked Ms. Wickliffe to continue her report.

Ms. Wickliffe expressed her appreciation for the report and further stated that the Board is to be provided a status report on the biennial capital request prior to the beginning of each budgetary session of the General Assembly. The report presented reflects the projects recommended by the Council on Postsecondary Education for authorization by the '06 General Assembly. The Council recommends state funding for three projects: One is the Pharmacy Building, Phase II; the second is the Gatton Building Complex, Phase I; the third is the design of the Bio-Medical Research Building. Out of that, the Pharmacy Building would be \$79.9 million, the Gatton Building would be \$40.4 million, and the Bio-Medical Research Building would be \$7.6 million. The Council will also recommend that the 2006 General Assembly authorize the second phase of the patient care facility, including \$150 million agency bond and \$25 million hospital reserves. On behalf of the Finance Committee, she moved the adoption of FCR 15.

Mr. Hardymon received a second from Mr. Reed. The motion passed without dissent.

P. Patent Assignment Report (FCR 16)

Ms. Wickliffe continued with FCR 16, the Patent Assignment Report. She stated that Dr. Baldwin gave a report on it that morning in the committee meeting. The number of patent applicants this fiscal year was two. The patents issued have been five, and the total income has been \$338,105.00. On behalf of the Finance Committee, she moved adoption of FCR 16. Mr. Shoop seconded the motion.

Mr. Hardymon took the vote, which was unanimously in favor of the motion.

Q. Capital Construction Report (FCR 17)

Ms. Wickliffe continued her report: FCR 17 is the Capital Construction Report. There were two contract amendments (both within the hospital project). One was the Patient Care Facility which showed a need for an additional \$6,591,154 for schematic design which was added to the existing original contract. The second was the College of Medicine Ambulatory Care Area Consulting Services - \$137,500.00. There were four change orders: one to the Law School, one to the Football Practice Field, another to the Practice Field, and to Housing. Seven new contracts were initiated: the Student Health Facility; the Patient Care Facility; expansion of the Cancer Infusion Suites; expansion of Emergency Services at the Hospital; expansion of Out-Patient Radiology; expansion and upgrade of the Livestock Disease Diagnostic Center. Five contracts were completed: the BBSRB Building; Electronic Rural Access Phase II for the College of Law; the Commonwealth Stadium Locker Rooms, the new Student Housing/Dormitory Project; and the upgrade to fume hoods in Research Building #3. On behalf of the Finance Committee, she moved the adoption of FCR 17. Ms. Ball seconded the motion.

Mr. Hardymon called for a vote on the motion; there was no dissent. He requested the report of the Student Affairs Committee.

R. Student Affairs Committee Report

Ms. Smith Edge reported that the Student Affairs Committee met that morning and was updated on the proposed changes to the Governing Regulations which will impact the administrative regulations regarding the University Appeals Board (UAB) and the Student Code of Conduct. There has been a working committee comprised of Dr. Joe Fink, chair of the UAB, along with the University Legal Counsel office, the Provost Office, and the Student Affairs Office. The goal in developing these revisions includes clarifying the relationship between SGA and the university as well as consolidating within GR XI all references to the University Appeals Board and clearly defining the relevant authority of the Rules of the University Senate and the Student Code of Conduct. The Provost has been meeting with Ms. Ellingsworth and SGA and reviewing the revisions. On January 9, Dr. Smith and Mr. Greissman will present the proposed GRs to the Senate Council. The Student Affairs Committee is scheduled to meet on January 11 to review the draft. If the Student Affairs Committee approves the draft, Ms. Smith Edge then will bring it forward to the January 24

meeting of the Board for a first reading, with approval to follow at the next Board meeting. This information is an update; no action has been taken in that regard.

The committee also heard Dr. Dorothy Edwards, director of the UK Woman's Place, who gave them an update. The Woman's Place has been in operation since January 2005. It was initially funded by a \$200,000 Department of Justice grant, and it exists to reduce violence against UK women. The Woman's Place provides advocacy services, primarily academic, to victims and survivors, and it also advises victims and survivors on how to file complaints through the university judicial system and through the courts. It has approximately 30 clients at this time.

From research that had been reported previously by the Center for Research on Violence Against Women, about 36 percent of UK students report being victims of violence, either sexual assault, assault, or stalking while attending UK. This percentage is comparable to the national norms, but it is also one that UK definitely needs to address.

Woman's Place measures the success of their first year in three ways. In observance of their basic goal, the reduction of violence against women, they have taken proactive initiatives. They have two full-time professional staff, and they are doing much in their first year on preventive and educational programming, having reached over 6,500 students. They have trained over 500 faculty and staff with intensive training about responding to violence against women, and they have worked with 30 victims.

The number one goal is to effect long-term and permanent changes in three areas which are increasing: the number of men and women and all students and faculty, including the Board of Trustees members, to commit ourselves to a safe campus through action; to increase the number of women who reach out to seek help; and finally to decrease the number of women who are victimized each year.

There are very active student groups involved, and these groups have pledged to prevent violence against women. SEEDS is one of them - Students Educating and Empowering to Develop Safety. EARDRUM is a student group with a mission to increase campus safety, and MAVERICK is Men Against Violence and Rape at UK. So even though the numbers are not necessarily exciting, the exciting part is that there is a very active program in place to examine this dramatic issue and to show in a year that some very positive measures have been undertaken to reduce the safety issues on campus.

Mr. Hardymon thanked Ms. Smith Edge for the report and expressed his appreciation that the committee is stepping up very actively. The committee is getting a lot more people at the university involved with the Board through these efforts and with respect to these very important subjects. He called for Ms. Young to give the Hospital Committee report.

S. University Hospital Committee Report

Ms. Young stated that the Hospital Board Committee met the previous afternoon. October was a strong month with an increase in volume and in net revenue. Income from

operations is up \$9.27 million from last year. Operating margin is 13.48 percent compared to the previous year-to-date margin of 9.7 percent. This turnaround in the hospital is truly remarkable. She stated that "Dr. Karpf did caution us not to expect the growth to continue at this rate."

Growth has been sustained for over a year and is key to going forward. She felt that the Hospital will keep moving forward but not probably at this rate. Another bright spot – academic medical research is 6 percent ahead of where it was in 2005 and again, this supports the proposed business plan.

A lot of growth to come is going to be driven by research dollars, and it is the biggest growth that the Hospital has had. The building project is on schedule. Work on the Hospital garage is scheduled to start in February of 2006 with completion in June of 2007. Huguelet Drive improvements should start in April of 2006 and be completed by September 2006. The design of the bed tower is getting down to exterior design and what it is going to look like. A broad-based group will be assembled in January to give input into this design feature.

The committee had a very interesting presentation from some nurses and a doctor at the Medical Center. It was a report from the Rapid Response Swat Team Approach dealing with patients moving from ICU to the floor. At this time when we are talking about financials and building projects and moving roads and building garages etc., it is easy for us to forget that the primary mission of the hospital is taking care of patients. This report brought home the fact that the hospital, as part of the strategic initiative, is not just bricks and mortar. They are really working hard at streamlining patient care and quality safety, and patient outcome is the primary goal in any of these things that are going on.

Ms. Young stated that she has talked to Chairman Hardymon, Dr. Karpf, and Ms. Wickliffe, and her feeling was that there is so much going on in the hospital that it would be advantageous for the Board to get periodic updates from Dr. Karpf – perhaps quarterly. And also, as part of the Finance Committee meeting, she feels it would be helpful to have Sergio Melgar, CFO of the Medical Center, to give a short report at all Finance Committee meetings. These measures will tighten the oversight and keep everybody in the loop about current matters. Dollar amounts are large, and she thinks it is important for everybody to have accurate knowledge. This is the way the committee will move in the future and keep everybody feeling that they are part of the process.

Mr. Hardymon thanked her for the report and urged other Board members to attend the Hospital Committee meetings if they can find the time to work it in their schedules. He asked for new business and other business.

T. Other Business

Mr. Hardymon stated that one of the Board's team is going through a tough time. Peggy Way's mother is very ill so Peggy is with her and is very concerned. She is absent today, and our prayers are with her and her family.

He mentioned that the University Staff Senate is having a holiday reception at 3:30 p.m. in the Main Building.

He also stated that there is one other item that slipped through on the board. There is a need to amend AACR 1 Candidates for Degree to include in that list the candidates and students from the Lexington Community College and concurrently the Blue Grass Community and Technical College to make the listing complete. He asked if Ms. Tobin, would amend AACR1 to include these. Ms. Tobin replied that she would.

Mr. Hardymon asked for a second to that amendment, and Ms. Wickliffe seconded. The motion passed without dissent.

Mr. Hardymon pointed out that a handout is being distributed by Mr. Williams so that everyone has the item that Ms. Tobin mentioned in her committee meeting.

U. Meeting Adjourned

Mr. Hardymon wished the Board a Good Holiday and adjourned the meeting at 2:39 p.m.

Respectfully submitted,

Pamela R. May
Secretary, Board of Trustees

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